HDB Financial Services Limited

Strong franchise under cyclical downturn; valuation upside limited

- Diversified and granular book with strong parentage
- Currently under cyclical downturn after strong performance during FY22-24
- Current valuation caps upside considering growth/RoE profile

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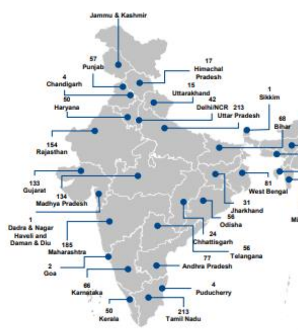

HDB Financial Services Limited is a leading diversified NBFC with an AUM of INR1.1tn, and focused broadly on three main verticals: enterprise lending, consumer finance and asset finance. After delivering strong ~19% average RoE during FY23/24, performance has moderated from past 5 quarters with RoE dropping to ~14%/13% during 1Q25-1Q26/1Q26 driven by moderating growth, pressure on NIMs and asset quality. We expect FY26F to remain muted followed by gradual recovery in FY27F and thus expect avg. RoE of ~15% during FY26/27F, materially lower than BAF/CIFC. Current valuation of 2.5xFY27E BVPS looks fair for given growth/RoE profile. We initiate coverage on HDB Financial with a HOLD rating and TP of INR 780, valuing it at 2.6 FY27E P/BV.

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HDB Financial Services Limited

"Strong franchise under cyclical downturn; valuation upside limited"

We initiate coverage on HDB Financial Services Ltd. (HDB) with a HOLD rating and a target price of INR 780. Established in 2007, HDB is a leading, retail-focused diversified NBFC in India with a strong backing of HDFC Bank. The company operates largely in secured business segments (73% secured mix).

HDB has a highly diversified product mix, offering ~13 different products broadly classified into 3 businesses: Enterprise lending, asset financing, and consumer finance. These are high yielding products with average yields of ~13-14%. With the highest credit rating of AAA stable, HDB enjoys easy access to funds at lower interest rates, thus aiding healthy NIMs of ~7-8%.

Over the years, HDB has made significant investments in: a) technology, b) increasing the number of branches to establish a pan-India presence; and c) establishing cross-sell insurance products.

HDB Financial has delivered strong AUM and PAT CAGR of ~19% and 20%, respectively with average RoE of~15% in last decade FY15-25. Post COVID, during FY22-24, performance improved with AUM CAGR of ~21% and average RoE of 19% during FY23/24. However, financial performance has dipped in last 5 quarters with AUM growth/RoE moderating to ~15%/13% in 1QFY26, mainly driven by moderating disbursements and rising credit cost.

Sectoral trends and recent individual results of lenders suggest worsening of asset quality in many segments including unsecured loans, CV/CE, MSME segments etc. Hence, we expect credit cost to remain elevated in FY26F before gradually recovering in FY27F.

A leading diversified NBFC backed by strong parentage: HDB has a highly diversified AUM of INR1.1tn as of Jun'25 with 13 different products. It is present across 1771 branches with 70%+ branches located in Tier 4+ towns. Its customer base remains strong at 20.1mn customers. It is backed by HDFC Bank (~74% stake), though it is an independently run entity.

Last 1-1.5 years have been underwhelming after strong FY22-24: During FY22-24, AUM growth was strong at ~21% CAGR backed by 45% CAGR in disbursements which along with rising yield and moderating credit cost led to ~3%/19% avg. RoA/RoE. However, in FY25/1Q26, performance has moderated materially with YoY AUM growth/RoE falling to ~15%/13% in 1QFY26, mainly driven by rising credit cost despite decline in ECL provision in last few quarters.

Industry growth/asset quality trends getting worse in multiple segments as highlighted in recent results and our sector notes: As highlighted in our recent sector notes on MSME loans (link) and consumption credit (link), growth/asset quality trends in segments like unsecured loans, CV/CE, MSME etc. are getting worse. Even 1Q26 results of financials especially mid-banks/NBFCs have shown rising stress in multiple segments. Hence, we expect credit cost to remain elevated for HDB in FY26F before moderating in FY27F.

Valuations and view: We expect AUM CAGR of ~13% during FY25-27F with avg. RoA/RoE of ~2.4%/15% during FY26/27F. Growth/RoE profile is lower than peers and thus, its current valuations of 2.5x FY27F P/BV offer only limited upside. We value HDB at 2.6x FY26F P/BV and initiate coverage with a HOLD rating and TP of INR 780. **Downside risks:** economic slowdown leading to AUM growth slowdown, delayed NIM expansion, higher credit cost and regulatory risk mainly on parent ownership. **Upside risks:** Pick up in AUM growth, NIM expansion and decline in credit cost.

Recommendation and Price Target	
Current Reco.	HOLD
Current Price Target (12M)	780
Upside/(Downside)	4.1%

Key Data – HDBFS IN	
Current Market Price	INR749
Market cap (bn)	INR620.2/US$7.1
Free Float	25%
Shares in issue (mn)	795.8
52-week range	892/732
Sensex/Nifty	80,539.9/24,619.4
INR/US$	87.5

Price Performance			
%	1M	6M	12M
Absolute	-12.1	0.0	0.0
Relative*	-9.7	0.0	0.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	24,608	21,759	27,388	34,197	39,880
Net Profit (YoY) (%)	26%	-12%	26%	25%	17%
Assets (YoY) (%)	32.1%	17.4%	18.2%	12.8%	13.2%
ROA (%)	3.0%	2.2%	2.3%	2.5%	2.6%
ROE (%)	19.5%	14.7%	14.9%	15.0%	15.1%
EPS	31.0	27.3	33.0	41.2	48.1
EPS (YoY) (%)	25.3%	-11.9%	20.7%	24.9%	16.6%
P/E (x)	**24.1**	**27.4**	**22.7**	**18.2**	**15.6**
BV	173.3	198.8	253.8	295.1	343.1
BV (YoY) (%)	19.9%	14.7%	27.7%	16.2%	16.3%
P/BV (x)	**4.3**	**3.8**	**3.0**	**2.5**	**2.2**

Source: Company data, JM Financial. Note: Valuations as of 13/Aug/2025

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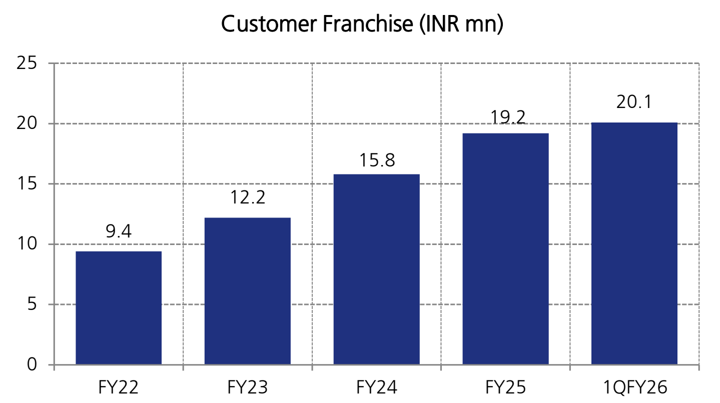
(We acknowledge the support services of Dev Jogani in preparation of this report)

