August 2025

Initiating Coverage | Sector: NBFC

HDB Financial Services

Granular Strategy, Scalable Execution

Abhijit Tibrewal - Research Analyst (Abhijit.Tibrewal@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Raghav Khemani** (Raghav.Khemani@motilaloswal.com)

Granular Strategy, Scalable Execution

- HDB Financial Services (HDB) is the seventh-largest diversified, retail-focused NBFC in India with an AUM of ~INR1.1t as of Jun'25. The company delivered a ~20% AUM CAGR over FY22-FY25 and has a wide nationwide footprint.
- HDB has built one of India's most granular and credit-disciplined lending franchises, rooted in a bottom-up approach that combines product breadth, geographic depth, and robust risk management.
- With a strategic focus on underserved segments across Tier 2 and beyond, a direct sourcing-led origination engine, and execution precision honed over multiple credit cycles, HDB is now entering a phase of scalable, profitable growth.
- Backed by HDFC Bank's institutional ethos and a seasoned management team, the company is positioned to deliver 19% AUM CAGR (over FY25-28E) with expanding RoAs (from 2.2% in FY25 to 2.6% by FY28) — without compromising on asset quality or governance.
- With the benefits of scale now beginning to kick in, we project HDB to deliver a PAT CAGR of ~26% over FY25-FY28 and an RoA/RoE of 2.6%/16.5% by FY28, supported by a gradual decline in credit costs and higher operating leverage. We initiate coverage on HDB with a Neutral rating and a TP of INR860 (premised on 2.7x Sep'27E P/BV).
- Key risks: 1) execution risk in translating scale into sustained profitability, as operating efficiency metrics currently lag peers, 2) vulnerability to industry asset quality cycles, and 3) the RBI's draft circular issued in Oct'24 may require HDFC Bank to reduce its stake in HDB to ~20%, potentially altering the ownership structure.

HDB Financial Services

BSE Sensex	S&P CNX
81,858	25,051

CMP: INR788 **TP: INR860 (+9%)** **Neutral**

Granular Strategy, Scalable Execution

An execution-led franchise with embedded levers for secular growth

- HDB Financial Services (HDB) is the seventh-largest diversified, retail-focused NBFC in India with an AUM of ~INR1.1t as of Jun'25. The company delivered a ~20% AUM CAGR over FY22-FY25 and has a wide nationwide footprint, operating more than 1,770 branches across 31 Indian States.
- HDB has developed its growth strategy around India's vast and underserved middle-income segment, which encompasses salaried individuals, self-employed professionals, and small business owners. This focused approach has driven steady expansion of its franchise while minimizing concentration risk.
- HDB is well positioned to benefit from a declining interest rate cycle, with ~77% of its loan book on fixed rates, while ~33% of its borrowings on floating rates will benefit from the decline in the policy repo rate. Coupled with its AAA credit rating, the company is already experiencing benefits on its incremental cost of funds (CoF), which will pave the way for a NIM expansion in FY26.
- Opex ratios have remained elevated over the past few years due to substantial investments in expanding the physical infrastructure. However, with the distribution footprint now largely in place and volumes expected to improve, we anticipate a steady improvement in its cost ratios. We expect its cost-to-income ratio to dip ~330bp and opex/assets to improve ~20bp over FY25-FY28.
- HDB's lending strategy is underpinned by a focus on maintaining strong asset quality, supported by data-driven underwriting, rigorous portfolio monitoring, and effective recovery processes. Over the last year, asset quality came under some pressure, leading to higher credit costs, largely due to macroeconomic challenges and stress in select segments such as CV and unsecured business loans. Encouragingly, HDB is already experiencing early signs of stabilization in these segments, and we anticipate an improvement in asset quality from the second half of this year.
- HDB has built one of India's most granular and credit-disciplined lending franchises, rooted in a bottom-up approach that combines product breadth, geographic depth, and robust risk management. With a strategic focus on underserved segments across Tier 2 and beyond, a direct sourcing-led origination engine, and execution precision honed over multiple credit cycles, HDB is now entering a phase of scalable, profitable growth. Backed by HDFC Bank's institutional ethos and a seasoned management team, the company is positioned to deliver 19% AUM CAGR (over FY25-28E) with expanding RoAs (from 2.2% in FY25 to 2.6% by FY28) — without compromising on asset quality or governance.
- With the benefits of scale now beginning to kick in, we project HDB to deliver a PAT CAGR of ~26% over FY25-FY28 and an **RoA/RoE of 2.6%/16.5% by FY28**, supported by a gradual decline in credit costs and higher operating leverage. **We initiate coverage on HDB with a Neutral rating and a TP of INR860 (premised on 2.7x Sep'27E P/BV).** With valuations largely factoring in medium-term growth potential, we would look for clearer evidence of stronger execution on loan growth, ability to better navigate industry/product cycles, and structural (not just cyclical) improvement in its return ratios.

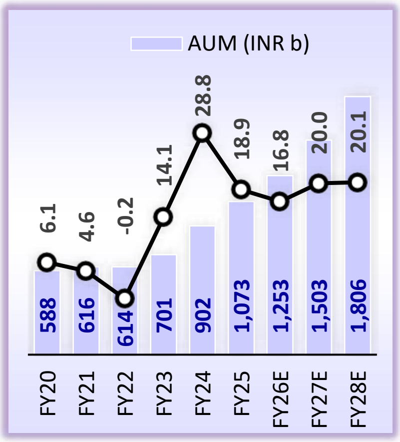
Stock Info

Bloomberg	HDBFS IN
Equity Shares (m)	830
M.Cap.(INRb)/(USDb)	653.9 / 7.5
52-Week Range (INR)	892 / 732
1, 6, 12 Rel. Per (%)	-2/-/-
12M Avg Val (INR M)	5524
Free float (%)	25.8

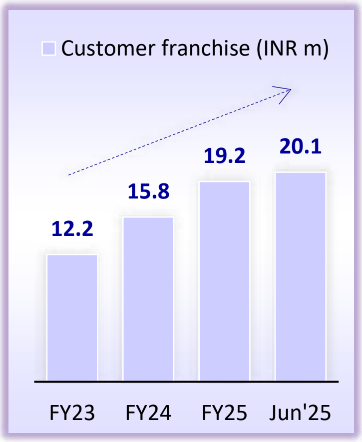
Financial Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
NII	74.5	89.0	106.0
PPP	49.7	60.9	74.2
PAT	21.8	26.4	35.3
EPS (INR)	27.3	31.8	42.5
EPS Gr. (%)	-11.9	16	34
BV/Sh. (INR)	199	253	295
Ratios (%)			
NIM	7.8	8.0	8.0
C/I ratio	42.8	41.4	40.0
RoA	2.2	2.2	2.5
RoE	14.7	14.3	15.5
Valuation			
P/E (x)	28.8	24.8	18.5
P/BV (x)	4.0	3.1	2.7
Div. Yield (%)	0.4	0.5	0.6

AUM CAGR of ~19% over FY25-28E



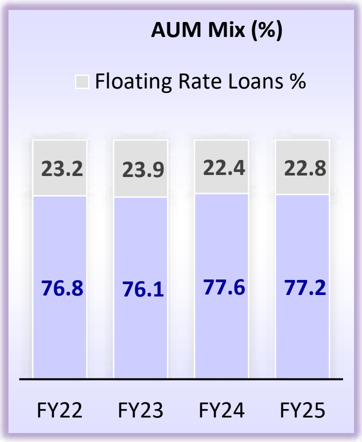
Customer franchise stood at 20.1m as of Jun'25



Granular origination at scale

- HDB employs a diversified omni-channel sourcing model. Direct sourcing contributed ~82% of its FY25 disbursements. This phygital (physical + digital) approach integrates in-house distribution teams, external partners, and strong digital capabilities to efficiently target customers. Over 70% of HDB's branches are located in tier-4 and even smaller towns, enabling a strong rural presence across 'Bharat' and reaching underbanked and unbanked segments. This is complemented by a strong in-house tele-calling team, which serves as the primary distribution channel for products like personal loans and consumer durables, leveraging analytics to identify eligible borrowers.
- HDB also partners with a vast external ecosystem, including auto OEMs, consumer durables and digital brands, vehicle and equipment dealers, point-of-sale outlets, lifestyle goods vendors, and Direct Selling Agents (DSAs), to broaden its reach and product distribution. The company is well-positioned to deliver a ~19% AUM CAGR over FY25-28E.

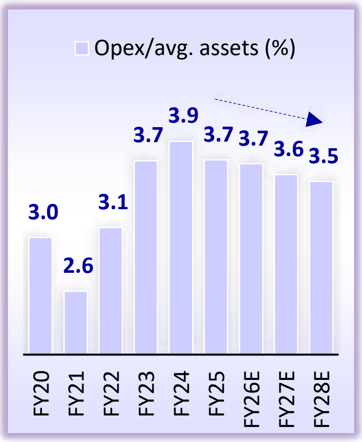
Fixed-rate loans constitute ~77% of total loans



NIM tailwinds in a softening rate cycle

- HDB's yield profile remains well-supported by its diversified product mix, with higher-yielding segments such as unsecured enterprise loans and select retail products balancing the lower-yield secured portfolio. On the asset side, ~77% of the loan book is on fixed rates, which will prevent any downward pressure on the back-book yields. Continued focus on direct origination and operations in underserved markets will enable better pricing power, sustaining healthy blended yields.
- About 33% of HDB's liabilities are on floating rates, within which ~90-95% of its bank borrowings are linked to EBLR and have been repriced already in line with market/external benchmarks. The company benefits from HDFC Bank's strong parentage and AAA credit rating. With the interest rate cycle having already turned favorable with the recent repo rate cuts, funding costs are expected to decline, creating tailwinds for margin expansion. We expect HDB to expand its NIM to 8.0% over FY26–28E (compared to ~7.8% in FY25).

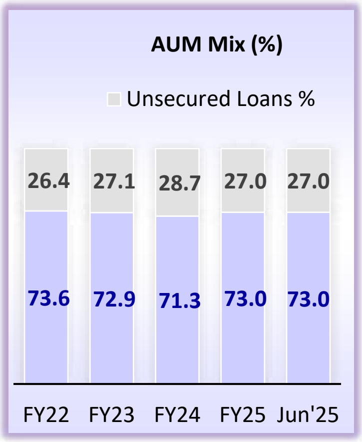
Opex/avg. assets to decline by ~20bp by FY28



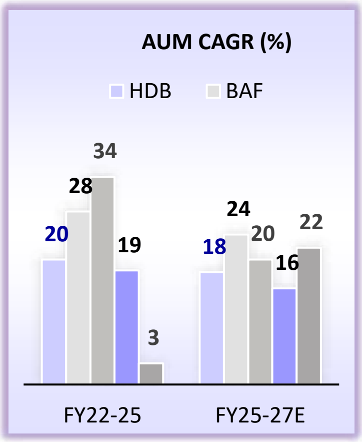
Operating efficiencies to drive improvement in cost ratios

- HDB's current productivity and efficiency metrics trail peers, reflecting the deliberate scale-up of its branch network and employee base in recent years. With the distribution platform now largely built out and business volumes poised for healthy growth, the company stands to benefit from meaningful operating leverage, driving sustained improvements in cost efficiency.
- HDB's scale benefits, digital origination, and centralized processing are expected to deliver sustained operating leverage over the medium term. The cost-to-income ratio, which stood at ~43% in FY25, is projected to improve by ~330bp to ~40%, and opex/avg. assets would improve ~20bp, reaching 3.5% by FY28. This will be driven by productivity gains, process automation, and better operating spread across an expanding branch network. These efficiency gains will provide a structural boost to profitability.

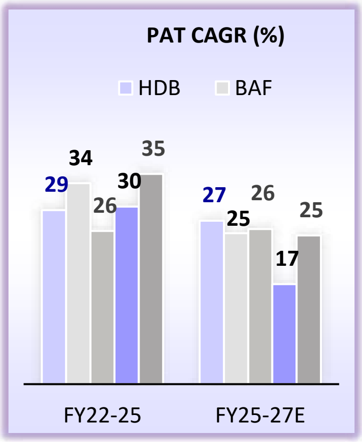
Secured loans form ~73% of total loan mix



HDB to post ~18% AUM CAGR over FY25-27E



HDB to post the highest PAT CAGR over FY25-27



Near-term headwinds, but asset quality anchored to prudent underwriting

- HDB has built a risk-calibrated and diversified loan portfolio, balancing growth with prudent underwriting. While the company primarily serves the low- and middle-income segments, which inherently carry higher risk, it has maintained a conservative approach in customer selection. As of FY25, NTC customers constituted only ~12% of the overall customer base, with the majority being customers with a credit track record, helping to anchor portfolio quality. ~73% of the portfolio comprises secured loans backed by underlying collateral.
- The company employs a dual-track underwriting model: small-ticket, short-tenure loans are evaluated through a centralized automated engine, while large-ticket loans are appraised on the ground by local credit managers. This approach blends physical assessments with data-driven analytics to deliver a thorough and balanced credit evaluation. The company has a sizable in-house collection infrastructure deployed across branch, regional, and national levels.
- We expect headline GS3 to remain broadly range-bound at the current levels of 2.5-2.6% over FY26-FY27, with credit costs gradually moderating to ~1.9% by FY28E from 2.2% in FY25.

Expect ~19% AUM CAGR to translate into a PAT CAGR of 26% over FY25-28

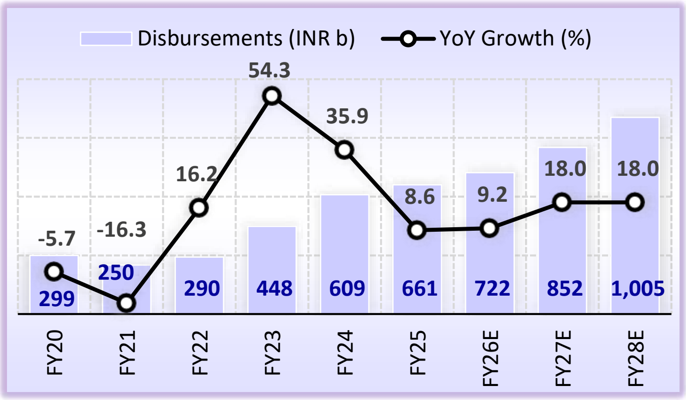
- HDB delivered an AUM and PAT CAGR of 20% and 29%, respectively, over FY22-FY25. However, FY25 was a tough year for HDB, with macro and industry weakness translating into weakness in AUM growth and profitability
- HDB will grow faster than system credit, with an expected AUM CAGR of ~19%, a PAT CAGR of ~26% over FY25-FY28, and an RoA/RoE of 2.6%/16.5% in FY28.

Valuation and View: Strong franchise, but positives priced in

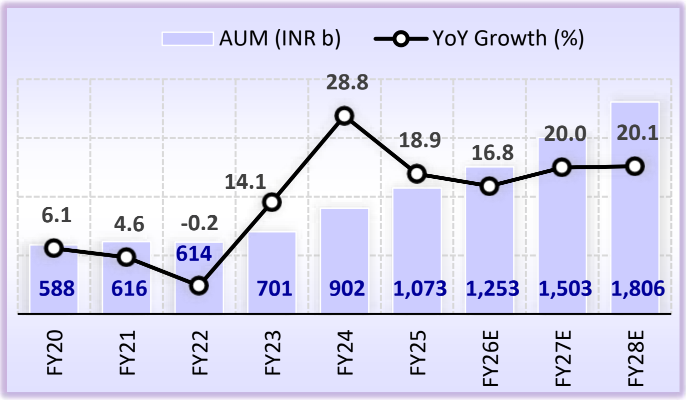
- HDB offers a play on India's high-growth, underpenetrated retail lending market. With an AUM of ~INR1.1t and ~20m customers, the company has built a granular, largely secured loan portfolio (~73% secured) and demonstrated credit discipline. With strong governance, in-house collections, and a differentiated sourcing model, HDB has the foundations for sustainable value creation.
- At 2.7x FY27E P/BV, HDB offers exposure to a retail-heavy NBFC with a long runway for growth. As operating leverage kicks in and the cut in policy repo rates brings down the borrowing costs, we expect margin expansion and a gradual RoE improvement. **We initiate coverage on the stock with a Neutral rating and a TP of INR860 (premised on 2.7x Sep'27E P/BV).** With valuations largely factoring in medium-term growth potential, we would look for clearer evidence of stronger execution on loan growth, ability to better navigate industry/product cycles, and structural (not just cyclical) improvement in return ratios.
- **Key risks:** 1) HDB's focus on low- to middle-income and self-employed segments exposes it to higher credit sensitivity during economic slowdowns, despite its secured portfolio mix; 2) execution risk remains in translating scale into sustained profitability, as operating efficiency metrics currently lag peers; 3) rising competition in semi-urban and rural lending, potential yield compression, and any dilution of parent linkage benefits (e.g., in raising liabilities) could also impact margins; and 4) the RBI's draft circular issued in Oct'24 may require HDFC Bank to reduce its stake in HDB to ~20%, potentially altering the ownership structure.

STORY IN CHARTS

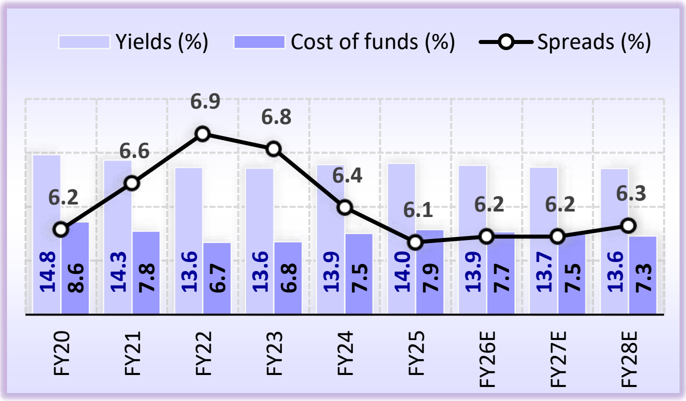
Disbursements CAGR of 15% over FY25-28E



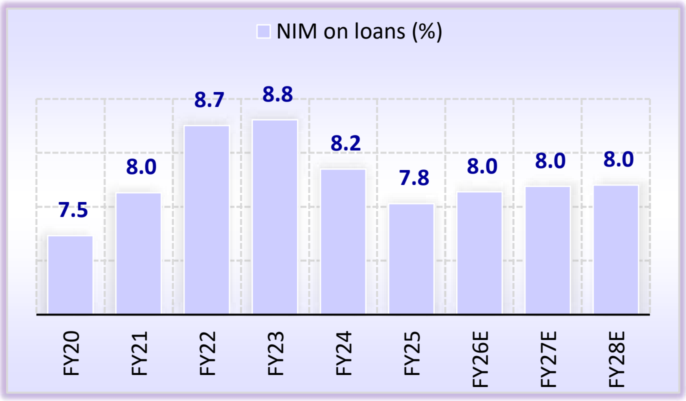
AUM CAGR of ~19% over FY25-28E



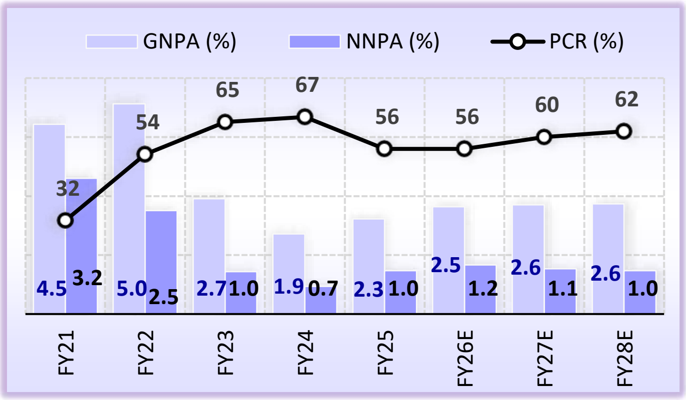
Spreads to remain broadly stable over FY26-27E



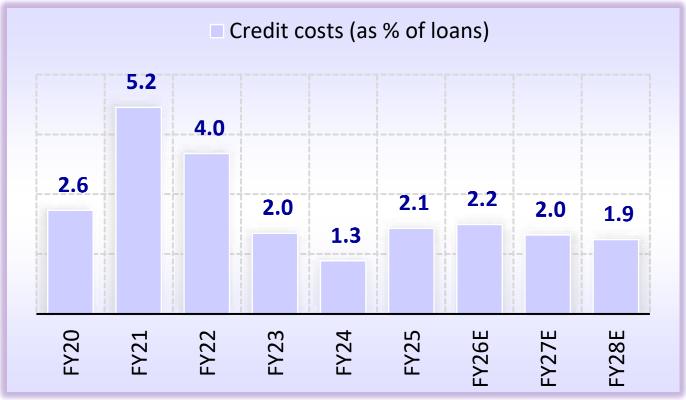
Expect NIM to expand ~20bp in FY26



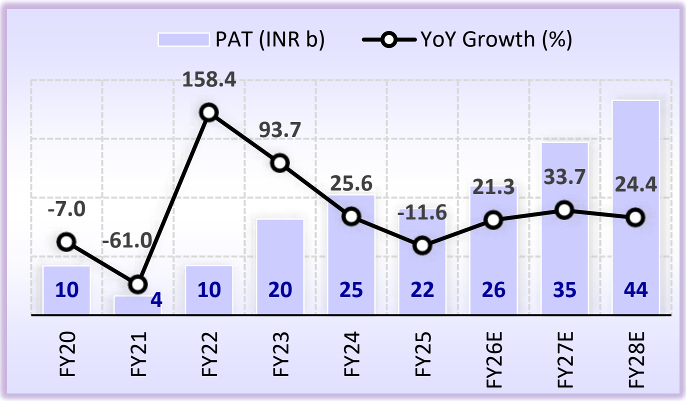
Asset quality to remain broadly range-bound



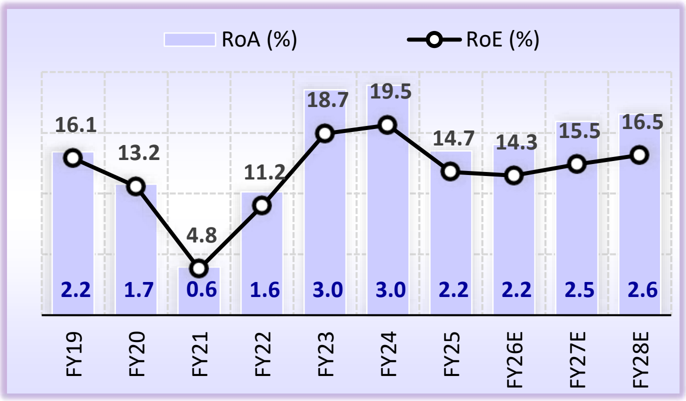
Credit costs to gradually moderate in FY27-28E



PAT CAGR of ~26% over FY25-28E



RoA/RoE of 2.6%/16.5% in FY28E



Source: MOFSL, Company

Source: MOFSL, Company

Company overview

- HDB is a prominent, retail-centric, and well-diversified NBFC in India, offering a broad range of lending products. It serves a growing and varied customer base through a strong omni-channel distribution platform.
- Established in 2007 as a subsidiary of HDFC Bank, HDB reflects the parent's ethos of balancing sustainable growth with profitability. Its association with HDFC Bank has played a key role in strengthening its market credibility and brand visibility. While benefiting from the strategic support of its parent, HDB functions independently across key areas such as sourcing, credit underwriting, operations, and risk management, enabling it to design and execute processes suited to its distinct customer segments.
- HDB primarily caters to low- and middle-income households, including a significant share of customers who are new to credit or have thin credit histories. Its loan portfolio is well-diversified across three core segments.
  - **Enterprise Lending,** which includes business loans, loans against property (LAP), gold loans, enterprise loans, and personal loans to salaried individuals.
  - **Asset Finance,** which includes loans for tractors, commercial vehicles (CVs), and construction equipment.
  - **Consumer Finance,** which includes personal loans, auto loans, 2W loans, digital loans, consumer durable loans, and microfinance
- Beyond lending, HDB offers business process outsourcing (BPO) services such as back-office operations, collections, and sales support primarily to HDFC Bank. It also distributes a variety of fee-based financial products, including general, life, and health insurance.

