



A PLAY ON ENTERPRISING

BHARAT



ENTERPRISE LENDING • BUSINESS LOAN • LAP • GOLD LOANS • ENTERPRISE BUSINESS LOAN
• SALARIED PERSONAL LOAN **ASSET FINANCE** • TRACTOR LOANS • COMMERCIAL VEHICLE LOANS
• CONSTRUCTION EQUIPMENT LOANS **CONSUMER FINANCE** • PERSONAL LOANS • AUTO LOANS
• TWO-WHEELER LOANS • DIGITAL LOANS • CONSUMER DURABLE LOANS • MICROFINANCE LOANS
FEES PRODUCTS • GENERAL INSURANCE • LIFE INSURANCE • HEALTH INSURANCE

ROBUST DIGITAL TECH FOR SEAMLESS SERVICE

WIDE RANGE
OF LENDING
PRODUCTS

STRONG RURAL
PRESENCE
(TIER 4 & BELOW)

1,700 BRANCH
OMNI-CHANNEL
NETWORK

19 MN+
CUSTOMERS
SERVED

We initiate coverage on HDB Financial Services (HDBFS) with BUY and Jun-26E TP of Rs900 (+22% upside), on FY27E P/B of 3.0x. Our positive view is due to 1) HDBFS being a highly diversified (geographically and product-wise), extremely granular (top 20 accounts constitute ~0.34% of AUM), and large-scale lending franchise with over 19mn customers. It has seen multiple credit cycles, Covid, and built from scratch with a bottom-up approach. 2) Its strategy of focusing on direct sourcing (~82% of FY25 disbursements), remote areas (70% branches are in tier 4 towns and beyond), and low-to-mid-income groups with limited to no credit history has been driven by the skilled top management (most have been in HDBFS for over 10Y), reflecting strong conviction and consistency. 3) With a favorable interest rate cycle amid frontloaded repo rate cuts driving NIM expansion, credit cost moderation, and the growth outlook improving, HDBFS is well positioned to improve profits/growth, to achieve 2.7%/17% RoA/RoE, respectively, by Mar-28, and deliver ~20%/27% AUM/EPS CAGR over FY25-28E.

Right ingredients, clear idea, and impressive execution

HDFC Bank's parentage provided HDBFS with the right ingredients (best price, quantum of funds (AAA rating), and strong brand visibility) to become a meaningful lender at scale. The company serves lower-to-mid income groups in remote areas with limited to no credit history, backed by the promoter and the top management's conviction in the idea, resulting in its impressive execution (a hallmark of its parent and promoter-HDFC Bank). HDFC Bank's parentage and HDBFS's stable top management helped to build a lender for the underbanked and unbanked segments, to enterprise Bharat. This led to HDBFS becoming a lender at scale with over 19mn customers spread over 1,770 branches across 31 states and union territories, with over Rs1.1trn AUM. This achievement was led by a sharp focus on profitable growth despite shocks from demonetization to GST to Covid, which greatly dented HDBFS's borrower segments. Still, HDBFS has seen consistent profits since 2009-10 and has not raised any external capital since 2017.

Improving external setting complements internal strength to drive growth and RoA

HDBFS's widespread reach, origination capabilities, and improved capital adequacy post-IPO allow it to capture the credit-demand uptick amid growth stimulation push by the regulator/government, with improving NIM amid frontloaded repo rate cuts. HDBFS's focus on the direct origination and collection model results in higher opex, which should also support relatively higher net yields. Overall, the diversified product mix and continued focus on the overlooked segments should support steady, ~20% AUM compounding to Rs1.8trn over FY25-28E. Plus, better cost of borrowings and moderated credit costs should drive the RoA to ~2.7% (mid-level of FY24 and FY25 RoA) by FY28E.

Sustained growth, improved profitability to drive re-rating; initiate at BUY

The 20% AUM CAGR and ~2.7/17% RoA/RoE, backed by the credible and stable management, will drive a gradual re-rating. We initiate coverage on HDBFS with BUY and Jun-26E TP of Rs900 (+22% upside), implying 3.0x FY27E P/B. **Key risk:** The RBI's Oct-24 draft circular demands no overlap in business between the bank and its subsidiary. If this is adopted, then HDFC Bank might have to reduce its ownership in HDBFS to under 20% within a specified duration.

Target Price – 12M	Jun-26
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	21.6

Stock Data	HDBFS IN
52-week High (Rs)	0
52-week Low (Rs)	0
Shares outstanding (mn)	0.0
Market-cap (Rs bn)	614
Market-cap (USD mn)	7,180
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	0.0
ADTV-3M (USD mn)	0.0
Free float (%)	0.0
Nifty-50	25,541.8
INR/USD	85.5

Shareholding, Jan-01

Promoters (%)	0.0
FPIs/MFs (%)	0.0/0.0

HDB Financial Services: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profits	24,608	21,760	28,781	37,700	46,404
AUM growth (%)	28.8	18.5	20.2	20.0	20.5
NII growth (%)	16.2	18.3	25.4	22.4	19.7
NIMs (%)	7.9	7.6	7.9	8.1	8.1
PPOP growth (%)	10.5	15.3	24.2	25.9	21.0
Adj. EPS (Rs)	31.0	27.3	34.7	45.4	55.9
Adj. EPS growth (%)	25.3	(11.9)	26.9	31.0	23.1
Adj. BV (INR)	173.3	198.8	255.5	301.0	356.9
Adj. BVPS growth (%)	19.9	14.7	28.5	17.8	18.6
RoA (%)	3.0	2.2	2.4	2.6	2.7
RoE (%)	19.5	14.7	15.0	16.3	17.0
P/E (x)	23.8	27.1	21.3	16.3	13.2
P/ABV (x)	4.3	3.7	2.9	2.5	2.1

Source: Company, Emkay Research

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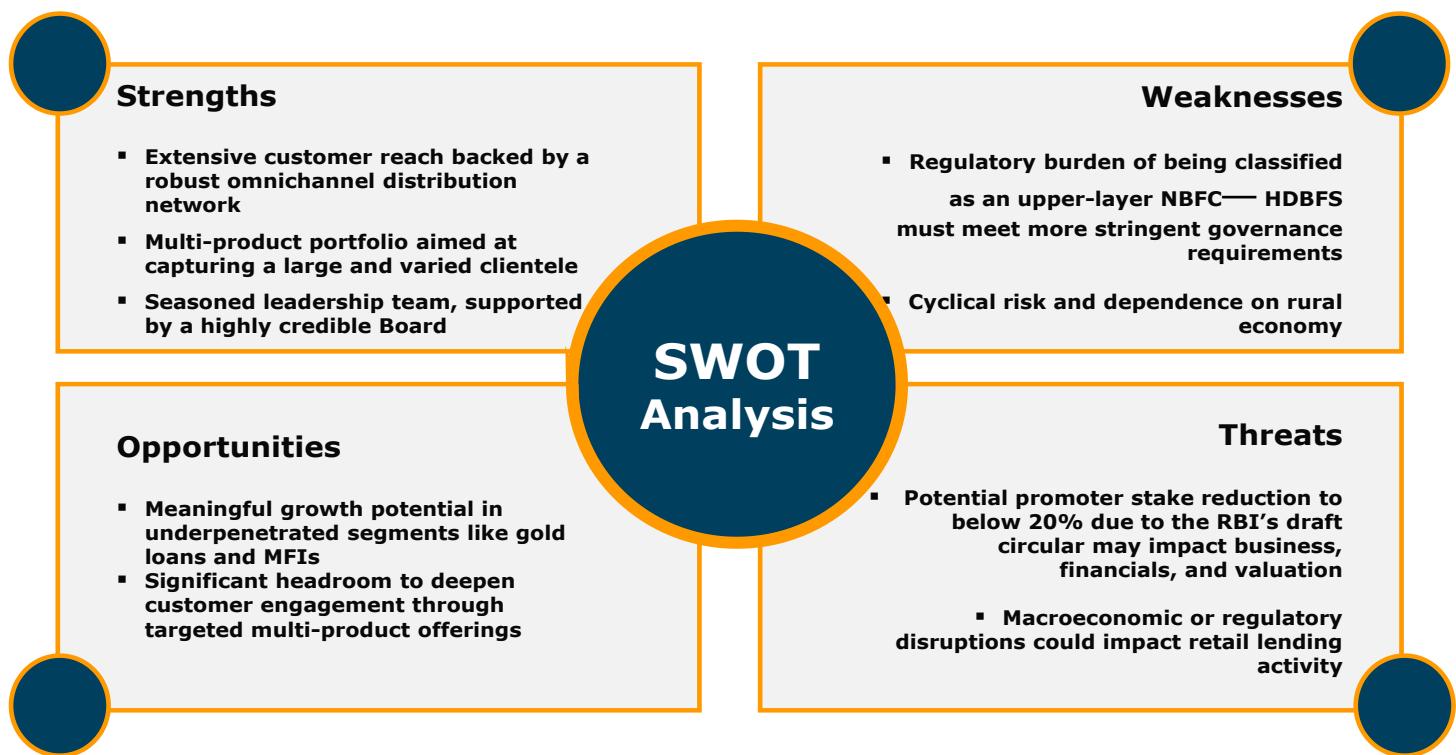
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Exhibit 1: SWOT analysis



Source: Company, Emkay Research

Exhibit 2: HDBFS' valuation matrix

			P/BV (x)			P/E (x)			RoA (%)			RoE (%)			Book Value (Rs/sh)			EPS (Rs)		
	Price	Upside	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
At CMP	740	22%	2.9	2.5	2.1	21.3	16.3	13.2	2.4	2.6	2.7	15.0	16.3	17.0	255.5	301.0	356.9	34.7	45.4	55.9
AT TP	900		3.5	3.0	2.5	25.9	19.8	16.1												

Source: Company, Emkay Research

Exhibit 3: Peer set's valuation matrix

Ticker	Rating	CMP	TP	Upside	Mkt Cap	P/BV (x)			P/E (x)			RoA (%)			RoE (%)			RoE (%)		
						(Rs)	(Rs)	(Rs bn)	FY26E	FY27E	FY28E									
CIFC	ADD	1,600	1,600	0%	1,369	4.7	3.6	2.9	24.6	19.3	15.9	2.4	2.6	2.7	20.8	21.3	20.4			
MMFS	REDUCE	267	280	5%	375	1.5	1.3	1.2	11.3	8.8	7.3	2.0	2.3	2.4	14.0	16.0	16.8			
SHFL	BUY	697	750	8%	1,329	2.0	1.8	1.6	13.2	10.9	9.3	3.2	3.4	3.5	16.5	17.5	17.9			
LTF	REDUCE	208	150	-28%	514	1.9	1.7	1.5	17.6	13.6	10.6	2.3	2.6	2.8	11.1	13.2	15.3			
PIEL	ADD	1,168	1,100	-6%	258	1.0	0.9	0.9	17.4	12.2	9.5	1.7	1.9	2.0	5.5	7.4	9.0			
ABCAP*	BUY	281	260	-7%	722	2.0	1.7	1.4	21.0	17.1	14.1	2.3	2.3	2.4	13.0	14.0	14.7			
POONAWAL	REDUCE	464	280	-40%	361	3.2	2.9	2.5	50.5	24.0	16.5	1.9	2.8	3.0	7.8	12.6	16.3			
UGRO	BUY	173	270	56%	20	0.8	0.7	0.6	9.9	7.4	5.6	2.3	2.5	2.7	8.1	10.2	12.0			
BAF	ADD	937	920	-2%	5,817	5.1	4.3	3.6	28.7	23.4	18.4	4.0	4.0	4.1	19.5	20.2	21.5			
HDBFS	BUY	740	900	22%	613.9	2.9	2.5	2.1	21.3	16.3	13.2	2.4	2.6	2.7	15.0	16.3	17.0			

Source: Company, Emkay Research; Note: ABCAP's P/BV is on a standalone basis (adjusted for stake in Subsidiary and Holdco discount)

Investment case

We initiate coverage on HDB Financial Services with BUY and Jun-26E TP of Rs900 (+22% upside), implying FY27E P/B of 3.0x. What makes HDBFS a great investment? 1) It is backed by HDFC Bank's parentage and AAA rating. It has the right ingredients in the form of financial capital and human capital to be a successful, high-quality lender. 2) It has a clear and consistent business strategy of building a granular loan book by focusing on tier-4 towns and beyond, serving the unbanked/underbanked customers with limited to no credit history. The company offers a diverse mix of products that meet the borrowing needs of these customers, while maintaining a healthy mix of secured and unsecured loans. 3) The right ingredients with the correct strategy has been backed by solid execution, delivering profitable growth to reach over Rs1.0trn AUM, without raising external capital for the last 8 years. HDBFS has been tested through multiple credit cycles and external events, including a once-in-a-century pandemic, Covid. 4) With the external environment turning favorable, HDBFS is well positioned to capitalize on its strength to deliver ~20%/27% AUM/EPS CAGR, driven by improving NIM, opex, credit costs, and RoA/RoE touching 2.7%/17% in FY28E, from 2.16%/14.7% in FY25. With its established track record and strong outlook, backed by the experienced management and high-quality promoter group, HDBFS shares' valuation is likely command a premium and make a strong case to be a part of the India-focused equity portfolio of any investor. Key risk: The RBI's draft circular 'Forms of Business and Prudential Regulation for Investments' proposes that a bank and its subsidiaries should not engage in the same business. If implemented, this could lead to HDFC Bank either merging HDBFS or reducing its ownership under 20% during the specified duration.

Necessary ingredients in place to be a successful lender

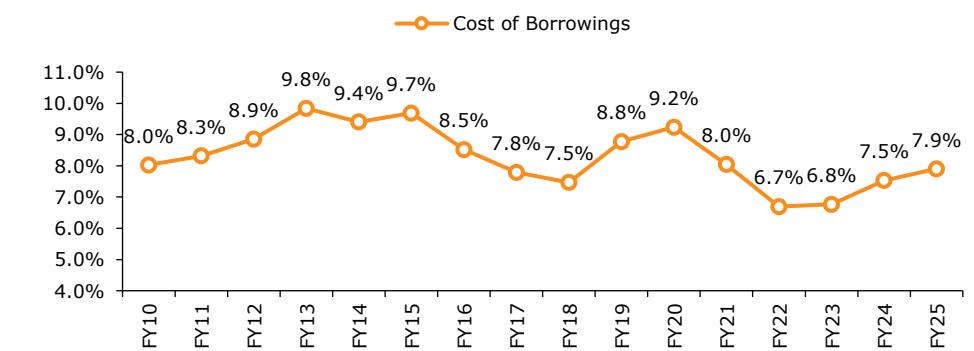
Being born as HDFC Bank's wholly owned subsidiary in 2007, HDBFS got AAA credit rating as early as 2011. HDFC Bank's parentage and AAA credit rating ensured that debt capital was available at competitive prices and in adequate quantum. The second important ingredient for becoming a successful lender, human capital, was also in place from early on as many of the early joiners and founding employees stayed in the firm, providing stability and consistency in strategy. Additionally, HDFC Bank's parentage also helped in attracting junior to mid-managerial-level talent.

Exhibit 4: Highest credit rating since 2011

Credit rating	2009	2011	2012	2014	2015-2025
CRISIL	-	-	AAA	AAA	AAA
CARE	AA+	AAA	AAA	AAA	AAA

Source: Company, Emkay Research

Exhibit 5: Cost of borrowings reduced over time as the company grew



Source: Company, Emkay Research

Exhibit 6: Cost of borrowings vs peers

Cost of borrowings compared to peers	FY20	FY21	FY22	FY23	FY24	FY25
HDBFS	9.2%	8.0%	6.7%	6.8%	7.5%	7.9%
Bajaj Finance	8.2%	7.2%	6.6%	6.6%	7.4%	7.6%
MMFS	8.6%	8.0%	6.9%	7.0%	7.7%	7.8%
CIFC	8.7%	7.7%	6.5%	6.9%	8.0%	8.1%
LTF	8.1%	7.9%	6.6%	6.9%	6.7%	7.1%

Source: Company, Emkay Research

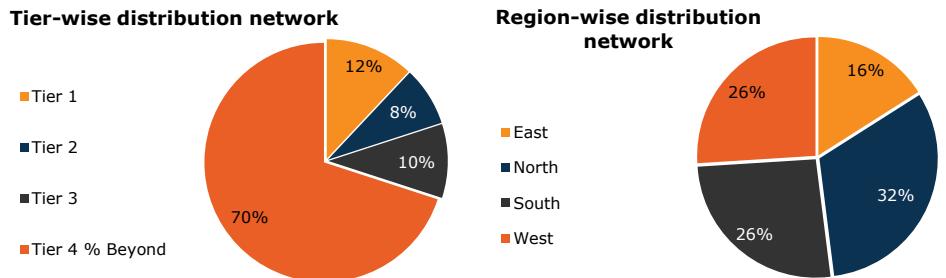
Exhibit 7: The top-level management

Name	Designation	Joining	Years of service (approx)
Ramesh Ganesan	Managing Director & CEO	Sep-2007	17.5 years
Rohit Sudhir Patwardhan	Chief Credit Officer	Dec-2007	17.5 years
Sarabjeet Singh	Chief Business Officer - Enterprise Lending	Feb-2008	17 years
Marupudi Venkata Swamy	Chief Digital and Marketing Officer	Aug-2008	16.5 years
Ashish Vishwanath Ghatnekar	Chief - People & Operations	Dec-2008	16.5 years
Harish Kumar Venugopal	Chief Risk Officer	Feb-2011	14.5 years
Manish Tiwari	Head - CE and Micro Lending	Sep-2011	13.5 years
Vishal Navinchandra Patel	Head - Investor Relations	Jan-2015	10.5 years
Srinivasan Karthik	Chief Business Officer	Nov-2015	9.5 years
Premal Vasant Brahmbhatt	Head - Internal Audit	Jan-2016	9 years
Dipti Jayesh Khandelwal	Company Secretary & Head - Legal	Jan-2017	8.5 years

Source: Company, RHP, Emkay Research

A clear and consistent strategy on geography, products, and customer segments

Being born as the subsidiary of HDFC Bank, the purpose of HDBFS was clear and consistent from early days—to cater to credit needs of lower-to-mid-income groups, ie underbanked and unbanked individuals and businesses with limited to no credit history. This purpose was achieved by a consistent strategy of offering a variety of secured and unsecured lending products via an ubiquitous distribution network of branches and digital-led direct origination.