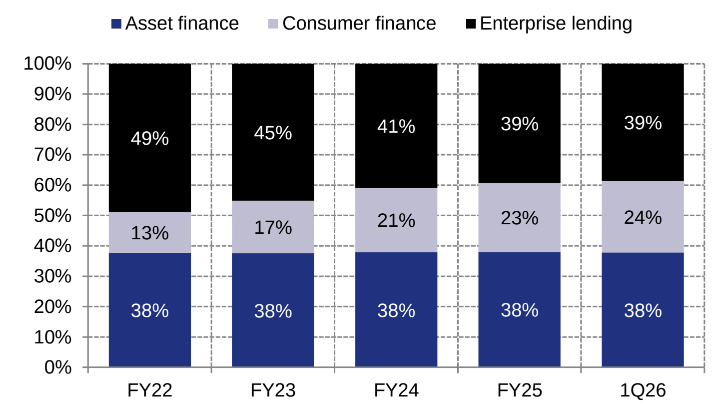
Focus Charts

Exhibit 1. Customer franchise has grown 2.1x since FY22



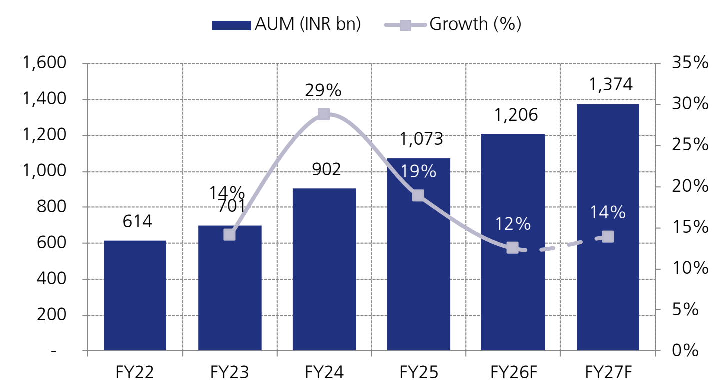
Source: Company, JM Financial

Exhibit 2. AUM mix: Increasing consumer mix



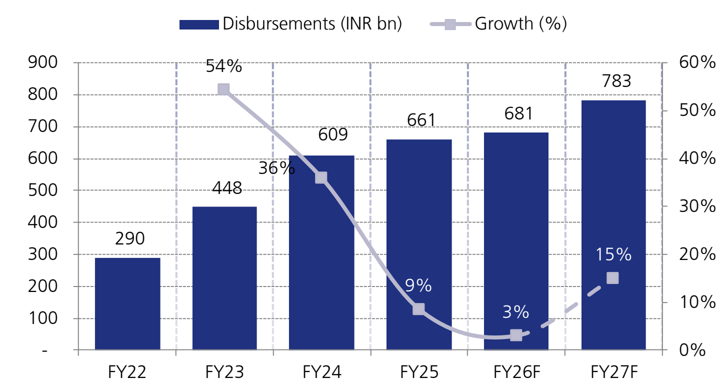
Source: Company, JM Financial

Exhibit 3. AUM to grow at ~13% CAGR over FY25-27E



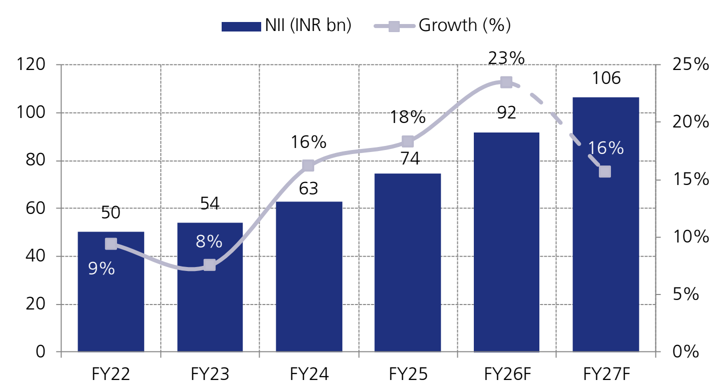
Source: Company, JM Financial

Exhibit 4. Disbursements growth to bounce back in FY27F



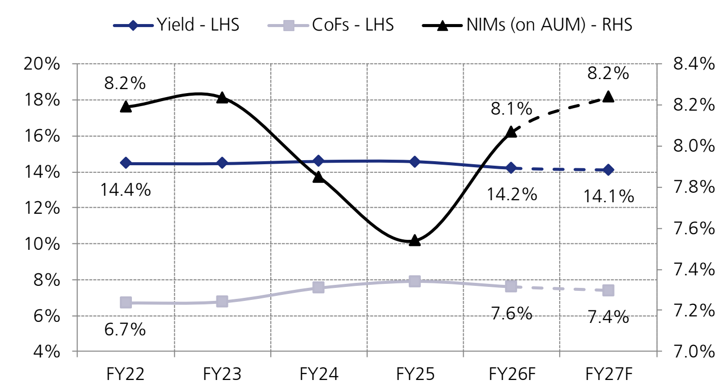
Source: Company, JM Financial

Exhibit 5. NII to grow 19% over FY25-27E



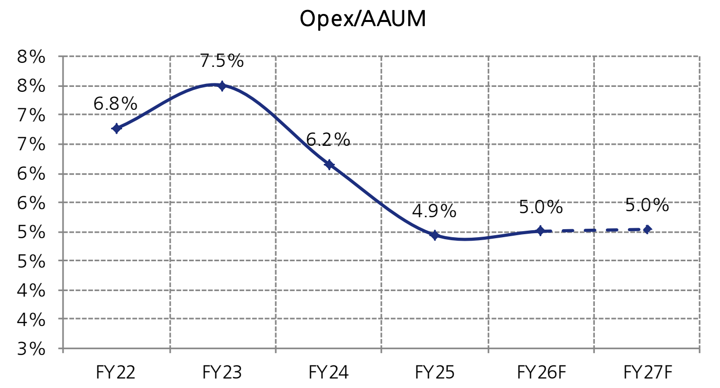
Source: Company, JM Financial

Exhibit 6. Margins expected to improve from rate cut benefits



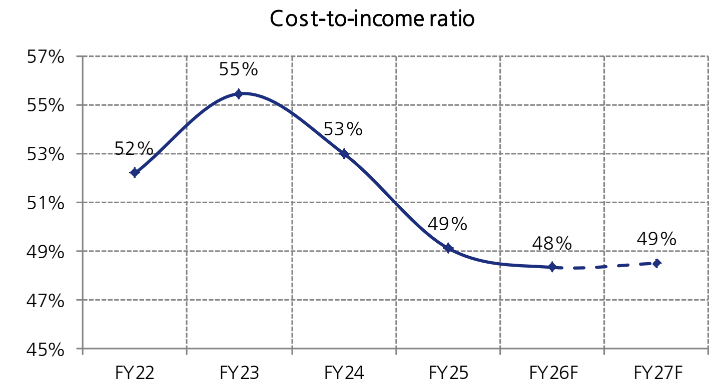
Source: Company, JM Financial

Exhibit 7. Opex/AAUM to be largely steady



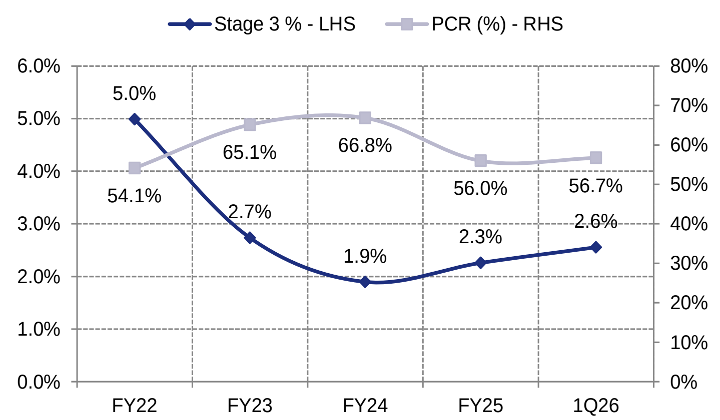
Source: Company, JM Financial

Exhibit 8. C/I Ratio to remain steady at current levels



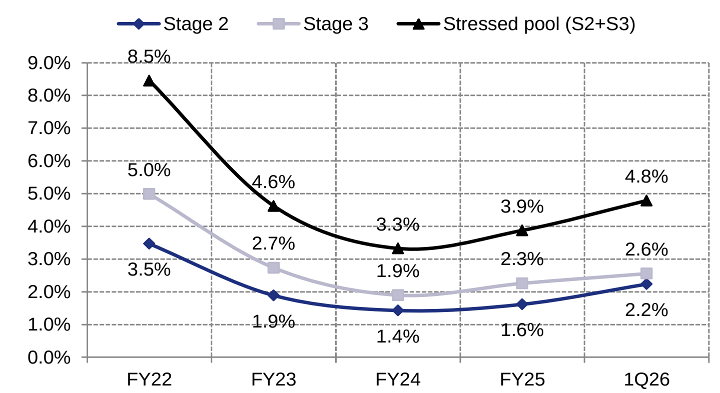
Source: Company, JM Financial

Exhibit 9. Stage 3 assets trending up but PCR maintained healthy



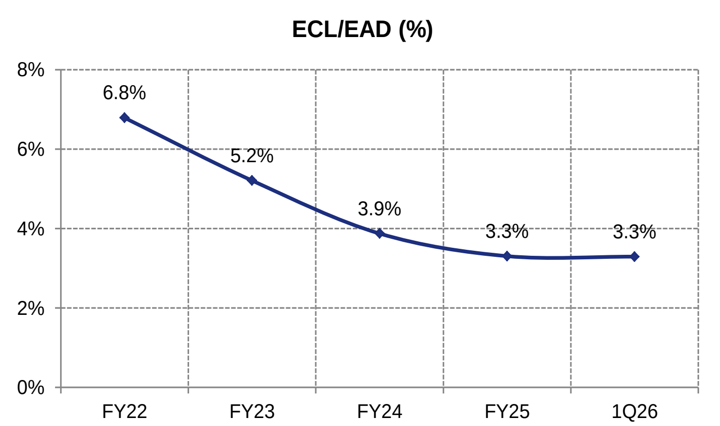
Source: Company, JM Financial

Exhibit 10. Stressed pool (Stage 2 + Stage 3) moved up due to MSME stress



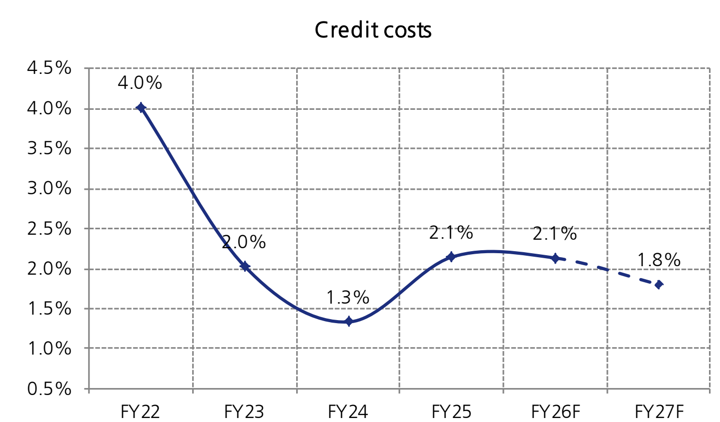
Source: Company, JM Financial

Exhibit 11. ECL cover seen steady



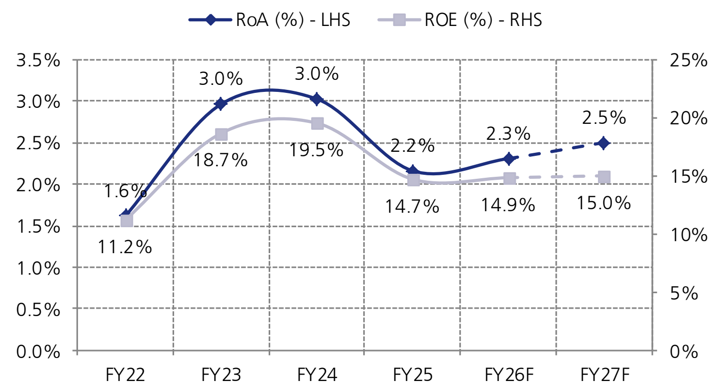
Source: Company, JM Financial

Exhibit 12. Credit cost (% of AUM) to decline over the medium term



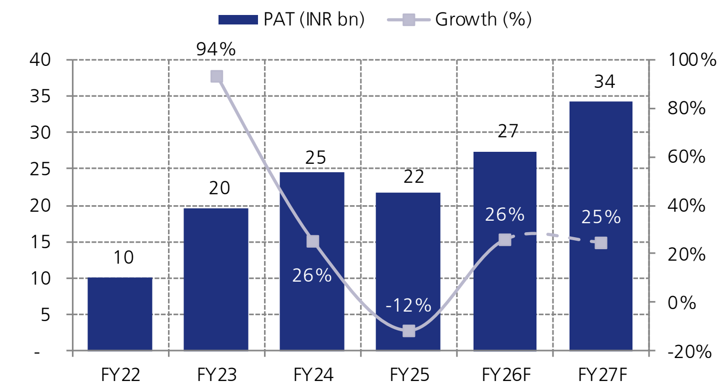
Source: Company, JM Financial

Exhibit 13. Trend in return ratios



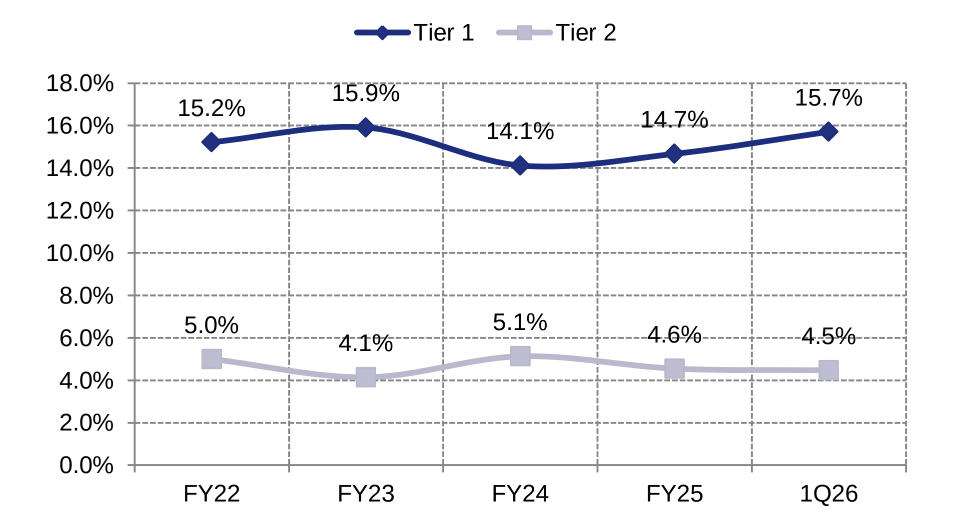
Source: Company, JM Financial

Exhibit 14. Trend in PAT



Source: Company, JM Financial

Exhibit 15. Comfortable capital adequacy



Source: Company, JM Financial

Investment Thesis

Diversified product portfolio; granular retail book: HDB Financial Services has a wide suite of products with 13 lending products spanning three main business verticals: Enterprise Lending (39%) – 5 products, Asset Finance (38%) – 3 products, and Consumer Finance (24%) – 6 products. The total secured mix stands at 74%. HDB's strategy centres on maintaining an optimal and balanced mix of secured and unsecured loans. As of 1QFY26, the company's loan book comprised 73% secured and 27% unsecured loans.

A leading diversified NBFC backed by strong parentage: HDB has a highly diversified AUM of INR1.1tn as of Jun'25 with 13 different products. It is present across 1771 branches with 70%+ branches located in Tier 4+ towns. Its customer base remains strong at 20.1mn customers. It is backed by HDFC Bank (~74% stake), though it is an independently run entity.

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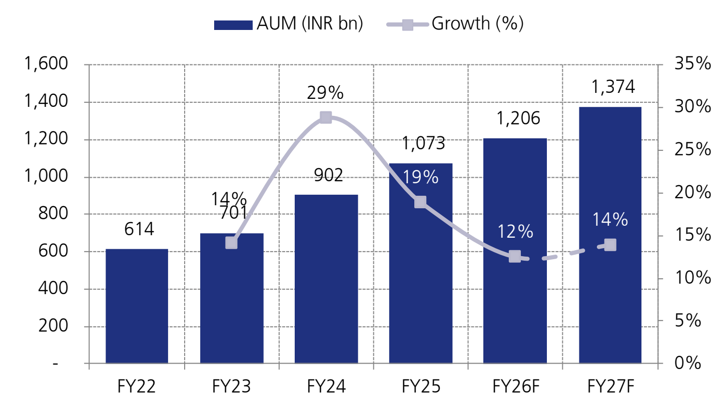
Return ratios to improve in FY27F with credit cost normalisation