Exhibit 1: An overview of the different product segments offered by HDB

ATS (INR) | Avg. Tenor

Customer Segment	Products (ATS (INR) / Avg. Tenor)				
Enterprise Lending Gross Loans: INR423b (39%)	Loan Against Property: 4.4m / ~10 yrs	Enterprise Business Loan: 1.2m / ~8 yrs	Business Loan: 290K / ~4 yrs	Salaries Personal Loan: 321K / ~5 yrs	Gold Loans: 181K / ~3 yrs
Asset Finance Gross Loans: INR413b (38%)	Commercial Vehicle Loans: 869K / ~4 yrs		Construction Equipment Loans: 2m / ~4 yrs	Tractor Loans: 312K / ~4 yrs	
Consumer Finance Gross Loans: INR257b (23%)	Consumer Durable Loans: 15K / ~1 yr	Auto Loans: 431K / ~4 yrs	Two-Wheeler Loans: 53K / ~2 yrs	Relationship Personal Loans: 52K / ~2 yrs	Micro lending: 22K / ~2 yrs
Fee Products	General Insurance		Life Insurance	Health Insurance	

Source: Company Presentation

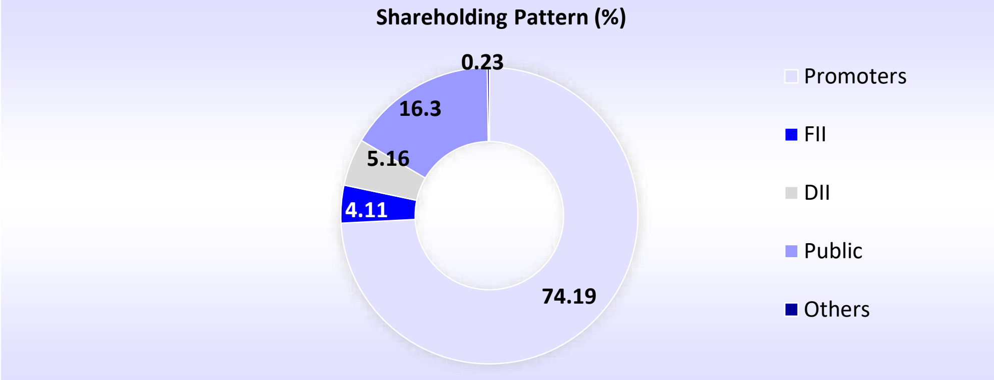
Shareholding pattern

Exhibit 2: Top 10 Institutional investors as of Jul'25

Investor	%
ICICI Prudential Asset Management	0.33
SBI Funds Management	0.28
Kotak Mahindra Asset Management	0.24
Nippon Life Asset Management	0.23
DSP Investment managers	0.16
Aditya Birla Sun life Asset management	0.16
Axis Asset Management	0.16
Franklin Resources	0.13
ICICI Prudential Life Insurance	0.08

Source: MOFSL, Company; Note: Parent HDFC Bank has a stake of ~74.2% stake in HDB Financial

Exhibit 3: Shareholding pattern



Note: Shareholding as on Jul'25; Source: MOFSL, Company

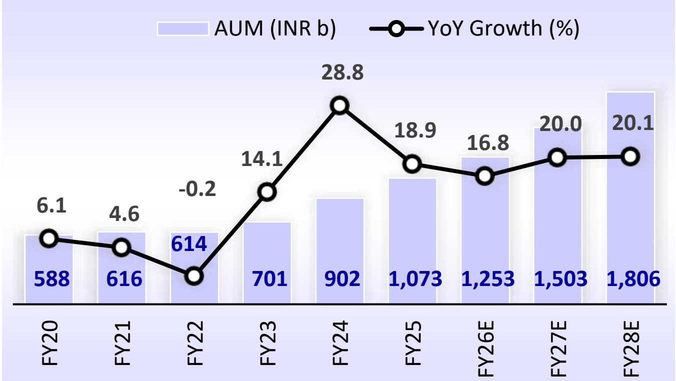
Exhibit 4: Key business parameters as of Jun'25

AUM (INR t)	CRAR	GNPA/NNPA	Branches/ State
1.1	20.2%	2.6%/1.1%	1,771/31
Yields	**NIM**	**Interest spread**	**RoA/RoE (FY25)**
14.2%	7.7%	6.4%	2.2%/14.7%

A diversified lending powerhouse!

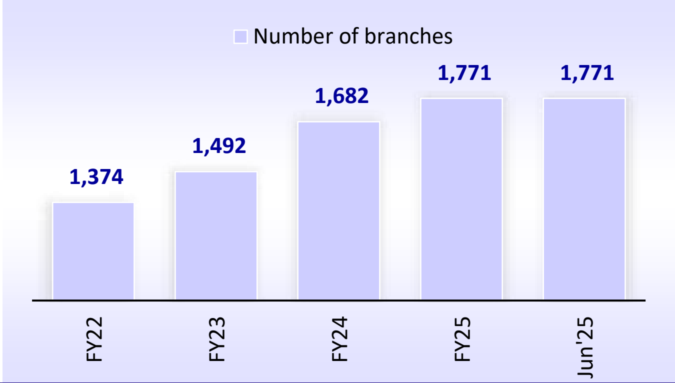
- HDB is the seventh-largest diversified and retail-focused NBFC in India (based on loan book size). The company has delivered a robust AUM CAGR of ~24% over FY23-FY25, with its total loan book at ~INR1.1t as of Jun'25. The company has a robust distribution network with a PAN-India presence, operating through 1,770+ branches across 1,166 locations in 31 states and Union territories. It employs a workforce of over 89K employees.
- The company primarily serves low- to middle-income households, many of whom are new to credit or have limited credit histories. Its loan portfolio is well-diversified across three key segments: **Enterprise Lending**, **Asset Finance, and Consumer Finance.**

Exhibit 5: AUM CAGR of ~19% over FY25-28E



Source: MOFSL, Company

Exhibit 6: Total branch count at 1,771 as of Jun'25



Source: MOFSL, Company

- The company holds the highest possible credit rating of AAA from both CRISIL and CARE, enabling the company to access funding at competitive rates and tenors across a range of fixed- and floating-rate debt instruments.

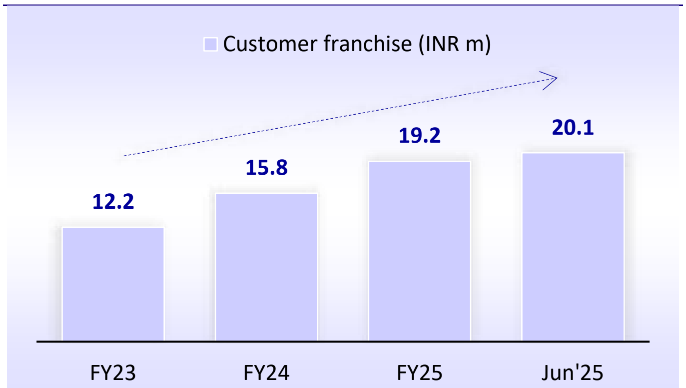
Strong parentage of HDFC Bank enhances customer trust

- Under the strategic tutelage of its promoter, HDFC Bank, HDB has adopted a balanced philosophy focused on delivering sustainable long-term growth alongside profitability. While the company operates as an independent entity across critical functions, including sourcing, underwriting, operations, and risk management, it continues to benefit meaningfully from HDFC Bank's brand equity and institutional legacy.
- The association with HDFC Bank provides tangible advantages, particularly in areas such as access to low-cost funding, superior credit ratings, and overall market credibility. Although functionally independent, HDB leverages its parent's long-standing reputation and financial strength to support its growth ambitions.
- HDB has internalized HDFC Bank's culture of process discipline and operational excellence, enabling it to navigate India's dynamic macroeconomic and credit environment with resilience. This strategic alignment ensures HDB remains focused on building a scalable, execution-driven business model, underpinned by robust governance and risk frameworks.

Comprehensive product suite with a retail focus

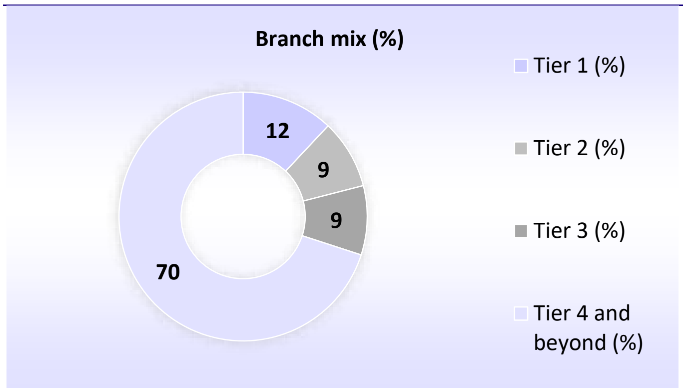
- HDB has the second-largest customer franchise among NBFCs, according to CRISIL. As of Jun'25, the company served 20.1m customers and delivered a strong growth in its customer franchise with a CAGR of 25% over FY23-FY25.
- As noted earlier, HDB primarily serves middle-class salaried individuals, self-employed professionals, small business owners, and entrepreneurs. Its core focus is on the underbanked yet creditworthy segment of India's population—an attractive market with strong profitability potential and relatively limited participation from banks.

Exhibit 7: Customer franchise stood at 20.1m as of Jun'25



Source: MOFSL, Company

Exhibit 8: ~70% of branches are in tier 4 cities and beyond



Note: Data as of Jun'25; Source: MOFSL, Company

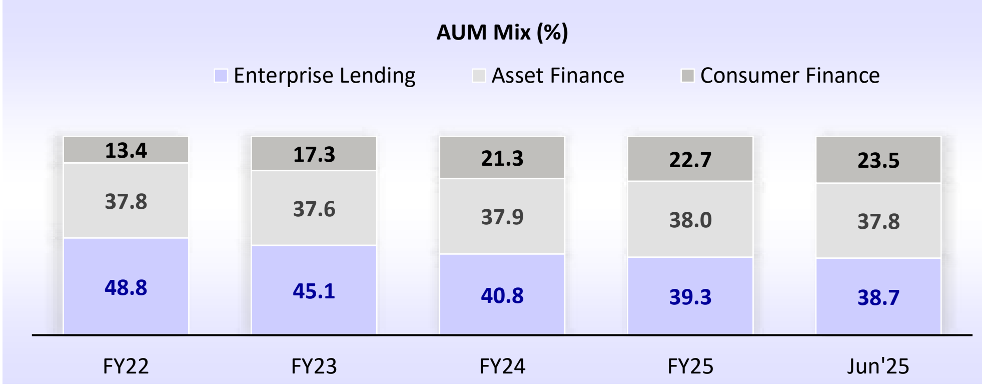
- HDB has built a well-balanced and diversified lending portfolio aimed at addressing a wide range of customer needs and aspirations. The 13 lending products offered by the company are spread across three core business verticals, enabling the company to maintain resilient performance and consistent profitability across varying economic and credit cycles.
- HDB has structured its business verticals to function as independent units within the broader organization, each led by dedicated senior management and supported by experienced professionals. These verticals follow customized strategies with tailored sourcing, distribution, underwriting, and product development to drive growth and profitability. This operating model has been instrumental in enabling diversification and consistent growth across cycles.
- The company's diversified product portfolio also supports increased cross-selling and up-selling opportunities, enabling the company to deepen engagement with its existing customer base.

Exhibit 9: Overview of HDB's three business segments

	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured	Underwriting	Locations	Total Gross Loans (INR b)
Enterprise Lending	❖ 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 – 250m	Up to 15 years	9-18% Secured Floating 11-30% Unsecured Fixed	Secured/ Unsecured	Scorecards + at branches based on Policy	900+	423.2
Asset Finance	❖ 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 – 250m	Up to 6 years	9-18% Fixed	Secured	Scorecards + at hubs based on Policy	900+	413.3
Consumer Finance	❖ 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 – 5m	Up to 7 years	11-34% Fixed	Secured/ Unsecured	Based on segment specific scorecards using analytics	1,000+	257.0

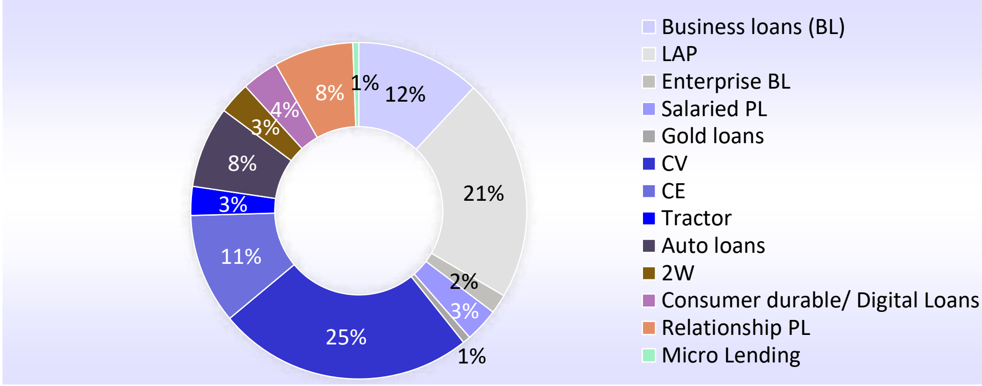
Source: Company, RHP, MOFSL

Exhibit 10: HDB has a strong presence across each of its business segments



Source: Company, MOFSL

Exhibit 11: Well diversified and very granular AUM mix

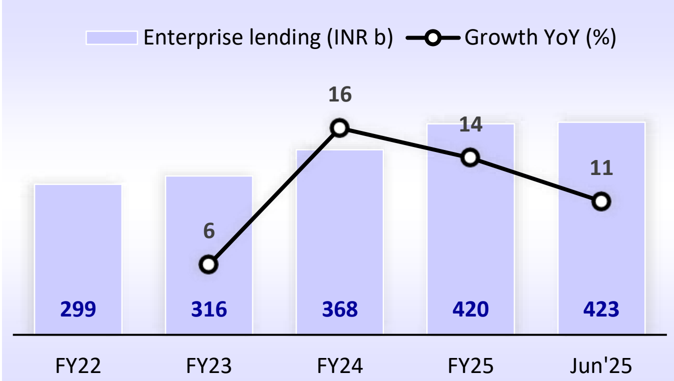


Source: Company, MOFSL

Enterprise Lending: Pioneering credit access for Micro-to-Mid-Sized Enterprises

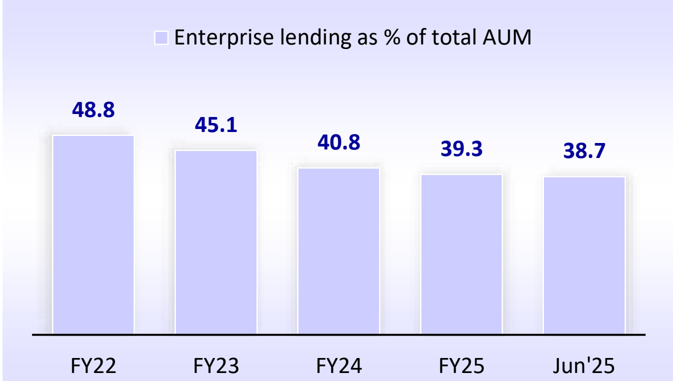
- HDB launched its Enterprise Lending vertical in 2008, serving MSMEs with a diverse range of secured and unsecured loan products offered through its branch-led distribution model. This vertical primarily serves self-employed proprietors and small businesses, which account for ~85% of its customer base as of Mar'25.
- This vertical's product suite comprises business loans, LAP, enterprise business loans, salaried personal loans, and gold loans, catering to a broad spectrum of business and personal credit requirements.

Exhibit 12: Enterprise lending rose 11% YoY as of Jun'25



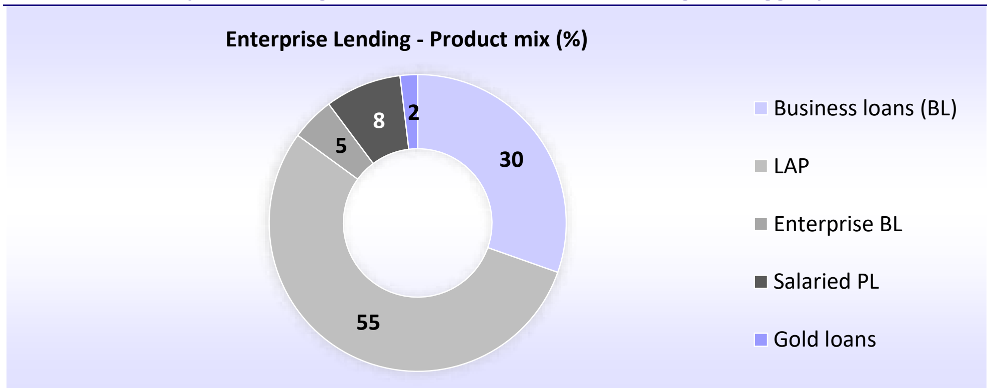
Source: MOFSL, Company

Exhibit 13: Share of enterprise lending continued to dip



Source: MOFSL, Company

Exhibit 14: Enterprise lending – business loans and LAP among the bigger products



Note: Data as of FY25; Source: Company, MOFSL

Business loans (BL)

- HDB supports small businesses with collateral-free loans to address essential needs such as working capital, inventory purchases, equipment upgrades, and outlet renovations, offering quick and flexible financing without the requirement of security. These loans are largely sourced through the company's extensive on-ground network, with Field Sales Officers (FOS) driving customer acquisition across its wide branch footprint and enabling strong market reach.
- Backed by strong industry tailwinds, the unsecured business loan market is projected to clock an 18-20% CAGR, reaching INR15.9-16.9t by FY28 from INR9.7t in FY25. HDB's loan book in unsecured BL stood at INR127.7b as of Mar'25, with an average ticket size of INR290k and an average loan tenor of four years.

Loan against property (LAP)

- HDB provides secured loans backed by property collateral, catering to diverse business needs such as launching new ventures, purchasing offices, meeting working capital requirements, and funding business expansion.
- This product is driven by a dual sourcing model—Field Sales Officers (FOS) across branches and a robust network of DSAs—ensuring wide market coverage and efficient customer acquisition.
- According to CRISIL, the secured MSME finance market was valued at INR12.8t as of Mar'25 and is projected to record a CAGR of ~17–19%, reaching INR20.5–21.5t by FY28. HDB's LAP book stood at INR229.5b, with an average ticket size of INR4.3m and an average tenor of around nine years.

Enterprise business loans (EBL)

- EBLs are tailored for self-employed individuals, professionals, private companies, and partnership firms to fuel growth across manufacturing, trading, and service sectors. These loans are secured by property collateral. EBL is primarily sourced through FOS operating across HDB's extensive branch network, enabling strong local market reach and relationship-led sourcing.
- As of Mar'25, HDB's Enterprise Business loan book stood at INR19.9b, with an average ticket size of ~INR1.2m and an average tenor of eight years.

Exhibit 15: Industry size and projected CAGR (over FY25-FY28) for the enterprise lending products

Particulars	Industry size FY25 (INR t)		CAGR (%)		Industry size FY28E (INR t)
Unsecured Business loans	9.7	→	18-20%	→	15.9-16.9
MSME	12.8	→	17-19%	→	20.5-21.5
Salaried Personal loans	14.6	→	18-20%	→	24-25.5
Gold loans	12.4	→	18-20%	→	20.5-21.5

Note: Data as per CRISIL

Salaried personal loans (SPL)

- HDB offers personal loans to salaried employees, with a strong focus on customer experience. A key differentiator lies in its seamless sourcing model driven by both FOS and digital channels.
- As per CRISIL, the personal loan market stood at INR14.6t as of Mar'25 and is projected to clock an 18-20% CAGR to reach INR24-25.5t by FY28. HDB's personal loan book stood at INR34.9b, with an average ticket size of INR310k and an average tenor of about five years.

Gold loans

- HDB helps customers meet urgent personal or short-term financial needs by offering loans secured against gold jewelry. These loans are primarily sourced through the company's extensive branch network, leveraging local presence and relationship-based engagement for effective customer outreach.
- According to CRISIL, the gold loan market stood at INR12.4t as of Mar'25 and is projected to register an 18-20% CAGR to reach INR20.5-21.5t by FY28. As of 31st Mar'25, HDB's gold loan book stood at INR8b, with an average ticket size of INR160k and an average tenor of around two years.

Exhibit 16: Breakdown of the enterprise lending segment with key highlights (as of Mar'25)

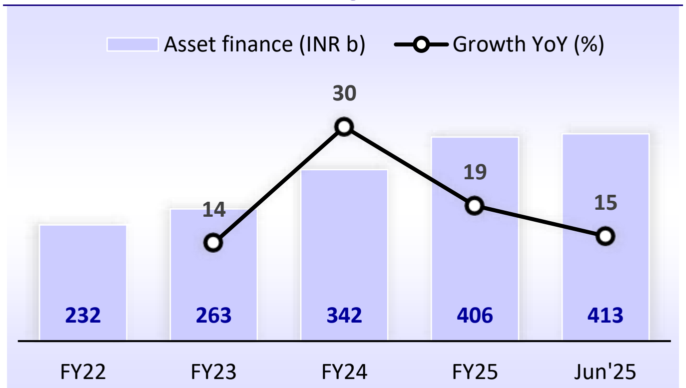
Enterprise lending	AUM (INR b)	Average ticket size (INR)	Duration of loans	Sourcing channels
Business loans	127.7	290k	4 years	❖ FOS
LAP	229.5	4.3m	9 years	❖ FOS and DSAs
Enterprise business loans	19.9	1.2m	8 years	❖ FOS
Salaried Personal loans	34.9	310k	5 years	❖ FOS and Digital channels
Gold loans	8	160k	2 years	❖ Branch network/FOS

Source: Company, RHP, MOFSL

Asset Finance: Catalyzing growth through income generation vehicle loans

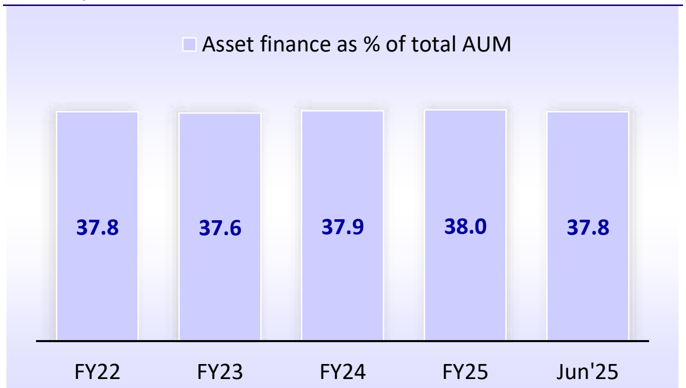
- Building on the success of its Enterprise Lending vertical, HDB introduced its Asset Finance vertical in 2010 to finance income-generating assets, including new and used commercial vehicles, construction equipment, and tractors. New vehicle financing is primarily driven by OEM partnerships and dealer networks, while the used vehicle segment benefits from HDB's extensive in-house sales force operating across geographies.

Exhibit 17: Asset finance AUM grew 15% YoY as of Jun'25



Source: MOFSL, Company

Exhibit 18: Asset finance in the overall loan mix has been broadly stable at ~38%



Source: MOFSL, Company

- Both the used and new vehicle segments hold strategic significance for HDB - the used segment delivers higher yields and profitability, while the new vehicle segment helps cultivate a portfolio of high-rated customers. The company maintains an equally strong strategic focus on both.
- All Asset Finance loans are backed by the underlying equipment - whether commercial vehicles, construction machinery, or tractors. Owing to the relatively larger ticket sizes, the business depends significantly on HDB's strong on-ground presence. With dealer-led transactions on various occasions, localized business development is crucial for driving conversions and sustaining growth.

Exhibit 19: Industry size and projected CAGR (over FY25-FY28) for the Asset Finance products

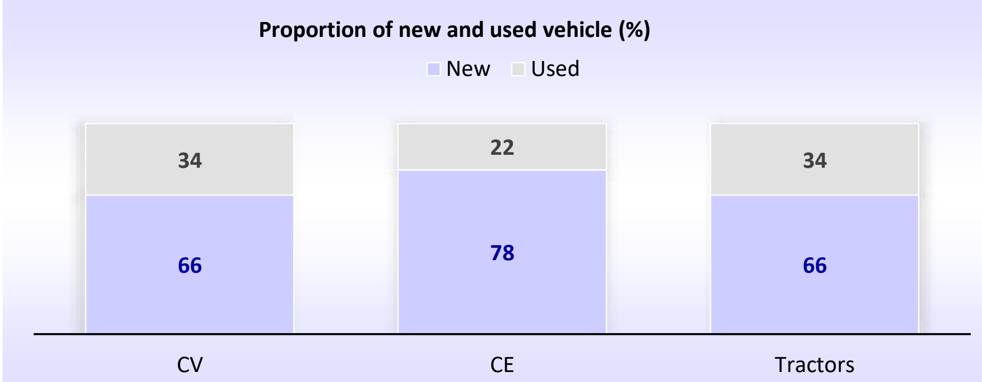
Particulars	Industry size FY25 (INR t)		CAGR (%)		Industry size FY28E (INR t)
Commercial vehicle loans (CV)	5.8	→	11-13%	→	8.0-8.4
Construction equipment loans (CE)	1.4	→	12-14%	→	1.6-1.7
Tractor loans	1.3	→	11-13%	→	1.8-1.9

Source: Company, RHP, MOFSL

Commercial vehicle loans (CV)

- HDB provides customized financing solutions for new and used CVs, along with refinancing for existing assets. The company caters to a diverse customer base, including fleet operators, first-time buyers, and captive users, with new vehicle loans comprising ~66% of the CV book.
- Customer acquisition in this product is driven by a strong branch-led FSO network, complemented by strategic partnerships with OEMs and vehicle dealers to ensure deep market reach.
- According to CRISIL, the CV finance market stood at INR5.8t as of FY25 and is projected to clock an 11-13% CAGR, reaching INR8.0-8.4t by FY28. HDB's loan book in the CV segment stood at INR263.5b as of Mar'25, with an average ticket size of INR860k and an average tenor of about four years.

Exhibit 20: HDB has a higher proportion of new vehicles in its CV, CE, and tractor segments

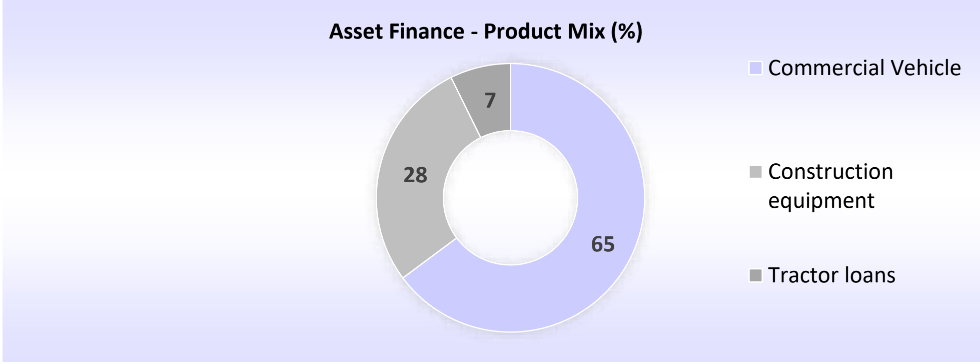


Note: Data as of FY25; Source: Company, MOFSL

Construction equipment loans (CE)

- HDB offers financing solutions for the purchase of both new and used construction equipment, along with refinancing options. With this product, HDB caters to a wide range of customers involved in infrastructure, mining, and material handling segments. **As of Mar'25, new equipment loans comprised ~78% of the CE portfolio.**
- Customer sourcing is driven by a combination of the company's branch-led FSO network and partnerships with OEMs and equipment dealers, ensuring strong market penetration.
- According to CRISIL, the construction equipment finance market stood at INR1.4t in FY25 and is expected to clock a ~12-14% CAGR, reaching INR1.6-1.7t by FY28. HDB's construction equipment loan book stood at INR113.3b as of Mar'25, with an average ticket size of INR2m and an average tenor of about three years.