Exhibit 8: Strong rural presence across 'Bharat'

Source: Company, RHP, Emkay Research

Exhibit 9: Focusing on core customer and product segments

	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured
Enterprise Lending	<ul style="list-style-type: none"> Fulfilling funding needs of small businesses, including for working capital or capex Secured and unsecured loans to cater to the needs of these enterprises 	25K – 250MM	Up to 15 years	9-18% - Secured Floating 11-30% - Unsecured Fixed	Secured/ Unsecured
Asset Finance	<ul style="list-style-type: none"> Loans for purchase of income-generating new and used vehicles and equipment Provides finance to a spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers 	100K – 250MM	Up to 6 years	9-18% Fixed	Secured
Consumer Finance	<ul style="list-style-type: none"> Loans for purchase of consumer durables, digital products, two-wheelers, auto and micro loans Loans to individuals for personal, family or household purposes to meet their short- or medium-term requirements 	4K – 5MM	Up to 7 years	11-34% Fixed	Secured/ Unsecured

Source: Company, RHP, Emkay Research

Exhibit 10: Strategical presence enabling direct sourcing

Product-wise primary sourcing channel	Direct (FSO/Branch)	OEM/Dealer	DSA
Business Loans	✓	-	-
LAP	✓	-	✓
Enterprise Business Loan	✓	-	-
Salaried Personal Loans	✓	-	-
Gold Loans	✓	-	-
Commercial Vehicle Loans	✓	✓	-
Construction Equipment Loans	✓	✓	-
Tractor Loans	✓	✓	-
Consumer Durable	✓ (tele-calling)	✓	-
Personal Loans	✓ (tele-calling)	-	-
Auto Loans	✓	✓	-
Two-Wheeler Loans	✓	✓	-
Micro Lending	✓	-	-

Source: Company, Emkay Research

Solid execution created a growing and consistently profitable 'upper-layer NBFC' amid multiple external shocks

Strong parentage and the experienced management team are necessary, but not sufficient to be a successful lender in India. A large part of success is dependent on the execution of the business strategy with limited error. That's where many of the large corporate house-owned NBFCs have faltered and HDBFS has delivered. Despite focusing on a customer segment typically vulnerable to economic shocks (demonetisation, GST, Covid), HDBFS has over Rs1.0trn AUM and ~19mn customers, sustainably delivering profits since FY10 without any external capital infusion since 2017. AUM growth in the last 5 years (FY20-25) has dipped lower than AUM growth seen in FY15-20, but that's not surprising given the havoc caused by Covid in FY21 and FY22.

Exhibit 11: Tested through multiple cycles

Time line	Taper Tantrum			Demonetization		IL&FS – Liquidity Crisis		COVID		High growth period			MFI Stress
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
AUM (Rs bn)	83	136	193	259	343	445	554	588	616	613	700	902	1,069
AUM growth	107%	64%	42%	34%	32%	30%	25%	6%	5%	0%	14%	29%	18%
Cost of Borrowing	9.8%	9.4%	9.7%	8.5%	7.8%	7.5%	8.8%	9.2%	8.0%	6.7%	6.8%	7.5%	7.9%
Credit cost on Avg AUM	1.0%	1.2%	1.0%	0.9%	1.1%	1.3%	1.3%	2.5%	5.1%	4.0%	2.0%	1.3%	2.1%
PAT growth	100%	104%	67%	53%	31%	36%	21%	-13%	-61%	158%	94%	26%	-12%
ROA	1.7%	1.9%	2.1%	2.4%	2.4%	2.4%	2.3%	1.7%	0.6%	1.6%	3.0%	3.0%	2.2%
ROE	12.5%	16.7%	14.7%	16.0%	15.9%	16.9%	17.4%	13.2%	4.8%	11.2%	18.7%	19.5%	14.7%

Source: Company, Emkay Research

Improving external environment complements internal strength in accelerating profitable growth

After a few years of regulatory tightening, the RBI has now softened its stance as it's satisfied with the stability of the lending ecosystem and risk management practices of participants. This easing regulatory environment and frontloaded repo rate cuts augur well for HDBFS's NIM trajectory. With improved capitalisation post-IPO and widespread presence, HDBFS is well positioned to capitalise on the improving retail and MSME credit demand environment, catalysed by the RBI and the government's focus on economic growth. Driven by improving NIM, slight moderation in opex, and normalization of credit costs, we forecast HDBFS delivering AUM/EPS CAGR of 20%/27% over FY25-28E, with RoA /RoE improving to 2.7%/17% by FY27E, from 2.2%/14.7% in FY25.

Exhibit 12: Improving operating matrix driving RoE expansion

RoE tree	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	13.4%	13.5%	13.7%	13.8%	13.9%	13.9%	14.0%
Cost of Fund	5.3%	5.3%	6.0%	6.4%	6.1%	6.0%	6.0%
NII	8.1%	8.2%	7.7%	7.4%	7.8%	8.0%	7.9%
Fee Income	3.8%	4.0%	2.4%	1.2%	0.9%	0.6%	0.5%
Other Income	0.9%	1.3%	1.3%	1.2%	1.1%	1.1%	1.2%
Total Income	12.8%	13.5%	11.4%	9.9%	9.8%	9.8%	9.6%
Employee Exp	5.6%	6.1%	4.7%	3.6%	3.3%	3.0%	2.9%
Other Exp	1.1%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%
PPoP	6.1%	6.0%	5.4%	5.0%	5.2%	5.5%	5.5%
Credit cost	4.0%	2.0%	1.3%	2.1%	2.0%	2.0%	1.9%
PBT (Pre Tex - RoA)	2.2%	4.0%	4.1%	2.9%	3.2%	3.5%	3.6%
Tax	0.5%	1.0%	1.0%	0.7%	0.8%	0.9%	0.9%
PAT (ROA)	1.6%	3.0%	3.0%	2.16%	2.41%	2.63%	2.70%
Leverage	6.93	6.30	6.46	6.81	6.25	6.21	6.31
RoE	11.2%	18.7%	19.5%	14.7%	15.0%	16.3%	17.0%

Source: Company, Emkay Research

Past record and outlook, with strong promoter brand to command a premium valuation; initiate with BUY

As a subsidiary of India's largest private-sector bank, HDB Financial Services offers a compelling investment proposition. It enjoys the benefits of lower cost of funds, a common brand and synergies in operations that are leveraged throughout the business for profit and risk protection. While strong parentage and the experienced management provide a solid foundation, HDBFS's consistent execution strategy, with limited interruptions, differentiates the company from peers.

The company's track record in creating a granular retail lender at scale with sustainable profitability and successful navigation of multiple external shocks without plunging into losses or raising external capital reflects its prudent approach toward growth and risk.

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management. With expectations of growth outpacing the industry, HDBFS has positioned itself as a strong lender in growing Bharat. HDBFS's growth outlook and impressive past record, along with HDFC Bank's parentage and a strong credit rating (AAA), are likely to result in HDBFS shares commanding a premium valuation. We initiate coverage on HDBFS with BUY and Jun-26E TP of Rs900 (+22% upside), reflecting FY27E P/B of 3.0x. On considering the quantitative and qualitative factors in aggregate, we think HDBFS should be owned in an India-focused equity portfolio.

Exhibit 13: HDBFS' valuation matrix

			P/BV (x)			P/E (x)			RoA (%)			RoE (%)			Book Value (Rs/sh)			EPS (Rs)		
	Price	Upside	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
At CMP	740	22%	2.9	2.5	2.1	21.3	16.3	13.2	2.4	2.6	2.7	15.0	16.3	17.0	255.5	301.0	356.9	34.7	45.4	55.9
AT TP	900		3.5	3.0	2.5	25.9	19.8	16.1												

Source: Company, Emkay Research

Exhibit 14: Peer set's valuation matrix

Ticker	Rating	CMP	TP	Upside	Mkt Cap	P/BV (x)			P/E (x)			RoA (%)			RoE (%)		
						(Rs)	(Rs)	(Rs bn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
CIFC	ADD	1,600	1,600	0%	1,369	4.7	3.6	2.9	24.6	19.3	15.9	2.4	2.6	2.7	20.8	21.3	20.4
MMFS	REDUCE	267	280	5%	375	1.5	1.3	1.2	11.3	8.8	7.3	2.0	2.3	2.4	14.0	16.0	16.8
SHFL	BUY	697	750	8%	1,329	2.0	1.8	1.6	13.2	10.9	9.3	3.2	3.4	3.5	16.5	17.5	17.9
LTF	REDUCE	208	150	-28%	514	1.9	1.7	1.5	17.6	13.6	10.6	2.3	2.6	2.8	11.1	13.2	15.3
PIEL	ADD	1,168	1,100	-6%	258	1.0	0.9	0.9	17.4	12.2	9.5	1.7	1.9	2.0	5.5	7.4	9.0
ABCAP*	BUY	281	260	-7%	722	2.0	1.7	1.4	21.0	17.1	14.1	2.3	2.3	2.4	13.0	14.0	14.7
POONAWAL	REDUCE	464	280	-40%	361	3.2	2.9	2.5	50.5	24.0	16.5	1.9	2.8	3.0	7.8	12.6	16.3
UGRO	BUY	173	270	56%	20	0.8	0.7	0.6	9.9	7.4	5.6	2.3	2.5	2.7	8.1	10.2	12.0
BAF	ADD	937	920	-2%	5,817	5.1	4.3	3.6	28.7	23.4	18.4	4.0	4.0	4.1	19.5	20.2	21.5
HDBFS	BUY	740	900	22%	613.9	2.9	2.5	2.1	21.3	16.3	13.2	2.4	2.6	2.7	15.0	16.3	17.0

Source: Company, Emkay Research; Note: ABCAP's P/BV is on a standalone basis (adjusted for stake in Subsidiary and Holdco discount)

Key risks

Like any other retail non-bank lender, the key risks are: 1) Asset quality risk; 2) Operational risks, including cyber risk; 3) Keyman risk; 4) External economic shocks; 5) Regulatory risks. Over the last 17 years, under the credible management team, the company has navigated many challenges and has demonstrated its risk management capabilities. However, the biggest risk for HDBFS is the implementation of RBI's 4-Oct-2024 draft circular that mandates no overlap between a bank and its subsidiaries' activities. Implementation of this circular in its current form might require HDFC Bank to reduce ownership in HDBFS to under 20% (or any such limit prescribed by the RBI) during the specified duration. This might increase the supply of HDBFS shares in secondary market and also affect its credit rating. However, the risk is currently mitigated by the fact that: 1) This is a draft circular. 2) Compliance to upper-layer NBFC requirements might lead to the regulator taking a more lenient view. 3) The parent's strong credentials in governance and its track record of handling regulatory requirements in the most optimal way offer much needed assurance.

HDBFS: Positioned to serve India's rising entrepreneurial class

HDB Financial Services is a retail-focused, non-deposit-taking NBFC, classified by the RBI as an upper-layer NBFC (NBFC-UL). Founded in 2007 as the subsidiary of HDFC Bank, HDB Financial Services has grown with a clear focus on long-term, sustainable growth and profitability. While it benefits from the strong brand and reputation of HDFC Bank, the company has built its own independent structure across key functions like sourcing, underwriting, operations, and risk management.

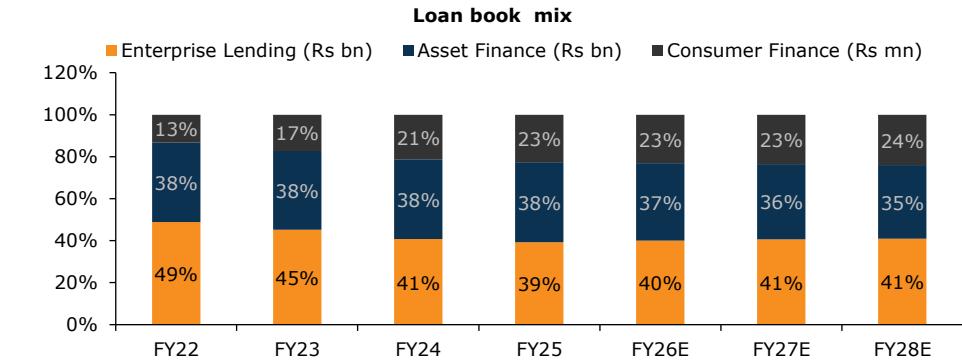
The company offers a wide range of lending products designed to meet the needs of a diverse and growing customer base, delivered through a strong omni-channel distribution network. Its lending solutions are organized into three main segments: Enterprise Lending, Asset Finance, and Consumer Finance.

Exhibit 15: Offering a wide range of products catering to the customers' needs

Customer Segment	Products					
 Enterprise Lending	 Business Loan	 LAP	 Gold Loans	 Enterprise Business Loan	 Salaried Personal Loan	
 Asset Finance	 Tractor Loans		 Commercial Vehicle Loans		 Construction Equipment Loans	
 Consumer Finance	 Personal Loans	 Auto Loans	 Two-Wheeler Loans	 Digital Loans	 Consumer Durable Loans	 Microfinance Loans
 Fee Products	 General Insurance		 Life Insurance			 Health Insurance

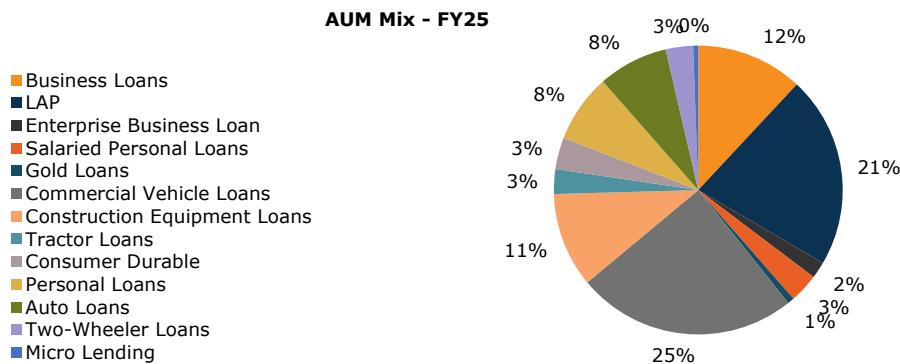
Source: Company, RHP, Emkay Research

Exhibit 16: The company has consistently maintained a diverse product mix over the last few years



Source: Company, Emkay Research

Exhibit 17: While the AUM mix is well diversified, Commercial Vehicle Loans dominate the AUM mix with ~25% share



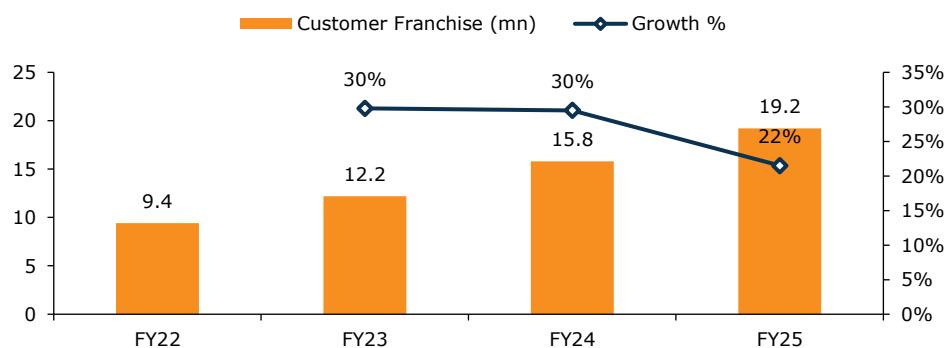
Source: Company, RHP, Emkay Research

A model built for Bharat: Resilient, retail-focused, ready to scale

HDB Financial Services has consistently demonstrated strong and sustainable loan book growth over its 18Y. This performance is driven by a clear, long-term strategy, and disciplined execution across key areas: customer acquisition, product design, credit underwriting, collections, and efficient cost management—both operational and financial.

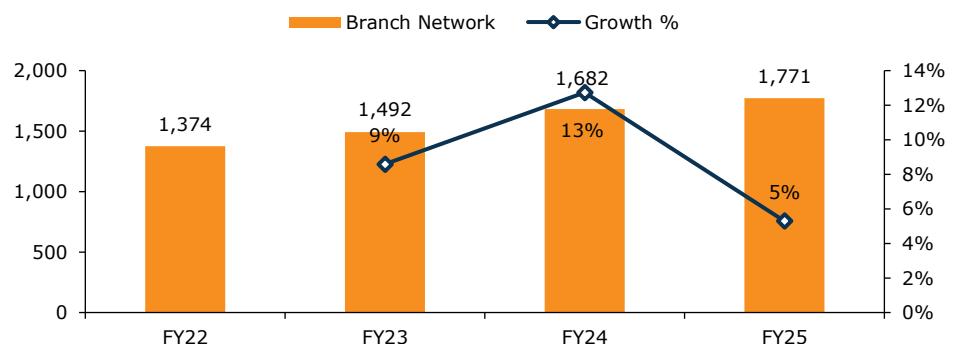
According to CRISIL, HDBFS has the second largest and third-fastest-growing customer franchise among NBFC peers. As of Mar-25, the company served over 19.2mn customers (at 27% CAGR over the last 3 years), reflecting both scale and deep market penetration.

Exhibit 18: HDBFS has consistently grown its customer franchise



Source: Company, Emkay Research

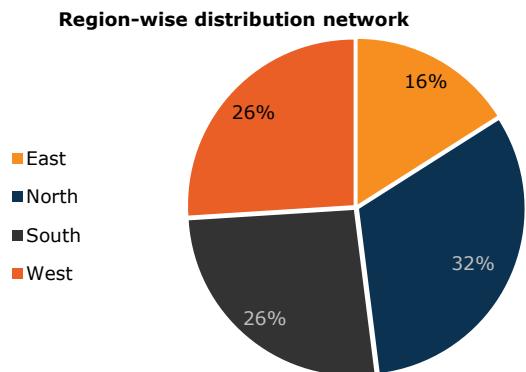
A core part of HDBFS's growth strategy focuses on a high-potential segment: India's underbanked, but creditworthy population. This group—largely composed of the middle class, salaried professionals, self-employed individuals, and small business owners—is underserved by traditional banks, but offers strong credit profiles and attractive unit economics. Importantly, only a few large-scale lenders currently serve this market, providing HDBFS with a strategic advantage.

Exhibit 19: The company has built a robust omnipresent branch network

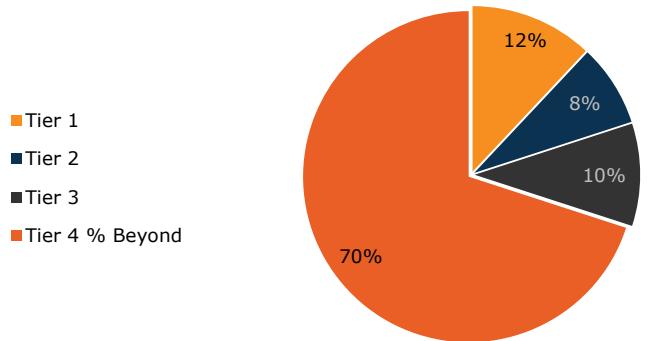
Source: Company, Emkay Research

HDB Financial Services has built a robust presence, especially in semi-urban and rural areas, with a network of 1,771 branches over 1,170 towns and cities across 31 states and union territories as of Mar-25. This extensive branch footprint reflects the company's commitment to deepen market penetration and expand customer reach.