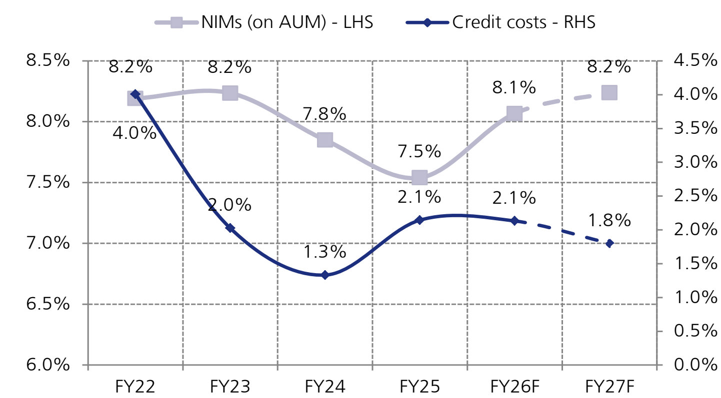
Post-Covid, the company's RoA reached to 3.0% in FY23/FY24; however, inch-up in credit costs led to moderation in RoA to 2.2% in FY25. We expect the stress from its unsecured and CV/MSME business to settle over the medium term, which should aid in reducing credit costs going forward in FY27F. We expect AUM CAGR of ~13% during FY25-27F with avg. RoA/RoE of ~2.4%/15% during FY26/27F. We remain confident on the margin profile of the company backed by AAA credit rating, which along with largely steady opex and declining credit costs should result in ~30ps improvement in RoAs to 2.5% in FY27E (from 2.2% in FY25). Despite the recent capital-raise, the leverage of the company remains high (~6x FY26E post money vs. normalised relative range of ~5x), translating into healthy RoEs of ~15%.

Exhibit 16. AUM to grow at ~13% CAGR over FY25-27E



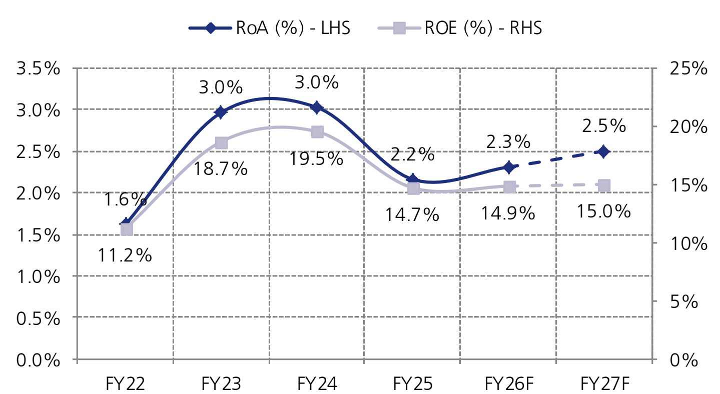
Source: Company, JM Financial

Exhibit 17. Margins to improve and credit costs to normalize in FY27E



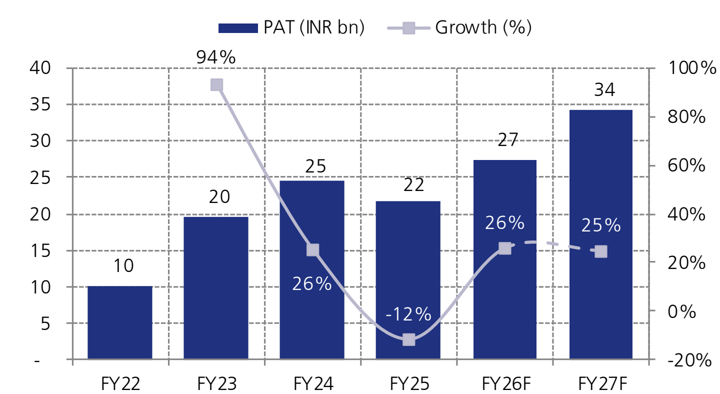
Source: Company, JM Financial

Exhibit 18. Trend in return ratios- Recovery expected in FY27F



Source: Company, JM Financial

Exhibit 19. Trend in PAT



Source: Company, JM Financial

Exhibit 20. DuPont (% of assets)

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest income	14.1%	13.8%	13.4%	13.5%	13.7%	13.8%	13.6%	13.3%
Interest expenses	7.0%	6.3%	5.3%	5.3%	6.0%	6.4%	5.9%	5.5%
Net Interest income	**7.1%**	**7.5%**	**8.1%**	**8.2%**	**7.7%**	**7.4%**	**7.8%**	**7.8%**
Other income	4.3%	4.0%	4.7%	5.3%	3.7%	2.4%	2.2%	2.0%
Net income	**11.5%**	**11.4%**	**12.8%**	**13.5%**	**11.4%**	**9.9%**	**9.9%**	**9.8%**
Operating expenses	6.5%	5.7%	6.7%	7.5%	6.1%	4.8%	4.8%	4.7%
Operating Profit	**5.0%**	**5.8%**	**6.1%**	**6.0%**	**5.4%**	**5.0%**	**5.1%**	**5.0%**
Provisions	2.5%	5.0%	4.0%	2.0%	1.3%	2.1%	2.0%	1.7%
PBT	2.5%	0.8%	2.2%	4.0%	4.1%	2.9%	3.1%	3.3%
ROAA	**1.7%**	**0.6%**	**1.6%**	**3.0%**	**3.0%**	**2.2%**	**2.3%**	**2.5%**
Leverage (x)	7.7	7.5	6.9	6.3	6.5	6.8	6.4	6.0
ROAE	**13.2%**	**4.8%**	**11.2%**	**18.7%**	**19.5%**	**14.7%**	**14.9%**	**15.0%**

Source: Company, JM Financial

Valuation and view

We value HDB at 2.6x FY27F book to arrive at a target price of INR 780, which will be driven ~13%/23% AUM/EPS CAGR over FY25-27E and avg. RoA/RoE of ~2.4%/15% during FY26/27F. **We have valued HDB Financial using Residual income model assuming cost of equity of 13%, average asset growth of 18% and RoE of ~17% during FY26-45F.**

Further, we find our target multiple of 2.6xFY27F for HDB Financial, fair considering its AUM growth/RoE profile of ~13%/15% during FY25-27F which is substantially lower than ~23% AUM CAGR/20% RoE during FY25-27F for BAF and ~18% AUM CAGR/20% RoE during FY25-27F for CIFC. Hence, valuation discount on (our target multiple) of ~40%/25% between HDB vs. BAF/CIFC is justified, in our view.