Exhibit 21: Asset finance dominated by CV and CE (as of Mar'25)



Source: Company, MOFSL

Tractor loans

- HDB offers personalized financing solutions for individuals looking to purchase tractors or related equipment for agricultural and commercial use. As of Mar'25, loans for new tractors accounted for ~66% of the overall tractor finance portfolio.
- Customer acquisition for this product is driven by a branch-led Field Sales Officer (FOS) network, supplemented by partnerships with OEMs and local dealers to ensure wide and efficient market coverage.
- According to CRISIL, the tractor finance market stood at INR1.3t in FY25 and is projected to record an 11-13% CAGR, reaching INR1.8-1.9t by FY28. HDB's tractor loan book stood at INR29.7b as of 31 Mar'25, with an average ticket size of INR320k and a tenor of around four years.

Exhibit 22: Overview of key products in the Asset finance segment (as of Mar'25)

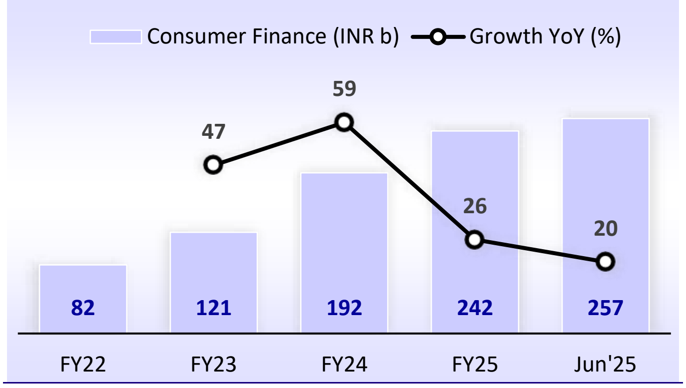
Asset finance	AUM (INR b)	Average ticket size (INR)	Duration of loans	Sourcing channels
Commercial Vehicle	263.5	860k	4 years	❖ FOS and OEM/Dealers
Construction equipment	113.3	2m	3 years	❖ FOS and OEM/equipment dealers
Tractor loans	29.7	320k	4 years	❖ FOS and OEM/local dealers

Source: Company, RHP, MOFSL

Consumer Finance: Widening retail funnel with consumer-centric financing

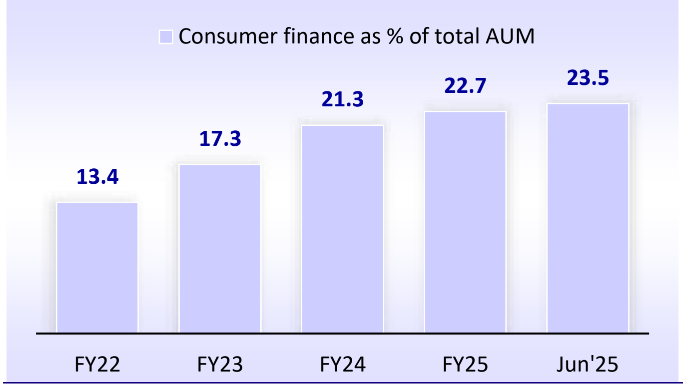
- HDB's newest business segment, the Consumer Finance vertical, was launched in 2016 to provide loans for personal and household needs, including consumer durables, two-wheelers, lifestyle purchases, and household assets. Targeting both salaried and self-employed individuals, the segment's only secured offerings are two-wheeler and auto loans.
- The business operates on a digital-first, omni-channel model that integrates dealer partnerships, OEM tie-ups, and localized branch support for tele-calling and portfolio monitoring. Strong alliances with marquee brands, coupled with automated credit underwriting, have enabled the franchise to scale while maintaining asset quality.

Exhibit 23: Consumer finance AUM grew 20% YoY as of Jun'25



Source: MOFSL, Company

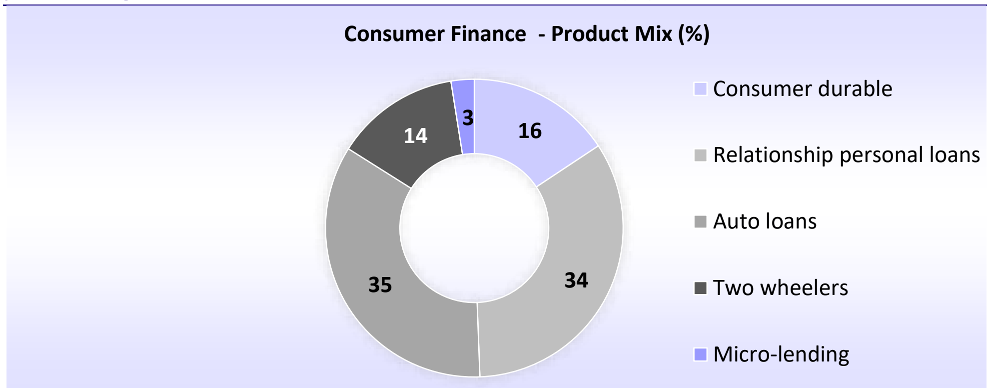
Exhibit 24: Share of consumer finance in the AUM has been gradually improving over the last 4-5 years



Source: MOFSL, Company

- Consumer finance loans typically feature small ticket sizes and short tenors, enabling rapid portfolio churn and broadening the customer base. This high-frequency engagement model supports effective cross-selling and up-selling of lifestyle loans, unsecured personal loans, and vehicle finance products. **As of Jun'25, the consumer finance segment's loan book stood at INR257b.**

Exhibit 25: Consumer durables, relationship PL, and auto loans are among the larger product segments within the consumer finance vertical (%)



Note: Source: Company, MOFSL

Exhibit 26: Industry size and projected CAGR (over FY25-FY28) for the Consumer Finance products

Particulars	Industry size FY25 (INR t)	CAGR (%)	Industry size FY28E (INR t)
Consumer durable	0.8	18-20%	1.4-1.5
Relationship PL	14.6	18-20%	24-25.5
Auto loans	8.2	14-16%	12.2-12.8
Two-wheeler	1.7	18-20%	2.7-2.9
Micro-lending	3.8	8-10%	4.8-5.1

Note: Data as per CRISIL

Consumer durable/Digital product/Lifestyle loans

- HDB supports everyday aspirations by providing fast, affordable financing for a broad spectrum of consumer needs ranging from household appliances like TVs, refrigerators, and ACs to digital gadgets such as smartphones, laptops, and cameras, as well as premium lifestyle upgrades like high-end furniture and kitchen equipment.
- With a robust tele-calling engine and deep partnerships across 80+ OEMs and 140,000+ retailers and dealer touchpoints, HDB has built a high-velocity, pan-India distribution model for consumer durable loans.
- According to CRISIL, the consumer durable finance market stood at INR0.8t in FY25 and is projected to clock an 18-20% CAGR to reach INR1.4-1.5t by FY28. **As of Mar'25, HDB's consumer durable loan book stood at INR38b,** with an average ticket size of INR14k and an average tenor of one year.

Relationship personal loans (RPL)

- HDB provides relationship personal loans exclusively to existing customers, largely sourced through cross-sell campaigns aimed at individuals with a strong repayment track record on other retail loan products. These borrowers generally present lower credit risk and are well-suited for short-term, unsecured lending.
- Customer sourcing is led by tele-calling teams, with high-propensity leads identified using in-house data science and analytics to ensure targeted and efficient origination.
- As per CRISIL, the personal loan market stood at INR14.6t in FY25 and is projected to register an 18-20% CAGR, reaching INR24-25.5t by FY28. **As of Mar'25, HDB's relationship PL loan book stood at INR81.7b**, with an average ticket size of INR50k and an average tenor of around two years.

Auto loans

- HDB offers secured auto loans for both new and used cars, with customer sourcing primarily driven by Field Sales Officers (FSO) and strong partnerships with OEMs and vehicle dealers.
- As of Mar'25, the company had tie-ups with 6 OEMs and over 4k dealers and retailer touchpoints in the auto loan segment. The average ticket size stood at INR430k with an average loan tenor of about four years.
- According to CRISIL, the personal vehicle finance market stood at INR8.2t in FY25 and is projected to record a 14-16% CAGR to reach INR12.2-12.8t by FY28. **HDB's auto loan book stood at INR83.7b as of Mar'25.**

Two-wheeler loans

- HDB offers financing solutions for individuals purchasing two-wheelers, with sourcing primarily driven by field sales officers (FSO) and extensive partnerships with OEMs and local dealers.
- As of Mar'25, the company had tie-ups with 13 OEMs and over 13k retailers and dealer touchpoints. The average ticket size for two-wheeler loans stood at ~INR53k, with an average tenor of around two years.
- According to CRISIL, the two-wheeler finance market stood at INR1.7t in FY25 and is expected to clock an 18-20% CAGR, reaching INR2.7-2.9t by FY28. **HDB's two-wheeler loan book stood at INR32.8b as of Mar'25.**

Micro-Lending

- With a sharp focus on financial inclusion, HDB offers fully digital microloans under the JLG model, empowering underserved communities, especially women, with small-ticket credit access. The MFI business, launched in FY20, is gaining steady momentum.
- The entire customer journey is digital and managed via the loan officer's mobile device, enabling efficient and paperless processing. The average ticket size for microloans is ~INR23k, with a typical tenor of about two years.
- As per CRISIL, the microfinance industry's outstanding portfolio stood at INR3.8t in FY25 and is expected to post an 8-10% CAGR to reach INR4.8-5.1t by FY28. **HDB's microfinance loan book stood at INR6.1b as of 31st Mar'25.**

Exhibit 27: Overview of key products in the consumer finance segment (as of Mar'25)

Consumer financing	AUM (INR b)	Average ticket size (INR)	Duration of loans	Sourcing channels
Consumer durable/ Digital product	38	14k	1 year	❖ 80+OEM and 140k retailers/dealers
Relationship personal loans	81.7	50k	2 years	❖ Tele-calling teams
Auto loans	837	430k	4 years	❖ 6 OEM and 4k dealers
Two wheelers	32.8	53k	2 years	❖ 13 OEM and 13k dealers
Micro-lending	6.1	23k	2 years	❖ Digital channels

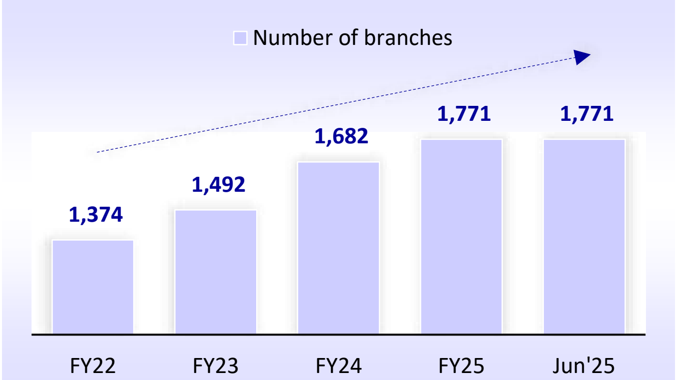
Source: Company, RHP, MOFSL

Full-cycle credit framework

Sourcing strength and distribution depth

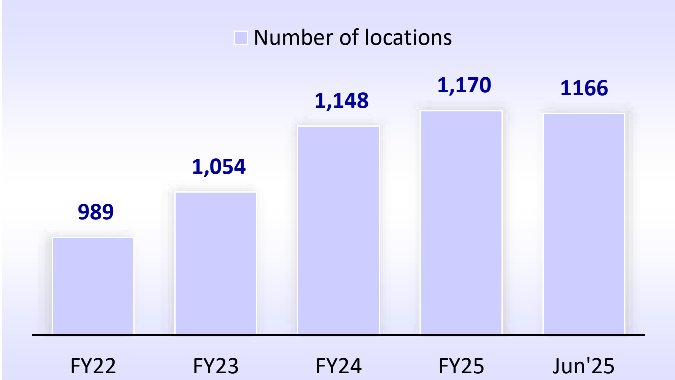
- HDB has a robust distribution network with a PAN-India presence, operating through 1,771 branches across 1,166 locations in 31 states and union territories as of Jun'25. The company has built a powerful phygital (physical + digital) distribution engine that seamlessly blends its on-ground presence with digital agility. With a pan-India footprint and no single zone accounting for over 35% of gross loans, the company is well-diversified geographically. It is strategically positioned beyond metros and targets India's vast underbanked population in Tier 2, 3, and rural markets.
- **Each business vertical is backed by a customized sourcing model:** Enterprise Lending thrives on a strong branch-led network, Asset Finance leverages deep-rooted OEM and dealer partnerships, and Consumer Finance rides on high-velocity retail and digital channels. This omni-channel ecosystem is further strengthened by HDB's scalable digital stack, including fintech alliances, its website, and an intuitive in-house app, ensuring seamless access, smarter cross-selling, and deeper customer engagements across India's economic landscape.

Exhibit 28: HDB has 1,770+ branches



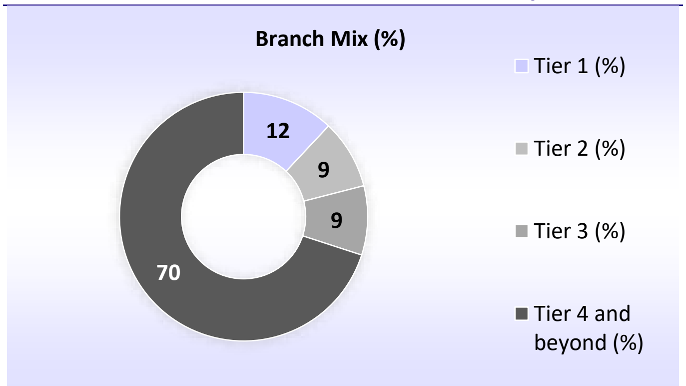
Source: MOFSL, Company

Exhibit 29: Presence across 1,160+ locations



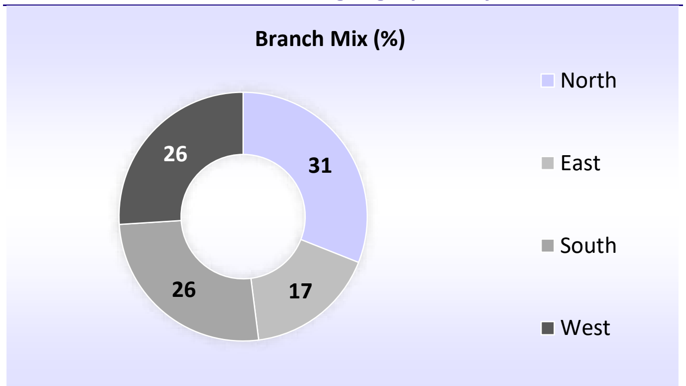
Source: MOFSL, Company

Exhibit 30: 70% of branches are in tier 4 and beyond cities



Note: Data as of Jun'25; Source: MOFSL, Company

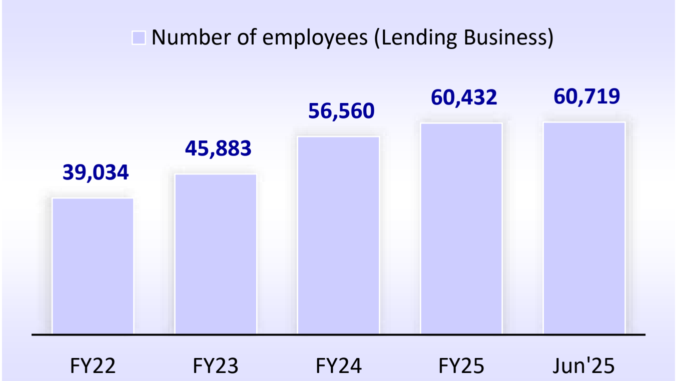
Exhibit 31: HDB branches are geographically well-diversified



Note: Data as of Jun'25; Source: MOFSL, Company

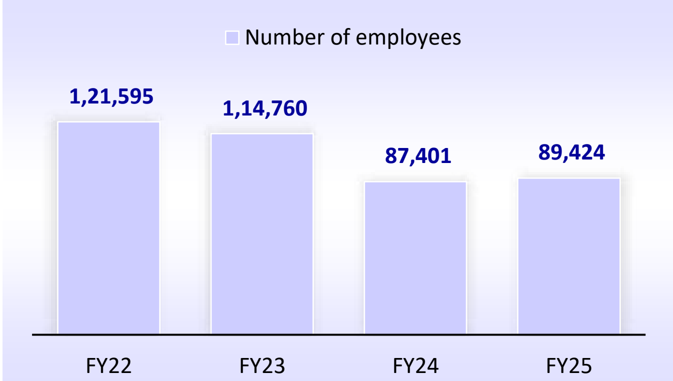
- HDB's branch network is supported by a robust direct sales engine, driven by in-house telecalling teams, which act as the primary distribution channel for personal loans. Operating from regional hubs nationwide, these teams are trained to engage effectively with diverse customer segments, adapting their approach to reflect the cultural nuances of each geography.

Exhibit 32: No. of employees in lending business



Source: MOFSL, Company

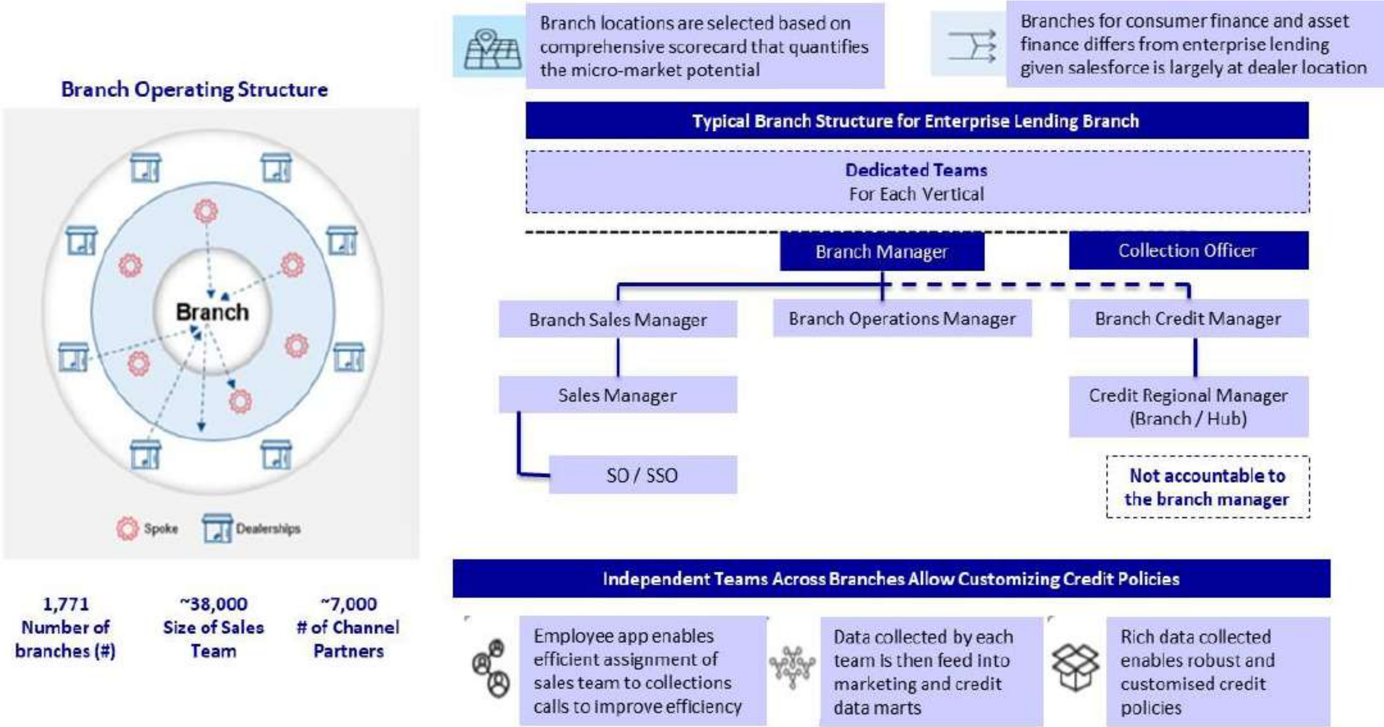
Exhibit 33: Total number of employees



Source: MOFSL, Company

- HDB has established a strong partner network comprising over 80 leading brands and OEMs, backed by 140,000 retailer and dealer touchpoints nationwide. These partnerships cover a wide range of categories - from two-wheelers, cars, and consumer durables to construction equipment and tractors - driving growth across both the Consumer and Asset Finance verticals. The company's diversified sourcing model ensures it is not dependent on any single dealer or OEM, while built-in contractual buffers provide flexibility to onboard new partners without disruption. As part of its multi-channel distribution strategy, HDB has built a strong network of over 7,000 DSAs as of Mar'25. These agents operate on a fee-based model, with performance-linked incentives structured around defined business and quality metrics ensuring alignment, scalability, and consistent sourcing efficiency.
- HDB has built fully digital, customized customer journeys across its product suite, particularly within Consumer Finance and Enterprise Lending. For select products, the entire lifecycle, from origination and underwriting to sanction and disbursement, is now end-to-end digital, ensuring speed, efficiency, and a seamless user experience. This digital push has significantly accelerated customer acquisition, expanding the company's customer base from 12.2m as of FY23 to 20.1m as of Jun'25.

Exhibit 34: Overview of HDB branch operating structure



Source: Company, RHP, MOFSL

Diversified distribution strategy for BHARAT

- HDB actively tracks product-wise penetration and identifies untapped opportunities using both internal data and localized insights from OEM partnerships and credit bureau reports, enabling smarter, data-led rural expansion. In Apr'23, the company rolled out a pilot distribution model focused on deepening its rural footprint and targeting locations with populations under 50k, where the company already had presence in one or two products. By Mar'25, HDB's 103 existing branches across nine states were transitioned to this model.
- To drive product diversification, field officers in these rural branches are being trained for multi-product sales within their branch radius. This approach will not only boost product penetration in underserved markets but also enhance employee skills, earning potential, and overall retention.

Credit architecture resilient by design, scalable by structure

- HDB has instituted a robust, 360-degree credit assessment architecture, overseen by its Chief Credit Officer and supported by a specialized credit team comprising over 4.7k employees as of Mar'25. Each business vertical is served by an independent credit team that operates in a structure parallel to the sales function, ensuring strict functional independence. These teams are deployed across branch, regional, and central levels, with performance evaluated based solely on portfolio quality rather than disbursement volumes.
- **Hybrid underwriting:** HDB adopts a dual-mode underwriting model — 1) **small-ticket, short-tenure loans** are processed through a centralized, automated engine using scorecards and rule-based logic, and 2) **larger-ticket loans** undergo on-ground assessment by local credit managers, combining physical evaluation with data-driven tools to ensure a well-rounded credit view.
- **In-house underwriting, strong risk controls:** Underwriting is managed in-house, which enables tighter control over origination quality and minimizes fraud risk. This effort is further bolstered by a dedicated risk control unit, an independent function tasked with fraud detection and resolution, as well as the use of a third-party fraud detection tool to identify suspicious or high-risk applicants.
- HDB has significantly digitalized its credit decision infrastructure, with select products such as Consumer Finance and Enterprise Lending now offering fully digital onboarding. Even high-touch product lines like auto loans and commercial vehicle loans have undergone a substantial digital transformation, enabling faster and more efficient loan processing.

Exhibit 35: Overview of HDB's credit and collections framework across its three business segments

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

Source: Company, RHP, MOFSL

- The underwriting framework leverages multiple external data sources, including credit bureaus and depositories, to strengthen customer profiling. For secured loans, independent third-party vendors carry out legal and technical due diligence on the collateral. Additionally, field-level verification of customer credentials is mandated to further reinforce the company's risk management practices.
- Leveraging its large and seasoned customer base, HDB has developed a proprietary data repository that supports advanced analytics to drive faster and more accurate credit decisions. A dedicated policy team, in collaboration with in-house data analysts, develops and continuously refines product-specific scorecards. These scorecards distinguish between new-to-credit and bureau-tested borrowers and are calibrated using a range of predictive variables such as demographic indicators, existing debt obligations, and delinquency patterns.