The company's branch network is geographically diversified, with no region accounting for more than 35% of total AUM, reducing concentration risk and enhancing resilience. Notably, 80% of its branches are located outside India's 20 most populated cities, and over 70% are in tier-4 and smaller towns, underscoring HDBFS's strategic focus on reaching the underbanked and underserved segments across the country.

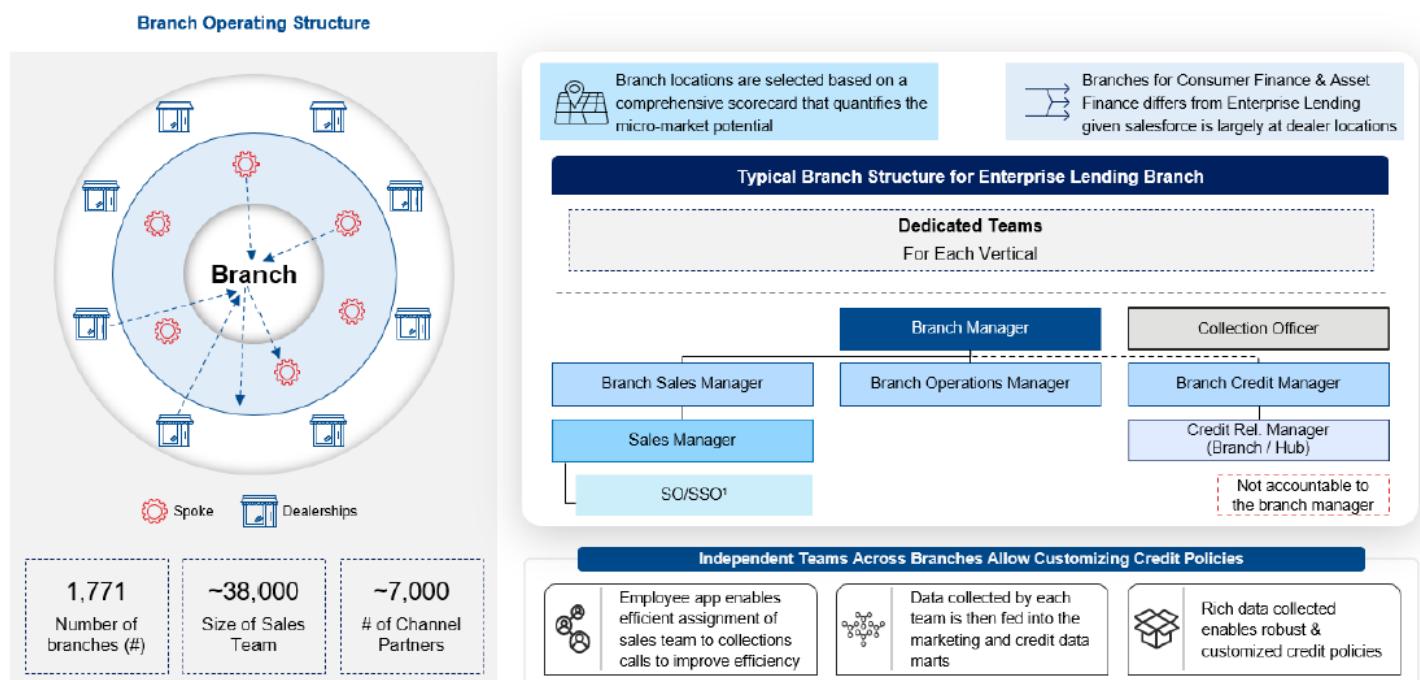
Exhibit 20: Expanding its presence across Bharat, HDBFS has geographically diversified its branch network...

Source: Company, RHP, Emkay Research

Exhibit 21: ...with more than 70% share across tier 4 and beyond markets**Tier-wise distribution network**

Source: Company, RHP, Emkay Research

Exhibit 22: Scaled and structured branch network driving operational efficiency



Source: Company, RHP, Emkay Research

The customized customer acquisition approach, backed by a digitally enabled, omni-channel distribution network with nationwide reach, has been one of the core strengths of HDBFS. Its “phygital” (physical + digital) sourcing model integrates in-house distribution teams, external partners, and robust digital capabilities which help in targeting customers efficiently and effectively.

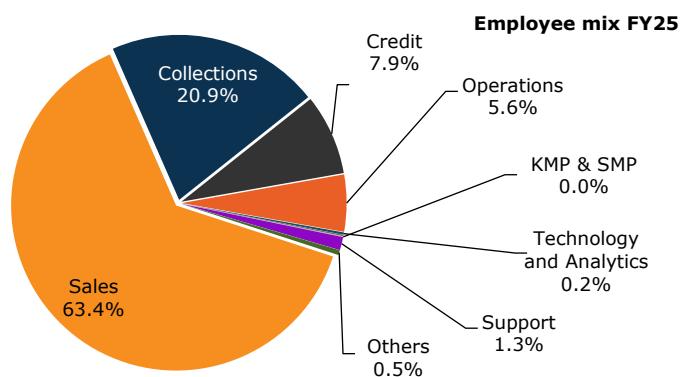
HDBFS has built a robust, omni-channel sourcing and distribution model tailored to its three business verticals—Enterprise Lending, Asset Finance, and Consumer Finance—enabling optimized customer engagement and reach. Its wide-reaching branch-led network is enhanced by a strong in-house tele-calling team, which serves as the primary distribution channel for personal loans. The tele-sales teams, strategically based in regional hubs, are trained to navigate India’s cultural diversity and engage effectively with customers across regions. HDBFS’s internal distribution network is further strengthened by a vast external partner ecosystem, including leading Indian and global auto OEMs, consumer durables and digital brands, dealers for vehicles and equipment, point-of-sale outlets in malls, supermarkets, and retail stores, lifestyle goods vendors, and DSAs. Complementing this physical presence is a growing digital footprint—powered by fintech collaborations, a user-friendly mobile app, and a comprehensive website—allowing HDBFS to serve a wide spectrum of customer segments nationwide and reinforcing its position as a scalable, inclusive, and accessible financial services provider.

Exhibit 23: Strategical presence enabling direct sourcing

Product-wise primary sourcing channel	Direct (FSO/Branch)	OEM/Dealer	DSA
Business Loans	✓	-	-
LAP	✓	-	✓
Enterprise Business Loan	✓	-	-
Salaried Personal Loans	✓	-	-
Gold Loans	✓	-	-
Commercial Vehicle Loans	✓	✓	-
Construction Equipment Loans	✓	✓	-
Tractor Loans	✓	✓	-
Consumer Durable	✓ (tele-calling)	✓	-
Personal Loans	✓ (tele-calling)	-	-
Auto Loans	✓	✓	-
Two-Wheeler Loans	✓	✓	-
Micro Lending	✓	-	-

Source: Company, Emkay Research

One of the biggest strengths behind HDBFS's growth story is its people. With salesforce of around 38,000, the company has built a strong on-ground presence that allows it to reach customers directly in urban and remote areas. But it's not just scale, HDBFS also has dedicated teams in technology and analytics (140 employees), and marketing and product development (88 employees) playing a key role in shaping strategy, improving customer targeting, and driving product innovation. This mix of frontline reach and back-end intelligence powers HDBFS's omni-channel approach, combining in-person service with digital convenience. The company's culture encourages performance but also focuses on being responsible and customer-centric. Altogether, this people-driven model supports sustainable expansion and strengthens HDBFS's position as a reliable and scalable financial partner across India.

Exhibit 24: Sales employees account for 63% in the overall employee mix

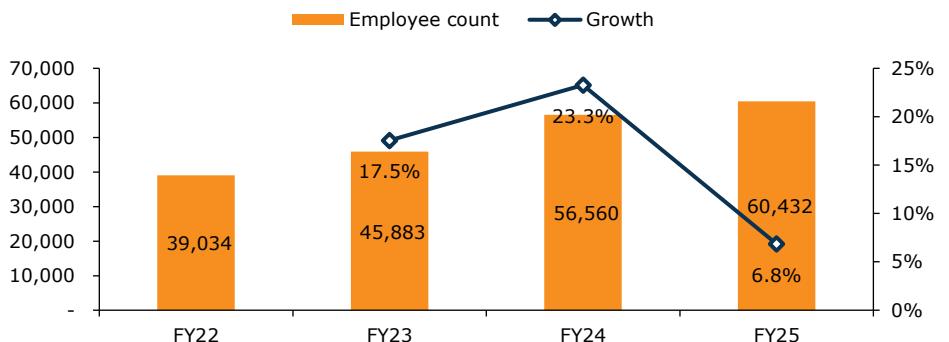
Source: Company, RHP, Emkay Research

Exhibit 25: HDBFS has built a strong salesforce of 38,000 employees

Employee strength	
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

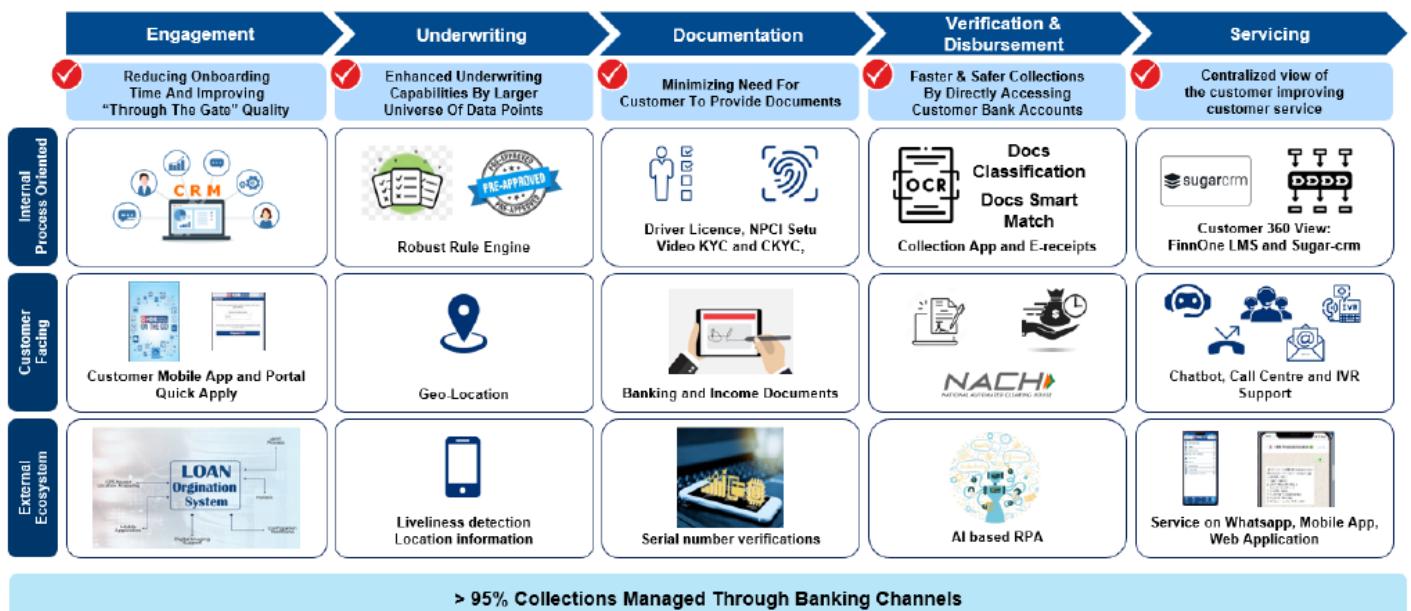
Source: Company, RHP, Emkay Research

Exhibit 26: Backed by continued investments, HDBFS has increased its employee count over the last few years



Source: Company, Emkay Research

Exhibit 27: Full-Spectrum lending infrastructure powering scalable and paperless operations

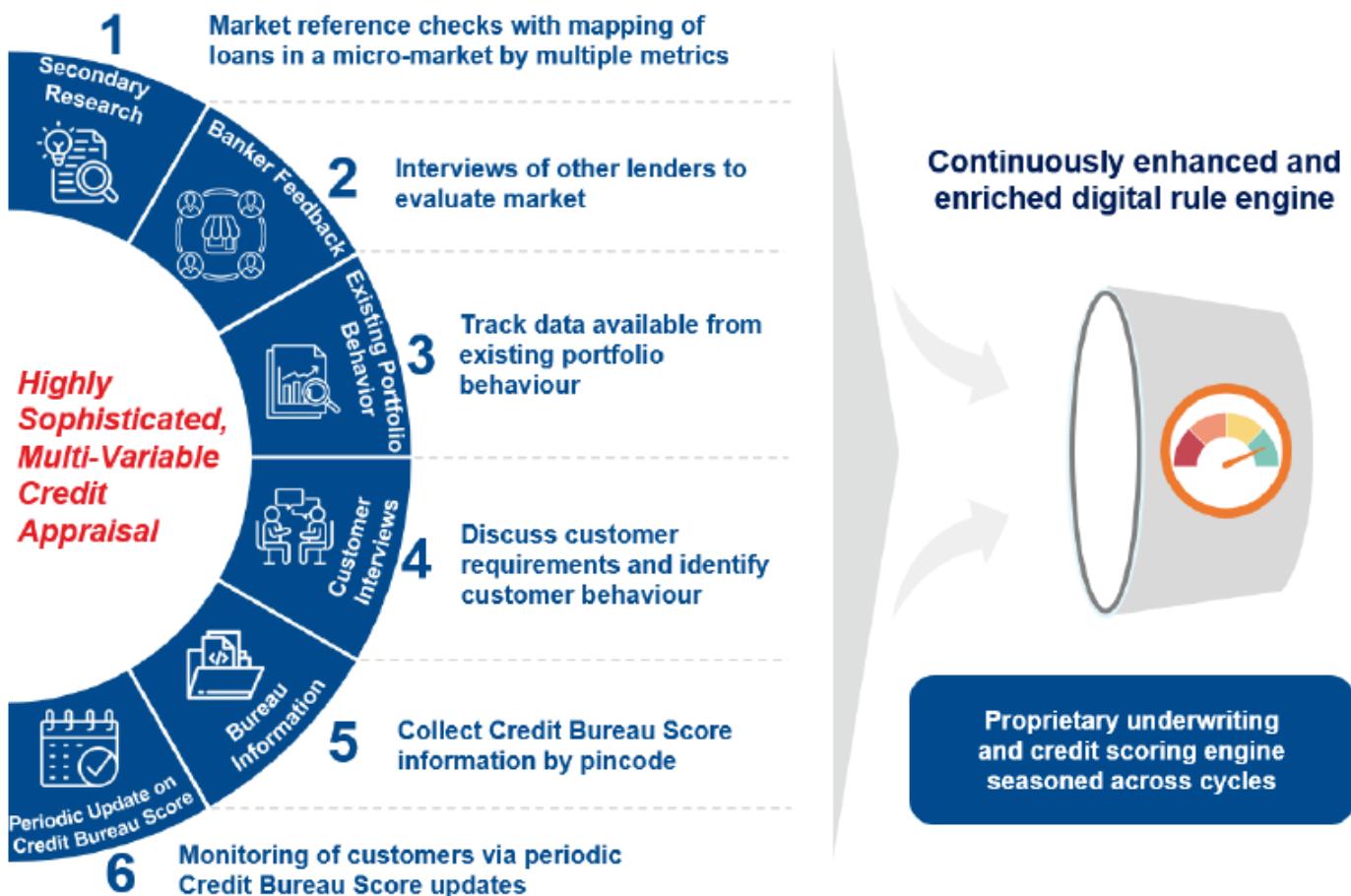


Source: Company, RHP, Emkay Research

Balancing growth with discipline

HDB Financial Services runs on a strong risk and collections framework that acts as a core to its business. Risk is overseen at multiple layers, starting with a Board-level Risk Management Committee defining the company's risk appetite and ensuring compliance with the RBI's norms for upper-layer NBFCs, whereas credit decisions are a mix of the centralized policy with local insights, while leveraging analytics, scorecards, bureau data, and risk-based pricing. Most of the loan book (73%) is secured, backed by robust collateral checks, while the smaller unsecured book (27%) is closely monitored with conservative limits.

Exhibit 28: Multi-variable credit scoring system driving informed lending decisions



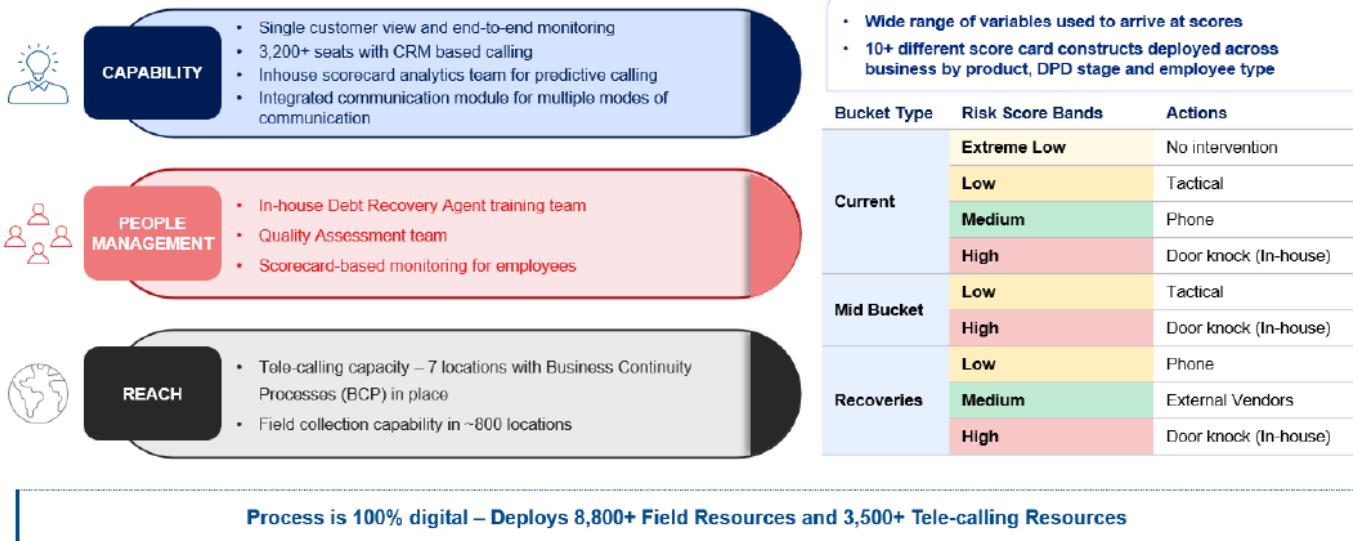
Source: Company, RHP, Emkay Research

In terms of asset quality and collections, real-time dashboards and early warning systems help track asset quality, whereas stress tests are done in regular intervals to assess risk under different economic scenarios. The company also employs one of the largest in-house collections teams in the NBFC space, combining digital tools (SMS, IVR, payment links) with on-ground follow-ups. A tech-enabled platform automates case allocation to field staff and tracks repayments live, thus providing confidence and transparency to customers. HDBFS has also created a specialized team to manage tough cases, including legal recoveries under the SARFAESI Act.