Key downside risks: broad-based economic slowdown leading to AUM growth slowdown, delayed NIM expansion, higher credit cost and regulatory risk mainly on parent ownership. **Key upside risks:** Pick up in disbursements leading to higher AUM growth, NIM expansion and decline in credit cost

Exhibit 21. Valuation basis residual income method

	INR mn	Contribution of value	Avg. ROA assumption	Avg. ROE assumption
Jun-25 networth	1,88,536	32.9%		
PV of RI over Mar26-Mar-35F (incl dividends)	50,115	8.8%	2.5%	15.3%
PV of RI over FY36-45F (incl dividends)	1,40,543	24.5%	2.5%	18.2%
Terminal value	1,93,532	33.8%	2.5%	18.7%
Total value of the firm	**5,72,726**	**100.0%**		
Total number of shares (mn)	830			
Target price per share	780			
Implied P/B-FY27E	2.6			
Cost of equity assumption	13.0%			
Terminal growth assumption	8.0%			

Source: Company, JM Financial

Exhibit 22. Sensitivity of valuation to asset growth, RoA and RoE

FY26-45F	Bear Case	Base Case	Bull Case
Average asset growth	16%	18%	20%
Average RoA	2.3%	2.5%	2.7%
Average RoE	15.2%	16.8%	18.2%
Fair Value	**590**	**780**	**1,260**
Upside/downside	-20%	5%	70%
Implied P/B-FY25F	3.5	4.7	7.5
Implied P/E-FY25F	20.2	26.7	43.0

Source: Company, JM Financial

Exhibit 23. We expect HDB to continue generating RoA of over 2.5% over FY25-35F

Long-term	FY15-25	FY25-35F	FY35-45F
CAGR of total assets (%)	17%	17%	19%
Mean RoA (%)	2.1%	2.5%	2.5%
Mean RoE (%)	14.8%	15.4%	17.9%

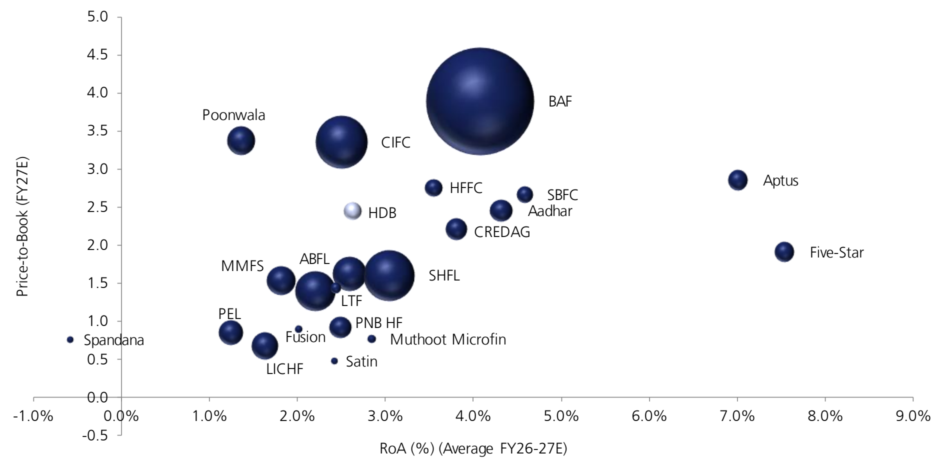
Source: Company, JM Financial

Exhibit 24. Peer comp valuations: HDB looks fairly valued compared to BAF/CIFC, given growth/RoE profile

	Mcap (US$ bn)	Reco.	CMP	TP	Upside %	EPS CAGR FY25-27E	AUM CAGR FY25-27E	P/B		P/E		RoA		RoE	
								FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HDB Financial Services	7.1	HOLD	749	780	4%	23%	13%	3.0	2.5	22.7	18.2	2.3%	2.5%	14.9%	15.0%
Bajaj Finance	61.1	BUY	860	1,000	16%	26%	23%	4.7	3.9	25.2	20.0	4.0%	4.1%	20.1%	21.3%
CIFC	14.0	HOLD	1,461	1,450	-1%	25%	18%	4.2	3.4	23.8	18.4	2.4%	2.6%	19.5%	20.3%
Aditya Birla Capital	8.0	BUY	270	315	17%	5%	23%	1.4	1.2	12.3	9.9	2.3%	2.1%	12.5%	12.1%
Poonawalla Fincorp Ltd	4.0	HOLD	452	400	-11%	NM	43%	3.7	3.4	74.5	37.8	1.1%	1.6%	5.4%	9.3%
L&T Finance Ltd	5.7	BUY	201	240	19%	23%	15%	1.8	1.6	16.2	12.6	2.4%	2.7%	11.6%	13.6%

Source: Bloomberg, Company, JM Financial
Note: Priced as of 13 Aug'25

Exhibit 25. We expect HDB to deliver average RoA/RoE of ~2.4%/15% over FY26-27F



Source: Bloomberg, JM Financial, Company priced as of 13th Aug'25

Company Overview

HDB Financial Services Limited (HDB), a subsidiary of HDFC Bank Limited, was established in 2007. The company is classified as an Upper Layer NBFC (NBFC-UL) by the Reserve Bank of India (RBI) and is the seventh-largest diversified, retail-focused NBFC (non-banking finance company) in India by assets under management (AUM).

HDB Financial has delivered strong AUM, PAT, EPS and BVPS CAGRs of 19%, 20%, 19%, 16%, respectively, in the past 10 years (FY15-25). After COVID, HDB's performance improved further with AUM, PAT, EPS and BVPS CAGRs of 20%, 29%, 29%, 18%, respectively during FY22-25. However, in 1QFY26, there was a decline in performance with AUM, PAT, EPS and BVPS growth of ~15%, -2%, -7%, 26% respectively YoY.

Exhibit 26. Key parameters : 1QFY26 has seen moderation in performance, long term performance remains strong

							CAGR/YoY growth (%)				
HDB Financial (INR bn)	FY12	FY15	FY20	FY22	FY25	1QFY26	FY12-25	FY15-25	FY20-25	FY22-25	1QFY26
AUM	40	190	588	614	1,073	1,097	28.8%	18.9%	12.8%	20.4%	14.7%
PAT	1	3	10	10	22	6	33.4%	20.1%	16.7%	29.1%	-2.4%
EPS (Rs)	1.2	5.0	12.8	12.8	27.4	6.8	26.8%	18.6%	16.5%	28.8%	-6.6%
BVPS (Rs)	18.8	44.7	101.8	120.7	198.8	227.3	19.9%	16.1%	14.3%	18.1%	25.9%

Source: Company

During FY15-25, HDB delivered an average NII, PPoP, RoA, RoE of 7.2%, 5.1%, 2.1%, 15% respectively while post COVID, the returns profile stood better with average NII, PPoP, RoA, RoE of 7.9%, 5.6%, 2.4%, 16% respectively over FY22-25 led by decline in credit costs. **In 1QFY26,** the firm delivered moderation in RoA/RoE of 1.9%/13% mainly due to yield decline driven by rising competitive intensity and inch up in credit costs.

Exhibit 27. Du-pont analysis (as a % of assets): Decline in yield and inch up in credit cost has led to moderation in RoA/RoE in 1QFY26

							Average (%)				
Du Pont-as % of assets (%)	FY12	FY15	FY20	FY22	FY25	1QFY26	FY12-25	FY15-25	FY20-25	FY22-25	1QFY26
Interest income	12.4%	13.6%	14.1%	13.4%	13.8%	13.1%	13.5%	13.6%	13.7%	13.6%	13.1%
Interest expense	6.1%	8.1%	7.0%	5.3%	6.4%	5.9%	6.7%	6.5%	6.0%	5.7%	5.9%
NII	**6.3%**	**5.6%**	**7.1%**	**8.1%**	**7.4%**	**7.1%**	**6.8%**	**7.2%**	**7.7%**	**7.9%**	**7.1%**
Other income	3.1%	1.5%	4.3%	4.7%	2.4%	2.2%	3.5%	3.7%	4.1%	4.0%	2.2%
Total income	9.4%	7.1%	11.5%	12.8%	9.9%	9.3%	10.3%	10.9%	11.7%	11.9%	9.3%
Opex	5.4%	2.9%	6.5%	6.7%	4.8%	4.5%	5.4%	5.8%	6.2%	6.3%	4.5%
PPOP	**4.0%**	**4.2%**	**5.0%**	**6.1%**	**5.0%**	**4.8%**	**4.8%**	**5.1%**	**5.5%**	**5.6%**	**4.8%**
Provision	1.4%	1.0%	2.5%	4.0%	2.1%	2.3%	1.9%	2.0%	2.8%	2.3%	2.3%
RoA (%)	**1.8%**	**2.1%**	**1.7%**	**1.6%**	**2.2%**	**1.9%**	**2.1%**	**2.1%**	**2.0%**	**2.4%**	**1.9%**
RoE (%)	**6.9%**	**14.7%**	**13.2%**	**11.2%**	**14.7%**	**13.1%**	**14.2%**	**14.8%**	**13.7%**	**16.0%**	**13.1%**

Source: JM Financial

HDB's strategy centres on maintaining an optimal and balanced mix of secured and unsecured loans. As of 1QFY26, the company's loan book comprised 73% secured and 27% unsecured loans. Its product offerings are structured across three key business verticals:

(i) **Enterprise lending:** Constituting ~39% of total AUM (1QFY26), this vertical provides both secured and unsecured loans primarily to micro, small, and medium enterprises (MSMEs).

(ii) **Asset finance**: This segment accounts for ~38% of total AUM (1QFY26) and focuses exclusively on secured loans for financing new and used commercial vehicles, construction equipment, and tractors.

(iii) **Consumer finance**: Making up ~24% of total AUM (1QFY26), this vertical offers both secured and unsecured loans for consumer durables, digital and lifestyle products, two-wheelers, automobiles, and other personal loans.