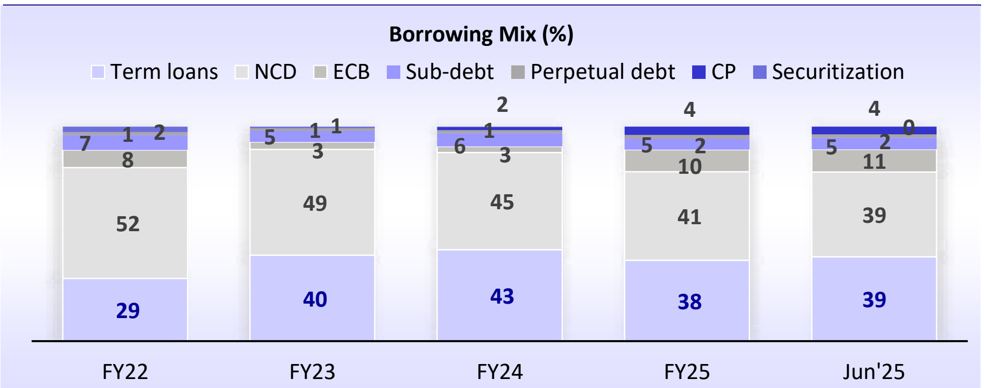
Unified collections network backed by robust legal and digital capabilities

- Since 2008, the company has been engaged in collections, initially providing these services for its promoter, HDFC Bank. Over the years, collections have evolved into a core component of its operating model, now functioning as an independent vertical under the Chief Credit Officer's oversight.
- As of Mar'25, HDB has a large in-house collection team of over 12,500 employees, positioned across branch, regional, and national levels. This team also includes dedicated legal and compliance specialists who provide product-level support. To enhance reach and efficiency, the company also partners with select third-party collection agents primarily for small-ticket consumer finance loans and certain other limited-use cases across business verticals.
- Repayments are largely routed through NACH mandates, with the remainder collected via the in-house tele-calling and field collection team. Recognizing India's linguistic and cultural diversity, the company employs local tele-calling teams in each region to ensure customer communication is culturally contextual and language-appropriate, avoiding a one-size-fits-all centralized approach.
- To manage performance, the company leverages advanced scorecards for early, mid, and late-stage delinquency buckets. These scorecards incorporate updated credit data, product-level nuances, historical performance, and region-specific trends to enable targeted recovery actions.
- Recovery measures leverage legal provisions such as the SARFAESI Act, the Negotiable Instruments Act, and the Payments and Settlement Act, among others. A dedicated legal portal enables real-time tracking and updates on ongoing cases. Repossessions and settlements are executed through a mix of in-house teams and external vendors. For vehicle loans, the entire repossession process is fully digitized, from mobile-enabled initiation and tracking to collateral disposal via online auctions.
- To ensure quality and governance, the company has established a Center of Excellence, a central collections team responsible for overseeing employee training, tele-calling quality audits, external vendor performance monitoring, and centralized billing and asset auction management.

The Funding Edge: Diversified borrowings, stable liabilities

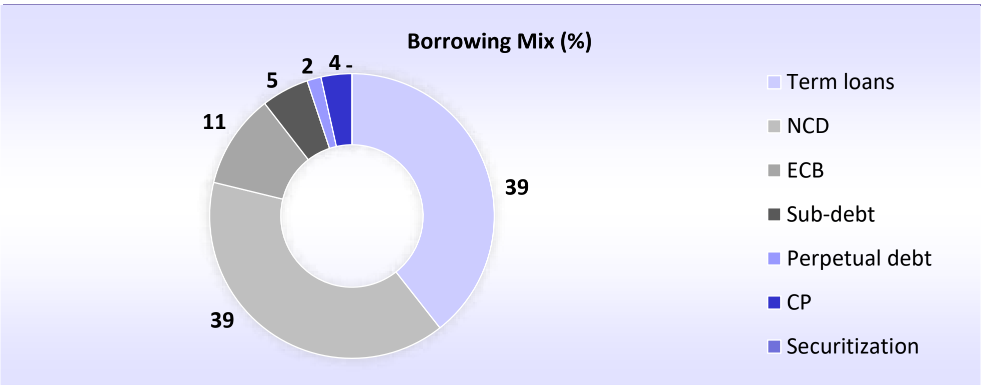
- HDB has built a robust and diversified liability franchise, underpinned by its strong credit profile, rated AAA (Stable) by both CRISIL and CARE, the highest rating assigned to any NBFC in India. This superior credit standing enables access to funding at competitive rates and tenors across both fixed and floating-rate debt instruments.
- The company's borrowings are financed through a well-diversified lender base comprising public and private sector banks, foreign banks, mutual funds, insurance companies, pension funds, and other financial institutions.
- As of Jun'25, total borrowings stood at INR915b and no single funding source contributed more than ~40% of the total borrowings, reflecting prudent diversification. In FY24, the company was the second-largest issuer of listed NCDs among Indian NBFCs underscoring its strong market access.
- An experienced Asset-Liability Committee (ALCO) oversees the company's asset-liability management (ALM) framework, continuously monitoring and optimizing funding strategy and liquidity positioning to ensure financial sustainability and diversification.

Exhibit 36: Share of bank borrowings rose as of Jun'25



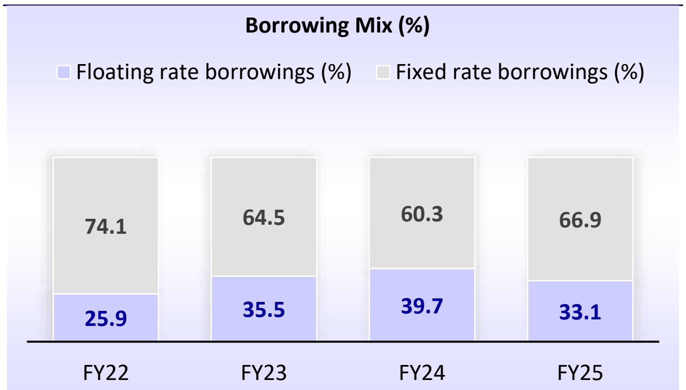
Source: Company, MOFSL

Exhibit 37: Borrowing mix as of Jun'25 (%)



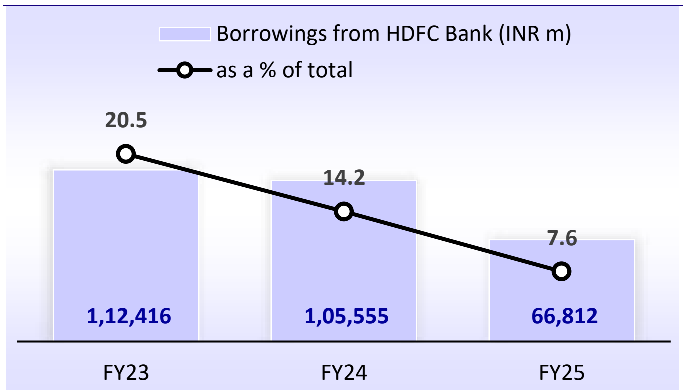
Source: Company, MOFSL

Exhibit 38: Higher share of fixed-rate borrowings



Source: MOFSL, Company

Exhibit 39: Borrowings from HDFC Bank continues to decline



Source: MOFSL, Company

- As of Mar’25, ~67% of HDB’s borrowings were linked to fixed rates and the remaining ~33% were linked to floating rates. The company continues to benefit from strong credit ratings, AAA (Stable) from both CRISIL and CARE for its long-term borrowings, and A1+ for its short-term instruments enabling access to diverse funding sources at competitive rates across tenors.

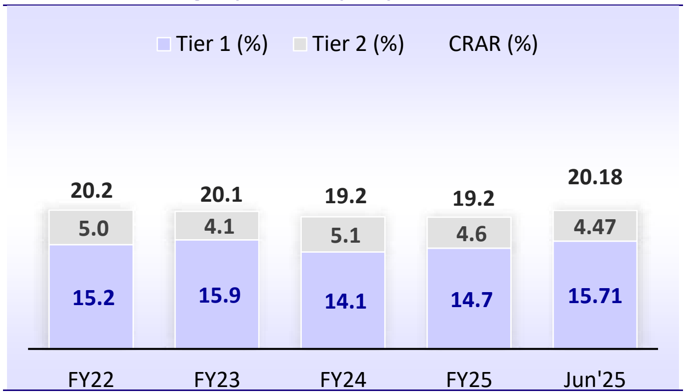
Exhibit 40: HDB has the highest credit rating of AAA/Stable from both CRISIL and CARE

Credit rating agency	Long term	Short term
CRISIL	AAA/Stable	A1+
CARE	AAA/Stable	A1+

Source: Company, MOFSL

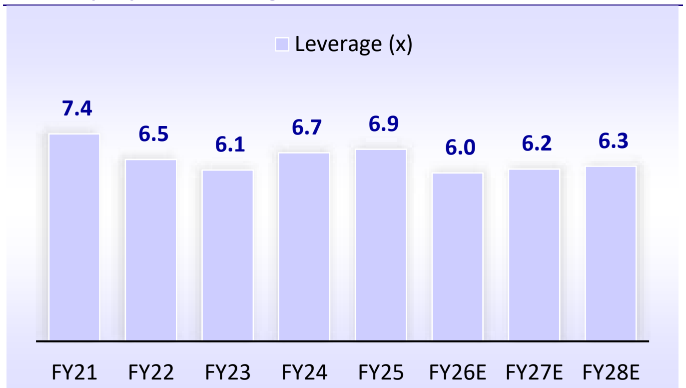
- HDB maintains a robust capital position, providing a comfortable buffer to fund future growth and absorb potential credit or macroeconomic shocks. As of Jun’25, the company’s CRAR at ~20.2% was well above regulatory requirements, reflecting its disciplined and prudent capital management approach.

Exhibit 41: Strong capital adequacy with Tier 1 of 15.7%



Source: MOFSL, Company

Exhibit 42: Leverage to decline in FY26/FY27 because of the fresh equity raise through IPO



Note: Leverage is Assets/Net-worth; Source: MOFSL, Company

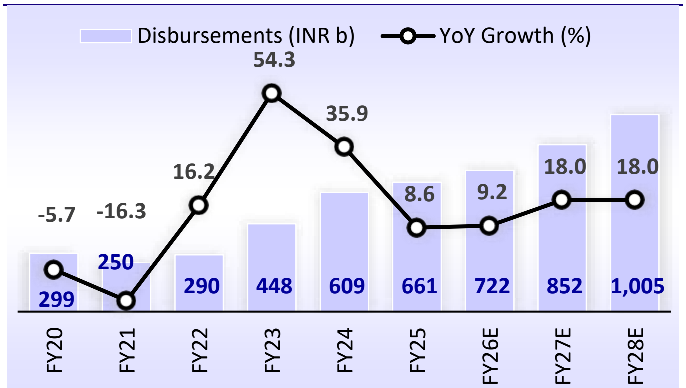
Robust franchise with deep diversification

Scalable lending engine and a healthy runway for growth

Driving growth through end-to-end credit

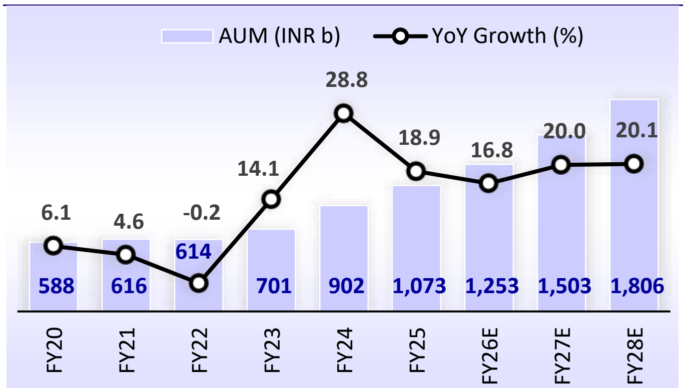
- HDB has emerged as the second-largest and third-fastest growing customer franchise among Indian NBFCs, according to CRISIL. As of Jun'25, the company had a franchise of 20.1m customers, registering a robust ~25% CAGR in its customer franchise over FY23-FY25.
- Its focus on India's vast middle-income segment, comprising salaried individuals, self-employed professionals, small business owners, and entrepreneurs, has supported consistent franchise expansion with minimal concentration risk. Notably, the top 20 borrowers account for <0.35% of total gross loans, reflecting a granular loan book.
- HDB has built a diversified lending platform spanning 13 products across three verticals - Enterprise Lending, Asset Finance, and Consumer Finance. This multi-pronged approach has driven a ~32% CAGR in disbursements over FY22-FY25, translating into a strong ~20% AUM CAGR over this same period.
- The company has successfully navigated major stress events from the 2008 global financial crisis and India's 2013-14 liquidity squeeze to the 2018 NBFC sector disruption and the Covid-19 pandemic, underscoring the strength, adaptability, and risk-calibrated nature of its business model.

Exhibit 43: Disbursements CAGR of ~15% over FY25-FY28E



Source: MOFSL, Company

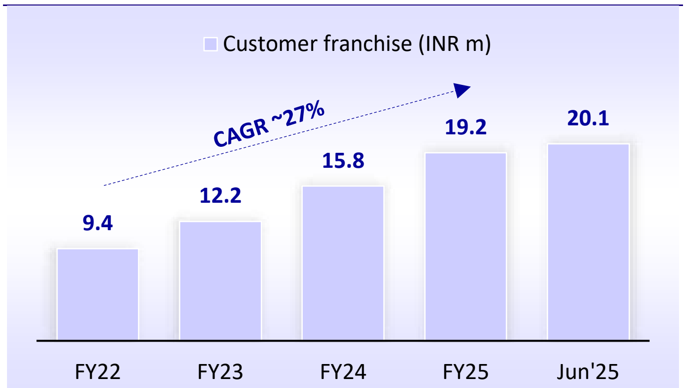
Exhibit 44: AUM CAGR of ~19% over FY25-FY28E



Source: MOFSL, Company

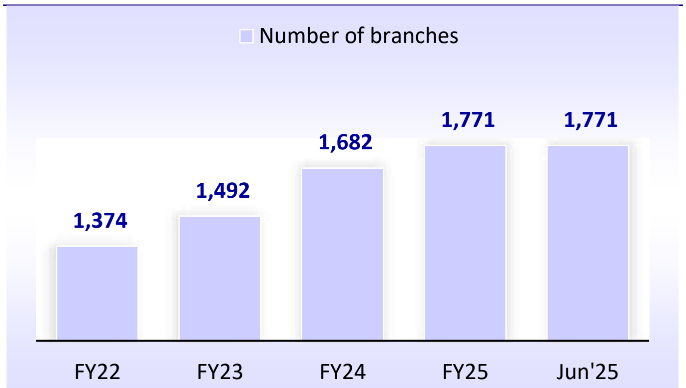
- We expect HDB to deliver healthy AUM growth over the medium term, supported by its expanding customer base, diversified product portfolio, and strong distribution network. With India's retail credit demand remaining robust, particularly among underserved middle-income and self-employed segments, HDB will capitalize on this momentum across Enterprise Lending, Consumer Finance, and asset-backed loans.
- We expect disbursement CAGR of ~15% and AUM CAGR of ~19% over FY25-FY28, supported by a scale-up in higher-yielding products, deeper geographic penetration, and improved productivity across the franchise.

Exhibit 45: Customer franchise crossed 20m



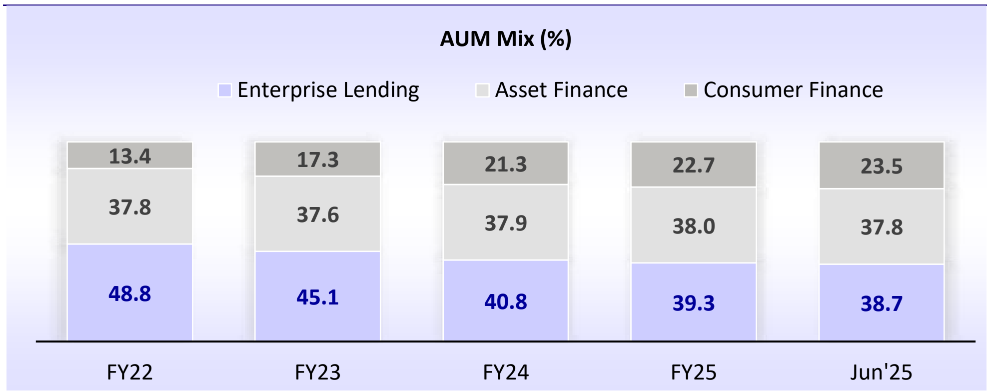
Source: MOFSL, Company

Exhibit 46: No. of branches stood at 1,771



Source: MOFSL, Company

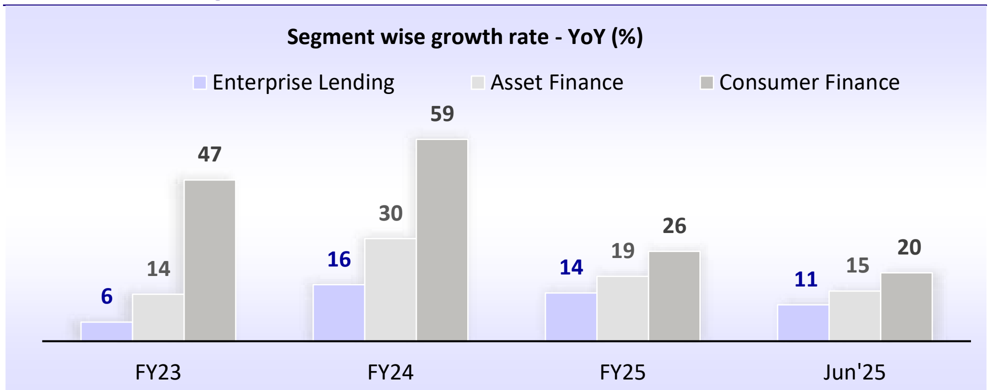
Exhibit 47: HDB has a well-diversified AUM mix



Source: Company, MOFSL

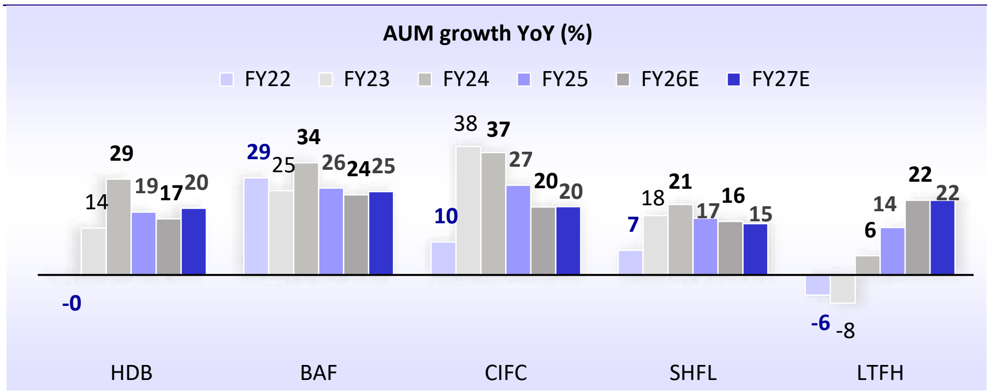
- The consumer finance segment has emerged as the fastest-growing vertical for HDB over the past three years, outpacing growth in both the enterprise and asset finance segments. This strong momentum has been driven by rising demand for unsecured personal loans, 2W financing, and small-ticket consumption loans, particularly from the salaried and self-employed segments.
- The company's focused push in this space is supported by enhanced digital underwriting, wider distribution, and risk-calibrated growth which has helped scale the consumer finance book significantly while maintaining asset quality.

Exhibit 48: Fastest growth momentum seen in Consumer Finance



Source: Company, MOFSL

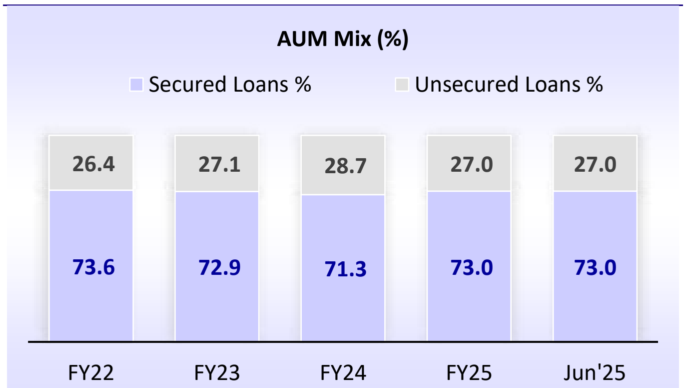
Exhibit 49: AUM growth trends for HDB and its peers



Source: Company, MOFSL

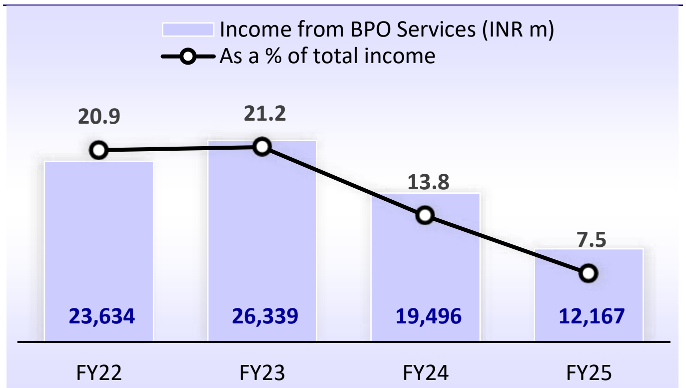
- Although HDB has trailed some peers in AUM growth in recent years, it is now well-positioned to expand in line with the broader NBFC sector. With a stabilized business model, a diversified product portfolio, and enhanced operating efficiency, its future growth is expected to be more consistent, less volatile, and structurally resilient.

Exhibit 50: Secured loans forms ~73% of total loan mix



Source: MOFSL, Company

Exhibit 51: Income from BPO services continues to decline



Source: MOFSL, Company

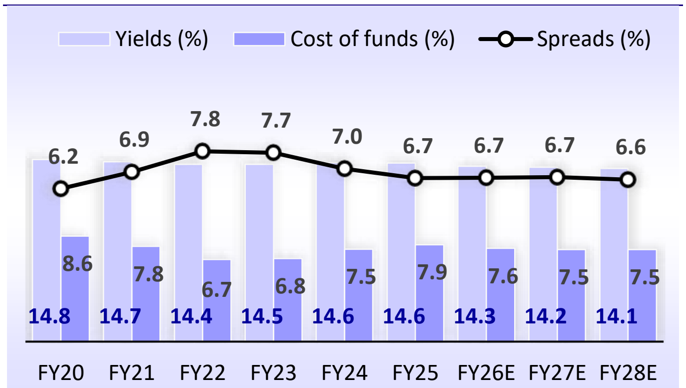
- HDB has built a well-diversified and risk-calibrated loan portfolio, with ~73% of total loans (as on Jun'25) backed by underlying collateral. Higher share of secured lending in the loan mix provides a natural cushion against asset quality volatility, particularly in a credit cycle or during macroeconomic stress.
- In addition to its core lending operations, HDB also provides back-office processing, sales support, and collection services to HDFC Bank. Income from these BPO services constituted 7.5% of HDB's total income as of FY25, marking a significant decline from 21% in FY22. This shift reflects the company's strategic transition toward a more lending-focused business model, with BPO services now playing a relatively smaller role in overall revenue contribution.

Levers in place for NIM expansion

Well positioned in a declining interest rate environment

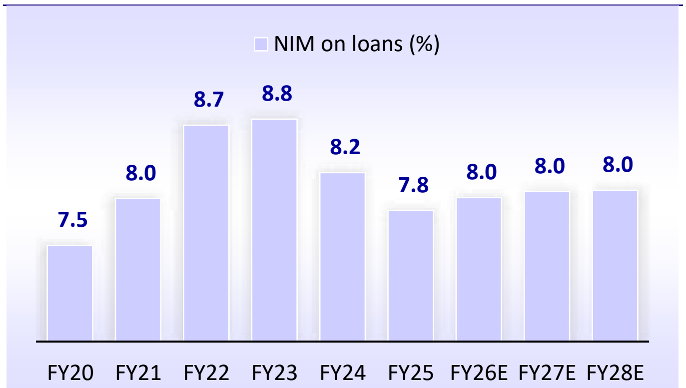
- HDB has consistently grown its loan book while enhancing margins and building a strong fee-based income stream. The company is also actively expanding its fee income streams, including the distribution of life and non-life insurance products. This initiative is expected to strengthen its fee income profile and help it maintain its fee income (as % of the assets) in the foreseeable future.
- The company offers a diverse product portfolio with risk-based differential pricing. With robust momentum in high-yielding segments like consumer loans, gold loans, and used vehicle financing, it is well positioned to maintain strong asset yields in the range of ~14.2-14.3% over the next two years.

Exhibit 52: Expect spreads to remain largely stable



Source: MOFSL, Company

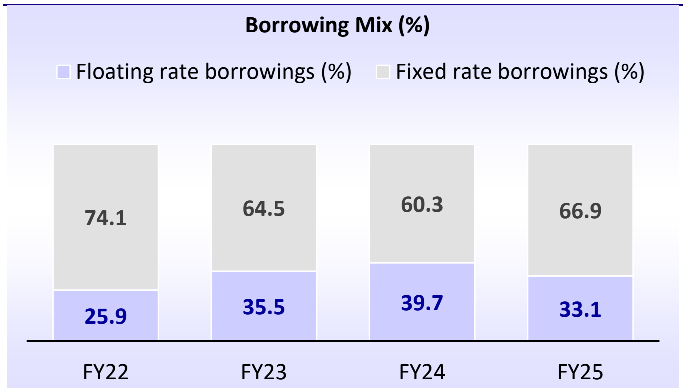
Exhibit 53: NIM to expand by ~15bp in FY26E



Source: MOFSL, Company

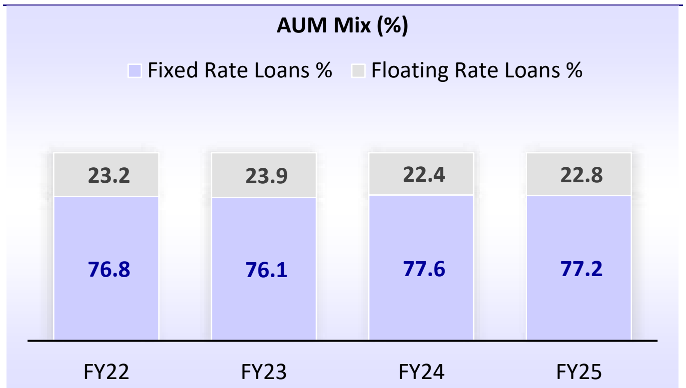
- HDB is well positioned to benefit from a declining interest rate environment, with ~33% of its total liabilities linked to floating rates and the remaining linked to fixed rates. Among floating-rate borrowings, nearly ~90-95% of its bank borrowings are linked to EBLR, which have already been repriced. This repricing will likely lead to a reduction in the company's overall cost of borrowings, thereby supporting margin expansion going forward.
- On the asset side, ~23% of HDB's loan book is linked to floating rates, while ~77% is linked to fixed rates. This provides a natural hedge, ensuring lending yields remain largely stable even as interest rates decline. Combined with the benefit of falling borrowing costs, the company is well positioned to see margin expansion over the next 2-3 quarters, making it a beneficiary of the current policy rate cut cycle. We expect NIM to expand by ~15bp to ~7.95% in FY26.