The technology runs deep—from automated underwriting and digital KYC to AI-driven collections and fraud detection. Liquidity is actively managed by the Asset Liability Committee (ALCO), with coverage ratios well above required levels. Operational risks are handled through strong internal controls, audits, and a focus on information security.

Together, this agile and data-driven approach has helped HDBFS maintain stable asset quality and strong collection efficiency—even during challenging economic conditions.

Exhibit 29: Digitally enabled, scorecard-driven collections infrastructure with Pan-India execution capability



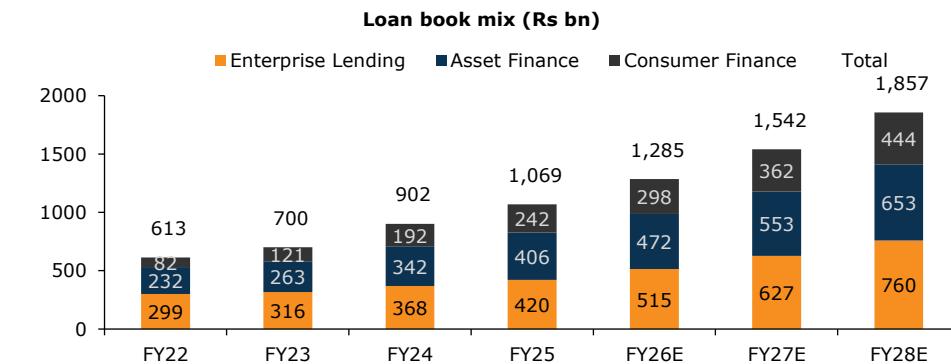
Source: Company, RHP, Emkay Research

Diverse by design, resilient by nature

HDB Financial Services has adopted a measured and disciplined approach to growth, positioning itself as a well-diversified non-banking financial company (NBFC), with a deliberate focus on balancing secured and unsecured lending across a broad range of products. This thoughtful allocation strategy, combined with a geographic spread across markets, reflects the company's intent to build long-term resilience rather than pursuing short-term gains.

This diversified model has created a business framework capable of withstanding cyclical shifts, enabling HDBFS to scale up efficiently without compromising on risk management. In doing so, the company has established a solid foundation for sustainable expansion.

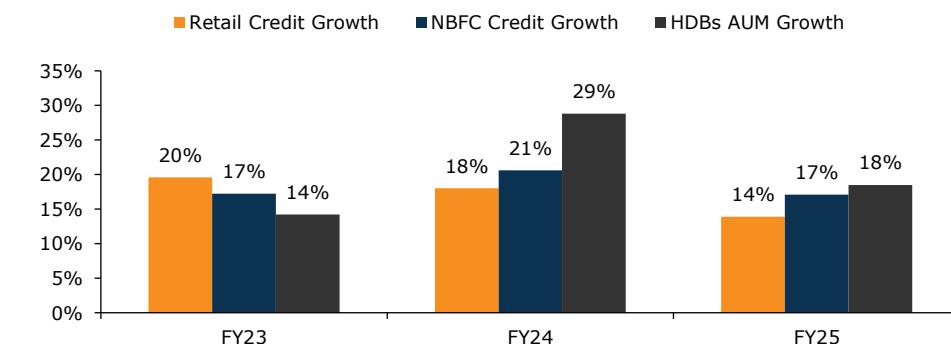
Exhibit 30: HDBFS has maintained a balance between secured and unsecured portfolios, while offering a range of products to customers



Source: Company, Emkay Research

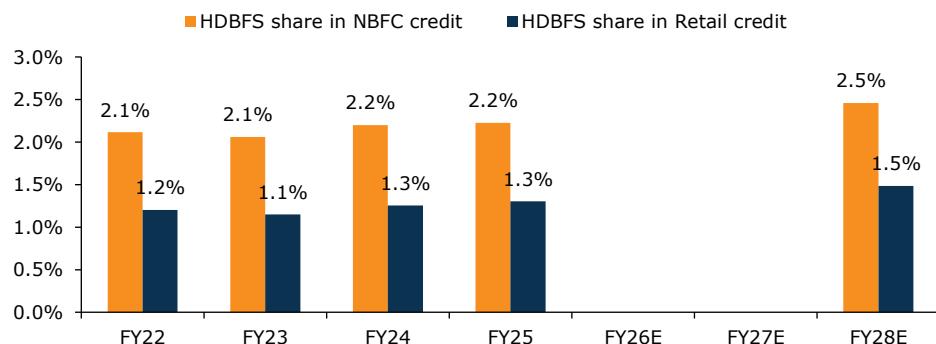
This strategy aligns well with broader trends in India's credit market. According to CRISIL, systemic credit is expected to see 13–15% CAGR during FY25–28; within this landscape, NBFCs currently account for ~21% of the total market share, with expectations to rise modestly to 22% by FY28E. While incremental, this shift signals growing confidence in NBFCs as a viable and essential part of the financial ecosystem. Retail credit, a segment central to HDBFS's portfolio, is forecast to see an even stronger pace with CRISIL projecting 14–16% CAGR over the same period; we expect HDBFS's portfolio to surpass the industry's at ~20%, led by its strong branch network, curated product offerings and deep market understanding.

Exhibit 31: HDBFS has delivered healthy AUM growth, in line with industry trends



Source: Company, CRISIL, Emkay Research

Within the expanding retail space, HDBFS's disciplined execution, diverse product mix, and strong reach give it distinct advantages. The ability to serve underserved and semi-urban markets, combined with a scalable operating model position the company well to capture incremental share in the credit market, which is formalizing and growing at pace.

Exhibit 32: HDBFS's share in NBFC credit and retail credit is expected to inch up gradually by FY28E

Source: Company, CRISIL, Emkay Research
Exhibit 33: Comprehensive overview of key business verticals and credit characteristics
Overview of Key Business Lines

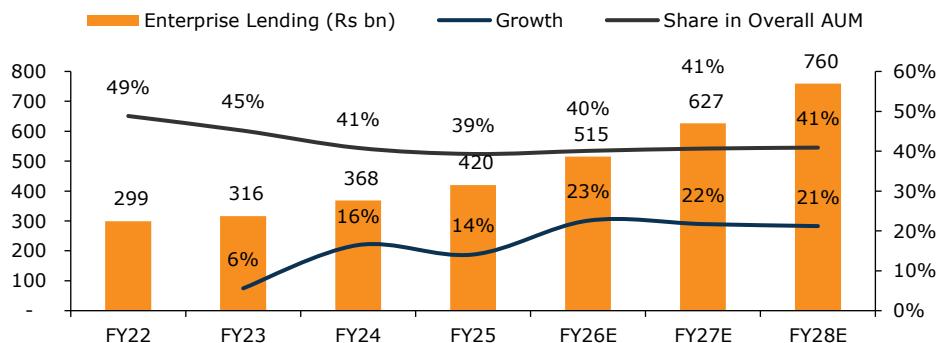
	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured	Underwriting	Locations	Total Gross Loans ⁽¹⁾ (INR Bn)
Enterprise Lending	<ul style="list-style-type: none"> Fulfilling funding needs of small businesses, including for working capital or capex Secured and unsecured loans to cater to the needs of these enterprises 	25K – 250MM	Up to 15 years	9-18% - Secured Floating 11-30% - Unsecured Fixed	Secured/ Unsecured	Scorecards + at branches based on Policy	900+	420.1
Asset Finance	<ul style="list-style-type: none"> Loans for purchase of income-generating new and used vehicles and equipment Provides finance to a spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers 	100K – 250MM	Up to 6 years	9-18% Fixed	Secured	Scorecards + at hubs based on Policy	900+	406.5
Consumer Finance	<ul style="list-style-type: none"> Loans for purchase of consumer durables, digital products, two-wheelers, auto and micro loans Loans to individuals for personal, family or household purposes to meet their short- or medium-term requirements 	4K – 5MM	Up to 7 years	11-34% Fixed	Secured/ Unsecured	Based on segment specific scorecards using analytics	1,000+	242.2

Note: 1. Total Gross Loans as at March 31, 2025
Source: Company, RHP, Emkay Research

Enterprise Lending - where the journey began

The enterprise lending vertical was started in 2008 and stands as the cornerstone of HDB Financial Services' operational model. It was the company's first business line—a reflection of its early conviction in the potential of India's vast and underbanked MSME segment. Through this vertical, HDBFS provides a focused suite of secured and unsecured loans like **Business Loans**, **Enterprise Business Loan (EBL)**, **Salaried Personal Loans (SPL)**, **Gold Loans**—aimed at supporting business growth and working capital needs of MSMEs, along with selected salaried borrowers, particularly those underserved by traditional credit channels. As of March 25, ~85% of borrowers in this segment were self-employed individuals and small business owners, operating as proprietors or in partnerships.

Exhibit 34: HDBFS's Enterprise Lending segment is expected to witness strong growth ahead



Source: Company, Emkay Research

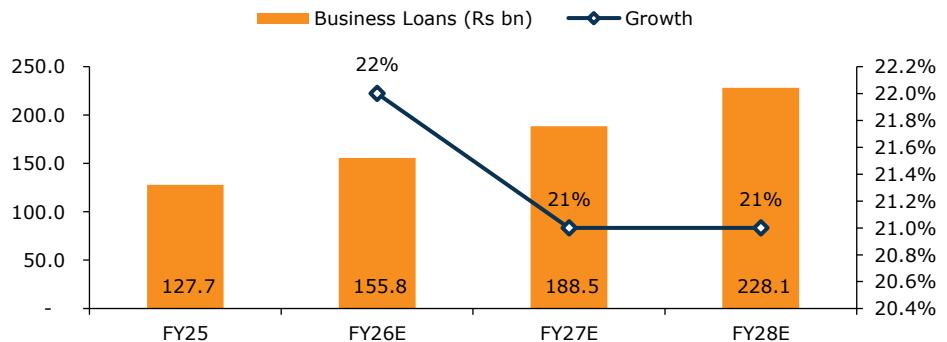
Business Loan (BL) plays a vital role in supporting small enterprises that often lack access to collateral-backed credit. These loans are typically unsecured in nature and average at ~Rs0.29mn with a tenor of ~4Y; these help to fund working capital, inventory, equipment purchases or outlet renovations for customers. Sourcing is done primarily through the company's field sales officers (FSOs) across its branch network. This product addresses a large and growing demand segment. We expect the AUM of BL to reach ~Rs220bn by FY28E (currently Rs127bn), registering 20% CAGR over FY25-28E.

Exhibit 35: We expect the Business Loan AUM to clock 21% CAGR over FY25-28E, while the market share is expected to expand by ~10bps over the same period

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Business Loans					
Industry	12,700	19,900	16%		
HDB Financial Services	128	228	21%	1.0%	1.1%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 36: The Business Loan segment AUM is expected to reach Rs228bn by FY28E



Source: Company, Emkay Research

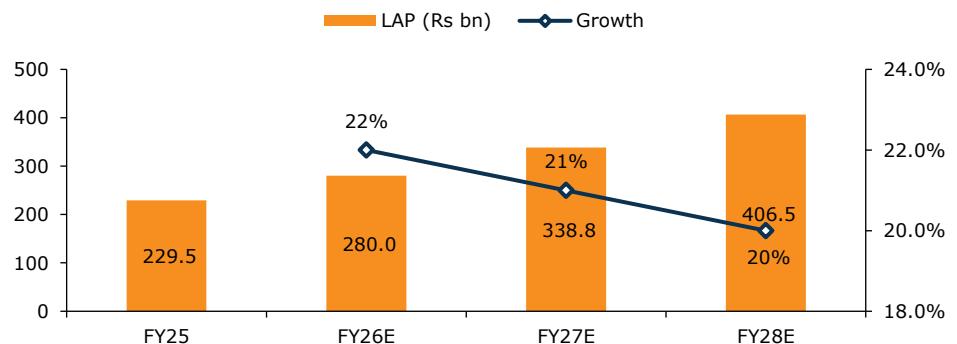
Loan Against Property (LAP): The secured MSME loans (LAP) provide long-term funding solutions for small businesses looking to launch ventures, expand operations, acquire office space or manage working capital—with property offered as collateral. These loans, averaging at Rs4.3mn in ticket size with a tenor of ~9Y, are sourced through the company's branch-based FSOs and a network of DSA. As of Mar-25, the loan book stood at Rs229.5bn. According to CRISIL, the broader secured MSME credit outstanding stood at Rs12.8trn in FY25, and is projected to see 17-19% CAGR and reach Rs20.5-21.5trn by FY28, offering HDBFS a strong runway for expansion within a segment that aligns with its collateral-backed lending expertise and policy of enterprise 'Bharat'.

Exhibit 37: We expect the LAP AUM to see 21% CAGR over FY25-28E while the market share is expected to expand to ~1.9% by FY28E

LAP	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	12,800	21,000	18%		
HDB Financial Services	230	407	21%	1.8%	1.9%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 38: LAP AUM is expected to reach Rs406.5bn by FY28E



Source: Company, Emkay Research

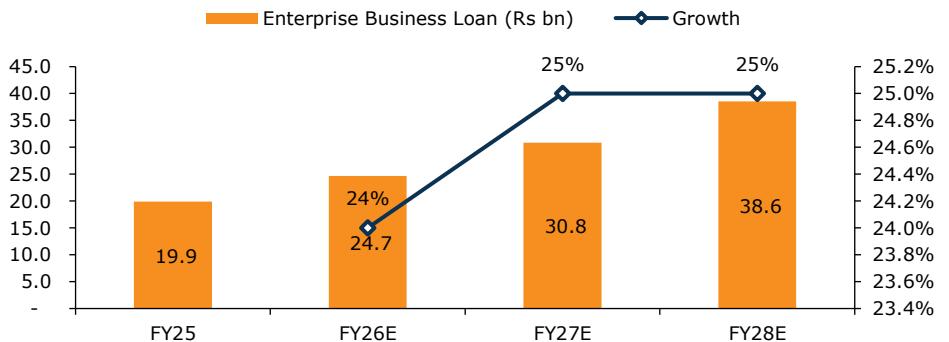
Enterprise Business Loans (EBL) are designed for self-employed individuals, professionals, and small businesses. These loans help finance core business needs across manufacturing, trading, and services, and are backed by collateral (property), to offer both flexibility and risk mitigation. The average ticket size is ~Rs1.17mn, with a typical tenor of ~8Y. Sourcing is largely driven by FSOs, allowing for strong customer engagement and local market reach. As of Mar-25, the loan book under EBLs stood at Rs19.9bn. CRISIL projects that the secured MSME finance market would grow to Rs20.5-21.5trn by FY28, from Rs12.8trn in FY25, offering ample headroom for HDBFS to scale up.

Exhibit 39: While the industry is estimated to see ~18% CAGR, HDBFS is expected to clock ~25% CAGR over FY25-28E

Enterprise Business Loan	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	12,800	21,000	18%		
HDB Financial Services	20	39	25%	0.2%	0.2%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 40: The Enterprise Business Loan segment AUM is expected to grow to Rs38.6bn by FY28E



Source: Company, Emkay Research

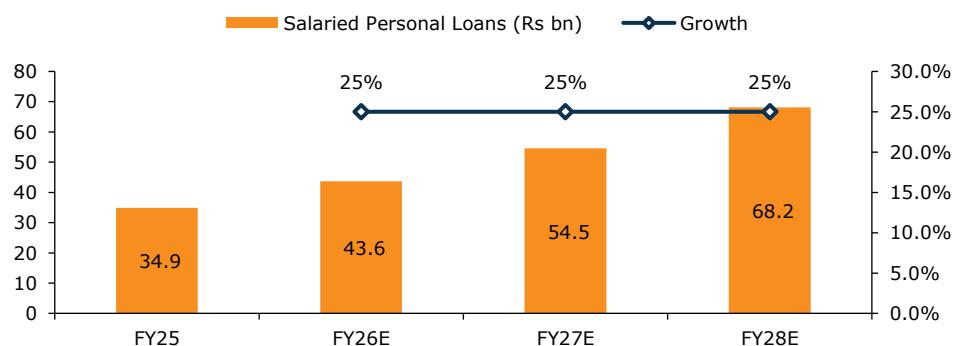
Salaried Personal Loans (SPL): HDBFS offers personal loans tailored for salaried individuals, with focus on convenience, speed, and accessibility. The company's customer-centric delivery model—leveraging FSOs and the efficiency of digital sourcing channels—provides an edge. The ATS for this product is ~Rs0.31mn and the tenor is ~5years. As of Mar25, the personal loan book stood at Rs34.9bn. Per CRISIL, the broader personal loan outstanding was ~Rs14.6trn in FY25 and is projected to see 18–20% CAGR over FY25–28, reaching Rs24–25.5trn by FY28.

Exhibit 41: HDBFS's Salaried Personal Loans segment is expected to see 25% CAGR over FY25–28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	14,600	24,750	19%		
HDB Financial Services	35	68	25%	0.2%	0.3%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 42: We expect strong growth in the Salaried Personal Loan segment to reach Rs68.2bn by FY28E



Source: Company, Emkay Research

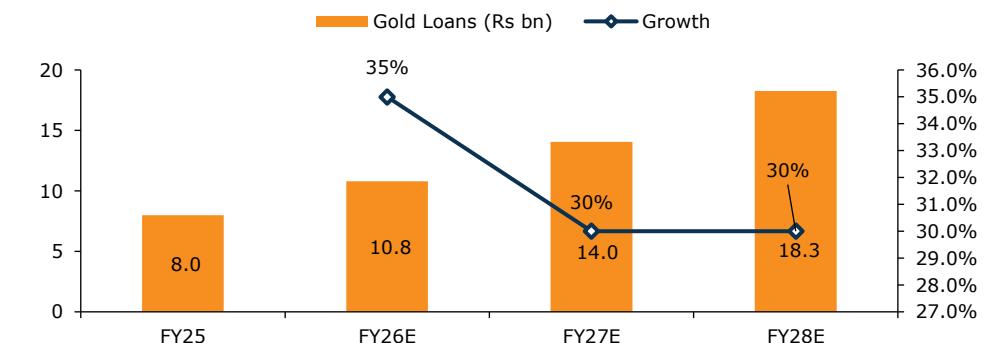
Gold Loans (GL): HDBFS offers quick, secured credit solutions to customers looking to meet urgent personal or short-term financial needs. These loans are backed by gold jewelry as collateral and are primarily sourced through the company's branch network, enabling strong local reach and customer trust. This product has an average ticket size of Rs0.16mn and a tenor of ~2Y. As of Mar–25, HDBFS's gold loan portfolio stood at Rs8bn. CRISIL estimates that the broader gold loan outstanding in FY25 stood at Rs12.4trn and is expected to see 18–20% CAGR and reach Rs20.5–21.5trn by FY28, thus offering a steady opportunity to expand within the product category. We expect this segment to grow at ~25%, above the industry's average, given HDBFS's strong presence in tier-4 and below cities.