HDB primarily serves underbanked customers from low to middle-income households, many of whom have limited or no formal credit history. The company reaches its diverse customer base through an extensive "phygital" distribution model. This omni-channel approach combines a large physical branch network with in-house tele-calling teams and external distribution partners. As of 1QFY26, HDB had a pan-India presence with 1,771 branches spanning 1,166 towns and cities across 31 states and union territories. In addition to its core lending activities, HDB has historically provided business process outsourcing (BPO) services, including back-office support, collections, and sales support, to HDFC Bank. However, these services are being gradually phased out as HDFC Bank transitions to a fully in-house operations model.

Exhibit 28. HDB Financial Services: History of key events

Calendar Year	Particulars
2008	• Opened its first branch in Chennai, Tamil Nadu
2010	• Introduced commercial vehicle loans • Introduced loans against gold
2011	• Accredited with CARE AAA credit rating for its non-convertible debentures issue • Achieved a branch count of 100 across India • Introduced auto loans • Introduced commercial equipment loans
2012	• Achieved AUM of INR 100 bn
2015	• Achieved a branch count of 500 across India
2016	• Achieved a branch count of 1,000 across India • Introduced consumer durables loans in Tamil Nadu
2017	• Introduced tractor finance loans in the states of Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Gujarat and Maharashtra • Introduced digital product loans
2018	• Introduced two wheeler loans
2019	• Achieved AUM of INR 500 bn
2020	• Introduced micro finance loans • Introduced lifestyle finance loans
2021	• Achieved AUM of INR 600bn
2023	• Achieved a branch count of 1,500 across India
2024	• Achieved AUM of INR 1trn.
2025	• Got listed on 2nd July, 2025.

Source: Company, JM Financial

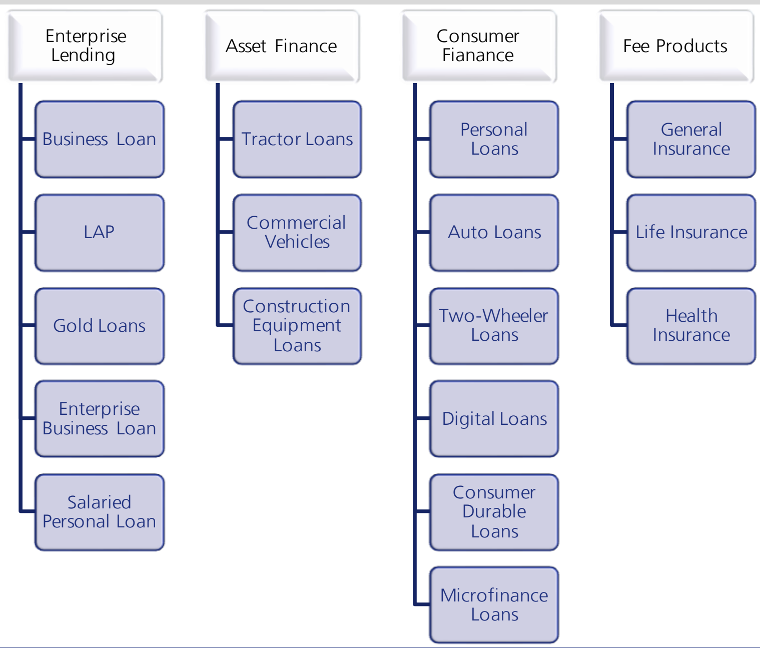
Diversified product portfolio; granular retail book

HDB has a well-balanced and diversified lending portfolio that effectively serves the needs of under-banked customers. We see this as a key strength, with its 13 lending products spanning three main business verticals: Enterprise Lending, Asset Finance, and Consumer Finance. This diversification allows HDB to address a wide range of customer needs throughout the customer lifecycle—from business loans for working capital and expansion, to financing for new/used vehicles and equipment, and loans for consumer durables and digital products.

This strategy has fuelled impressive growth. HDB's outstanding loans grew from INR 0.70trln in Mar'23 to INR 1.07trln in Mar'25, representing a strong CAGR of 23.5%. The loan book remains highly granular, with no single product contributing more than 25% of the total gross loan book. This product diversification creates significant opportunities for HDB to cross-sell and up-sell to existing customers, increasing its share of the customer's wallet. A great example of this is the company's offering of pre-approved loan limits to high-quality customers, allowing them to access new unsecured loans quickly and easily.

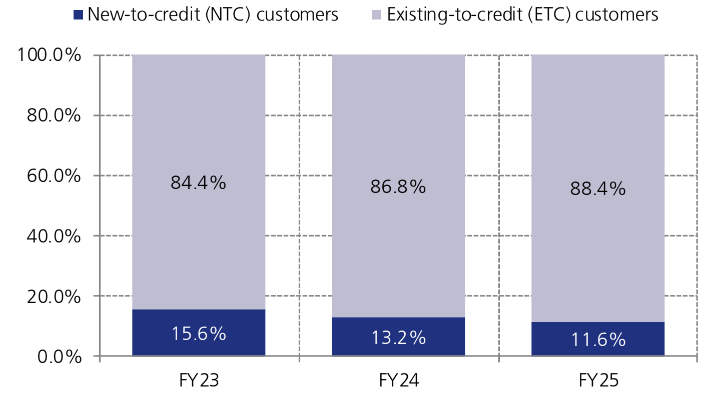
HDB's customer base is primarily composed of middle-class salaried individuals, self-employed professionals, and small business owners. A core part of the company's strategy is to target the under-banked population by specialising in underwriting customers with minimal or no credit history. As of FY25, 11.57% of its total gross loans were to customers classified as "new to credit." This strategic focus is helping HDB not only expand its customer base but also deepen its relationship with customers through cross-selling and up-selling. We also find its low customer concentration risk compelling, as the 20 largest customers contributed to less than 0.34% of the total gross loan book in FY25.

Exhibit 29. Product suite



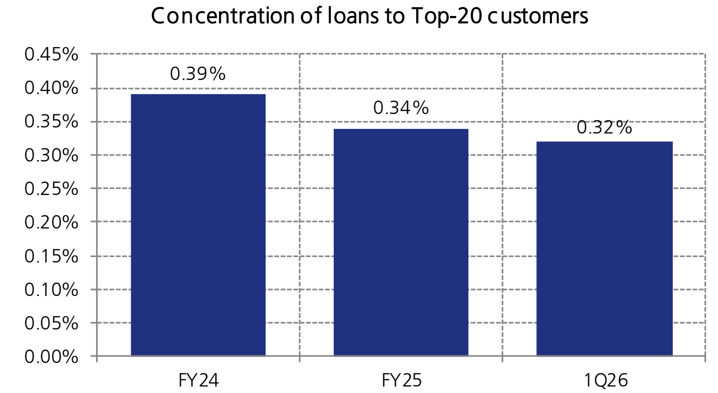
Source: Company, JM Financial

Exhibit 30. Share of NTC customers has been on a moderating trend



Source: Company

Exhibit 31. Exposure to top-20 customers has also been moderating



Source: Company

HDB aims at continuous product innovation for diversified and sustainable growth and remains determined to add new products in its portfolio while enhancing its existing products to improve value proposition to customers.

Exhibit 32. Business segment-wise details

	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured	Underwriting	Locations	Total Gross Loans (INR bn)	As a% overall loan book
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-250MM	Upto 15 years	9-18% Secured floating 11-30% Unsecured fixed	Secured/ Unsecured	Scorecards + at branches based on policy	900+	420.1	39.0%
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-250MM	Upto 6 years	9-18% Fixed	Secured	Scorecards + at hubs based on policy	900+	406.5	38.0%
Consumer Finance	• Loans for purchase of consumer durables, digital products, 2Ws, auto, and micro loans • Loans to individuals for personal, family or household purposes to meet their short- or medium-term requirements	4k-5MM	Upto 7 years	11-34% Fixed	Secured/ Unsecured	Based on segment specific scorecards using analytics	1000+	242.2	23.0%

Note: % of overall loan book is as of Jun'25. Other parameters as of Mar'25
Source: Company

1. Enterprise Lending

Launched in 2008, the enterprise lending vertical was HDB's first business segment. It provides a variety of secured and unsecured loans to small businesses, including proprietorships and partnership firms. The business model is tailored to meet the specific needs of different geographic markets, including metropolitan and underpenetrated regions.

a. Business loans: These are often loans for small businesses, and in some cases collateral free, to support working capital, purchase of equipment, acquisition of inventory, or renovation of premises. The average ticket size is ~INR 290k with an average tenor of ~4 years.

b. Loan against property (LAP): These are secured loans that use property as collateral. These can be used for various purposes, including business expansion, working capital, or purchasing new office space. The average ticket size is ~INR 4.4mn with an average tenure of ~10 years. Sourcing is done through FOS in the branch network and direct selling agents (DSAs).

c. Enterprise business loan (EBL): These are secured loans backed by property collateral, targeting self-employed individuals, private companies, and partnership firms in the manufacturing, trading, and services sectors. The average ticket size is ~INR 1.2mn with an average tenure of ~8 years. Customers are primarily acquired through the branch network's field sales officers.

d. Salaried personal loans (SPL): These are unsecured loans for salaried employees and are sourced through field sales officers and digital channels. The average ticket size is approximately INR321k with an average tenure of ~5 years.

e. Gold loans: These are short-term, secured loans for personal needs, backed by gold jewellery. The average ticket size is ~INR 181k with an average tenure of ~3 years. Customers are primarily sourced through HDB branches.

Exhibit 33. Enterprise lending segmental details

	Average Ticket Size	Average Tenor (years)	Secured/ Unsecured	Book Size (INR bn)	% of Overall Loan Book
Business Loans	290k	4	Unsecured	127.7	11.95%
Loans Against Property	4.4mn	10	Secured	229.5	21.47%
Enterprise Loans	1.2mn	8	Secured	19.9	1.86%
Salaried Personal Loans	321k	5	Unsecured	34.9	3.27%
Gold Loans	181k	3	Secured	8.0	0.75%

Note: % of overall loan book and book size is as of Mar'25. Other parameters are as of Jun'25
Source: Company

2. Asset Finance

Established in 2010, this vertical focuses on financing both new and used income-generating vehicles and equipment. The products are secured by the financed assets themselves. The used vehicle market offers higher yields and profitability, while the new vehicle market leverages partnerships with Original Equipment Manufacturers (OEMs).

a. Commercial vehicle loans: Financing solutions for new and used commercial vehicles, including refinancing options. This product caters to a wide customer base, including fleet owners, first-time users, and buyers. The average ticket size is ~INR 869k with an average tenure of ~4 years. Sourcing is conducted through branch-based field sales officers and partnerships with OEMs and dealers.

b. Construction equipment loans: Financing and refinancing for new and used construction equipment. The average ticket size is approximately INR 2mn with an average tenure of ~4 years. Sourcing is handled by branch-based field sales officers, OEMs, and dealers.

c. Tractor loans: Loans for the purchase of new and used tractors and related equipment for agricultural or commercial use. The average ticket size is ~INR 312k with an average tenure of ~4 years.