Exhibit 54: Higher share of fixed-rate borrowings



Source: MOFSL, Company

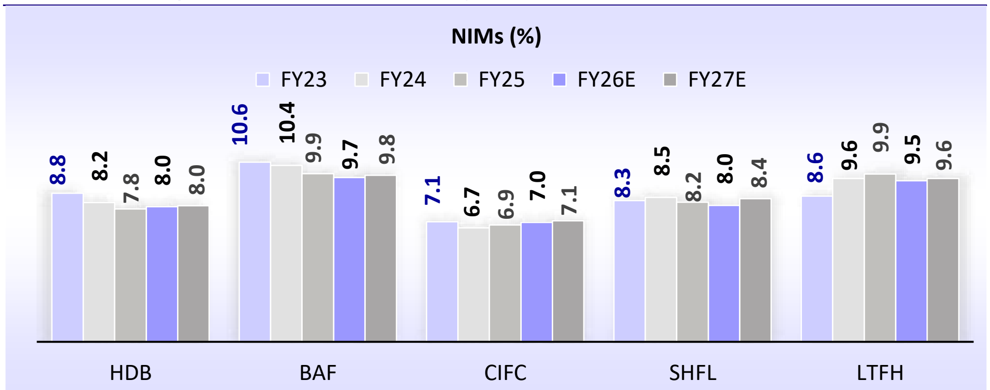
Exhibit 55: Fixed-rate loans constitute ~77% of total loans



Source: MOFSL, Company

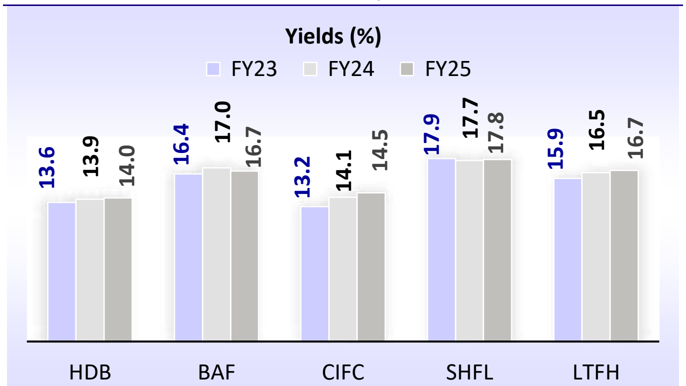
- While HDB's margins have been relatively lower due to a higher share of secured loans in its product mix, they have remained healthy and consistent over the years. In contrast, peers like Bajaj Finance and L&T Finance benefit from a larger proportion of unsecured loans, enabling them to command higher margins. However, HDB's balanced mix of secured and unsecured lending provides a more stable margin profile with better risk management.

Exhibit 56: Margin trends for HDB and its peers



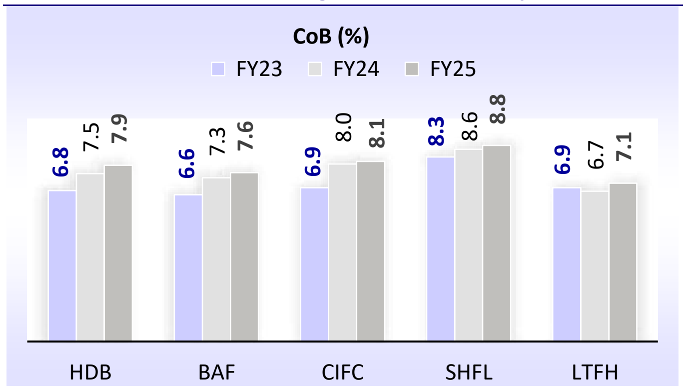
Source: Company, MOFSL

Exhibit 57: Yields for HDB and its peers



Source: MOFSL, Company

Exhibit 58: Cost of borrowings for HDB and its peers



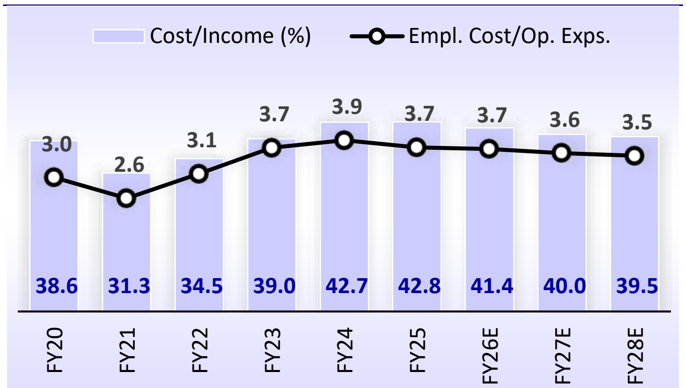
Source: MOFSL, Company

Operating efficiencies to drive improvement in cost ratios

Expect opex-to-avg. assets to improve by ~20bp over the next two years

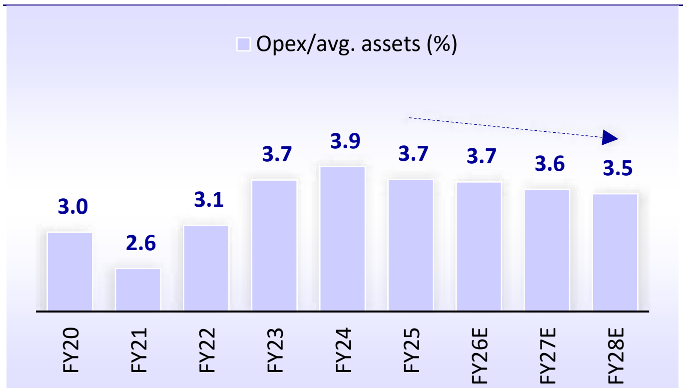
- HDB has made substantial investments in building its physical infrastructure, including a wide branch network and employee base, over the past few years. These investments have contributed to elevated operating expense ratios (opex/avg. assets) and a relatively high cost-to-income ratio.
- However, the company has adopted a disciplined and targeted approach to enhancing operational efficiency. Despite the continued expansion of its retail footprint and customer base, it has managed to exercise strong cost control, reflecting prudent expense management and improving productivity across its lending franchise.

Exhibit 59: C/I ratio to improve by ~330bp over three years



Source: MOFSL, Company

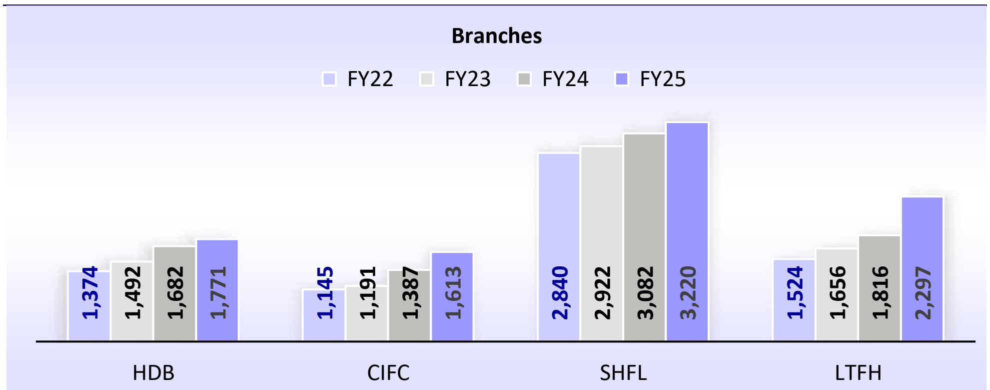
Exhibit 60: Opex/avg. assets to decline by ~20bp by FY28



Source: MOFSL, Company

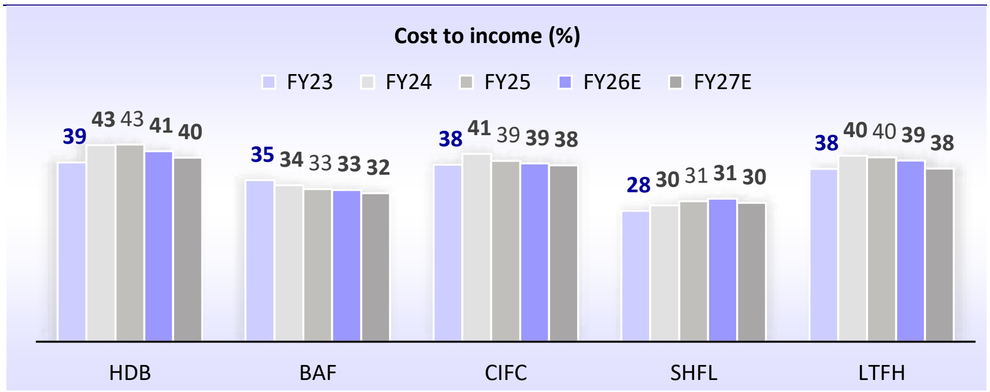
- Over the past three years, HDB has significantly scaled up its physical presence by opening ~400 branches across the country. This expansion has been accompanied by a substantial ramp-up in its workforce, with over ~21k employees added in the lending business alone. This strategic build-out reflects the company's commitment to deepening its retail reach, strengthening last-mile connectivity, and enhancing customer service delivery, particularly in underserved and non-metro markets.

Exhibit 61: No. of branches for HDB and its peers



Source: Company, MOFSL

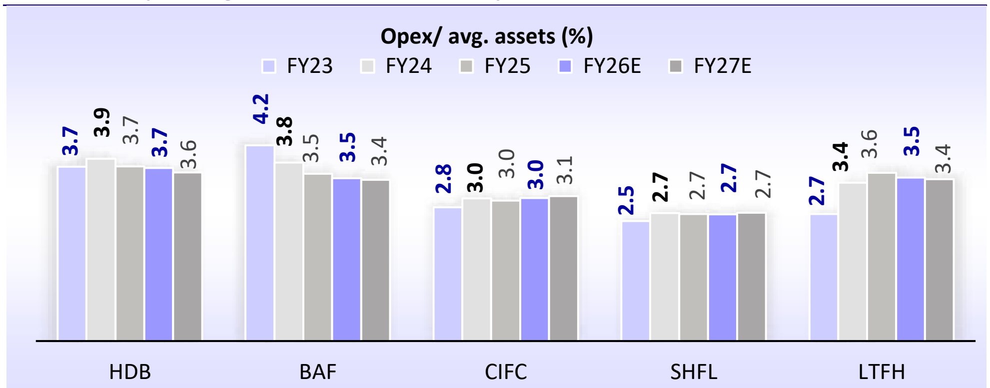
Exhibit 62: Cost-to-income ratio trends for HDB and its peers



Source: Company, MOFSL

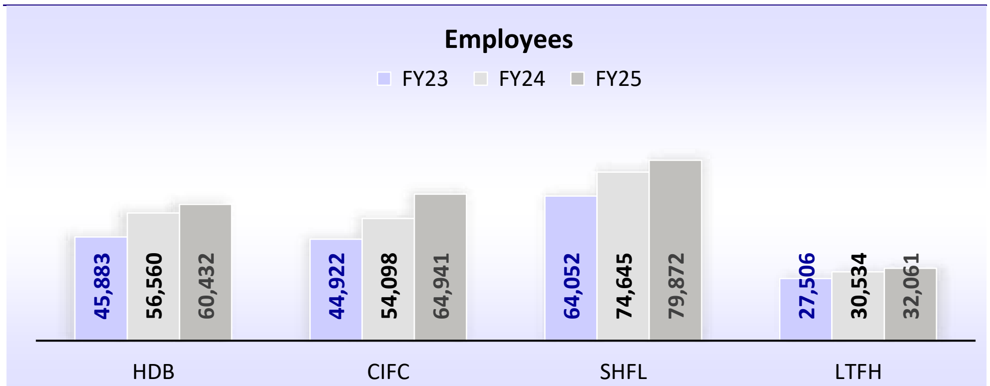
- HDB currently operates with relatively lower productivity and efficiency metrics compared to peers, largely due to the significant scale-up in its branch network and employee base over the past few years. However, with the distribution footprint now largely in place and business volumes expected to grow, operating leverage is likely to improve meaningfully. Over the next two years, we anticipate a steady improvement in cost metrics, with the cost-to-income ratio expected to decline by ~330bp and opex/avg. assets improving by ~20bp over FY25-28E, driven by better branch productivity, tighter cost controls, and increasing digital adoption.

Exhibit 63: Opex/avg. assets for HDB and its peers



Source: Company, MOFSL

Exhibit 64: No. of employees for HDB and its peers



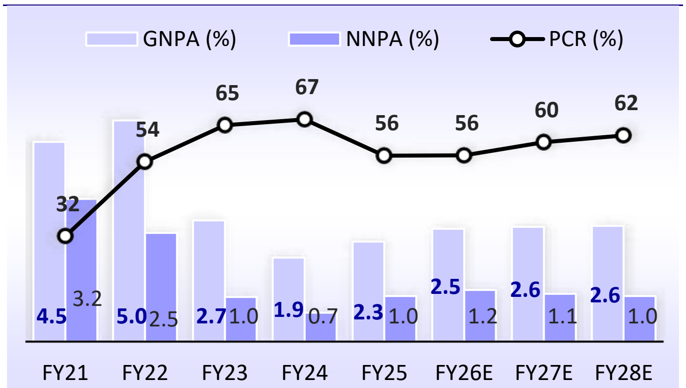
Source: Company, MOFSL

Asset quality anchored to prudent lending

Credit costs to remain elevated in FY26 and decline gradually over FY27-28

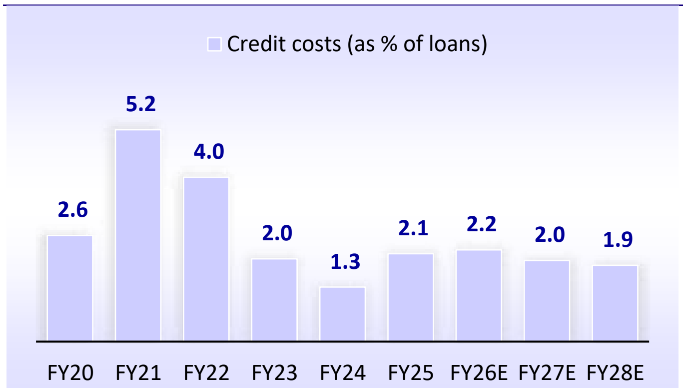
- HDB has maintained a sharp focus on asset quality as a cornerstone of its lending strategy. The company continues to strengthen its risk framework through data-backed underwriting, proactive monitoring and strong recovery mechanisms. Its credit teams are empowered with digital tools and analytics to take informed, timely decisions. This structured and technology-enabled approach has played a critical role in ensuring portfolio resilience and delivering healthy risk-adjusted returns over time.
- Over FY22-24, HDB saw a marked improvement in asset quality, with GNPA reducing sharply from a peak of ~5% in FY22 to ~1.9% by FY24, reflecting the prudent risk management and robust collection efforts. However, in FY25, asset quality witnessed some deterioration, leading to an uptick in credit costs. This increase was largely attributable to broader macroeconomic pressures and segment-specific stress, particularly in CV and unsecured business loans.

Exhibit 65: Asset quality (GS3) to remain broadly stable



Source: MOFSL, Company

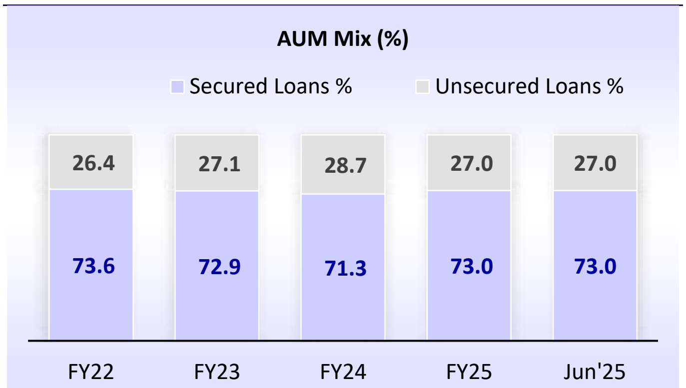
Exhibit 66: Credit costs to gradually trend down



Source: MOFSL, Company

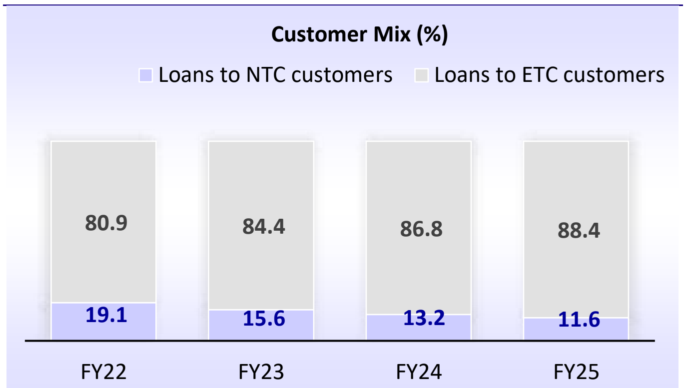
- HDB has built a risk-calibrated and diversified loan portfolio, balancing growth with prudent underwriting. While the company primarily serves the low- and middle-income segments, which inherently carry a higher risk, it has maintained a conservative approach in customer selection. As of FY25, NTC customers constituted only ~12% of the overall customer base, with the majority being existing-to-credit (ETC) profiles, helping to anchor portfolio quality.
- Moreover, the loan mix remains favorable, with 73% of the portfolio comprising secured loans backed by underlying collateral such as vehicles, property, or gold. This secured orientation provides a strong buffer against potential credit losses and helps mitigate downside in the event of defaults.

Exhibit 67: Secured loans form ~73% of total loan mix



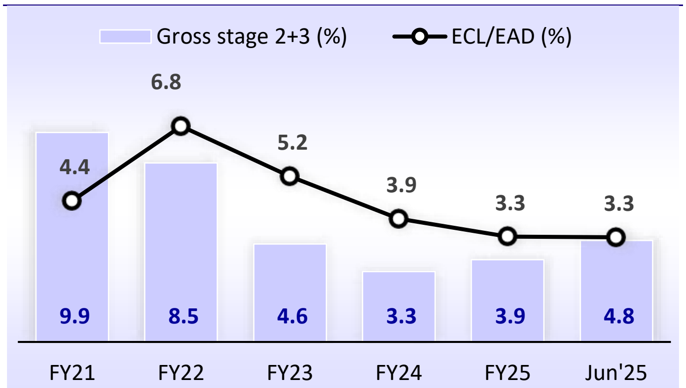
Source: MOFSL, Company

Exhibit 68: NTC customers form just 12% of total customers



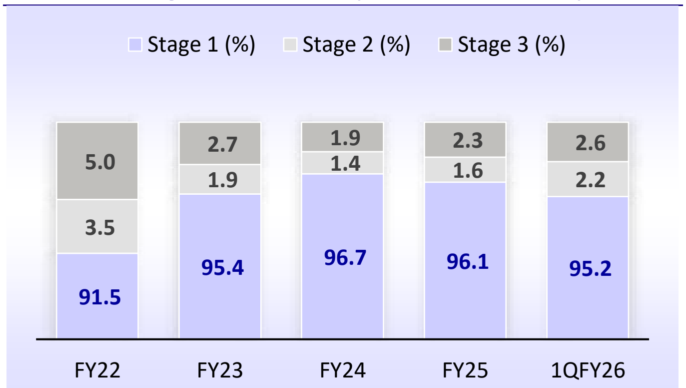
Source: MOFSL, Company

Exhibit 69: ECL/EAD was stable at 3.3%



Source: MOFSL, Company

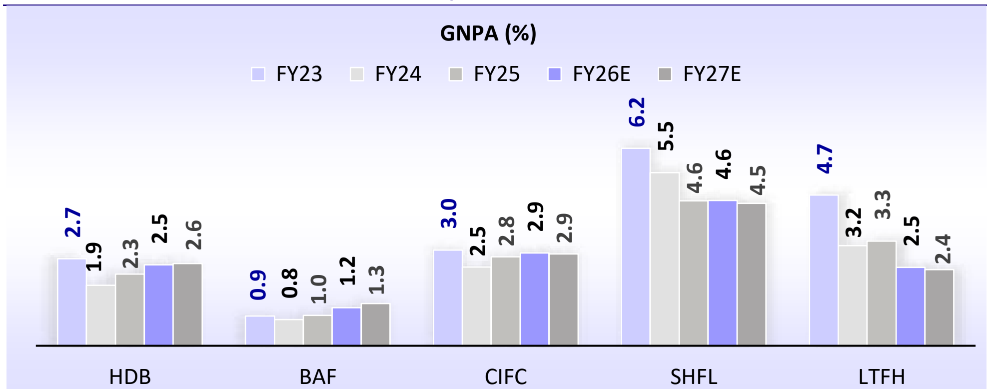
Exhibit 70: Stage 3 has inched up over the last few quarters



Source: MOFSL, Company

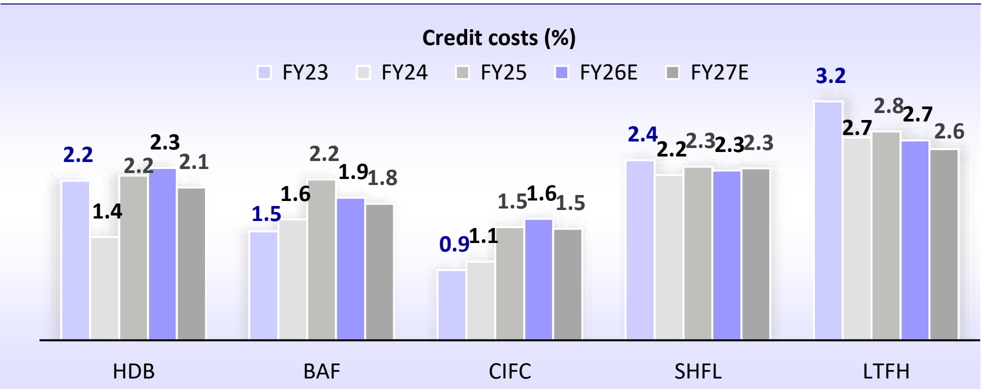
- HDB has maintained tight control over asset quality, reflecting the strength of its underwriting and disciplined collection practices. While peers such as BAF continue to lead the industry with best-in-class asset quality, HDB's GS3 levels have remained better than several large players such as SHFL and CIFC, despite operating in similar customer segments. This highlights the company's prudent risk selection, calibrated exposure to higher-risk borrowers, and the effectiveness of its in-house collection infrastructure.

Exhibit 71: GNPA trends for HDB and its peers



Source: Company, MOFSL

Exhibit 72: Credit cost trends for HDB and its peers



Source: Company, MOFSL

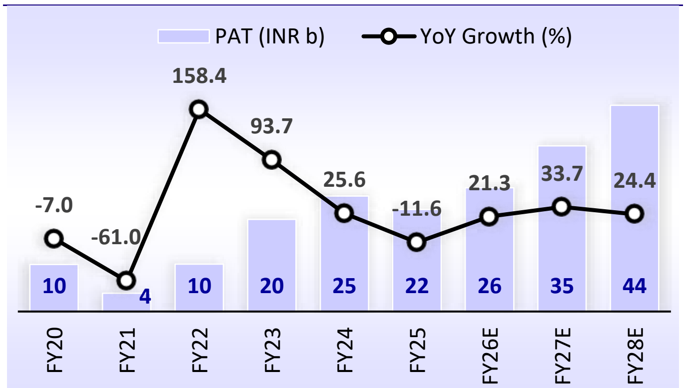
- In FY25, credit costs across the NBFC sector remained elevated, largely driven by rising stress in unsecured loan portfolios. The industry witnessed a moderation in borrower repayment capacity, especially in the low-to-mid-income segments, which led to an uptick in delinquencies, particularly in unsecured personal loans, consumer durable loans, and business loans. This trend was exacerbated by factors such as macroeconomic uncertainty, subdued rural demand, and rising overleveraging in certain borrower segments, prompting most lenders to tighten underwriting norms and slow disbursements in riskier categories.
- Against this backdrop, HDB also experienced higher credit costs in FY25, in line with broader industry trends. Further, in 1QFY26, HDB reported annualized credit costs of ~2.5%, primarily because of stress in its CV and unsecured business loan segments. We expect credit costs to remain elevated at similar levels in 2Q as well and then decline in 2HFY26. While credit costs might remain elevated in the near term, we expect them to normalize over the medium term as the macro environment improves and the portfolio quality exhibits greater stabilization.

Earnings momentum underpinned by operational levers

Well-equipped to deliver a PAT CAGR of ~26% over FY25-28E

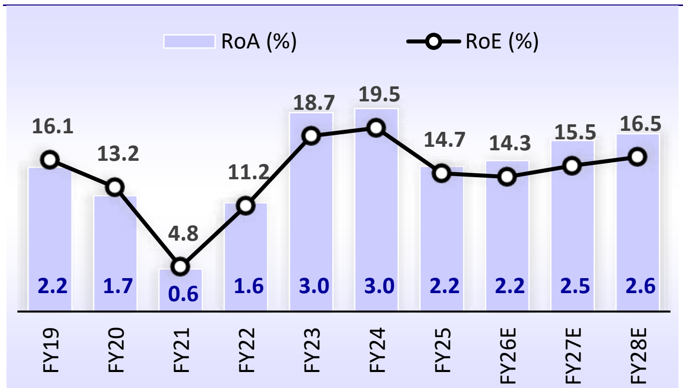
- HDB continues to maintain a steady and resilient profitability profile, underpinned by its retail loan portfolio, healthy operating efficiencies, and prudent risk management practices.
- FY25 was a challenging year for NBFCs, marked by slower loan growth and rising credit costs due to macroeconomic headwinds, muted rural sentiment, and stress in the unsecured credit segment. HDB also faced pressures in certain asset classes, leading to elevated provisioning and softer financial performance. That said, the company has weathered the worst of the credit cycle and is now well-positioned to deliver a healthy rebound in its earnings trajectory. With investments in physical infrastructure largely behind, and the benefits of scale beginning to kick in, we expect a PAT CAGR of ~26% over FY25-28, supported by broadly stable asset quality, improving operating leverage, and stronger AUM growth momentum in the years ahead.
- As macroeconomic activities improve and the credit cycle turns, HDB is expected to benefit from its diversified product mix, digital-first approach, and access to low-cost funding, driving consistent improvement in profitability metrics over the medium term.