Exhibit 43: While the industry's Gold Loan segment is expected to see 19% CAGR over FY25-28E, we expect HDBFS's Gold Loan segment to clock strong 32% CAGR over FY25-28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	12,400	21,000	19%		
HDB Financial Services	8	18	32%	0.1%	0.1%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 44: The Gold Loan AUM is expected to reach Rs18.3bn by FY28E

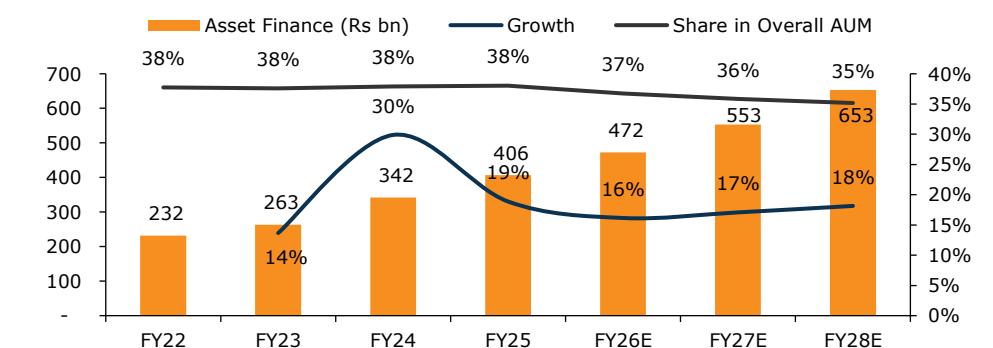


Source: Company, Emkay Research

Asset Finance- financing India's growth on wheels and fields

HDBFS launched its Asset Finance product segment in 2010, with focus on providing funding for income-generating assets such as commercial vehicles, construction equipment, and tractors. This segment operates across new and used segments—leveraging HDBFS's 80 OEM and large dealer partnerships for new assets and in-house salesforce for used vehicles, which offer higher yields. Loans are secured against the financed assets and typically involve larger ticket sizes. With decentralized credit and underwriting teams, HDBFS tailors its approach to local market dynamics and asset types.

Exhibit 45: We expect HDBFS's Asset Finance segment to see 17% CAGR over FY25-28E



Source: Company, Emkay Research

Commercial Vehicle Loans: HDBFS's Commercial Vehicle Finance business supports a broad mix of customers—from fleet owners to first-time buyers—offering loans for new and used vehicles as well as refinancing options. The portfolio includes goods carriers, transport buses, and specialized equipment like cement mixers and tankers, sourced through a blend of FSO (direct sourcing) and OEM/dealer partnerships. The ATS for these loans is generally Rs0.86mn, with a typical tenor of ~4 years. As of Mar-25, the loan book stood at Rs263.5bn, with ~66% linked to new vehicle financing. Backed by steady demand and a large, income-generating asset base, the segment is poised for growth at a steady pace (in line with that of the industry).

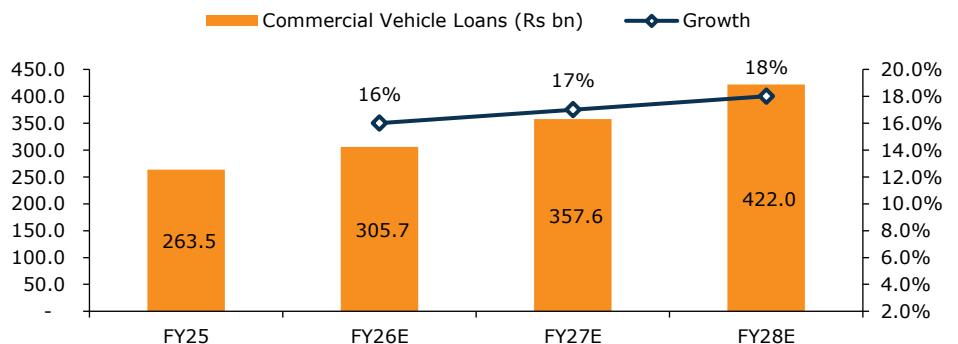
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Exhibit 46: HDBFS's market share in the CV Loan segment is expected to expand by 60bps over FY25-28E to 5.1%

Commercial Vehicle Loans	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	5,800	8,200	12%		
HDB Financial Services	264	422	17%	4.5%	5.1%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 47: HDBFS's Commercial Vehicle Loan segment is expected to clock 17% AUM CAGR over FY25-28E



Source: Company, Emkay Research

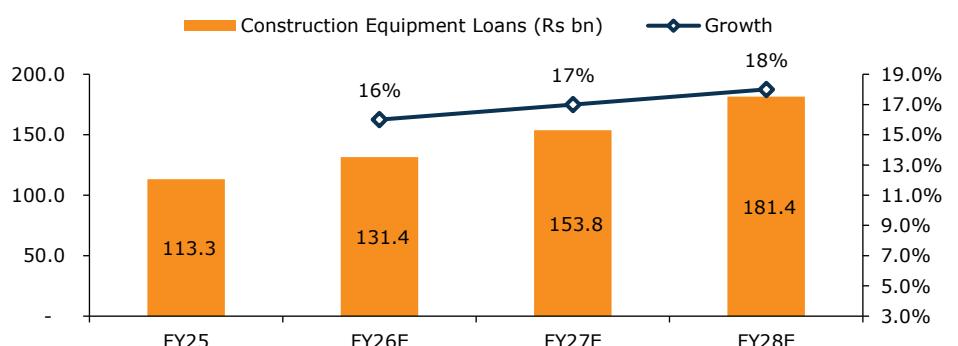
Construction Equipment Loans: In this segment, HDBFS finances new and used construction equipment, including earthmoving, concrete, and material handling machinery, with average loan size of Rs2mn and tenor of ~3 years. The sourcing is similar across the Asset Finance vertical (a mix of FSO and partnership). As of Mar-25, the portfolio stood at Rs113.3bn, with 78% of the loans linked to new equipment. CRISIL estimates 12-14% CAGR in this segment over FY25-28E, with overall outstanding reaching to Rs1.6-1.7trn, from Rs1.4trn in FY25. We expect this segment's strong growth potential to benefit from India's infrastructure push, registering ~15% growth.

Exhibit 48: HDBFS's market share in the Construction Equipment Loans segment is expected to increase to 11% in FY28E, from 8.1% in FY25

Construction Equipment Loans	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	1,400	1,650	6%		
HDB Financial Services	113	181	17%	8.1%	11.0%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 49: HDBFS's Construction Equipment segment is expected to witness an AUM CAGR of 17% over FY25-28E



Source: Company, Emkay Research

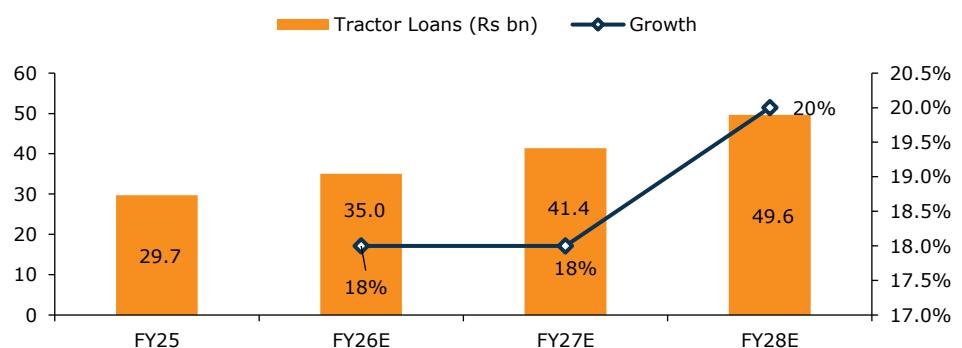
Tractor Loans: With strong presence, thanks to 70% network in tier 4 and below cities, HDBFS is positioned well to grab every opportunity in this segment. It offers tailored financing for individuals purchasing tractors or related equipment for agricultural and commercial use, with ATS of ~Rs0.32bn and tenor of ~4 years. As of Mar-25, the tractor finance loan book stood at Rs29.7bn, with new tractor loans accounting for 66% of the portfolio. CRISIL estimates that the Rs1.3trn tractor finance market would expand at 11–13% CAGR to Rs1.8–1.9trn by FY28. Thus, this segment gives HDBFS a solid foothold in rural and agri-linked credit expansion.

Exhibit 50: We expect 40bps market share expansion in Tractor Loans segment by FY28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
Tractor Loans	FY25	FY28E	FY25-28	FY25	FY28E
Industry	1,300	1,850	12%		
HDB Financial Services	30	50	19%	2.3%	2.7%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 51: The Tractor Loan segment is expected to log a healthy 19% AUM CAGR over FY25-28E

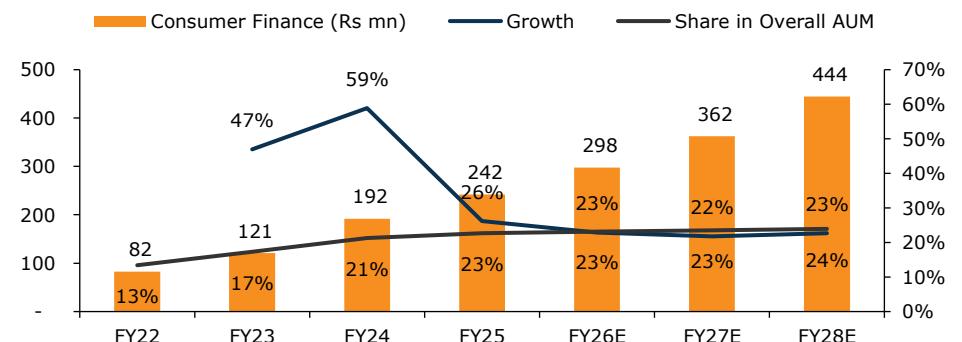


Source: Company, Emkay Research

Consumer Finance - Financing everyday aspirations

The Consumer Finance vertical (launched in 2016) offers short-to-medium-term loans to salaried and self-employed individuals for personal, household, and lifestyle financing. This portfolio includes secured products like two-wheeler and auto loans, and a wide range of unsecured offerings like CD and PL. Distribution is mainly through a digital-first, omni-channel model, supported by the branch-based tele-calling team of 650 employees, and strong partnership with leading OEMs, brands, and dealers. With small ticket sizes and short tenors, the portfolio turns over quickly, allowing HDBFS to underwrite a broader customer base and increase cross-sell opportunities across the product segment. As of Mar-25, the loan book for this segment stood at Rs242.2bn.

Exhibit 52: The share of Consumer Finance Loans to HDBFS's overall AUM is expected to remain in the 23-24% range



Source: Company, Emkay Research

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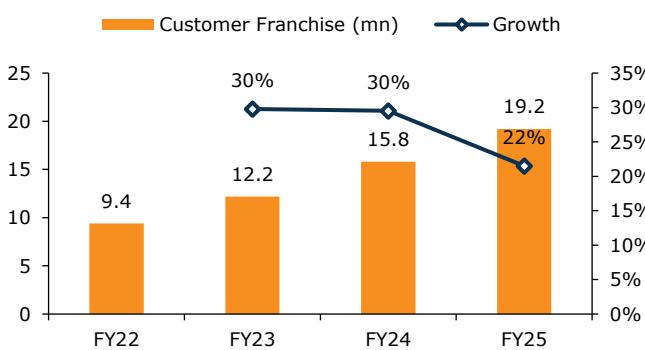
Consumer Durable/Digital Product/Lifestyle Product Loans: A product for a wide range of consumer needs—household appliances and electronics to premium lifestyle products like furniture and high-end kitchen equipment. This segment is short-lived with an average tenor of 1 year and has ATS of ~Rs14k. Customer acquisition is primarily through tele-calling teams (over 650 employees) and a strong partner ecosystem of over 80 OEMs and 140,000+ retail and dealer touchpoints. As of Mar-25, the loan book stood at Rs38bn. Owing to fast portfolio churn and wide distribution, this segment acts as a key entry point into HDBFS's retail customer funnel. With the overall consumer durable finance market expected to clock 18–20% CAGR, per CRISIL, to Rs1.4–1.5trn by FY28, from Rs0.8trn in FY25, HDBFS has positioned itself well to expand presence in this fast-moving, high-volume segment.

Exhibit 53: Led by strong AUM growth, HDBFS's market share in the Consumer Durable Loans segment is expected to expand to 5.5% by FY28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	800	1,450	22%		
HDB Financial Services	38	79	28%	4.8%	5.5%

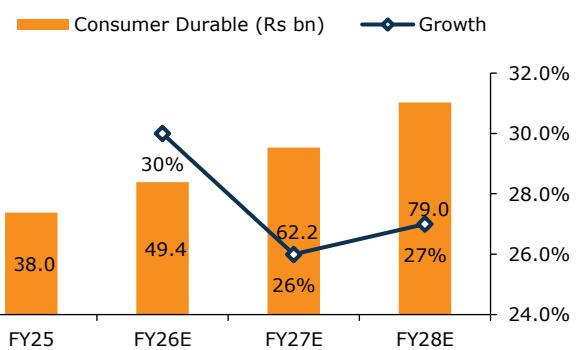
Source: Company, CRISIL, RHP, Emkay Research

Exhibit 54: Driven by strong growth in customer franchise...



Source: Company, Emkay Research

Exhibit 55: ... we expect robust growth in Consumer Durable Loan AUM



Source: Company, Emkay Research

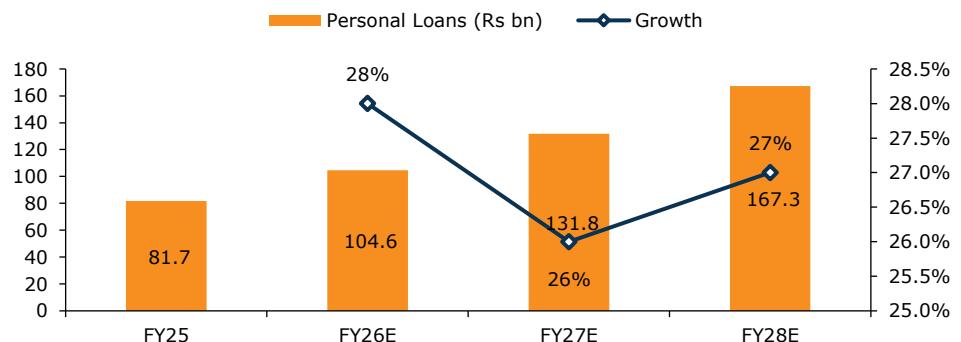
Relationship Personal Loans: HDBFS extends relationship personal loans to existing retail customers, primarily to eligible customers with a strong repayment track record, making them well-suited for short-tenor unsecured credit. These loans have an ATS of ~Rs50k with a tenor of ~2Y, and are sourced through tele-calling teams, supported by in-house analytics that identify eligible borrowers from HDBFS's retail base. As of Mar-25, the loan book stood at Rs81.7bn. This product strengthens HDBFS's ability to deepen customer relationships, while maintaining strong asset quality through data-led cross-sell.

Exhibit 56: Leveraging the existing customer database, HDBFS's Relationship Personal Loan segment is expected to clock strong, 27% AUM CAGR over FY25-28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Personal Loans					
Industry	14,600	24,750	19%		
HDB Financial Services	82	167	27%	0.6%	0.7%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 57: HDBFS's Personal Loan AUM is expected to grow to Rs167bn by FY28E



Source: Company, Emkay Research

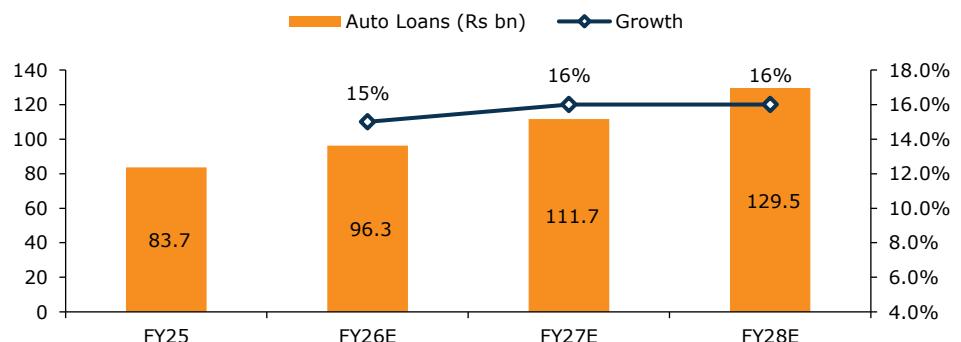
Auto Loan: HDBFS offers credit facility for the purchase of new and used cars, catering to a broad base of retail customers. These loans are primarily sourced through FSOs and a strong partner network of 6 OEMs and over 4,000 dealer touchpoints. The ATS is Rs0.43mn with a tenor of ~4 years. As of Mar-25, this book stood at Rs83.7bn. CRISIL estimates the new personal vehicle finance market to expand to Rs12.2-12.8trn in FY28, from Rs8.2trn in FY25, at 14-16% CAGR. HDBFS is well positioned to expand its presence in this large and growing secured lending segment.

Exhibit 58: HDBFS's Auto Loan segment is expected to grow in line with industry trends

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
Auto Loans	FY25	FY28E	FY25-28	FY25	FY28E
Industry	8,200	12,500	15%	-	-
HDB Financial Services	84	130	16%	1.0%	1.0%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 59: The Auto Loan segment is expected to grow to Rs130bn by FY28E



Source: Company, Emkay Research

Two-Wheeler Loans: Financing two-wheeler purchases forms an important part of HDBFS's retail lending portfolio, forming a key entry point into the retail lending ecosystem. The ATS of these loans is typically ~Rs53k with average tenor of ~2Y. These loans are primarily sourced through FSOs and a strong distribution network comprising 13 OEMs and over 13,000 dealer touchpoints. The two-wheeler loan book stood at Rs32.8bn in FY25. We expect this segment to grow in line with industry growth.