Exhibit 34. Asset finance segmental details

	Average Ticket Size	Average Tenor (years)	Secured/ Unsecured	Book Size (INR bn)	% of Overall Loan Book
Commercial Vehicle Loans	869k	4	Secured	263.5	11.95%
Construction Equipment Loans	2mn	4	Secured	113.3	21.47%
Tractor Loans	312k	4	Secured	29.7	1.86%

Note: % of overall loan book and book size is as of Mar'25. Other parameters are as of Jun'25
Source: Company

3. Consumer Finance

HDB entered the consumer finance market in 2016 to provide loans to individuals for personal and household needs. This vertical is characterised by small ticket sizes and short tenures, which helps increase customer base and cross-selling opportunities. The company uses a "digital-first" omni-channel approach with a strong focus on partnerships. The only secured products in this category are two-wheeler and auto loans.

a. Consumer durable / Digital product / Lifestyle product loans: HDB offers financing for a variety of consumer goods, including household appliances, electronics, and premium lifestyle products. The average ticket size is ~INR 15k with an average tenure of ~1 year. Customer acquisition is primarily driven by tele-calling teams and partnerships with over 80 OEMs and 140k+ retailers and dealers as of 1QFY26 end.

b. Relationship personal loans: Unsecured loans are offered to existing customers with a proven history of consistent repayment, making them a lower-risk segment. This product offers strong cross-selling potential. The average ticket size in this segment stands at ~INR 52k with an average tenure of ~2 years. Customers are sourced through tele-calling teams, with leads generated by in-house data analytics.

c. Auto loans: Offers secured loans for new or used vehicles, with partnerships with 6 OEMs and over 4,000 retailers. The average ticket size is ~INR 431k with an average tenure of ~4 years. Customers are sourced through field sales officers and partnerships.

d. Two-wheeler loans: Offers secured loans for new or used two-wheelers, with partnerships with 13 OEMs and over 13k retailers. The average ticket size is approximately INR 53k with an average tenure of ~2 years. Customers are acquired through field sales officers and partnerships.

e. Micro lending: Offers loans to underprivileged segments of society those who require financial assistance, including primarily women through the Joint Liability Groups (JLGs) framework. The average ticket size for this product is ~INR 22k and its average tenor is ~2 years.

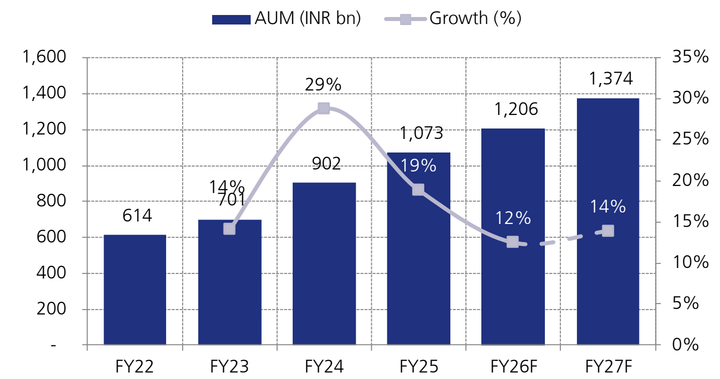
Exhibit 35. Consumer finance segmental details

	Average Ticket Size	Average Tenor (years)	Secured/ Unsecured	Book Size (INR bn)	% of Overall Loan Book
Auto Loans	431k	4	Secured	83.7	7.83%
Relationship Personal Loans	52k	2	Unsecured	81.7	7.64%
Consumer Durable / Digital Product / Lifestyle Product Loans	15k	1	Unsecured	38.0	3.56%
Two-wheeler loans	53k	2	Secured	32.8	3.07%
Micro-lending	22k	2	Unsecured	6.1	0.57%

Note: % of overall loan book and book size is as of Mar'25. Other parameters are as of Jun'25
Source: Company

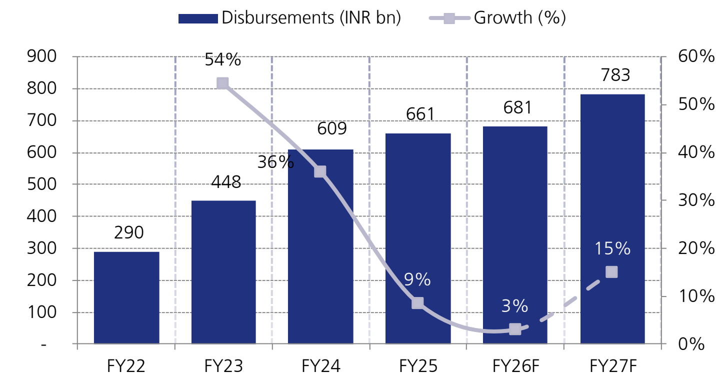
With increasing presence, we expect the customer franchise to further increase significantly in medium term. However, near-term pressure on MSME/unsecured space should lead to softer disbursements over the near term. We forecast disbursement growth of 9% CAGR over FY25-27E, leading to AUM CAGR of 13% over FY25-27E.

Exhibit 36. AUM to grow at ~13% CAGR over FY25-27E



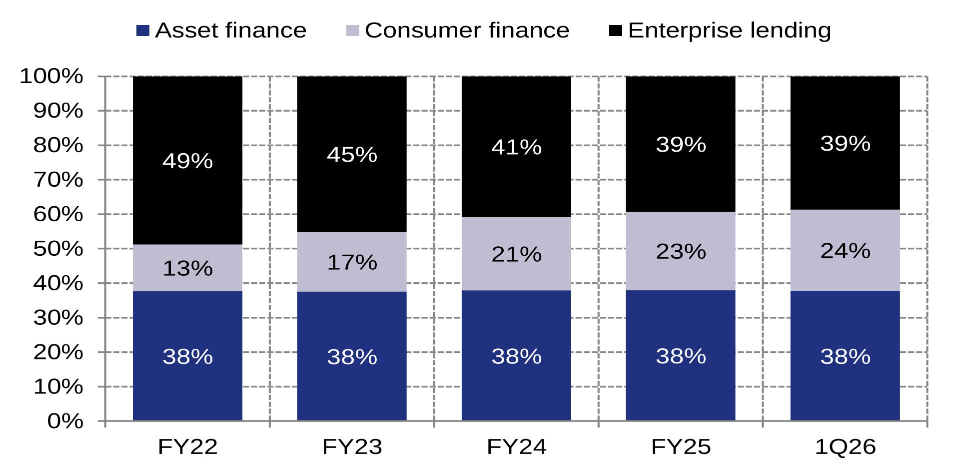
Source: Company, JM Financial

Exhibit 37. Disbursements growth trend



Source: Company, JM Financial

Exhibit 38. Granular AUM mix



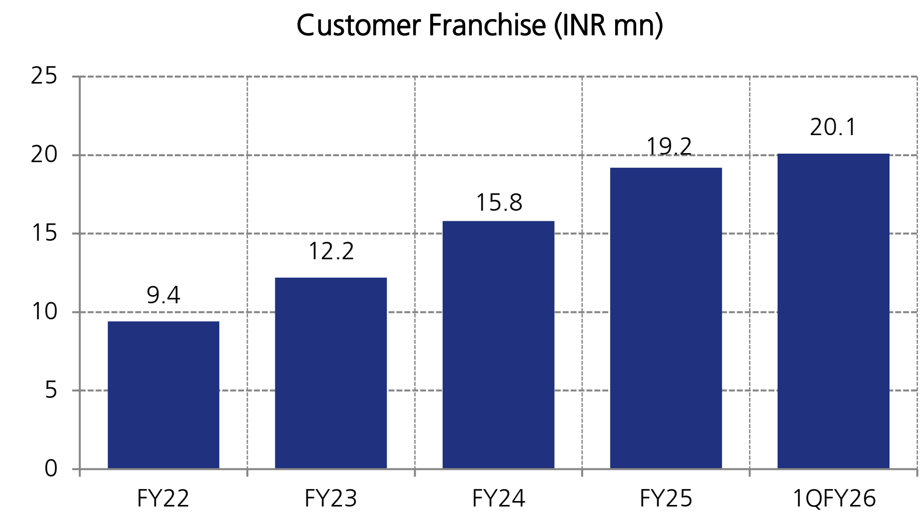
Source: Company, JM Financial

Healthy customer franchise; low concentration risk

HDB has demonstrated impressive growth, serving ~20.1mn customers as of 1QFY26. This represents a strong ~27% CAGR over FY22-25, a trend we believe is largely fuelled by government initiatives to boost financial inclusion for middle-class individuals. The customer base is a diverse mix of salaried and self-employed middle-class individuals, alongside small business owners and entrepreneurs. A key strength of the company is the minimal concentration risk, with its 20 largest customers contributing only 0.32% to the total AUM as of 1QFY26.

HDB's ability to effectively serve this under-banked population is a core competitive advantage. The company has a proven capability to underwrite customers who have minimal or no formal credit history, which is essential for penetrating this market.

Exhibit 39. Strong and consistent growth in customer franchise



Source: Company, JM Financial

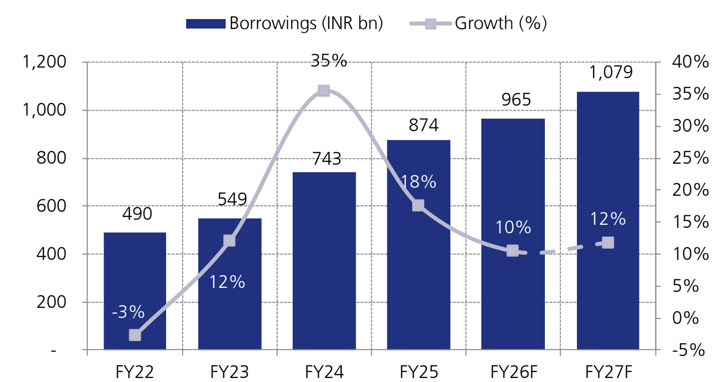
Ease of access to low cost, diversified borrowing sources led by strong parentage and highest credit rating

HDB Financial Services has a highly diversified and stable liability franchise, underpinned by its highest possible credit rating of AAA (stable) credit rating from both CRISIL and CARE. This strong rating has enabled HDB to secure financing at competitive rates and tenors, using both fixed and floating-rate debt instruments. As of Jun'25, the company's average cost of borrowings was ~7.8%.