Exhibit 73: PAT CAGR of ~26% over FY25-28E



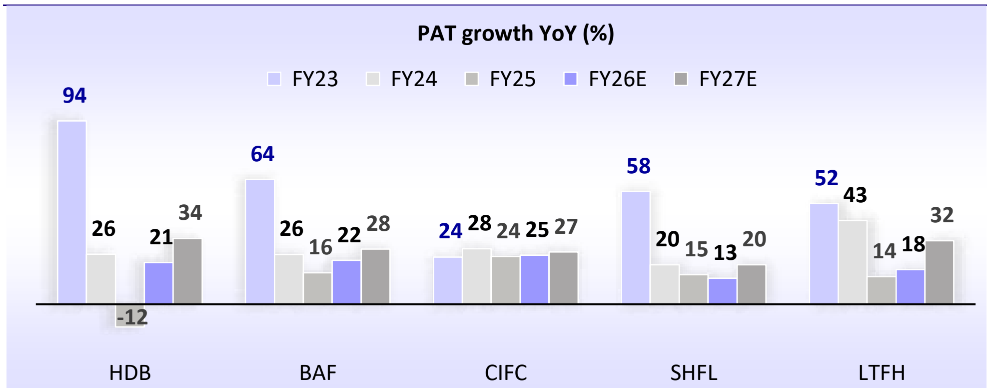
Source: MOFSL, Company

Exhibit 74: RoA/RoE of 2.6%/16.5% in FY28E



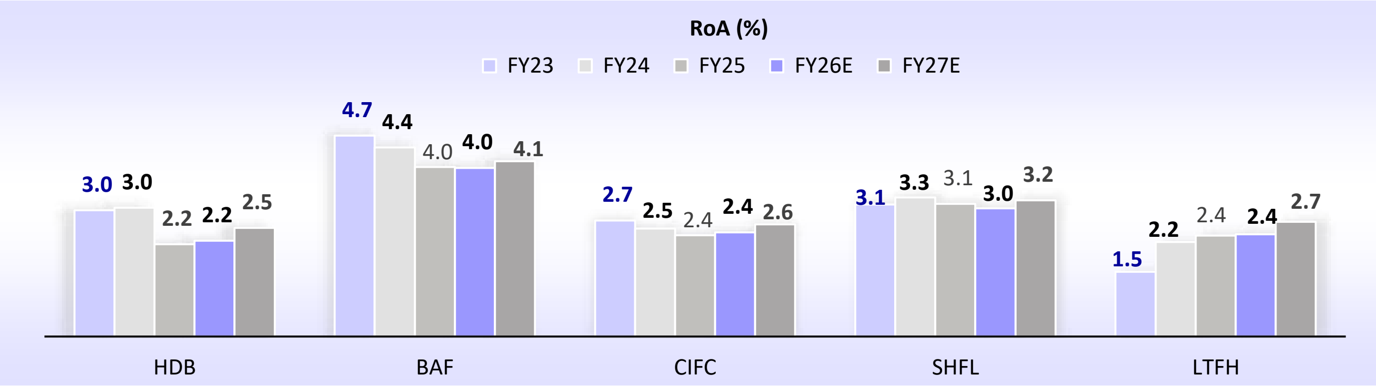
Source: MOFSL, Company

Exhibit 75: We expect HDB to deliver ~21%/34% PAT growth in FY26/FY27



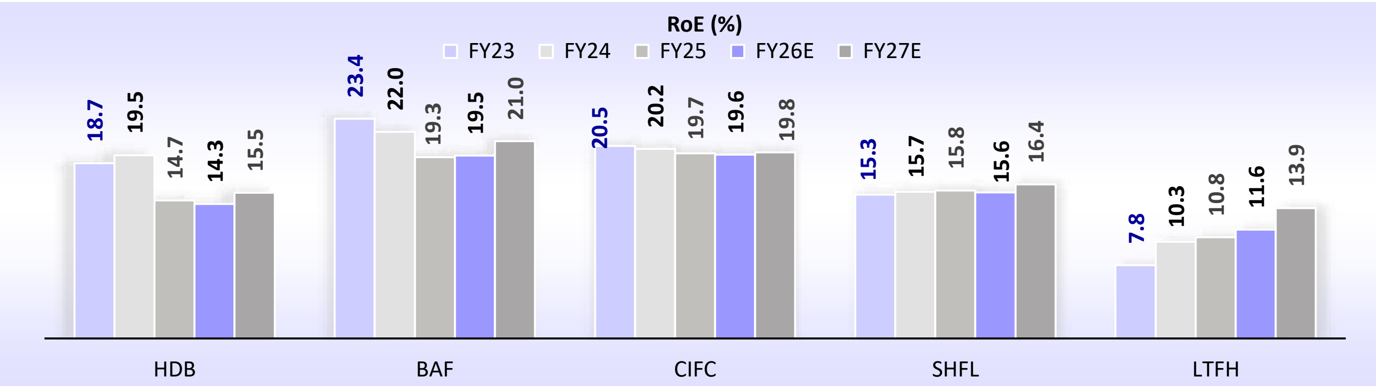
Source: Company, MOFSL

Exhibit 76: RoA trends for HDB and its peers



Source: Company, MOFSL

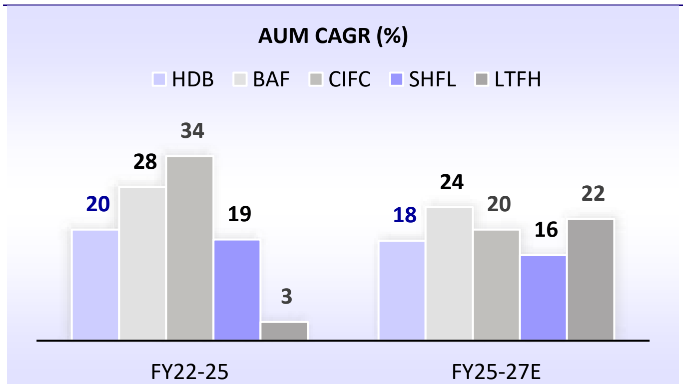
Exhibit 77: RoE trends for HDB and its peers



Source: Company, MOFSL

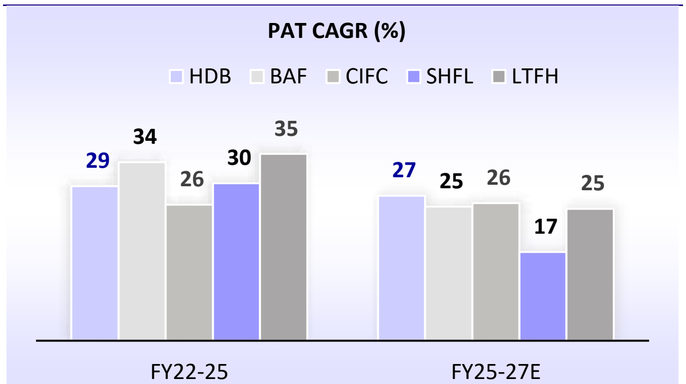
- While HDB has historically trailed key peers in terms of profitability, primarily due to elevated operating expenses from branch and employee expansion, it is now at an inflection point. With investments largely behind, operating leverage is expected to improve meaningfully. As a result, HDB is positioned to outpace peers in terms of earnings growth, with a projected PAT CAGR of 27% over FY25-27E, compared to ~25% for BAF and ~26% for CIFC. This healthy earnings growth trajectory is underpinned by stable asset quality, margin expansion, and improving cost efficiencies.

Exhibit 78: HDB to post ~18% AUM CAGR over FY25-27E



Source: MOFSL, Company

Exhibit 79: HDB to post the highest PAT CAGR over FY25-27



Source: MOFSL, Company

Exhibit 80: RoA tree of HDB and its peers as of FY25

Du-Pont (FY25, in %)	HDB	BAF	CIFC	SHFL	LTFH
Interest Income	13.8	14.5	13.2	15.2	13.1
Interest Expended	6.4	5.9	7.0	7.0	5.4
Net Interest Income	**7.4**	**8.6**	**6.3**	**8.2**	**7.8**
Other Operating Income	1.2	2.0	1.5	0.6	1.1
Net Income	**8.6**	**10.7**	**7.6**	**8.8**	**8.9**
Operating Expenses	3.7	3.5	3.0	2.7	3.6
Operating Income	**4.9**	**7.1**	**4.6**	**6.1**	**5.3**
Provisions/write offs	2.1	1.9	1.4	2.0	2.2
PBT	**2.8**	**5.2**	**3.2**	**4.1**	**3.1**
PBT-BPO	0.1	0.0	0.0	0.0	0.0
Tax	0.7	1.3	0.8	1.0	0.8
RoA	**2.2**	**4.0**	**2.4**	**3.1**	**2.4**
Leverage	6.8	4.9	8.3	5.1	4.6
RoE	**14.7**	**19.3**	**19.7**	**15.8**	**10.8**

Source: Company, MOFSL

Valuation and view

Valuations reasonable with potential for re-rating if execution remains on track

- HDB presents an investment opportunity, backed by a diversified retail-focused business model, strong parentage, and a clear roadmap toward improving profitability and return ratios. Over the past few years, the company has made significant strategic investments in building its branch network, expanding its employee base, and digitizing its operations. While these upfront costs have weighed on near-term profitability, they have laid a solid foundation for scalable, efficient growth going forward.
- With a diversified product suite across enterprise, asset, and consumer finance, and increasing traction in high-yield segments like unsecured loans, gold loans, and used vehicle financing, HDB is well-positioned to deliver superior loan growth and maintain healthy yields (~14.2-14.3%). Additionally, the company's liability profile, which has ~33% of floating-rate borrowings (primarily linked to EBLR), positions it favorably to benefit from a declining interest rate environment, supporting margin expansion as borrowing costs decrease.
- The company will benefit from strong operating leverage as branch productivity improves and employee efficiency scales up. Cost-to-income and opex/asset ratios, which are currently higher than peers, are expected to gradually moderate. Credit costs will likely normalize from FY26 onwards, as stress in select segments like CV and unsecured business loans subsides.
- HDB offers an attractive entry point into India's high-growth, underpenetrated retail lending market. With an AUM of ~INR1.1t and ~20m customers, the company has built a granular, largely secured loan portfolio (~73% secured) and demonstrated credit discipline. Despite its scale, HDB continues to grow faster than system credit, with an expected AUM CAGR of ~19% over FY25-28, while maintaining RoAs in the 2.5-2.6% range—comparable to top-tier retail lenders. With strong governance, in-house collections, and a differentiated sourcing model, HDB has a solid foundation for sustainable value creation.
- At 2.7x FY27E P/BV, HDB offers exposure to a retail-heavy NBFC with a long runway for growth and improving return ratios. As operating leverage kicks in and the cut in policy repo rates brings down the borrowing costs, we expect margin expansion and a steady RoE improvement. **We expect HDB to deliver a PAT CAGR of ~26% over FY25-28, with RoA/RoE of 2.6%/16.5% in FY28. Initiate coverage of HDB with a Neutral rating and a TP of INR860 (based on 2.7x Sep'27E P/BV).**

Val summary	Rating	CMP (INR)	TP (INR)	Mkt. Cap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HDB Financial	**Neutral**	**788**	**860**	**654**	**31.8**	**42.5**	**253**	**295**	**2.2**	**2.5**	**14.3**	**15.5**	**24.8**	**18.5**	**3.1**	**2.7**
BAF	Neutral	888	1,000	5,603	33.0	42.4	184	220	4.0	4.1	19.5	21.0	26.9	21.0	4.8	4.0
Chola	Buy	1,522	1,650	1,286	62.1	78.7	359	435	2.4	2.6	19.6	19.8	24.5	19.3	4.2	3.5
Poonawalla	Buy	463	520	364	9.6	22.4	129	149	1.8	2.8	8.3	16.1	48.4	20.7	3.6	3.1
ABCL	Buy	283	325	750	14.9	18.6	129	144	0.0	0.0	12.1	13.6	19.0	15.2	2.2	2.0
LTFH	Buy	217	250	541	12.5	16.5	112	125	2.4	2.7	11.6	13.9	17.4	13.1	1.9	1.7

Key risks

- **Asset quality risks from unsecured consumer and business loan portfolios:** Asset quality remains a critical monitorable for HDB, given its meaningful exposure to unsecured consumer and MSME loans—both inherently higher-risk segments. These portfolios are more susceptible to external shocks such as economic slowdowns, rising interest rates, or pressure on borrower cash flows. Any weakening in credit behavior, particularly among micro-enterprises and self-employed customers, can swiftly escalate into higher delinquencies and elevated credit costs.

- **Execution risk in translating scale into sustained profitability:** While HDB has achieved significant scale, the key challenge lies in translating this into sustained profitability. Operating efficiency metrics currently trail peers, making the realization of operating leverage a critical driver for future returns. Achieving this will require continued growth in business volumes, productivity gains through digital enablement, and disciplined cost management. Failure to close the efficiency gap could weigh on return ratios and delay the anticipated improvements in RoA and RoE.

- **Competitive intensity in retail lending – defending market share:** Rising competition in retail and SME lending is a key challenge for HDB, as banks, fintechs, and well-capitalized NBFCs expand aggressively into these segments. Competitors often leverage faster turnaround times, superior digital experiences, or sharper pricing, pressuring HDB to defend its market position. This heightened rivalry could compress yields and weigh on its NIM, particularly in unsecured and SME portfolios where pricing remains highly sensitive.

- **Regulatory overhang – parent's potential stake dilution:** A key uncertainty for HDB stems from RBI's draft circular (4 Oct'24), aimed at reducing overlaps between banks and their subsidiaries. In its current form, the proposal could require HDFC Bank to lower its stake in HDB to 20% (or another prescribed cap) within a defined period, potentially impacting sentiment, credit ratings, and perceptions of long-term strategic alignment. However, the risk appears limited at present, as the circular is still under consultation and the RBI may adopt a calibrated approach, factoring in feedback and the systemic importance of large bank-owned NBFCs.

Industry overview for the multi-product suite of HDB

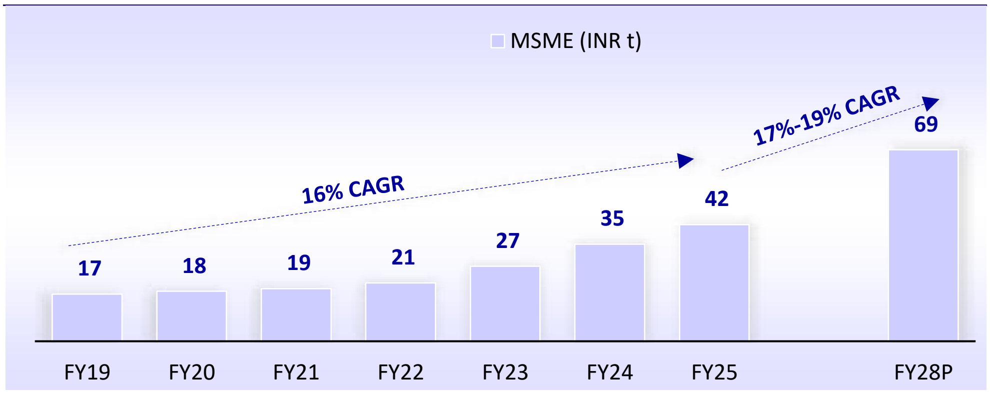
MSME Loans

- The MSME sector has emerged as a critical engine of India's economic growth, playing a key role in driving rural industrialization and job creation. Contributing over 45.7% to India's exports, MSMEs are also instrumental in promoting inclusive development. The government aims to increase the MSME sector's share of GDP significantly—from 29.2% in FY22 to 40-50% by FY30—highlighting its growing economic relevance.
- Despite this growth, access to formal credit remains a significant challenge for MSMEs. According to IFC, MSME credit demand was INR68.3t in FY17, of which only 16% was met through formal channels, resulting in a credit gap of INR58.4t. In FY25, estimated credit demand surged to INR159t, with formal financing covering only ~27-28%, leaving a massive credit gap of INR117t. This gap is largely filled by informal sources such as moneylenders, chit funds, and personal networks.
- Less than 15% of India's ~70m MSMEs currently have access to formal credit, primarily due to high perceived risk, lack of documentation, and the high cost of physical credit delivery in semi-urban and rural markets. This underserved segment presents a significant opportunity for lenders, especially NBFCs, to bridge the credit gap.
- NBFCs are well-positioned to capitalize on this potential due to their deeper geographic reach, niche borrower targeting, specialized underwriting frameworks, and better risk-managed lending against collateral.
- Their branch expansion strategies have focused more aggressively on rural and semi-urban India compared to traditional players. Moreover, continued government support, regulatory easing, increasing digital adoption, and the entry of agile new-age lenders are expected to further improve formal credit penetration in the MSME sector, allowing NBFCs to capture a larger market share over the medium term.

Secured MSME Loans (LAP)

- The LAP segment posted a robust 17% CAGR over FY19-25, with total outstanding loans reaching INR12.8t as of FY25. It is expected to maintain its strong momentum, with a projected CAGR of 17-19% over FY25-28, supported by increasing MSME credit demand and asset-backed lending preference.
- The rise in branch penetration, improved data availability, formalization of MSMEs, and supportive government initiatives have strengthened lender focus, particularly among NBFCs, which now command over 39% market share. This share is expected to rise further as NBFCs continue to outpace systemic growth in MSME lending.

Exhibit 81: MSME loans expected to post ~17-19% CAGR over FY25-28

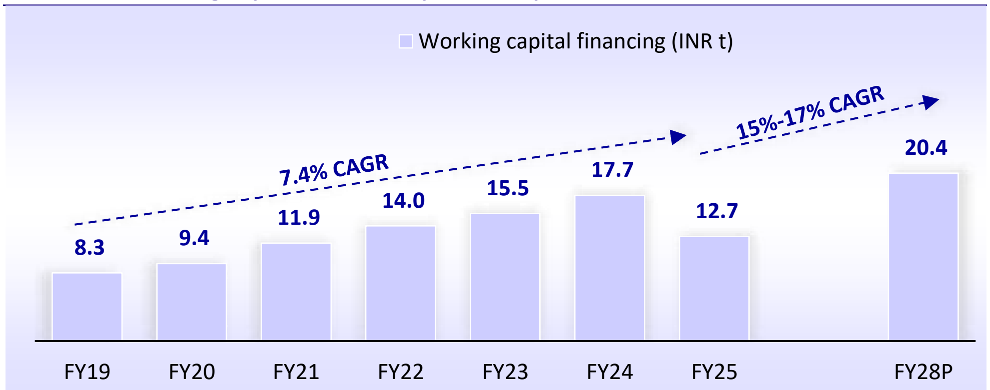


Source: Company, MOFSL

Working Capital Financing

- The working capital financing market stood at INR12.7t in FY25, with the INR5-10m loan bucket driving volumes. The segment has posted a CAGR of 7.4% since FY19 and is expected to accelerate this to 15-17% over FY25-28, supported by rising credit demand from MSMEs.
- NBFCs recorded the fastest growth among lenders, clocking ~15.8% CAGR over FY19-25, followed by private sector banks, which continue to hold the largest market share of 51%.
- Urban regions dominate with a 60% share, while rural and semi-urban areas account for 22% and 11%, respectively. Notably, rural markets saw the strongest growth at 12.9% CAGR, underscoring the increasing credit penetration in underserved geographies.

Exhibit 82: Working capital finance expected to post ~15-17% CAGR over FY25-28



Source: Company, MOFSL

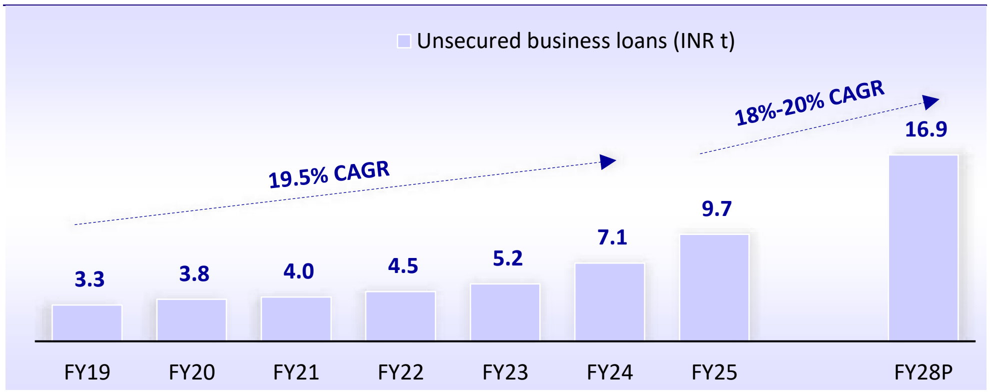
Unsecured Business Loans (UBL)

- The UBL market stood at INR9.7t in FY25, posting a robust CAGR of ~19.5% over FY19-25. The segment witnessed sharp growth in FY23-25, led by rising financial penetration and formalization of credit demand.
- Going forward, the segment is projected to post an 18-20% CAGR through FY28, supported by expanding business formation, improved underwriting practices, and digital penetration across urban and rural markets.
- The sub INR0.5m loan segment reached INR1.3t in FY25, registering a strong ~25.7% CAGR over FY19-25. This segment posted 54% YoY growth in FY25 alone and is expected to outperform broader UBL growth with a projected CAGR of

19-21% over FY25-28, driven by rising demand from micro enterprises and improved digital lending infrastructure.

- Within ticket sizes, loans between INR0.1m and INR0.2m saw the fastest growth, posting a 30.5% CAGR, followed by sub INR0.1m loans at ~28.3% CAGR. However, loans above INR2.5m remained dominant, forming ~66% of the portfolio and posting ~20% CAGR.

Exhibit 83: Unsecured business loans expected to post ~18-20% CAGR over FY25-28



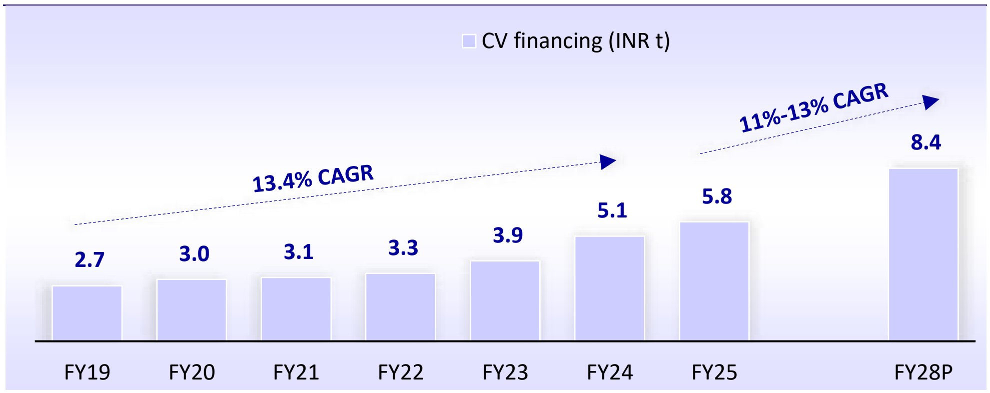
Source: Company, MOFSL

Asset Financing

Commercial Vehicle (CV) Finance

- The CV financing industry witnessed a sharp 32% growth in FY23, driven by replacement demand, improved transporter profitability, and a capex revival. However, growth moderated in FY24 due to a high base. In FY25, overall CV volumes declined 2%, led by a 3% drop in MHCVs amid excess fleet capacity and delayed infra spending ahead of elections. LCV volumes also declined 2%, impacted by the rising e-3W penetration and a strong base.
- However, CV volumes are expected to recover in FY26, led by the LCV segment, supported by replacement demand, normalization in government capex, stronger infrastructure activity, and improved financing environment.
- LCVs are projected to grow 4-6%, driven by increased economic and commercial activities, while MHCVs are expected to grow 2-4%, aided by deferred purchases from FY25 and steady demand from key end-use sectors.
- **Used vehicles**: Used CVs are generally more affordable compared to new vehicles, making them accessible to small and medium-sized businesses. The lower upfront cost of used vehicles makes them accessible to a wider range of customers who may not have the financial capacity to invest in a brand-new commercial vehicle.
- NBFCs hold a lion’s share in overall CV financing due to better connections with small fleet operators, higher LTVs, higher risk ability, smaller ticket size loans, and faster processing.