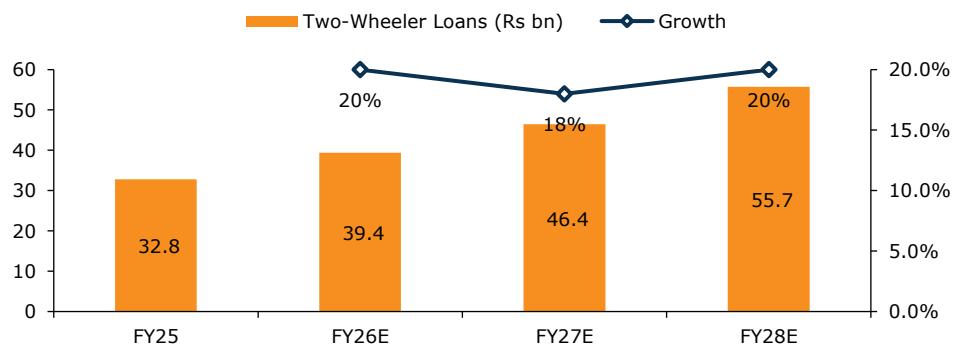
Exhibit 60: We expect 10bps market share improvement in Two-Wheeler Loans over FY25-28E

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
Two-Wheeler Loans	FY25	FY28E	FY25-28	FY25	FY28E
Industry	1,700	2,800	18%	-	-
HDB Financial Services	33	56	19%	1.9%	2.0%

Source: Company, CRISIL, RHP, Emkay Research

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Exhibit 61: HDBFS's Two-Wheeler Loans segment is expected to clock healthy 19% AUM CAGR over FY25-28E, in line with industry trends



Source: Company, Emkay Research

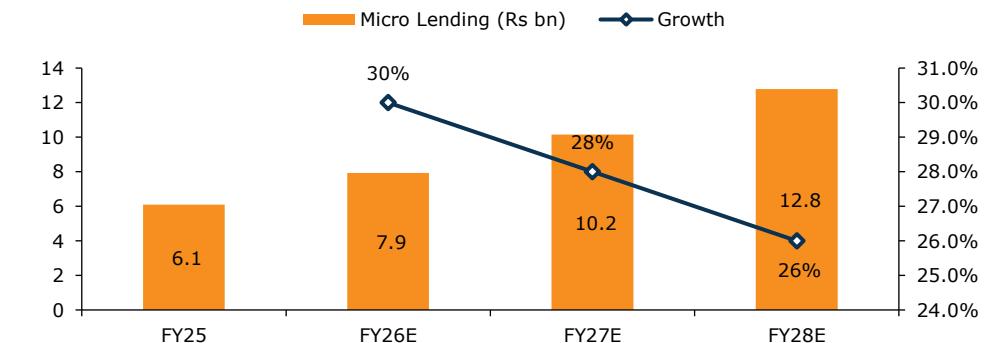
Micro Lending: Started in FY20, this segment aims to drive financial inclusion by offering small-ticket loans through the JLG model. Still in its early growth phase, the segment presents a meaningful long-term opportunity. We expect the MFI segment of HDBFS to grow above industry estimated growth (CRISIL estimates 8-10% CAGR over FY25-28), given the small base and strong rural market understanding. As of Mar-25, the ATS stood at Rs23k with a look book of ~Rs6.1bn. The MFI offering is fully digital and managed through mobile-enabled field operations.

Exhibit 62: The Micro Lending Loans segment is expected to clock strong 28% AUM CAGR on a small base

	AUM (Rs bn)		CAGR	HDBFS' Market Share	
	FY25	FY28E		FY25	FY28E
Industry	3,800	4,950	9%		
HDB Financial Services	6	13	28%	0.2%	0.3%

Source: Company, CRISIL, RHP, Emkay Research

Exhibit 63: Given its strong rural market understanding, HDBFS's Micro Lending Loan segment AUM is expected to reach Rs13bn by FY28E

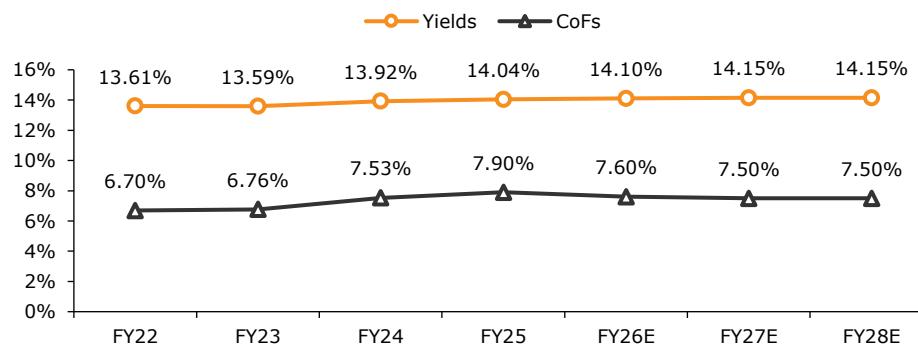


Source: Company, Emkay Research

Margin expansion underway, backed by execution and environment

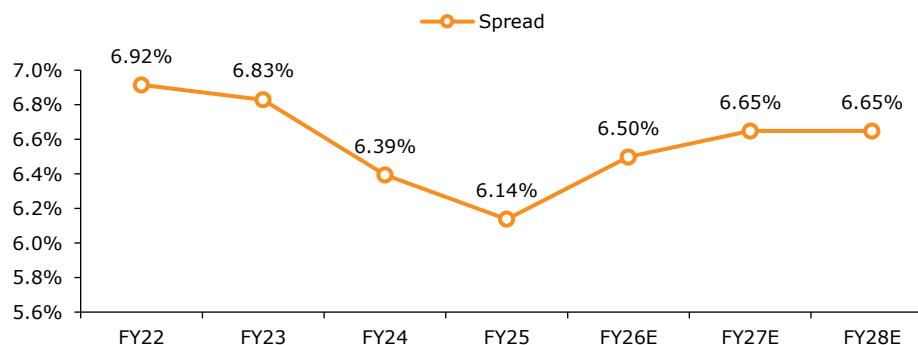
HDBFS has been consistently offering products with higher yields. Its efforts to add new products to its suite have been improving its overall yield. Further, HDBFS' well-diversified borrowing mix, aided by 100bps repo cuts by the RBI, would result in moderating borrowing costs. We expect yields to improve marginally as the proportion of USL improves (but remaining in the desired limit of 30%), further supported by the RBI's repo cut and an optimising borrowing mix to lower overall cost of borrowings by ~30bps; thus, NIM would expand by a similar range over FY25-28E.

Exhibit 64: While we expect marginal improvement in yields ahead, we expect CoFs to witness an improvement of ~40bps over FY25-28E



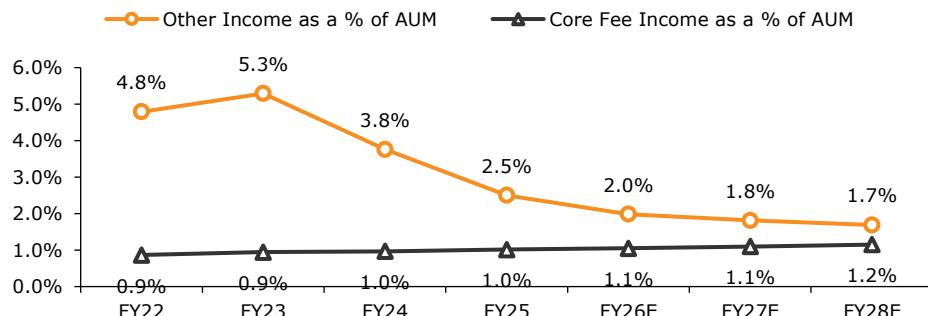
Source: Company, Emkay Research

Exhibit 65: HDBFS's spread is expected to expand gradually over FY25-28E, driven by optimizing borrowing, supported by the RBI's rate cut



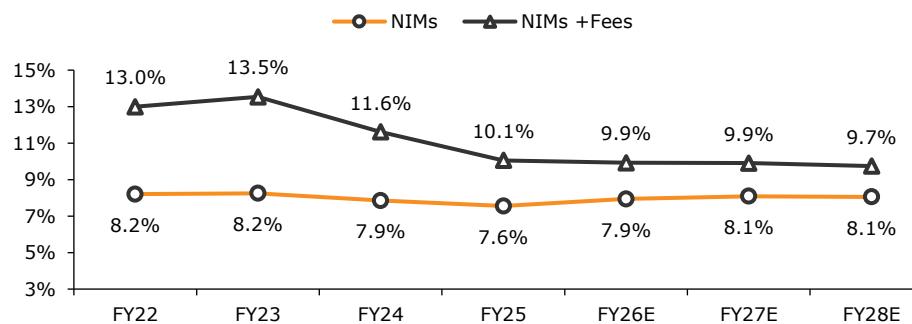
Source: Company, Emkay Research

HDBFS has been actively expanding its third-party fee-based offerings, particularly in the distribution of life and non-life insurance products. This strategic focus has led to a robust 25.56% CAGR in core fee income (excluding BPO service income) over the last two financial years. Ahead, we expect core fee income to register 18% CAGR over FY25-28E. This growth in core fee income would not only strengthen the company's revenue diversification but also enhance profitability.

Exhibit 66: We expect a gradual rise in core fee income as a % of AUM over FY25-28E

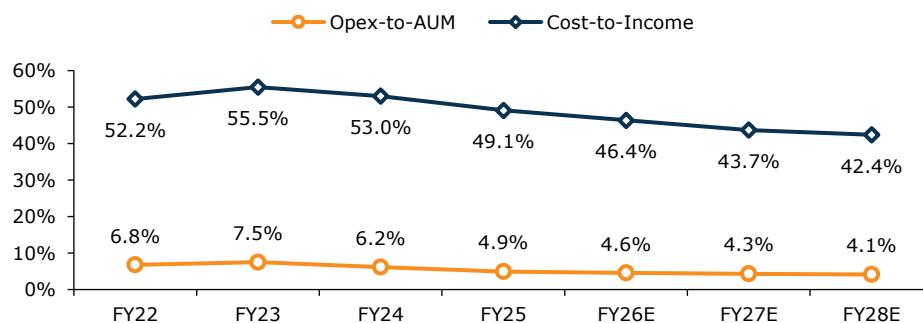
Source: Company, Emkay Research

HDBFS's margins have remained healthy, an outcome of a well-balanced business model—combining secured lending, disciplined underwriting, and growing fee-based income. The focus on improving fee income by increasing cross-selling and a well-balanced mix between secured and unsecured segments, supported by moderating CoFs, would result in margin expansion of ~40bps over FY25-28E.

Exhibit 67: Driven by improvement in CoFs and marginal improvement in yields, we expect gradual improvement in NIM over FY25-28E

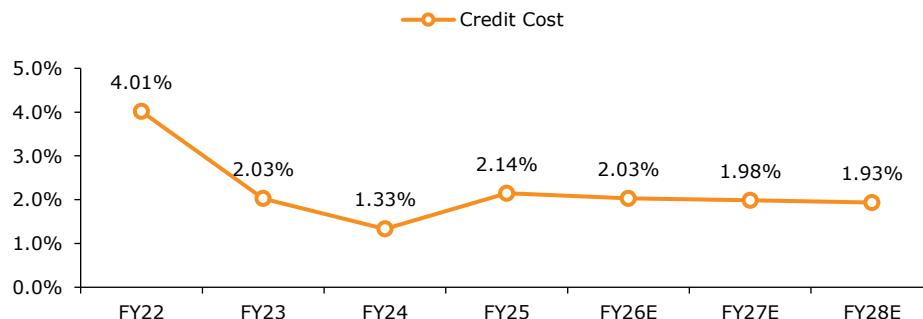
Source: Company, Emkay Research

The company has consistently maintained operating expenses at a moderate level, with opex at ~3.7% (lending business) over the last few years. As it expands its pan-India omni-channel distribution and invests in technology-enabled processes, some increase in costs is expected. However, as AUM grows, we anticipate HDBFS benefiting from economies of scale, thus aiding in optimizing and moderating opex by 30-40bps over FY25-28E.

Exhibit 68: Economies of scale expected to drive improvement in opex-to-AUM over FY25-28E

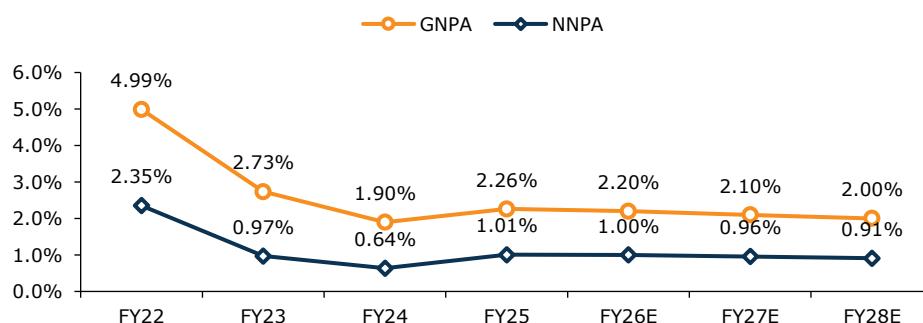
Source: Company, Emkay Research; Note: Opex includes employee cost for BPO service

HDBFS's disciplined approach to credit cost management plays a key role in risk management. Its diverse product range and a balanced mix of secured and unsecured offerings have helped to contain risk at desired levels. The company maintains a sharp focus on asset quality, supported by prudent underwriting, proactive collections, and robust provisioning buffers. Its strong risk controls and early warning systems help to monitor risk and protect profitability. We expect the credit cost to remain rangebound at ~2%.

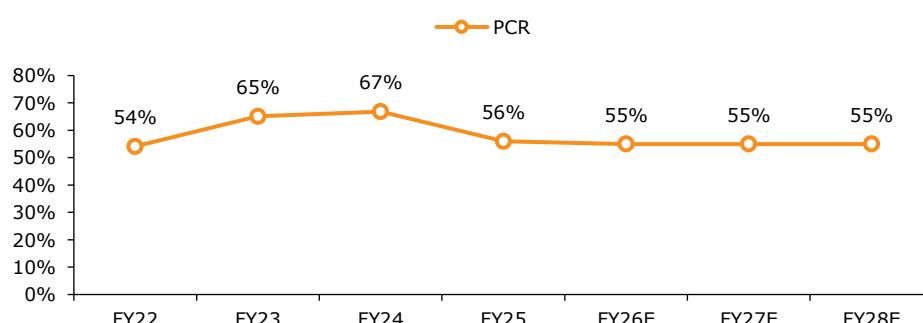
Exhibit 69: Backed by strong asset quality, credit cost is expected to witness improvement to 1.93% over FY25-28E


Source: Company, Emkay Research

On the asset quality front, HDBFS reported GNPA of 2.26% in FY25, reflecting some pressure on asset quality currently, led by some macro factors in the segment in which it operates. The company's loan book remains predominantly secured, with 73.01% of total gross loans backed by collaterals, helping to mitigate potential credit losses. Given the experienced management team and disciplined approach, we expect GNPA to remain comfortably stable at ~2% and net non-performing assets at ~1.0% by FY28E despite a marginal increase in the unsecured segment.

Exhibit 70: We expect asset quality to remain stable over FY25-28E


Source: Company, Emkay Research

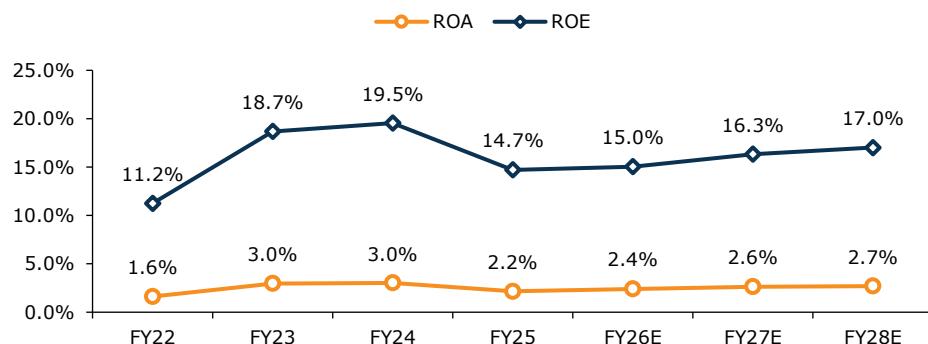
Exhibit 71: We expect PCR to remain stable ahead


Source: Company, Emkay Research

HDBFS's well-diversified loan book, strong risk controls, and growing fee-based income position it as a scalable player in the NBFC space. The company's direct retail-focused model is supported by prudent underwriting, a balanced mix of secured and unsecured lending, and a wide distribution network, aiding in efficient customer acquisition across geographies. HDBFS continues to build on its core non-credit revenue streams, showing strong traction. Backed by prudent provisioning and a disciplined approach to asset quality, the company has maintained stable margins with moderating credit costs; we expect the company to deliver strong profitability. Ahead, we expect HDBFS to deliver a steady RoA of ~2.5-2.7% and RoE of ~17% by FY28E, supported by consistent growth, healthy capital adequacy, and improved operating leverage as it scales up.