This diversified borrowing strategy helps HDB maintain a sustainable and well-managed maturity profile for its debt. For FY25, no single source of financing represented more than ~50% of its borrowings. During FY25, ~38% of its total borrowings were sourced from commercial banks. Furthermore, in FY24, it was one of the largest issuers of listed NCDs among NBFC competitors in India.

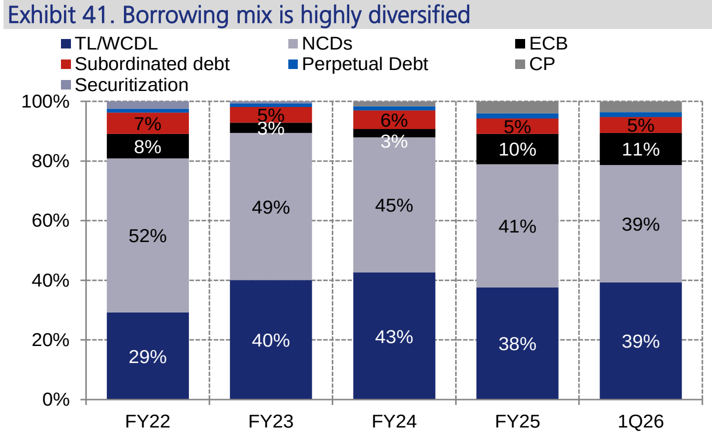
As of 1QFY26, the company had ~75% of its assets at fixed rate vs. ~65% fixed rate borrowings. Of the remaining borrowings, ~90-95% is EBLR linked, which gets re-priced quickly. Hence, we expect margins to move up in the near term, expecting average NIMs of 8.2% over FY26E/27E (vs. NIMs of 7.7% over 1QFY26).

Exhibit 40. Borrowing trend



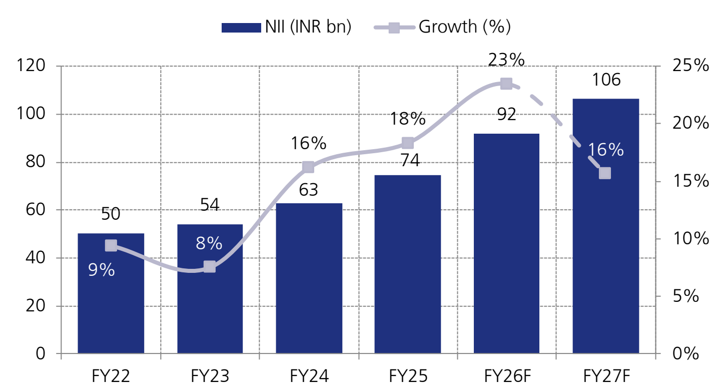
Source: Company, JM Financial

Exhibit 41. Borrowing mix is highly diversified



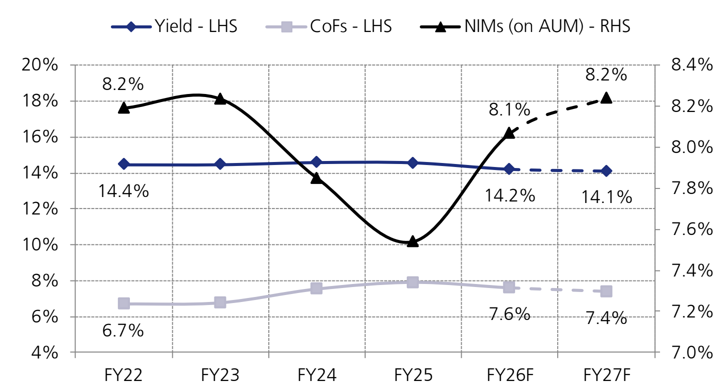
Source: Company, JM Financial

Exhibit 42. NII to grow 19% over FY25-27E



Source: Company, JM Financial

Exhibit 43. Margins expected to improve from rate cut benefits



Source: Company, JM Financial

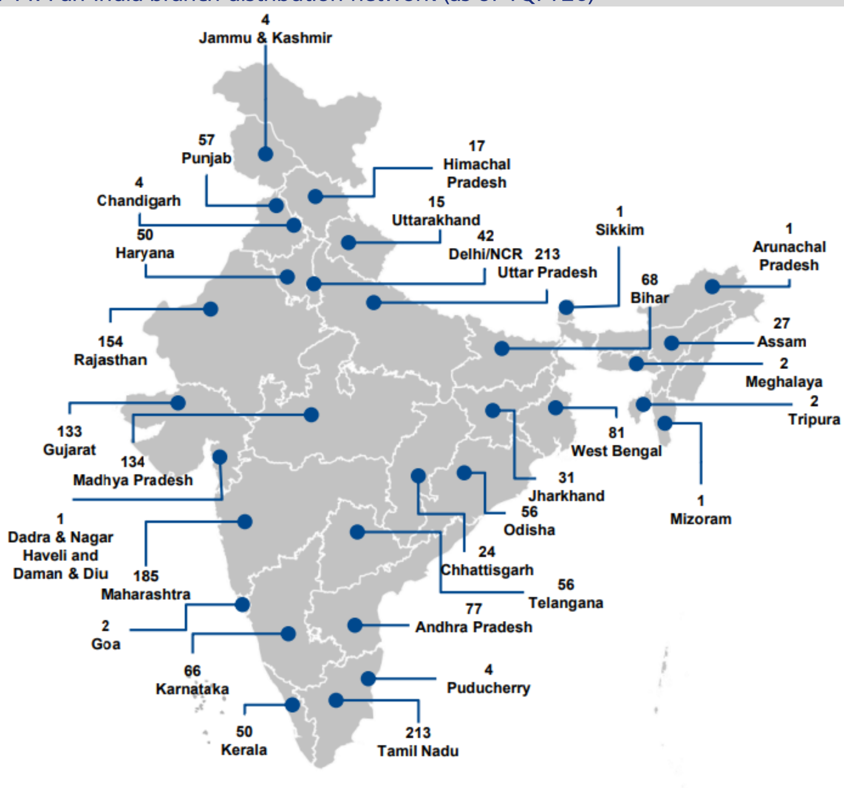
Omni channel sourcing strategy powered by digital innovation driving operating leverage

The company has successfully avoided over-reliance on any single region, with no area accounting for more than 35% of its AUM (as of Jun'25). This balanced geographic footprint is a result of a thoughtful and dispersed branch-led distribution strategy. HDB's approach of being present near its customers is achieved through a multi-pronged, omni-channel strategy that goes beyond traditional branches. The company has built a scaled and growing network of partnerships with OEMs, a robust network of dealers and distribution points, point-of-sale partnerships at retail stores, and a wide array of direct selling agents. This comprehensive approach allows HDB to effectively reach and serve its diverse customer base across the country. HDB's phygital sourcing network is composed of the following:

- Internal distribution network (branch distribution and direct selling):

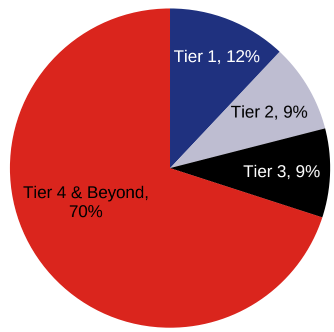
  In our view, HDB's extensive physical network is a key competitive advantage. As of the end of FY25, the company had a strong presence across India with 1,771 branches in over 1,170 towns and cities spanning 31 states and union territories. This is a well-diversified footprint, with no single region accounting for more than 35% of its branches as of Mar'25, which mitigates geographic risk. This expansive branch network is effectively complemented by a robust direct sales strategy. HDB's in-house tele-calling teams, based in regional hubs, are specifically trained to engage with diverse cultures across India. This combination of a broad physical presence and a targeted, in-house sales team ensures they can reach and serve a wide customer base.

Exhibit 44. Pan-India branch distribution network (as of 1QFY26)



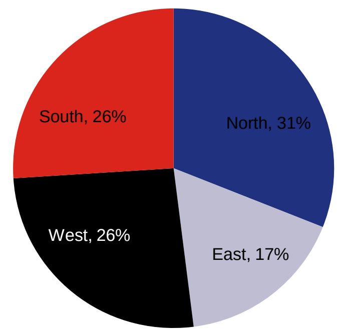
Source: Company, JM Financial

Exhibit 45. Strong presence beyond metro markets (as of 1QFY26)



Source: Company, JM Financial

Exhibit 46. Balanced across geographies (as of 1QFY26)



Source: Company, JM Financial

- External distribution network

  From our perspective, a significant part of HDB's success is its robust and highly effective distribution strategy. As of Jun'25, the company's external network is impressive, built on partnerships with over 80 brands and OEMs. This reach is further amplified by a massive external distribution network of more than 140k retailers and dealer touch points. This external network provides a strong complement to HDB's internal distribution channels, creating a powerful, multi-layered approach to reaching customers and driving growth.

- Digital capabilities

  HDB's digital strategy is effectively enhancing its customer experience and market reach. The HDB On-The-Go application is a key enabler, with its impressive 9.2mn downloads as of Mar'25, demonstrating strong customer adoption. The company's strategic expansion of its digital distribution channels through partnerships with fintechs will be crucial for future growth. This combined approach of a proprietary app and external collaborations positions HDB well in the evolving digital finance landscape.

Exhibit 47. Overview of HDB's digital distribution

Source: Company, JM Financial

HDB intends to continue to expand and diversify its distribution network to drive future growth. The company's strategy involves opening new branches to increase its footprint across India. Simultaneously, it plans to strengthen relationships with its key partners—including OEMs, dealers, brands, points of sales, and DSAs—and actively onboard new ones. This dual approach of both physical and partner-led expansion is a robust way to deepen its market penetration.