Exhibit 84: CV financing projected to post ~11-13% CAGR over FY25-28

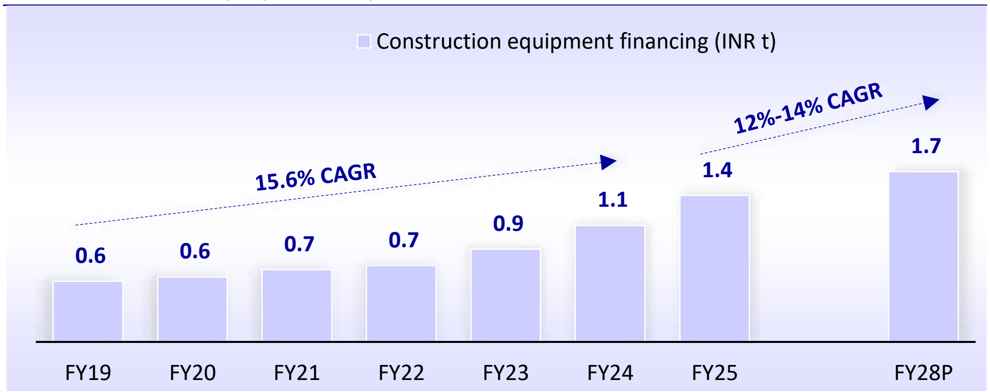


Source: Company, MOFSL

Construction Equipment (CE) Finance

- The Construction Equipment (CE) finance industry grew 26% YoY in FY25, reaching a market size of ~INR1.4t, supported by strong new equipment sales.
- The segment delivered a healthy 15.6% CAGR over FY19-25 and is expected to maintain its momentum with a projected CAGR of 12-14% through FY28, driven by sustained infrastructure investment and higher ticket sizes.
- As of FY25, Maharashtra held the highest share of overall CE financing outstanding, accounting for nearly 17%, followed by Gujarat and Rajasthan, which accounted for nearly 10% and 9%, respectively.

Exhibit 85: CE loans projected to post ~12-14% CAGR over FY25-28

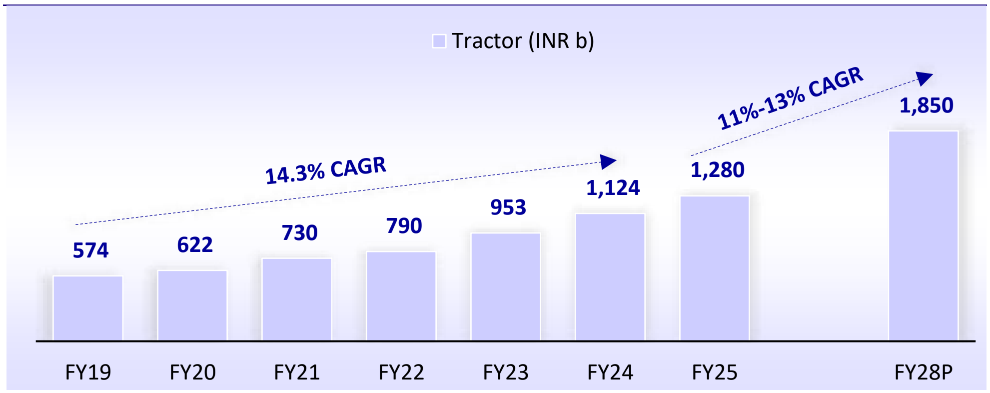


Source: Company, MOFSL

Tractor Finance

- The tractor loan portfolio posted a 14.3% CAGR over FY19-25 and is expected to clock ~11-13% over FY25-28, supported by stable rural demand and credit penetration.
- Rural and semi-urban markets drove growth, expanding 15% and 13.5%, respectively, in FY25, and together accounted for 80% of the total portfolio.
- NBFCs' greater ability to tap rural markets—offering loans at much lower rates compared to unorganized players, providing better turnaround time, and leveraging technology to assess borrowers' creditworthiness—has increased their share in the tractor financing market.

Exhibit 86: Tractor loans to post ~11-13% CAGR over FY25-28



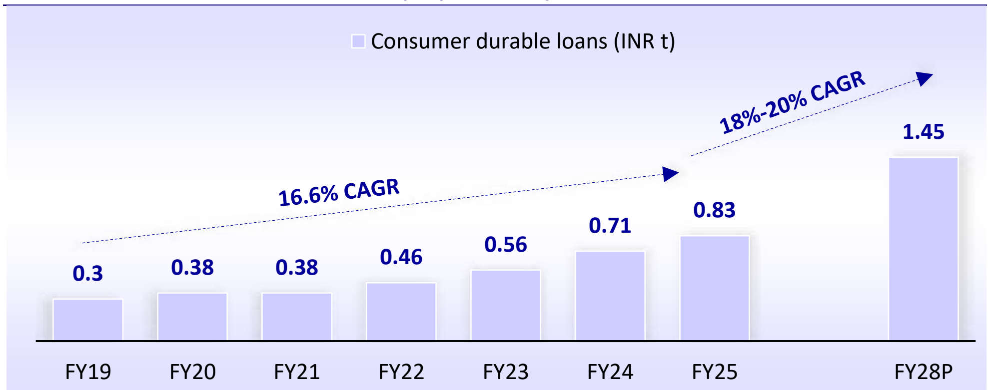
Source: Company, MOFSL

Consumer Finance

Consumer Durable Loans

- The consumer durable finance loan book grew 17% YoY to INR830b in FY25, supported by sustained consumption demand and deeper financial inclusion. CRISIL projects the segment to clock a robust 18-20% CAGR over FY25-28.
- NBFCs continue to dominate the consumer durable financing space, commanding a ~68% market share as of FY25. Their success is underpinned by agile business models, a focus on low-ticket lending, and strong customer-centric underwriting, especially for sub-prime and near-prime segments.
- Urban centers account for the largest market share of ~48%, while semi-urban and rural areas contribute 34% and 12%, respectively, highlighting the growing spread of consumer credit beyond metros.

Exhibit 87: Consumer durable loans projected to post ~18-20% CAGR over FY25-28



Source: Company, MOFSL

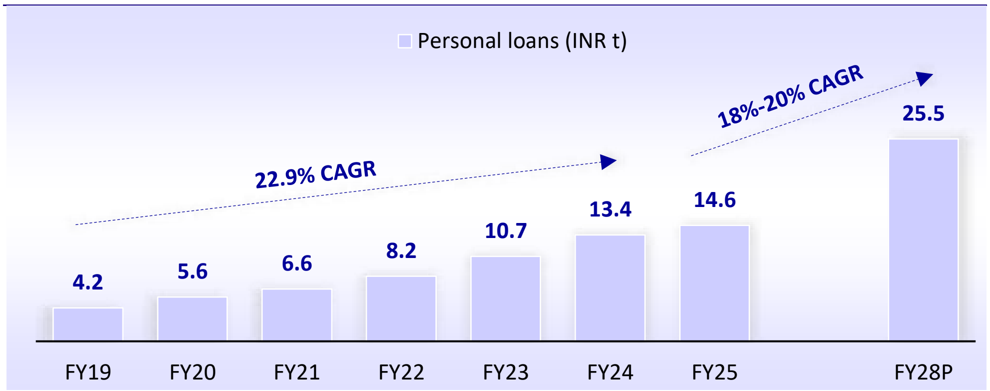
Personal Loans

- The outstanding personal loan portfolio surged from INR4.2t in FY19 to INR14.6t in FY25, posting a strong CAGR of ~22.9%. This growth has been propelled by the emergence of new-age lenders, a sharper focus by financiers on Tier 1 and beyond geographies, and a structural transition toward a consumption-led economy. Looking ahead, the personal loan book is projected to expand further, reaching INR24-25.5t by FY28.
- The robust growth in personal loans is expected to continue, primarily driven by strong momentum from banks, supported by their extensive customer base in Tier 1 cities. At the same time, NBFCs are likely to maintain an aggressive growth

trajectory, focusing on smaller ticket-size personal loans and expanding their reach in Tier 2 and lower-tier cities.

- While banks primarily cater to salaried, middle-aged borrowers in urban centers, NBFCs have been gaining traction by serving underpenetrated markets.
- Crucially, the advancement in underwriting capabilities across both banks and NBFCs (including fintechs), powered by improved data availability and technology, has emerged as a key enabler of this segment's rapid expansion.

Exhibit 88: Personal loans projected to post ~18-20% CAGR over FY25-28

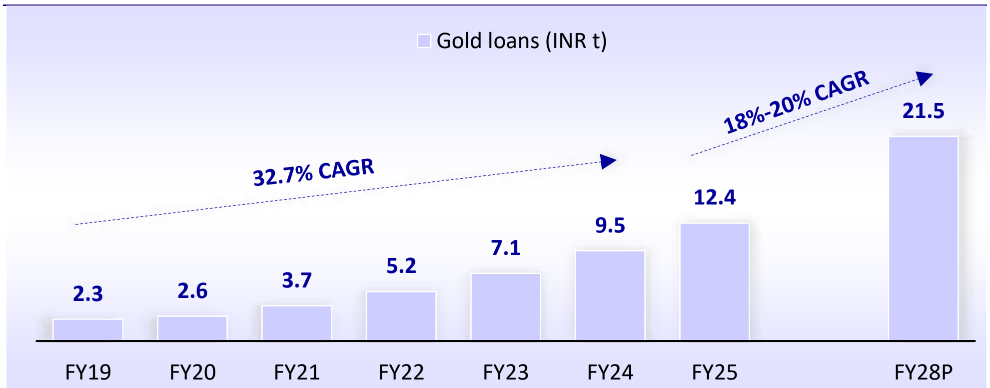


Source: Company, MOFSL

Gold Loans

- The gold loan market continues to be predominantly served by unorganized players, leaving significant headroom for new entrants to tap into the opportunity and establish a foothold in this underpenetrated segment.
- Demand for gold loans from micro enterprises and individuals for working capital and personal needs is set to rise, supported by the ongoing economic recovery. Additionally, the revival in demand, coupled with deeper market penetration through doorstep gold loan offerings, is expected to drive credit outstanding in the gold loan segment at a CAGR of 18-20% over FY25-28, according to CRISIL.

Exhibit 89: Gold loans projected to post ~18-20% CAGR over FY25-28

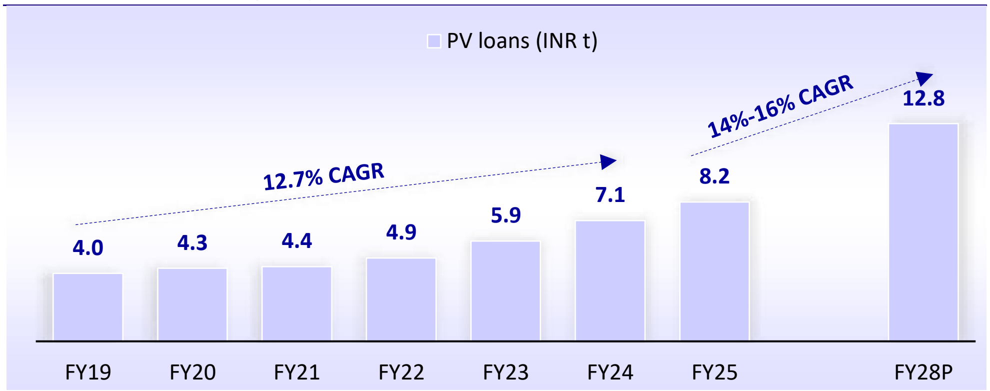


Source: Company, MOFSL

New Passenger Vehicle (PV) Finance

- The PV loan portfolio posted a CAGR of 12.7% over FY19-25. Growth was particularly strong in FY23, at 21.9% YoY, driven by the post-pandemic economic rebound. The momentum continued with 19.8% growth in FY24 and 15.6% in FY25, supported by the rising finance penetration. According to CRISIL Intelligence, finance penetration in the passenger vehicle segment currently stands at 75-80% and is expected to improve further in the coming years.
- Over time, banks have made significant inroads into the new PV financing space, steadily gaining market share from non-captive NBFCs. Captive financiers, however, have managed to retain their share, leveraging strong customer connections through OEM dealership networks.

Exhibit 90: PV financing projected to post ~14-16% CAGR over FY25-28

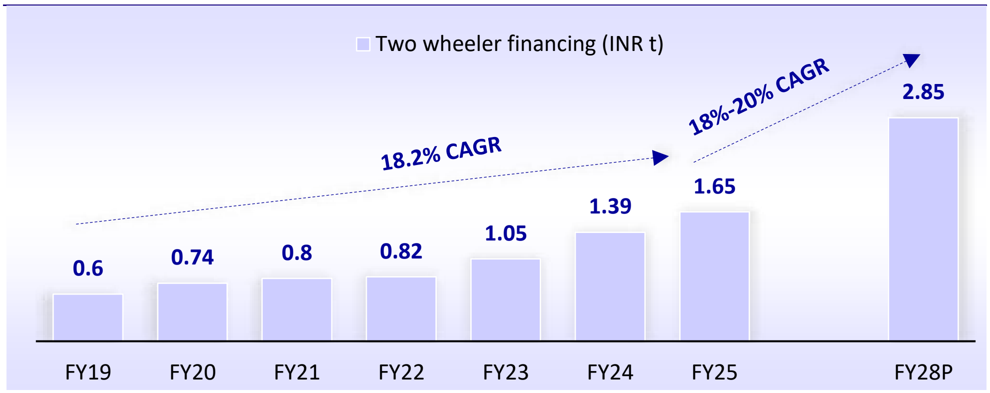


Source: Company, MOFSL

Two-wheeler Loans

- Domestic 2W sales grew ~9% in FY25, reaching 19.6m units. For FY26, volumes are projected to rise 7-9%, supported by a rural recovery driven by healthier crop prices, improved farm incomes, and pent-up replacement demand.
- The 2W financing industry recorded a healthy 18.2% CAGR over FY19-25, with the loan book reaching INR1.65t. The momentum is expected to continue, with the industry projected to post an 18-20% CAGR, reaching INR2.85t by FY28, supported by rising financial penetration, which is estimated to reach 35-40% by FY26.
- NBFCs' deep penetration in rural markets, their ability to extend credit at lower costs compared to unorganized lenders, and improvements in connectivity remain key growth drivers for the 2W financing segment. As of FY25, NBFCs held the largest market share of ~69%, followed by private banks at 27%, reflecting a 7% gain in NBFCs' share over recent years.

Exhibit 91: Two-wheeler financing projected to post ~18-20% CAGR over FY25-FY28

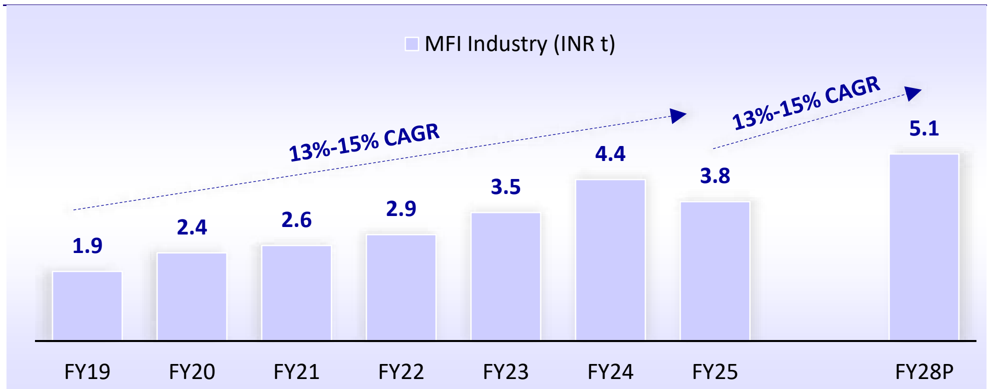


Source: Company, MOFSL

Microfinance Loans (MFI)

- The MFI portfolio is projected to post a CAGR of 8-10%, supported by unmet credit demand in rural areas and broader economic recovery. Growth will be driven by deeper penetration into underserved geographies, expansion into new states, stronger rural demand, and rising average ticket sizes.
- Household credit represents a significant untapped opportunity for NBFCs. Additionally, self-regulatory organizations such as MFIN are expected to play a key role in promoting sustainable growth of the industry.
- NBFCs continue to lead the MFI space, holding a dominant 39% market share in overall MFI loans as of FY25, a 10% gain over recent years. A strong customer-centric approach, faster turnaround times, superior service delivery, and expanding presence across regions have been key contributors to this market share gain.

Exhibit 92: MFI loans projected to post ~13-15% CAGR over FY25-28



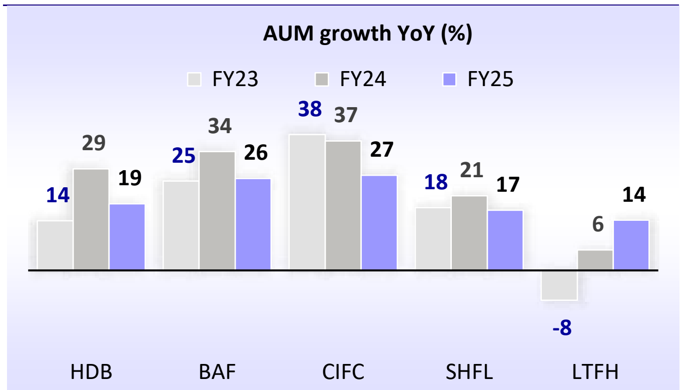
Source: Company, MOFSL

Peer comparison

	HDB Financial			BAF			CIFC			SHFL		
INR b	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**
AUM	**1,073**	**1,253**	**1,503**	**4,167**	**5,167**	**6,458**	**1,847**	**2,224**	**2,680**	**2,632**	**3,053**	**3,523**
Disbursements	661	722	852	NA	NA	NA	1,009	1,090	1,272	1,663	1,885	2,170
NII	**74.5**	**89.0**	**106.0**	**363.9**	**443.6**	**562.5**	**112.4**	**139.6**	**168.8**	**218.5**	**251.0**	**297.7**
PPoP	**49.7**	**60.9**	**74.2**	**300.3**	**363.5**	**458.5**	**82.3**	**104.3**	**126.6**	**162.6**	**186.1**	**222.2**
Credit Costs	21.1	26.0	27.2	79.7	88.1	105.5	24.9	32.5	35.6	53.1	60.8	71.5
PBT	29.3	35.5	47.5	220.6	275.4	353.0	57.4	71.8	91.0	109.5	125.3	150.7
PAT	**21.8**	**26.4**	**35.3**	**167.6**	**205.2**	**263.0**	**42.6**	**53.3**	**67.6**	**82.7**	**93.8**	**112.7**
GNPA (%)	2.3	2.5	2.6	1.0	1.2	1.3	2.8	2.9	2.9	4.6	4.6	4.5
NNPA (%)	1.0	1.2	1.1	0.4	0.6	0.6	1.6	1.7	1.7	2.7	2.5	2.5
PCR (%)	56.0	56.0	60.0	53.7	52.0	55.0	45.3	44.0	45.0	43.3	45.0	45.0
Credit costs (%)	**2.1**	**2.2**	**2.0**	**2.2**	**1.9**	**1.8**	**1.5**	**1.6**	**1.5**	**2.3**	**2.3**	**2.3**

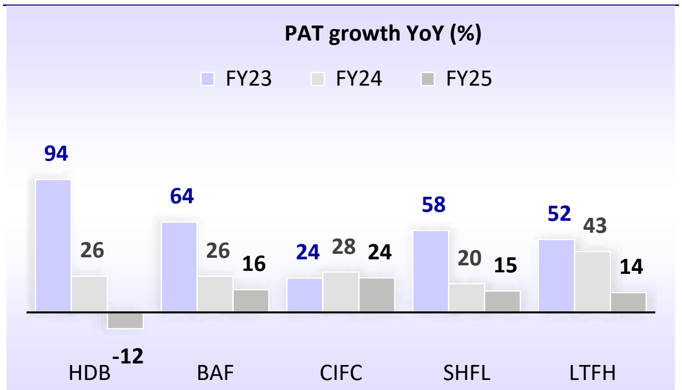
ROA Tree	**HDB**			**BAF**			**CIFC**			**SHFL**		
Particulars (%)	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**	**FY25**	**FY26E**	**FY27E**
Interest Income	13.8	13.7	13.6	14.5	14.2	14.4	13.2	13.0	12.9	15.2	15.1	15.1
Interest Expended	6.4	6.1	5.9	5.9	5.7	5.6	7.0	6.6	6.3	7.0	7.1	6.7
Net Interest Income	**7.4**	**7.6**	**7.7**	8.6	8.6	8.8	**6.3**	**6.4**	**6.6**	**8.2**	**8.0**	**8.4**
Other Income	1.2	1.3	1.3	2.0	1.9	1.8	1.5	1.6	1.6	0.6	0.6	0.6
Net Total Income	**8.6**	**8.9**	**8.9**	10.7	10.5	10.6	**7.6**	**7.8**	**8.0**	**8.8**	**8.7**	**9.0**
Operating Expenses	3.7	3.7	3.6	3.5	3.5	3.4	3.0	3.0	3.1	2.7	2.7	2.7
PPoP	**4.9**	**5.2**	**5.4**	7.1	7.0	7.2	**4.6**	**4.8**	**4.9**	**6.1**	**6.0**	**6.3**
Provisions/write offs	2.1	2.2	2.0	1.9	1.7	1.7	1.4	1.5	1.4	2.0	1.9	2.0
PBT (Lending)	**2.8**	**3.0**	**3.4**	5.2	5.3	5.5	**3.2**	**3.3**	**3.5**	**4.1**	**4.0**	**4.3**
PBT (BPO)	**0.1**	**0.0**	**0.0**									
Tax	0.7	0.8	0.9	1.3	1.4	1.4	0.8	0.8	0.9	1.0	1.0	1.1
RoA	**2.2**	**2.2**	**2.5**	4.0	4.0	4.1	**2.4**	**2.4**	**2.6**	**3.1**	**3.0**	**3.2**
Leverage (x)	6.8	6.4	6.1	4.9	4.9	5.1	8.3	8.0	7.5	5.1	5.2	5.1
RoE	**14.7**	**14.3**	**15.5**	19.3	19.5	21.0	**19.7**	**19.6**	**19.8**	**15.8**	**15.6**	**16.4**

Exhibit 93: AUM growth for HDB and its peers



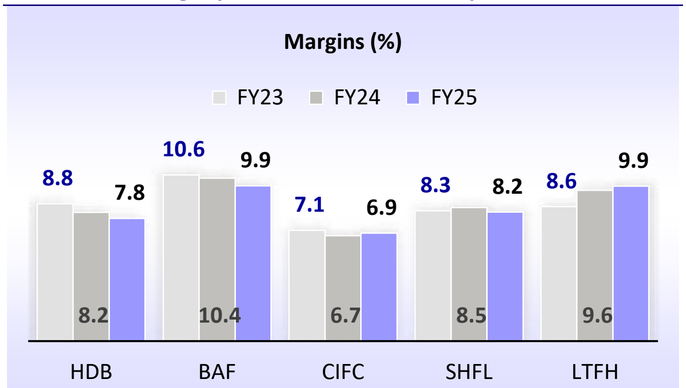
Source: MOFSL, Company

Exhibit 94: PAT growth for HDB and its peers



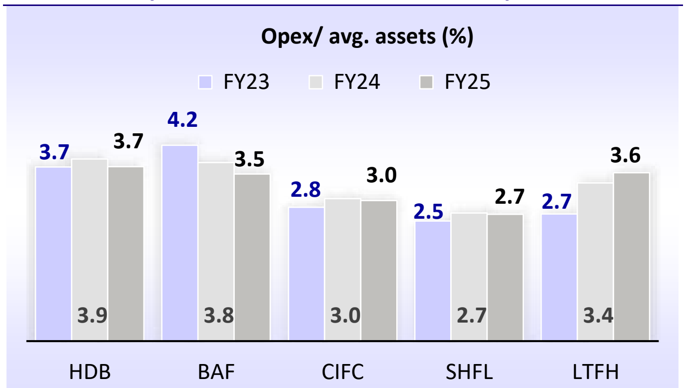
Source: MOFSL, Company

Exhibit 95: Margin profile for HDB and its peers



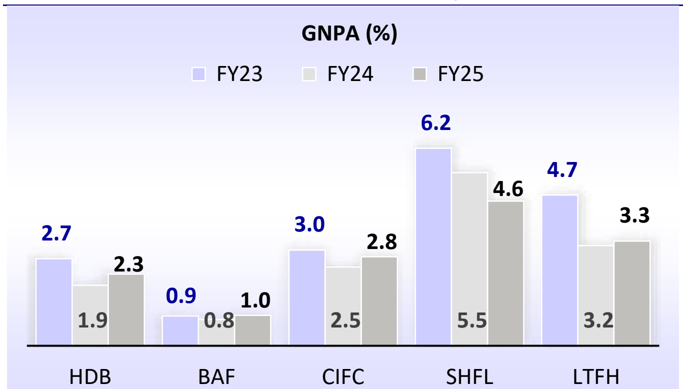
Source: MOFSL, Company

Exhibit 96: Opex ratio trends for HDB and its peers



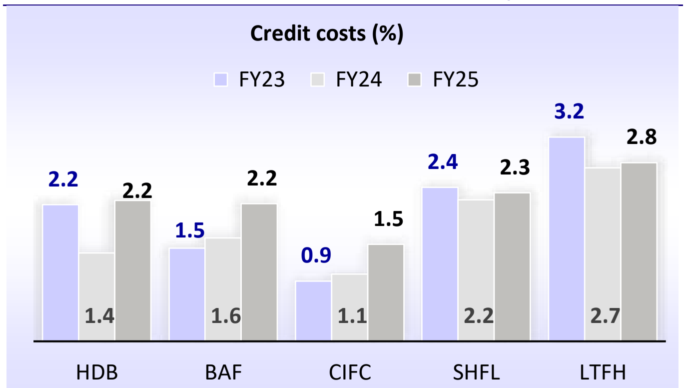
Source: MOFSL, Company

Exhibit 97: GNPA trends for HDB and its peers



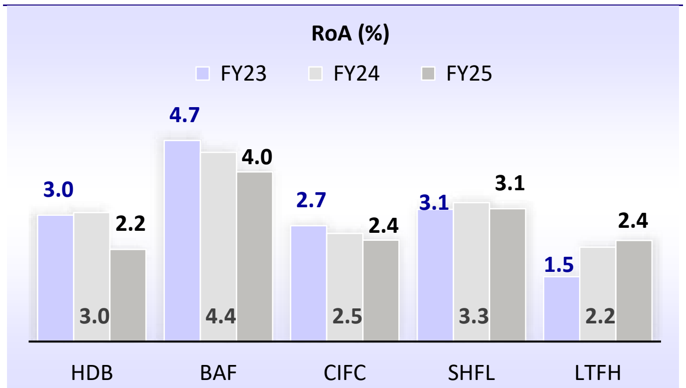
Source: MOFSL, Company

Exhibit 98: Credit cost trends for HDB and its peers



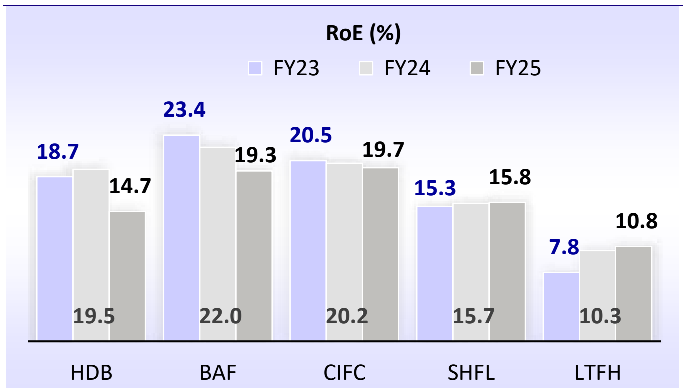
Source: MOFSL, Company

Exhibit 99: RoA trends for HDB and its peers



Source: MOFSL, Company

Exhibit 100: RoE trends for HDB and its peers



Source: MOFSL, Company

Board of Directors

Mr. Arijit Basu
Part time Non-Executive Chairman and Independent Director

Mr. Arijit Basu has over 40 years of experience in banking and financial services and has served as the MD and WTD of SBI. He is currently a member of the advisory board at Razorpay and a senior advisor to Ares Management Corporation.