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Exhibit 72: Driven by healthy NIMs, the RoE is expected to increase to 16.9% in FY28E, while the RoA is expected to increase to 2.7% in FY28E



Source: Company, Emkay Research

RoE tree

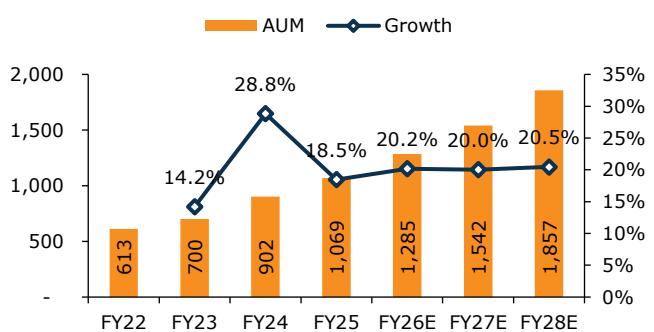
Exhibit 73: RoE Tree: We expect healthy improvement in RoE over FY25-28E

RoE tree	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	13.4%	13.5%	13.7%	13.8%	13.9%	13.9%	14.0%
Cost of Fund	5.3%	5.3%	6.0%	6.4%	6.1%	6.0%	6.0%
NII	8.1%	8.2%	7.7%	7.4%	7.8%	8.0%	7.9%
Fee Income	3.8%	4.0%	2.4%	1.2%	0.9%	0.6%	0.5%
Other Income	0.9%	1.3%	1.3%	1.2%	1.1%	1.1%	1.2%
Total Income	12.8%	13.5%	11.4%	9.9%	9.8%	9.8%	9.6%
Employee Exp	5.6%	6.1%	4.7%	3.6%	3.3%	3.0%	2.9%
Other Exp	1.1%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%
PPoP	6.1%	6.0%	5.4%	5.0%	5.2%	5.5%	5.5%
Credit cost	4.0%	2.0%	1.3%	2.1%	2.0%	2.0%	1.9%
PBT (Pre Tex - RoA)	2.2%	4.0%	4.1%	2.9%	3.2%	3.5%	3.6%
Tax	0.5%	1.0%	1.0%	0.7%	0.8%	0.9%	0.9%
PAT (RoA)	1.6%	3.0%	3.0%	2.2%	2.41%	2.63%	2.70%
Leverage	6.93	6.30	6.46	6.81	6.25	6.21	6.31
RoE	11.2%	18.7%	19.5%	14.7%	15.0%	16.3%	17.0%

Source: Company, Emkay Research

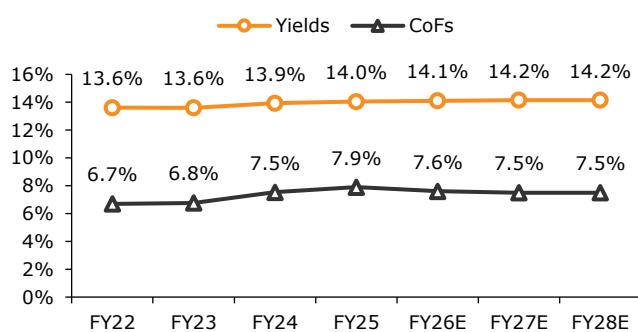
Story in charts

Exhibit 74: We expect AUM to register a 20% CAGR over FY25-28E



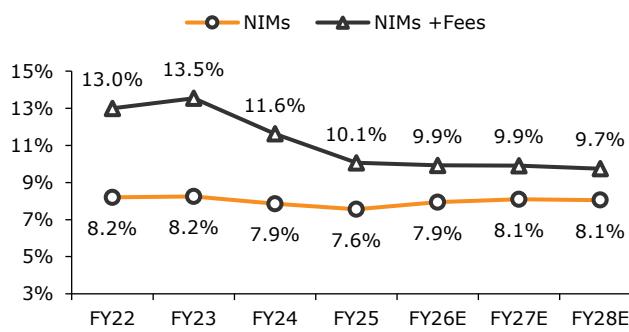
Source: Company, Emkay Research

Exhibit 75: CoFs to moderate on account of RBI's rate cut and active liability management



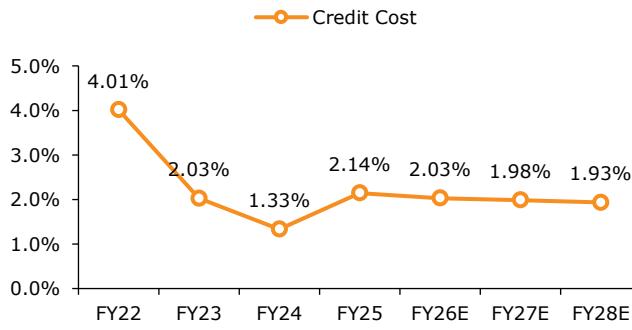
Source: Company, Emkay Research

Exhibit 76: Core margin to expand, led by improving yield and moderating CoFs



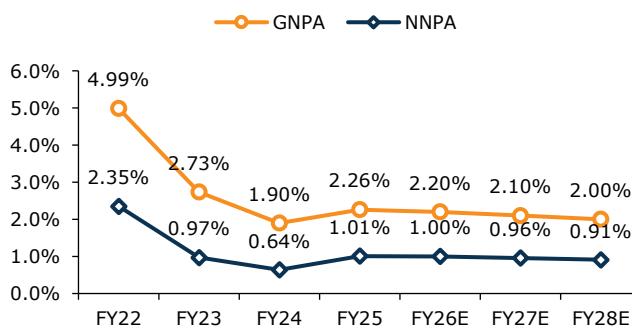
Source: Company, Emkay Research

Exhibit 78: Given the product segment of HDBFS, we expect credit costs to remain ~2% levels



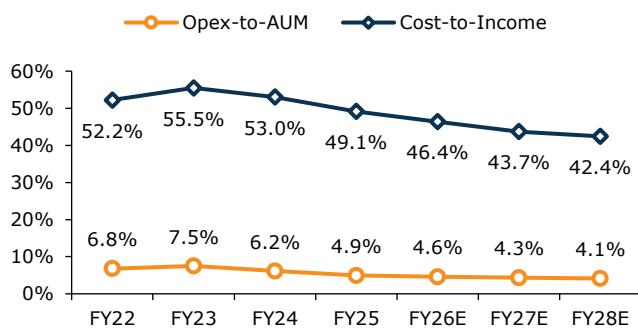
Source: Company, Emkay Research

Exhibit 80: Asset quality to remain stable



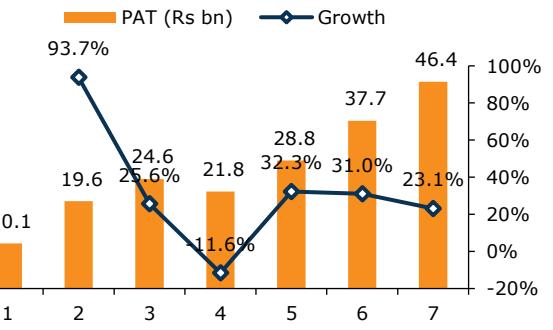
Source: Company, Emkay Research

Exhibit 77: Opex moderation led by improving efficiency and scale



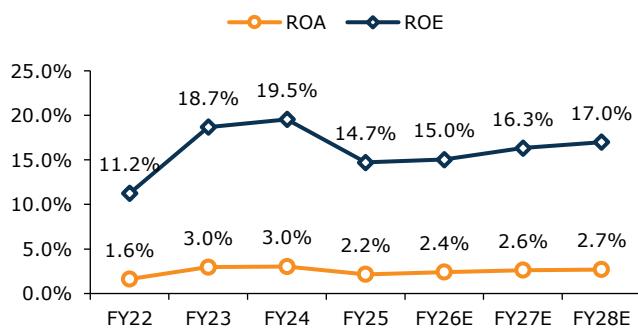
Source: Company, Emkay Research

Exhibit 79: Profitable since second year of operation



Source: Company, Emkay Research

Exhibit 81: Improving operating efficiency resulting in RoA/RoE expansion



Source: Company, Emkay Research

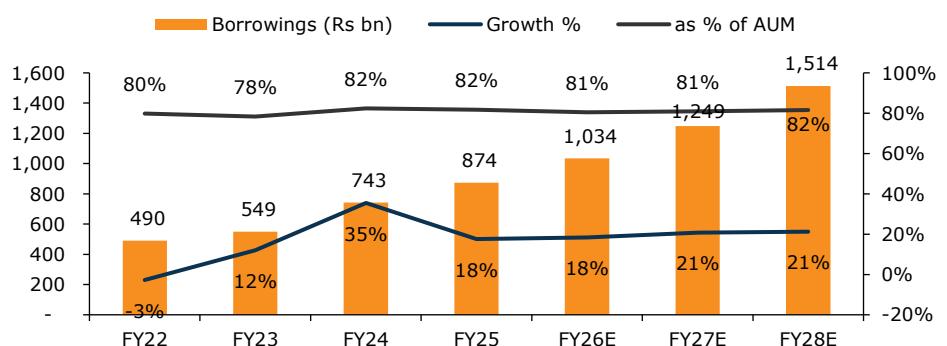
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Strategic liability management ensures margin protection and financial flexibility

HDBFS's treasury function serves as a critical enabler of the company's financial stability and profitability. The team focuses on optimising cost of capital, actively managing interest rate and currency risks, investing the temporary surplus, and maintaining sufficient liquidity to support business expansion. Funds are raised in line with HDBFS's resource planning policy through a diversified mix of instruments, including term loans, non-convertible debentures (NCDs), securitisation, external commercial borrowings, refinance facilities, subordinated and perpetual bonds, and commercial papers. The company's funding partners span public and private sector banks, foreign banks, mutual funds, insurance companies, pension funds, and other financial institutions, while maintaining a strong balanced mix of fixed and floating liability in accordance to the asset mix.

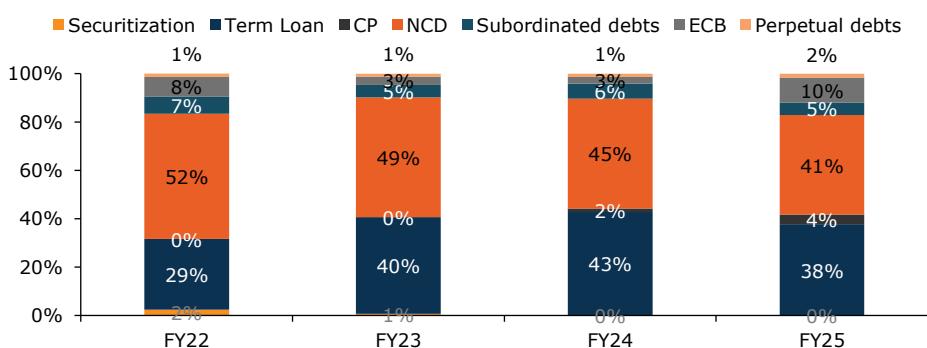
As of Mar-25, 66.91% of HDBFS's borrowings were fixed rate borrowings and 33.09% were floating rates, reflecting a prudent balance against rate volatility. Supported by strong credit rating of AAA from renowned credit rating agencies (CRISL and CARE) and seasoned treasury oversight, HDBFS maintained an average borrowing cost of 7.90% in FY25. Its strategic approach to funding diversification and liability management help to protect margins, preserve capital strength, and support long-term business resilience.

Exhibit 82: Borrowings as a % of AUM is expected to remain largely stable over FY25-28E



Source: Company, Emkay Research

Exhibit 83: HDBFS has consistently maintained a diverse borrowing mix



Source: Company, Emkay Research

Exhibit 84: Top credit rating backed by strong promoter group

Credit FY25	Long-term	Short-term
CRISL	AAA/Stable	A1+
CARE	AAA/Stable	A1+

Source: Company, Emkay Research

Positioned strongly among peers

HDB Financial Services stands out among NBFCs for its mix of growth, profit, and asset quality. It is growing steadily alongside top competitors and maintains strong performance, led by robust risk management. Although it may be far from the leader in terms of scale or returns, HDBFS provides consistent profits with a cautious credit strategy and enjoys support from its strong parent company. Its higher operating costs are a function of its efforts to build/operate through the direct sourcing channel. Overall, its performance remains strong. HDBFS stands out as a reliable and scalable NBFC option with long-term growth potential.

Exhibit 85: Peer set's key operating matrix

FY25 (Rs bn)	HDBFS Financials	Bajaj Cholamandalam Inv. & Fin.	Shriram Finance	Mahindra Finance	L&T Finance	AB capital
Interest Income	138.4	611.6	237.2	403.1	153.3	146.6
Finance Costs	63.9	247.7	124.8	184.5	79.0	60.0
NII	74.5	363.9	112.4	218.5	74.3	86.7
Other Income	24.6	85.6	23.3	15.5	7.4	12.8
Total Revenue from operations	99.1	449.5	135.7	234.0	81.8	99.4
Total Expenses	48.7	149.3	53.4	71.4	34.1	39.8
PPoP	50.4	300.3	82.3	162.6	47.7	59.6
Impairment on Financial Instruments	21.1	79.7	24.9	53.1	16.2	24.7
Profit Before Tax	29.3	220.8	57.4	109.5	31.5	34.9
Total Tax Expense	7.5	53.0	14.8	28.5	8.0	8.5
PAT	21.8	167.8	42.6	97.6	23.5	26.4
						29.6

Source: Company, Emkay Research

Exhibit 86: Benchmarking performance against industry leaders

RoE tree (on avg assets)	HDBFS Financials	Bajaj Finance	Cholamandalam Inv. & Fin.	Shriram Finance	Mahindra Finance	L&T Finance	AB capital
Interest income	13.75%	14.53%	13.25%	15.19%	12.23%	13.14%	11.76%
Interest expended	6.35%	5.88%	6.97%	6.95%	6.30%	5.38%	6.20%
Net Interest Income	7.40%	8.65%	6.27%	8.23%	5.93%	7.77%	5.56%
Other Income (Treasury / others) / Avg. Assets	2.45%	2.03%	1.30%	1.21%	0.59%	1.15%	0.32%
Income Yield/Avg Assets	9.85%	10.68%	7.58%	8.82%	6.52%	8.91%	5.88%
Op. Cost (Staff cost)/Avg Assets	3.60%	1.78%	1.83%	1.38%	1.52%	1.99%	0.87%
Op. Cost (Other costs)/Avg Assets	1.24%	1.76%	1.15%	1.32%	1.20%	1.58%	0.84%
Operating profit/Avg Assets	5.01%	7.13%	4.60%	6.13%	3.80%	5.34%	4.18%
Provisions / Avg Assets	2.10%	1.89%	1.39%	2.00%	1.29%	2.21%	1.12%
Pre-Tax RoA	2.91%	5.24%	3.20%	4.75%	2.51%	3.13%	3.05%
Tax Retention Rate	74.32%	76.00%	74.23%	74.02%	74.51%	75.72%	75.31%
Post Tax RoA	2.16%	3.98%	2.38%	3.52%	1.87%	2.39%	2.30%
Leverage = Avg Assets /Avg Equity	6.81	4.86	8.29	5.06	6.60	4.55	5.45
RoE (Leverage * RoA)	14.72%	19.34%	19.72%	17.80%	12.35%	10.89%	12.52%

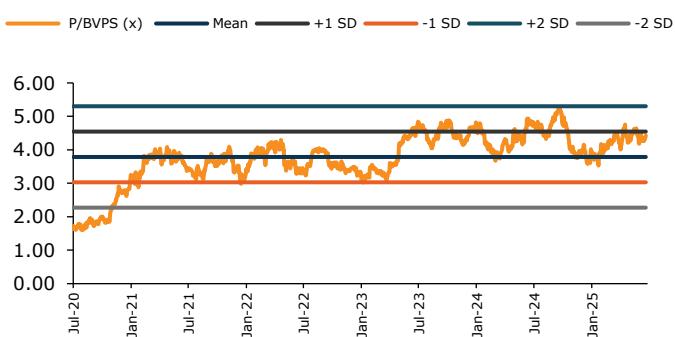
Source: Company, Emkay Research

Exhibit 87: Overall growth aligning with peers

Peers	AUM (Rs bn)				
	FY25	FY26E	FY27E	FY28E	CAGR
CIFC	1,847	2,268	2,747	3,311	21.5%
MMFS	1,197	1,365	1,597	1,885	16.3%
SHFL	2,632	3,052	3,557	4,148	16.4%
LTF	978	1,149	1,385	1,684	19.9%
ABCAP*	1,039	1,223	1,492	1,790	19.9%
BAF	4,167	5,208	6,458	8,008	24.3%
HDBFS	1,069	1,285	1,542	1,857	20.2%

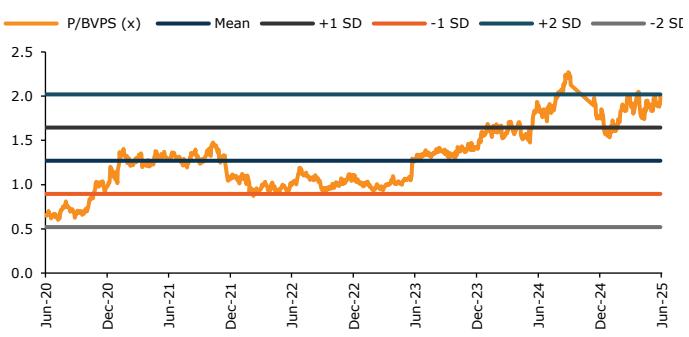
Source: Company, Emkay Research

Exhibit 88: One-year forward P/BV - CIFC



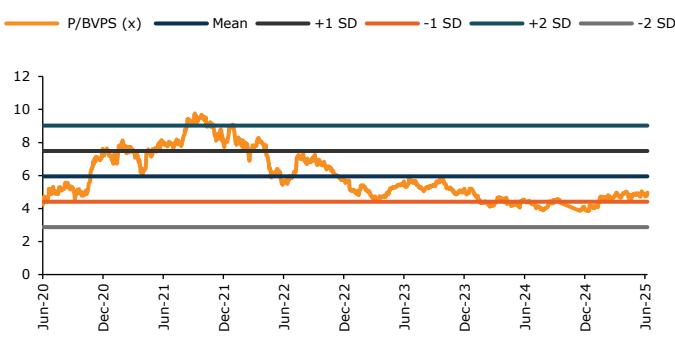
Source: Company, Emkay Research

Exhibit 89: One-year forward P/BV - SHFL



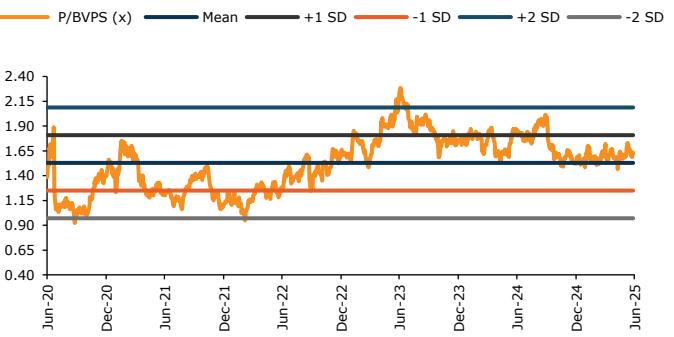
Source: Company, Emkay Research

Exhibit 90: One-year forward P/BV - BAF



Source: Company, Emkay Research

Exhibit 91: One-year forward P/BV - MMFS



Source: Company, Emkay Research

Key regulations

Exhibit 92: Key regulations/guidelines

Key Regulations	Details
Scale-Based Regulations	HDBFS is categorized as an upper-layer NBFC (NBFC-UL) under RBI's Scale-Based Regulations - 2023, thus requiring enhanced compliance. This includes but is not limited to maintaining a minimum capital ratio of 15% of risk-weighted assets, with Tier I capital of at least 10%, Common Equity Tier I (CET-1) at 9%, and mandatory listing within three years of NBFC-UL identification.
Liquidity Risk Management Framework	NBFCs must maintain LCR to ensure sufficient HQLA to survive 30-day stress scenarios. LCR to be above 100% after Dec-24. As of Mar-25, HDBFS's LCR stood at 160.24%, exceeding regulatory requirements.
KYC and Anti-Money Laundering	Compliance with RBI's KYC Master Directions (2016) and AML/CFT (Combating Terrorism Financing) regulations is mandatory. This includes customer due diligence, record preservation, and reporting of suspicious transactions to the Financial Intelligence Unit-India (FIU-IND).
Fair Practices and Outsourcing	NBFCs must comply with RBI's fair practices code and outsourcing guidelines, ensuring vendor due diligence, software licensing compliance, and customer grievance redressal.
Data Protection and Privacy	The Digital Personal Data Protection Act (2023), though not yet effective, will impose stricter data processing norms, requiring NBFCs to overhaul data governance frameworks.
No Overlap in Core Business Activities	The draft circular restricts multiple entities within a bank group from engaging in the same line of business or holding identical financial licenses, allowing only one entity (bank or affiliate) to operate in a specific permissible activity — to prevent regulatory arbitrage and ensure banks don't bypass restrictions through group entities. If implemented as proposed, it will require major banks like HDFC Bank to substantially reduce their stakes in subsidiaries such as HDB Financial and could necessitate broad structural changes across the Indian banking sector.
Digital Lending Guidelines	Enforces that all digital loan disbursals and repayments must flow directly between regulated entities and borrowers—no pass-through accounts is allowed. Requires disclosure of Annual Percentage Rate (APR), loan sanction details, and grievance contacts to the borrower. Lending Service Providers (LSPs) must be contractually regulated.
Microfinance Loan Directions	Applies to all regulated entities providing microfinance loans. Caps borrower repayment obligations to 50% of monthly household income. Requires income assessment mechanisms, Board-approved pricing and conduct policies, and transparency in collection practices.
Classification of Willful and Large Defaulters	Mandates procedures to identify willful defaulters and large defaulters (exceeding Rs10mn). Requires a Board-approved policy, reporting to credit bureaus, and inclusion of guarantors where applicable. Ensures that defaulter classification impacts credit and legal action.
Fraud Risk Management	Requires NBFCs to have a Board-approved fraud detection and reporting policy, maintain a fraud monitoring committee, classify frauds (eg, cyber, operational), and report material frauds to RBI within 3 weeks. Internal audit must periodically assess fraud risk.