Mr. Ramesh Ganesan
MD & CEO

Mr. Ramesh Ganesan has been associated with the company since 3rd Sept'07 as its first employee. In the past, he has worked with Countrywide Consumer Financial Services Limited and HDFC Bank Limited. He has also been associated with Enam Asset Management, Godrej & Boyce, and Intelenet Global Services.

Dr. Amla Samanta
Independent Director

Dr. Amla Ashim Samanta has over 34 years of experience. She has previously served on the Boards of Directors of HDFC Bank, Manappuram Finance, HDFC Securities, Samanta Organics, and Ashish Rang Udyog.

Mr. Adayapalam Kumaraswamy Viswanathan
Independent Director

Mr. Adayapalam has over 35 years of experience in finance, IT audit, and cybersecurity. He has been associated with companies such as S.B. Billimoria & Co, Ernst and Young, Bahrain Airport Services, Metito Universal Limited, Russel Metals, and Nexdigm Private Limited.

Ms. Arundhati Mech
Independent Director

Ms. Arundhati Mech has over 36 years of experience in the finance sector. She was previously associated with RBI and had worked in various capacities before retiring from the position of Regional Director.

Mr. Jayesh Chakravarthi
Independent Director

Mr. Jayesh has over 30 years of experience in IT. He has previously been associated with Wipro Limited, Sun Microsystems, Inc., MindTree Limited, and Fidelity Business Services India Private Investments. He is also on the Board of Directors for Recast Technologies Private Limited.

Mr. Jayant Purushottam Gokhale
Independent Director

Mr. Jayant Purushottam Gokhale has over 41 years of experience in the fields of audit, finance, accounting, and taxation. He currently serves as a member of RBI's committee for the merger/amalgamation of Urban Co-op Banks.

Mr. Bhaskar Sharma
Independent Director

Mr. Bhaskar has over 21 years of experience in marketing. He has held leadership positions with Unilever and Red Bull India Private Limited and was a partner at Social Venture Partners. He currently serves on the Boards of Polycab India Limited and European Business Group (EBG).

Mr. Jimmy Tata
Non-Executive (Non-Independent) Director

Mr. Jimmy Minocher Tata has over 33 years of experience in banking and finance. He has been associated with the Promoter, HDFC Bank Limited, since 1994 and was formerly associated with Apple Finance Limited.

Management team

Mr. Ramesh Ganesan
MD & CEO

Ramesh Ganesan has been associated with HDB since Sep'07 as its first employee. In the past, he has worked with Countrywide Consumer Financial Services Limited and HDFC Bank Limited. He has also been associated with Enam Asset Management, Godrej & Boyce, and Intelenet Global Services.

Mr. Jaykumar Shah
Chief Finance Officer

Mr. Jaykumar joined HDB as CFO Designate in Jun'21 and assumed the role of CFO in Mar'22. He is a seasoned finance leader with extensive experience in regulatory frameworks, internal controls, and strategic finance aimed at sustainable growth and market readiness.

Mr. Sarabjeet Singh
Chief Business Officer

Mr. Sarabjeet Singh joined the firm in early 2008. He oversees business strategies across lending verticals—retail, MSME, and branch-level lending services—driving growth, market expansion, and client engagement.

Mr. Karthik Srinivasan
Chief Business Officer

Mr. Srinivasan has been associated with HDB since Nov'15. He has over 22 years the field of operations, business development as well as corporate strategy. Before his association HDB, he previously served with Mphasis and Serco Global Services. He has B. Tech degree in Electrical Engineering from IIT, Delhi and a management degree (P.G.D.M) from IIM, Bangalore.

Mr. Harish Venugopal
Chief Risk Officer

Mr. Harish joined HDB in 2011 and brings nearly 33 years of extensive expertise in financial risk across banks and NBFCs. His transformation of HDB's risk landscape, especially in cybersecurity, highlights his strategic and technical leadership as Chief Risk Officer since Oct'21.

Mr. Rohit Patwardhan
Chief Credit Officer

Mr. Rohit joined HDB in Dec'07 as Chief Credit Officer. He oversees the company's credit functions, including borrower assessment, risk underwriting, and credit policy development for both retail and MSME segments.

Mr. Manish Tiwari
Head – CE and Micro Lending

Mr. Tiwari has been associated with HDB since Sep'11. He has experience in the field of business operations in finance, capital engineering goods and strategy planning. He has over 26 years of experience in the financial services sector. He has previously served in infrastructure financing division with Kotak Mahindra Bank.

Mr. Mathew Panat
Chief Technology Officer

Mr. Panat has been associated with the company since Feb'21. He holds a bachelor's degree in electronic engineering from University of Mumbai and has completed a one-year executive program in business management at IIM, Calcutta. With over 30 years of experience, he specializes in application development, support and delivery, enterprise architecture, cyber security, and IT risk.

Mr. Marupadi Venkata Swamy
Chief Digital and Marketing Officer

Mr. Swamy has been associated with HDB since Aug'08. He brings over 20 years of experience in digital marketing, product management, marketing strategy, and data protection.He was previously associated with ICICI Bank as the assistant general manager. He holds a bachelor's degree in engineering in computer science from Bharathivasan University, Tiruchirapalli and a PGDM from IIM Calcutta.

ESG initiatives

Environmental initiatives

- **Extensive water conservation and afforestation efforts:** HDB actively supports the restoration of waterbodies and implements Integrated Watershed Management to conserve soil and moisture in water-scarce rural areas. This includes constructing over 250 water harvesting structures, restoring 16 lakes, and developing 138 farm ponds. Furthermore, its Mission Million Trees afforestation program has involved planting over 160,625 trees, which have the potential to absorb approximately 93,000 tonnes of CO_2 over 25 years.
- **Enhanced energy efficiency and emission reduction:** The company is dedicated to minimizing its environmental footprint by transitioning to energy-efficient infrastructure and optimizing lighting across its key locations, actively working to cut overall emissions.
- **Robust waste management:** HDB has established structured protocols for e-waste management in collaboration with certified recyclers, ensuring the safe and responsible disposal of electronic materials.
- **Scaling paperless operations:** To significantly reduce paper consumption, HDB is increasing its paperless operations, which currently account for over 63% of customer transactions.

Social initiatives

- **Community health and development:** HDB actively supports underserved communities through healthcare initiatives like 'Project Sneha' for women's health and 'Transport Aarogyam Kendras' offering free physiotherapy to truck drivers. The company also contributes to improving hygiene by constructing sanitation facilities in rural schools and refurbishing community toilets.
- **Livelihood enhancement and financial inclusion:** HDB creates pathways to employment through skill enhancement initiatives for underserved youth and rural artisans.
- **Employee well-being and engagement:** HDB's 'Acts of Simple Kindness' (ASK) initiative encourages extensive employee volunteering, which has involved over 24,000 employees and positively impacted over 30,000 lives by distributing essential supplies and supporting local causes.

Governance

- **Robust Board and Committee structure:** HDB is overseen by a diverse and experienced Board of Directors, including two women directors, which provides strategic direction and aligns with long-term stakeholder interests.
- **Comprehensive risk management and compliance:** The company maintains a robust risk management framework to identify and mitigate various risks, including credit, operational, and information security risks.
- **Commitment to transparency and ethical conduct:** HDB's governance is built on principles of transparency, accountability, and integrity, promoting fair business practices. This includes a Board-approved Code of Conduct for all directors and senior management and an effective vigil mechanism/ whistleblower policy for reporting concerns.

Bull and Bear cases

Bull case

- ☑ NII and PPOP CAGR of ~22% and 25%, respectively, over FY25-28E on account of higher loan growth and the ability to maintain operating efficiencies.
- ☑ Credit costs of 2%/1.8% in FY27/FY28E would lead to a PAT CAGR of 32% over FY25-FY28E.

Bear case

- ☑ NII and PPOP CAGR of ~17% and 18%, respectively, over FY25-28E on lower loan growth.
- ☑ Credit costs of 2.2/2.1% in FY27/FY28E and PAT CAGR of 19% over FY25-28E.

Scenario analysis

	(INR m)	FY25	FY26E	FY27E	FY28E	CAGR FY25-28E	Thesis
Bear Case (2.0x Sep'27E BV)	AUM	10,72,620	12,42,637	14,46,252	16,85,600	16%	❖ NII and PPOP CAGR of ~17%/ 18% respectively over FY25-28E on account of lower loan growth.
	NII	74,456	88,289	1,02,812	1,19,980	17%	
	PPOP	49,695	60,070	70,518	82,216	18%	❖ Credit costs of 2.2/2.1% inFY27/FY28E and PAT CAGR of 19% over FY25-28E
INR620	PAT	21,759	25,288	31,014	36,815	19%	
Base Case (2.7x Sep'27E BV)	AUM	10,72,620	12,52,748	15,02,933	18,05,764	20%	❖ NII and PPOP CAGR of ~20%/21% respectively over FY25-28E.
	NII	74,456	89,026	1,06,050	1,27,576	20%	❖ Credit costs of 2%/1.9% in FY27/FY28E and operating efficiencies to lead to PAT CAGR of 29% over FY25-FY28E
	PPOP	49,695	60,914	74,162	89,155	21%	
INR860	PAT	21,759	26,386	35,281	43,891	29%	
Bull Case (3x Sep'27E BV)	AUM	10,72,620	12,66,841	15,46,419	19,07,186	23%	❖ NII and PPOP CAGR of ~22%/25% respectively over FY25-28E on account of higher loan growth and the ability to maintain operating efficiencies.
	NII	74,456	89,572	1,08,990	1,33,768	22%	
	PPOP	49,695	61,459	77,102	95,347	25%	❖ Credit costs of 2.0%/1.8% in FY27/FY28E to lead to PAT CAGR of 32% over FY25-FY28E.
INR995	PAT	21,759	27,454	37,356	47,704	32%	

SWOT analysis

- Backed by HDFC Bank: Strong brand, governance, and funding advantage.
- ~73% secured lending portfolio: Mitigates downside risk.
- Pan-India presence: 1,770+ branches, 140k+ dealer/retailer touchpoints.
- In-house collections team (>12,500 staff) ensures recovery control.
- Risk-calibrated underwriting combining analytics and local assessments.

- Operating efficiency metrics lag behind top peers.
- Secured lending remains exposed to collateral value risks during downturns.
- Evolving liability profile; limited retail deposit base.
- Exhibited greater vulnerability to external events or credit cycles.

- Margin expansion potential in a declining interest rate cycle.
- Efficiency gains from digital origination and risk analytics.
- Operating leverage from a fully scaled branch network.
- Cross-selling potential in insurance and fee-based products.
- Large untapped retail and MSME markets in Tier 2/3 cities and rural areas.

- Macro shocks could increase delinquencies in target segments.
- Regulatory overhang: RBI's Oct'24 draft circular on bank-NBFC overlaps.
- Possible funding cost pressures if liquidity tightens or parent support changes.
- Collateral value risk in stressed asset classes (e.g., used vehicles, LAP).
- Intensifying competition from banks, fintechs, and large NBFCs.

Financials and valuations

Income Statement

INR m

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	82,335	84,879	83,630	89,278	1,11,567	1,38,358	1,60,534	1,87,735	2,23,268
Interest Expenses	40,814	38,829	33,255	35,119	48,643	63,902	71,508	81,685	95,692
Net Interest Income	**41,521**	**46,050**	**50,375**	**54,159**	**62,924**	**74,456**	**89,026**	**1,06,050**	**1,27,576**
Change (%)	22.9	10.9	9.4	7.5	16.2	18.3	19.6	19.1	20.3
Other Income	4,098	4,365	5,799	8,412	10,649	12,478	14,943	17,582	19,833
Total Income	**45,618**	**50,414**	**56,174**	**62,570**	**73,573**	**86,934**	**1,03,969**	**1,23,632**	**1,47,409**
Change (%)	21.9	10.5	11.4	11.4	17.6	18.2	19.6	18.9	19.2
Total Operating Expenses	**17,601**	**15,757**	**19,388**	**24,399**	**31,428**	**37,239**	**43,055**	**49,470**	**58,254**
Change (%)	20.9	-10.5	23.0	25.8	28.8	18.5	15.6	14.9	17.8
Employee Expenses	11,866	10,389	12,717	15,643	20,588	24,742	28,701	33,006	38,947
Depreciation	1,097	1,078	989	1,118	1,451	1,944	2,430	2,989	3,676
Other Operating Expenses	4,638	4,290	5,682	7,638	9,389	10,553	11,925	13,475	15,631
Operating Profit	**28,018**	**34,658**	**36,786**	**38,171**	**42,144**	**49,695**	**60,914**	**74,162**	**89,155**
Change (%)	22.5	23.7	6.1	3.8	10.4	17.9	22.6	21.7	20.2
Total Provisions	**14,416**	**30,688**	**24,657**	**13,304**	**10,674**	**21,130**	**25,981**	**27,228**	**30,701**
% Loan loss provisions to Avg loans ratio	2.6	5.3	4.3	2.2	1.4	2.2	2.3	2.1	1.9
PBT (Lending)	**13,602**	**3,970**	**12,129**	**24,867**	**31,471**	**28,565**	**34,933**	**46,934**	**58,453**
PBT (BPO)	1,043	1,037	1,347	1,407	1,576	713	580	550	540
PBT (Total)	**14,645**	**5,007**	**13,476**	**26,274**	**33,047**	**29,278**	**35,513**	**47,484**	**58,993**
Tax Provisions	4,596	1,092	3,362	6,681	8,438	7,519	9,127	12,204	15,102
Tax Rate (%)	31.4	21.8	24.9	25.4	25.5	25.7	25.7	25.7	25.6
PAT	**10,049**	**3,915**	**10,114**	**19,594**	**24,608**	**21,759**	**26,386**	**35,281**	**43,891**
Change (%)	-7.0	-61.0	158.4	93.7	25.6	-11.6	21.3	33.7	24.4

Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	7,876	7,892	7,904	7,914	7,931	7,958	8,296	8,296	8,296
Reserves & Surplus	72,302	76,571	87,493	1,06,456	1,29,496	1,50,239	2,01,287	2,36,568	2,80,459
Net Worth	**80,178**	**84,462**	**95,397**	**1,14,370**	**1,37,427**	**1,58,197**	**2,09,583**	**2,44,864**	**2,88,755**
Borrowings	**4,98,041**	**5,03,588**	**4,89,731**	**5,48,653**	**7,43,307**	**8,73,977**	**9,88,208**	**11,90,052**	**14,35,236**
Change (%)	10.4	1.1	-2.8	12.0	35.5	17.6	13.1	20.4	20.6
Total Liabilities	**6,07,145**	**6,26,411**	**6,20,259**	**7,00,504**	**9,25,565**	**10,86,633**	**12,60,891**	**15,07,412**	**18,07,289**
Investments	17,458	15,929	22,335	12,433	33,803	20,601	22,661	24,927	27,420
Loans	5,71,459	5,86,014	5,71,625	6,63,827	8,67,213	10,33,430	12,01,391	14,40,848	17,31,766
Change (%)	6.1	2.5	-2.5	16.1	30.6	19.2	16.3	19.9	20.2
Fixed Assets	1,336	995	902	1,428	1,847	2,754	3,305	3,966	4,759
Total Assets	**6,07,145**	**6,26,411**	**6,20,259**	**7,00,504**	**9,25,565**	**10,86,633**	**12,60,891**	**15,07,412**	**18,07,289**

E: MOFSL Estimates

Financials and valuations

AUM Mix (%)									INR m
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
AUM	**5,88,328**	**6,15,610**	**6,14,440**	**7,00,840**	**9,02,350**	**10,72,620**	**12,52,748**	**15,02,933**	**18,05,764**
YoY growth (%)	6.1	4.6	-0.2	14.1	28.8	18.9	16.8	20.0	20.1
Disbursements	**2,98,530**	**2,49,900**	**2,90,330**	**4,48,018**	**6,08,993**	**6,61,080**	**7,21,899**	**8,51,841**	**10,05,173**
YoY growth (%)	-5.7	-16.3	16.2	54.3	35.9	8.6	9.2	18.0	18.0

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Spreads Analysis (%)									
Avg. Yield on Loans	14.8	14.3	13.6	13.6	13.9	14.0	13.9	13.7	13.6
Avg Cost of Funds	8.6	7.8	6.7	6.8	7.5	7.9	7.7	7.5	7.3
Spread of loans	6.2	6.6	6.9	6.8	6.4	6.1	6.2	6.2	6.3
NIM (on loans)	7.5	8.0	8.7	8.8	8.2	7.8	8.0	8.0	8.0
Profitability Ratios (%)									
RoA	1.7	0.6	1.6	3.0	3.0	2.2	2.2	2.5	2.6
RoE	13.2	4.8	11.2	18.7	19.5	14.7	14.3	15.5	16.5
Cost/Income	38.6	31.3	34.5	39.0	42.7	42.8	41.4	40.0	39.5
Opex to avg. assets	3.0	2.6	3.1	3.7	3.9	3.7	3.7	3.6	3.5

Asset quality

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
GNPA (INR m)	22,591	27,609	30,588	19,149	17,118	24,137	31,732	38,776	46,961
GNPA (%)	3.9	4.5	5.0	2.7	1.9	2.3	2.5	2.6	2.6
NNPA (INR m)	18,206	18,862	14,030	6,683	5,680	10,632	13,962	15,510	17,845
NNPA (%)	3.2	3.2	2.5	1.0	0.7	1.0	1.2	1.1	1.0
PCR (%)	19.41	31.68	54.13	65.10	66.82	55.95	56	60	62
Credit costs (%)	2.6	5.2	4.0	2.0	1.3	2.1	2.2	2.0	1.9

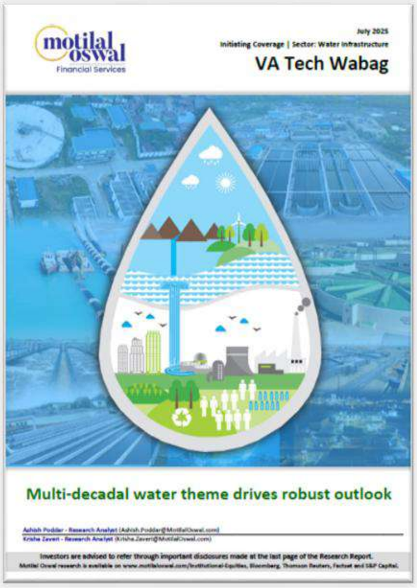
Valuation	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
No. of Shares (m)	**788**	**789**	**790**	**791**	**793**	**796**	**830**	**830**	**830**
EPS	13	5	13	25	31	27	32	43	53
EPS Growth (%)	(7)	(61)	158	93	25	(12)	16	34	24
P/E (x)	**61.8**	**158.9**	**61.6**	**31.8**	**25.4**	**28.8**	**24.8**	**18.5**	**14.9**
BV (INR)	102	107	121	145	173	199	253	295	348
BV Growth (%)	11	5	13	20	20	15	27	17	18
Price-BV (x)	**7.7**	**7.4**	**6.5**	**5.5**	**4.5**	**4.0**	**3.1**	**2.7**	**2.3**
DPS (INR)	0.0	0.0	1.0	2.0	3.0	3.0	4.0	5.0	6.0
Dividend yield (%)	**-**	**-**	**0.1**	**0.3**	**0.4**	**0.4**	**0.5**	**0.6**	**0.8**

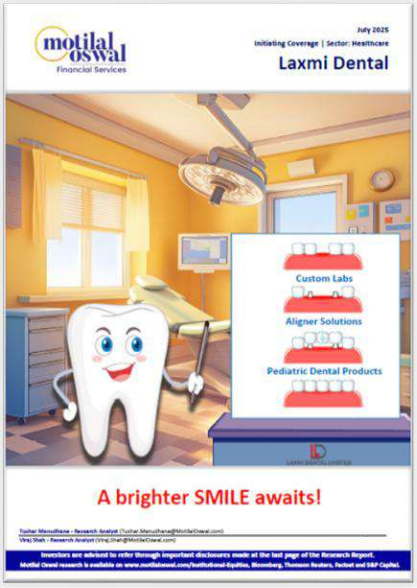
E: MOFSL Estimates

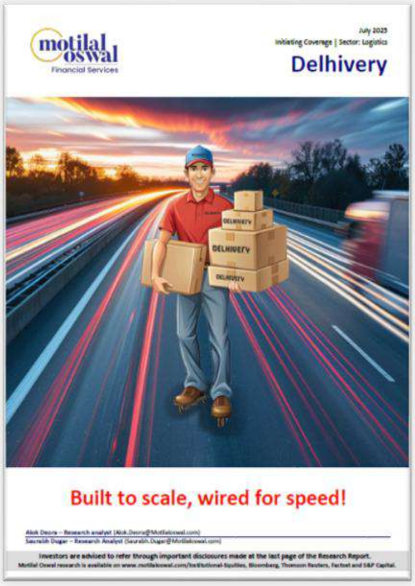
HDB Financial – RoA Tree

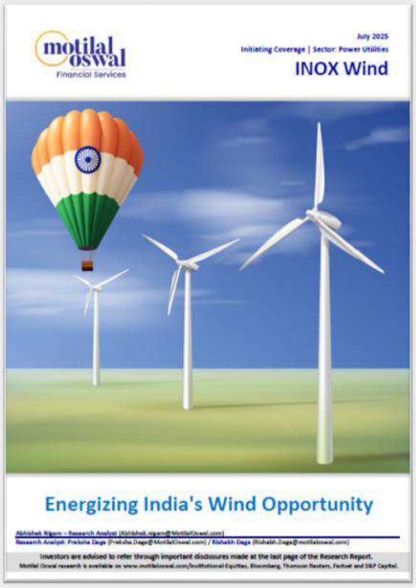
Y/E MARCH	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	14.1	13.8	13.4	13.5	13.7	13.8	13.7	13.6	13.5
Interest Expended	7.0	6.3	5.3	5.3	6.0	6.4	6.1	5.9	5.8
Net Interest Income	**7.1**	**7.5**	**8.1**	**8.2**	**7.7**	**7.4**	**7.6**	**7.7**	**7.7**
Other Operating Income	0.7	0.7	0.9	1.3	1.3	1.2	1.3	1.3	1.2
Net Income	**7.8**	**8.2**	**9.0**	**9.5**	**9.0**	**8.6**	**8.9**	**8.9**	**8.9**
Operating Expenses	3.0	2.6	3.1	3.7	3.9	3.7	3.7	3.6	3.5
Operating Income	**4.8**	**5.6**	**5.9**	**5.8**	**5.2**	**4.9**	**5.2**	**5.4**	**5.4**
Provisions/write offs	2.5	5.0	4.0	2.0	1.3	2.1	2.2	2.0	1.9
PBT (Lending)	**2.3**	**0.6**	**1.9**	**3.8**	**3.9**	**2.8**	**3.0**	**3.4**	**3.5**
PBT (BPO Segment)	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.0
PBT (Total)	**2.5**	**0.8**	**2.2**	**4.0**	**4.1**	**2.9**	**3.0**	**3.4**	**3.6**
Tax	0.8	0.2	0.5	1.0	1.0	0.7	0.8	0.9	0.9
Reported PAT	**1.7**	**0.6**	**1.6**	**3.0**	**3.0**	**2.2**	**2.2**	**2.5**	**2.6**
Leverage	7.7	7.5	6.9	6.3	6.5	6.8	6.4	6.1	6.2
RoE	**13.2**	**4.8**	**11.2**	**18.7**	**19.5**	**14.7**	**14.3**	**15.5**	**16.5**

RECENT INITIATING COVERAGE REPORTS









NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore.This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL .

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

Specific Disclosures

1. Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).
   MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
   Nature of Financial interest is holding equity shares or derivatives of the subject company
2. Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
   MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report:No
3. Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
   MOFSL may have received compensation from the subject company(ies) in the past 12 months.
4. Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
   MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as an officer, director or employee of subject company(ies).
6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.

7. MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

****

The associates of MOFSL may have:
financial interest in the subject company
actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
received compensation/other benefits from the subject company in the past 12 months
any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
Served subject company as its clients during twelve months preceding the date of distribution of the research report.
The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report
Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.
Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.
Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
Disclaimer:
The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.
This report is meant for the clients of Motilal Oswal only.
Investment in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.
Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.
Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.
Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.