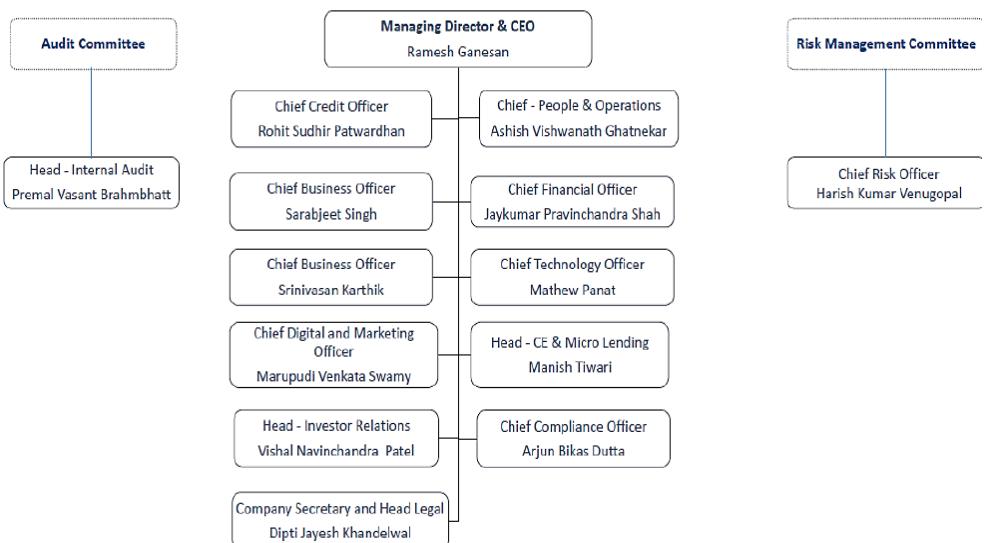
Source: Company, Emkay Research

About the company

HDB Financial Services is a leading non-banking financial company in India, offering a wide range of retail and commercial financial products and services. Incorporated in 2007, it is a subsidiary of HDFC Bank and operates under the regulatory supervision of the Reserve Bank of India. HDBFS serves a diverse customer base across urban, semi-urban, and rural areas through its extensive branch network. Its product portfolio includes personal loans, business loans, gold loans, auto loans, enterprise finance, and asset management services. The company also offers fee-based services such as insurance distribution and BPO solutions. Known for strong risk management and operational efficiency, HDBFS leverages advanced technology platforms to enhance customer experience and credit underwriting. It has steadily grown into one of the most profitable NBFCs in the country. The company is classified as an upper-layer NBFC under RBI's scale-based regulation framework, indicating its systemic significance. With focus on financial inclusion and digital transformation, HDBFS continues to play a pivotal role in India's credit landscape.

Exhibit 93: Organization reporting structure

Organization Structure – Corporate



Source: Company, RHP, Emkay Research

Exhibit 94: Products offered

Customer Segment	Products
Enterprise Lending	Business Loan LAP Gold Loans Enterprise Business Loan Salaried Personal Loan
Asset Finance	Tractor Loans Commercial Vehicle Loans Construction Equipment Loans
Consumer Finance	Personal Loans Auto Loans Two-Wheeler Loans Digital Loans Consumer Durable Loans Microfinance Loans
Fee Products	General Insurance Life Insurance Health Insurance

Source: Company, RHP, Emkay Research

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Exhibit 95: Share holding pattern pre and post-issue



Source: Company, RHP, Emkay Research

Exhibit 96: Strong credible Board

Name	Designation	Profile
Arijit Basu	Part-time Non-Executive Chairman & Independent Director	Holds a master's degree in arts from the University of Delhi and is a Certified Associate of Indian Institute of Bankers. Over 40 years of experience in banking and financial services. Former MD and Whole-time Director of SBI, CEO of SBI Life. Post-retirement, he serves on Boards of Prudential plc, Peerless Hospitex, and in advisory roles for Razorpay and Ares Management. Also, serves as chairman of the academic council at RBI's College of Supervisors and is a member of IRDAI's Insurance Advisory Committee.
Dr. Amla Ashim Samanta	Independent Director	Holds MSc degree and PhD in Biochemistry from G.S. Medical College, University of Bombay. Over 34 years of experience across medical, banking, and financial services. Former Board member at HDFC Bank, Manappuram Finance, HDFC Securities. Currently, director at Samanta Movies and Shakti Cine Studio.
A.K. Viswanathan	Independent Director	BCom from University of Madras, Fellow Chartered Accountant. Holds certifications: CIA, CPA, CISA, CISSP. Over 35 years' experience in finance, IT audit, and cyber security. Retired Deloitte partner; previously associated with E&Y, Russel Metals, Nexdigm, and others. Certified coach (Marshall Goldsmith).
Arundhati Mech	Independent Director	Holds MA degree in Linguistics from JNU. Over 36 years' experience in finance sector. Retired as Regional Director of the Reserve Bank of India.
Jayesh Chakravarthi	Independent Director	Holds BE degree in Electronics from Bangalore University and MMS from University of Bombay. Over 30 years' experience in IT. Previously, with Wipro, Sun Microsystems, MindTree, Fidelity. Currently, on Board of Recast Technologies.
Jayant Purushottam Gokhale	Independent Director	Holds BCom degree and LLB from University of Bombay; a Fellow Chartered Accountant. 41+ years in audit, finance, and taxation. Founder partner of Gokhale & Sathe. Member of RBI's Urban Co-op Bank merger committee.
Bhaskar Sharma	Independent Director	Holds MSc and MMS from University of Bombay; completed INSEAD's leadership program. Over 21 years' experience in marketing. Previously, held senior roles at Unilever and Red Bull India. On Boards of Polycab India and EBG.
Jimmy Minocher Tata	Non-Executive Director (Non-Independent)	Holds BCom degree from University of Bombay, master's degree in Financial Management from JBIMS, and is a CFA. Over 33 years' experience in banking and finance. Associated with HDFC Bank since 1994. Previously, with Apple Finance.
Ramesh Ganeshan	Managing Director & CEO	He holds a bachelor's degree in mechanical engineering from Annamalai University and a PGDM from the IIM, Lucknow. With over 32 years of experience in banking, consumer finance, and operations, he had previously worked with organizations such as Countrywide Consumer Financial Services, HDFC Bank, Enam Asset Management, Godrej & Boyce, and Intelenet Global Services. He joined the company in 2007 as the Chief Operating Officer, and was appointed as the Chief Executive Officer in 2010, and elevated to Managing Director and CEO in 2012.

Source: Company, Emkay Research

Exhibit 97: Seasoned senior management driving long-term growth

Name	Designation	Profile Details
Ramesh Ganesan	Managing Director & CEO	Holds a bachelor's degree in mechanical engineering and a PGDM from IIM Lucknow. Over 32 years of experience in business development, banking, consumer finance, and operations. Has played a pivotal role in building and scaling HDBFS since inception, with prior roles at Countrywide Consumer Financial Services, HDFC Bank, Enam Asset Management, Godrej & Boyce, and Intelenet Global Services.
Jaykumar Pravinchandra Shah	Chief Financial Officer	A Chartered Accountant with 30+ years in finance and accounting. Has held senior finance roles at HDFC Bank and Tata Capital, and is experienced in capital markets, financial management, and regulatory compliance.
Dipti Jayesh Khandelwal	Company Secretary & Compliance Officer	A qualified Company Secretary with over 17 years' experience in secretarial, legal, and compliance functions in financial services. Responsible for corporate governance, regulatory compliance, and board processes at HDBFS.
Srinivasan Karthik	Chief Business Officer	Holds a bachelor's degree in technology (IIT Delhi) and a PGDM (IIM Bangalore). Over 22 years of experience in operations, business development, and corporate strategy. Previously, worked at Mphasis, Serco Global Services, and as executive director at Zeus System.
Sarabjeet Singh	Chief Business Officer – Enterprise Lending	Holds a bachelor's degree in science and a PGDBM. Over 29 years of experience in retail lending and insurance distribution. Had worked with GE Money Financial Services and Gujarat Lease Financing before joining HDBFS.
Rohit Sudhir Patwardhan	Chief Credit Officer	Holds a bachelor's degree in computer science and a PGDM. Over 20 years of experience in risk management, collections, and strategy, with prior roles at Citi Bank, GE Countrywide, and Standard Chartered Bank.
Manish Tiwari	Head – CE and Micro Lending	Holds a diploma in mechanical engineering. Over 26 years of experience in business operations in finance, capital engineering goods, and strategy planning. Previously served at Kotak Mahindra Bank, Mait Middle East, and Larsen & Toubro.
Marupudi Venkata Swamy	Chief Digital and Marketing Officer	Holds a bachelor's degree in engineering (computer science) and a PGDM (IIM Calcutta). Over 20 years of experience in digital marketing, product management, marketing strategy, and data protection. Previously, was the assistant general manager at ICICI Bank.
Harish Kumar Venugopal	Chief Risk Officer	Holds a bachelor's degree in arts and a PGDBM. Brings over 31 years of experience in risk management, industry analysis, and decision-making. Previously, worked with Citibank, CitiCorp Finance, Foremost Factors, RPG Itochu Finance, SRF Finance, and Consortium Finance and Leasing.
Ashish Vishwanath Ghatnekar	Chief – People & Operations	Holds an engineering degree in electronics and telecommunications, and a diploma in systems management. Over 31 years of experience in HR and operations management, with prior experience at HDFC Bank, Datamatics Staffing, and Fortis Financial Services.
Mathew Panat	Chief Technology Officer	Holds a bachelor's degree in electronic engineering and has completed an executive management program. Over 30 years' experience in application development, enterprise architecture, cybersecurity, and IT risk. Has worked at Tata Capital, CapGemini (Patni), IDFC First Bank, and Oracle India.
Premal Vasant Brahmbhatt	Head – Internal Audit	Holds a bachelor's degree in science and an MBA degree. Is a certified internal auditor and fraud examiner. Over 19 years' experience in audit, compliance, risk, and training, with previous roles at AEON Credit, Swadhaar Finserve, TATA AIA Life, ABN AMRO Asia Equities, and Haribhakti & Co.
Arjun Bikas Dutta	Chief Compliance Officer	Holds master's degrees in commerce and business administration, with certifications in banking and compliance. Over 37 years' experience in regulatory compliance, banking, and finance, including service at RBI.
Vishal Navinchandra Patel	Head – Investor Relations	Holds a bachelor's degree in commerce and is a Chartered Accountant. Over 15 years' experience in corporate finance, strategic planning, and investor relations, with prior roles at Mahindra & Mahindra, Standard Chartered, and Reliance Industries.

Source: Company, Emkay Research

HDB Financial Services: Standalone Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	111,567	138,358	165,909	199,958	240,468
Interest Expense	48,643	63,902	72,528	85,634	103,621
Net interest income	62,924	74,456	93,381	114,324	136,847
NII growth (%)	16.2	18.3	25.4	22.4	19.7
Non interest income	30,144	24,645	23,354	25,646	28,701
Total income	93,068	99,101	116,735	139,970	165,548
Operating expenses	49,347	48,692	54,143	61,191	70,236
PPOP	43,721	50,409	62,592	78,779	95,312
PPOP growth (%)	10.5	15.3	24.2	25.9	21.0
Provisions & contingencies	10,674	21,130	23,855	28,039	32,858
PBT	33,047	29,279	38,736	50,741	62,454
Extraordinary items	0	0	0	0	0
Tax expense	8,439	7,519	9,955	13,040	16,051
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	24,608	21,760	28,781	37,700	46,404
PAT growth (%)	25.6	(11.6)	32.3	31.0	23.1
Adjusted PAT	24,608	21,760	28,781	37,700	46,404
Diluted EPS (Rs)	31.0	27.3	34.7	45.4	55.9
Diluted EPS growth (%)	25.3	(11.9)	26.9	31.0	23.1
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
Effective tax rate (%)	25.5	25.7	25.7	25.7	25.7
Net interest margins (%)	7.9	7.6	7.9	8.1	8.1
Cost-income ratio (%)	53.0	49.1	46.4	43.7	42.4
PAT/PPOP (%)	56.3	43.2	46.0	47.9	48.7
Shares outstanding (mn)	793.1	795.8	829.6	829.6	829.6

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	7,931	7,958	8,296	8,296	8,296
Reserves & surplus	129,496	150,239	203,682	241,382	287,786
Net worth	137,427	158,197	211,978	249,678	296,082
Borrowings	743,307	873,977	1,034,055	1,248,796	1,513,554
Other liabilities & prov.	44,831	54,459	58,674	64,485	70,812
Total liabilities & equity	925,565	1,086,633	1,304,707	1,562,959	1,880,448
Net loans	867,213	1,033,430	1,242,989	1,492,624	1,798,956
Investments	33,803	20,601	22,661	24,927	27,420
Cash, other balances	6,479	9,505	13,692	16,993	22,225
Interest earning assets	907,495	1,063,536	1,279,342	1,534,544	1,848,601
Fixed assets	4,890	7,028	8,082	9,295	10,689
Other assets	13,180	16,069	17,282	19,120	21,159
Total assets	925,565	1,086,633	1,304,707	1,562,959	1,880,448
BVPS (Rs)	173.3	198.8	255.5	301.0	356.9
Adj. BVPS (INR)	173.3	198.8	255.5	301.0	356.9
Gross loans	902,179	1,068,776	1,284,540	1,541,723	1,857,121
Total AUM	902,179	1,068,776	1,284,540	1,541,723	1,857,121
On balance sheet	902,179	1,068,776	1,284,540	1,541,723	1,857,121
Off balance sheet	0	0	0	0	0
Disbursements	608,993	661,075	780,069	936,082	1,132,659
Disbursements growth (%)	35.9	8.6	18.0	20.0	21.0
Loan growth (%)	30.6	19.2	20.3	20.1	20.5
AUM growth (%)	28.8	18.5	20.2	20.0	20.5
Borrowings growth (%)	35.5	17.6	18.3	20.8	21.2
Book value growth (%)	19.9	14.7	28.5	17.8	18.6

Source: Company, Emkay Research

Asset quality and other metrics

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
GNPL - Stage 3	17,118	24,137	28,260	32,376	37,142
NNPL - Stage 3	5,680	10,631	12,717	14,569	16,714
GNPL ratio - Stage 3 (%)	1.9	2.3	2.2	2.1	2.0
NNPL ratio - Stage 3 (%)	0.6	1.0	1.0	1.0	0.9
ECL coverage - Stage 3 (%)	66.8	56.0	55.0	55.0	55.0
ECL coverage - 1 & 2 (%)	2.7	2.1	2.1	2.1	2.1
Gross slippage - Stage 3	-	-	-	-	-
Gross slippage ratio (%)	-	-	-	-	-
Write-off ratio (%)	1.5	2.1	1.5	1.5	1.4
Total credit costs (%)	1.3	2.1	2.0	2.0	1.9
NNPA to networth (%)	4.1	6.7	6.0	5.8	5.6
Capital adequacy					
Total CAR (%)	19.3	19.2	19.5	18.6	17.8
Tier-1 (%)	14.1	14.7	15.7	15.4	15.2
Miscellaneous					
Total income growth (%)	4.7	6.5	17.8	19.9	18.3
Opex growth (%)	0.0	(1.3)	11.2	13.0	14.8
PPOP margin (%)	5.5	5.1	5.3	5.6	5.6
Credit costs-to-PPOP (%)	24.4	41.9	38.1	35.6	34.5
Loan-to-Assets (%)	93.7	95.1	95.3	95.5	95.7
Yield on loans (%)	13.9	14.0	14.1	14.2	14.2
Cost of funds (%)	7.5	7.9	7.6	7.5	7.5
Spread (%)	6.4	6.1	6.5	6.6	6.6

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	23.8	27.1	21.3	16.3	13.2
P/B (x)	4.3	3.7	2.9	2.5	2.1
P/ABV (x)	4.3	3.7	2.9	2.5	2.1
P/PPOP (x)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0	0	0	0	0
Dupont-RoE split (%)					
NII/avg AUM	7.9	7.6	7.9	8.1	8.1
Other income	3.8	2.5	2.0	1.8	1.7
Securitization income	-	-	-	-	-
Opex	6.2	4.9	4.6	4.3	4.1
Employee expense	4.8	3.7	3.3	3.1	2.9
PPOP	5.5	5.1	5.3	5.6	5.6
Provisions	1.3	2.1	2.0	2.0	1.9
Tax expense	1.1	0.8	0.8	0.9	0.9
RoAUM (%)	3.1	2.2	2.4	2.7	2.7
Leverage ratio (x)	6.4	6.7	6.4	6.1	6.2
RoE (%)	19.5	14.7	15.0	16.3	17.0

Quarterly data

Rs mn, Y/E Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
NII	17,682	18,325	18,721	19,728
NIM (%)	7.5	7.7	7.3	7.3
PPOP	11,962	12,301	12,765	13,381
PAT	5,817	5,910	4,723	5,310
EPS (Rs)	7.33	7.44	5.93	6.67

Source: Company, Emkay Research

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