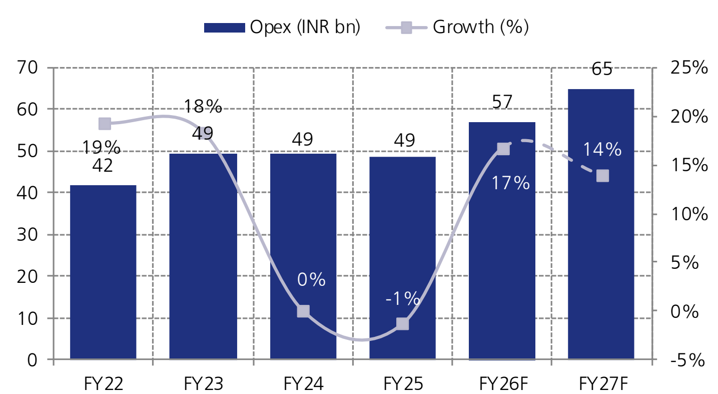
HDB's operational efficiency is a result of significant investment in a comprehensive technology and data analytics platform. The system is integrated across the entire business, covering critical areas such as customer acquisition, underwriting, and post-disbursement activities like collections. The company's omni-channel strategy focuses on merging digital and physical channels to provide a cohesive customer experience. HDB is committed to ongoing digitalisation of its lending services to deliver a more personalised customer journey. Noteworthy digital tools include a sales application that facilitates instant loan approvals and quick disbursements, the 'HDB On-the-Go' application designed to offer a seamless and tailored experience, and virtual assistants and chatbots that streamline customer service and provide rapid responses to inquiries.

Exhibit 48. Key digitisation features and platform overview

Source: Company, JM Financial

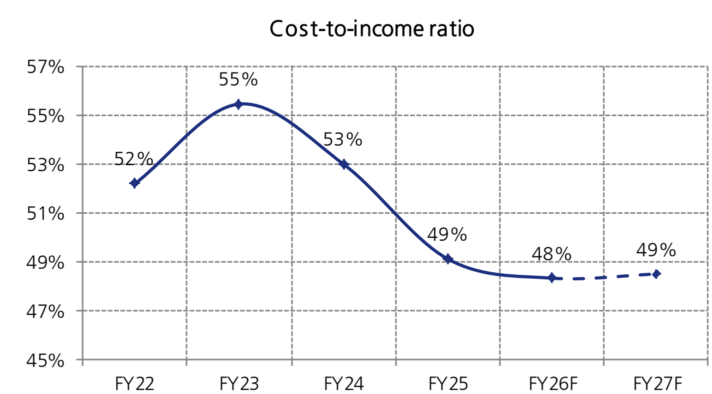
The company had scaled down its BPO business over the last 2 years due to over-reliance of HDFC Bank on this business. As the bank decided to lower its dependency of back-end services on HDB, the number of employees in HDB focused on BPO services started declining, leading to lower opex growth over past 2 years. This has led to a strong decline in opex and C/I ratios. We expect opex ratios now to be driven mainly by its lending business and expect a steady growth in branches and employees leading to largely stable opex ratios going forward.

Exhibit 49. Opex growth has recently been steady led by decline in BPO employees



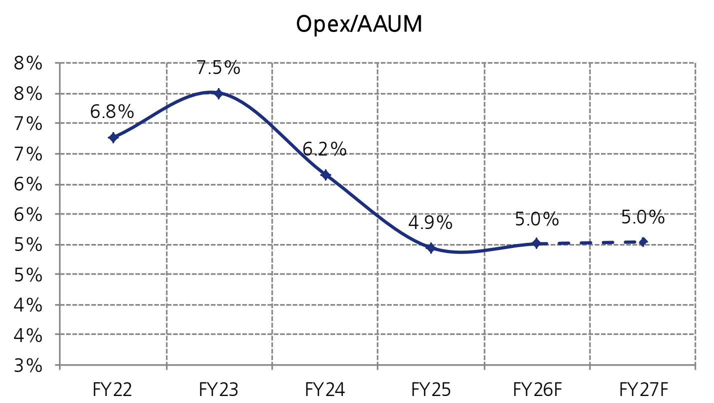
Source: Company, JM Financial

Exhibit 50. C/I Ratio to remain steady at current levels



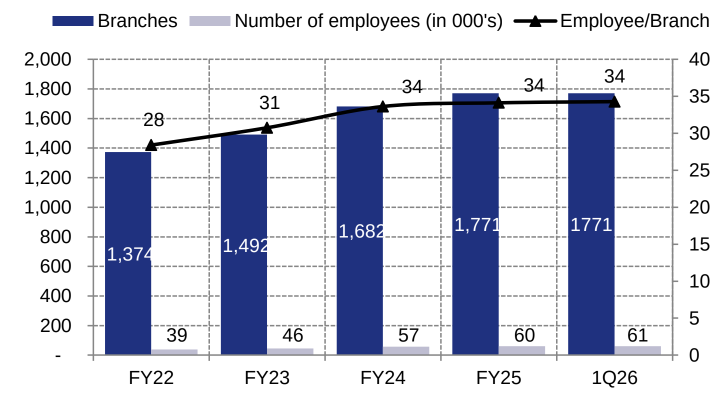
Source: Company, JM Financial

Exhibit 51. Opex/AAUM to be largely steady



Source: Company, JM Financial

Exhibit 52. Gradual scale-up in business but largely established



Source: Company, JM Financial

Strong loan underwriting and collections process though weakening sectoral trends leading to higher credit costs

- Underwriting

  HDB's underwriting process is a key strength, supported by a team of over 4,500 employees as of FY25. The company uses a hybrid underwriting structure that is tailored to different product types, customer segments, and ticket sizes. For smaller, shorter-term consumer finance products, HDB utilises a centralised unit for efficient credit assessment and underwriting. In contrast, for enterprise lending and asset finance, which involve larger ticket sizes and longer tenures, the company leverages decentralised regional and branch-level teams. This approach allows for a deeper, more contextual understanding of customer profiles, which we view as critical for managing risk in these segments. HDB's commitment to technology is also evident in its digital underwriting capabilities. For certain products, the entire credit assessment is handled digitally, with 95% of loans underwritten digitally as of the end of FY25. This process is powered by a robust system that uses internal and external customer data, rule-based decision engines, CRM bureau integrations, and comprehensive 360-degree credit assessments. These systems continuously re-evaluate customer credit scores, providing early warnings of potential delinquency and enabling proactive risk management.

- Collection

  HDB's collections process is supported by a sizable team of over 12.5k employees. The team operates across a centralised, regional, and branch-level structure, ensuring close coordination with the sales and credit underwriting teams. This integrated approach, which we believe is highly effective, allows for a comprehensive understanding of the customer lifecycle from acquisition to repayment. While the majority of collections are handled in-house, we note that HDB also utilises collections agents for specific products within its consumer finance vertical. Most loan repayments are processed smoothly through the National Automated Clearing House (NACH), but for any unpaid amounts, the company's dedicated in-house tele-calling and collections team takes over. HDB's robust risk management is further supported by its continuous monitoring of its portfolio. The company consistently tracks early payment behaviour and bounce rates at 30, 60, and 90 Days Past Due (DPDs), and performs detailed analysis of its portfolio health by bureau, state, and region.

Exhibit 53. Collection risk score cards and actions taken

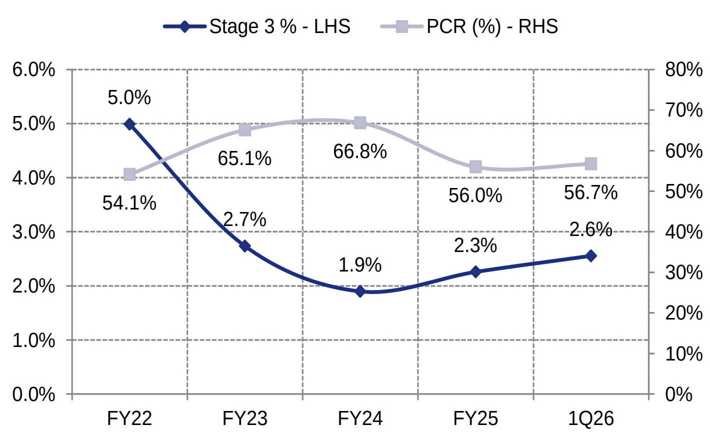
Bucket Type	Risk Score Bands	Actions
Current	Extreme Low	No intervention
	Low	Tactical
	Medium	Phone
	High	Door Knock (In-House)
Mid Bucket	Low	Tactical
	High	Door Knock (In-House)
Recoveries	Low	Phone
	Medium	External vendors
	High	Door Knock (In-House)

Source: Company, JM Financial

HDB's asset quality has recovered strongly post Covid till FY24. However, rising and elevated stress in unsecured/CV/CE/MSME loans (as highlighted in our notes on MSME and consumption loans) has led to rise in stressed loans and thus credit cost post FY24.

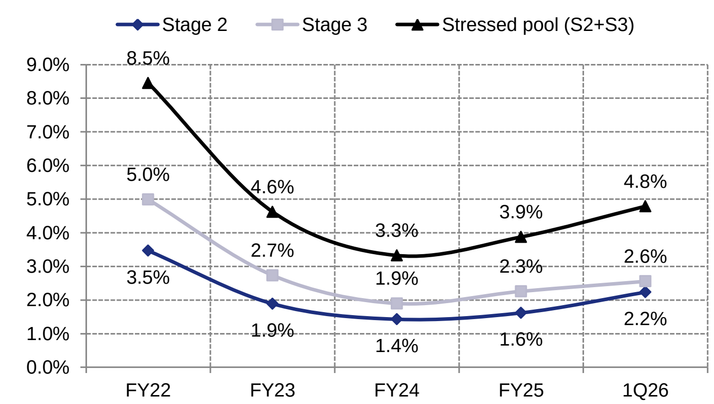
PCR on stage 3 remains healthy at ~57% as of 1QFY26 and its ECL cover too remains strong at 3.3% on its overall book. However, PCR/ECL both has been coming down in last few years. We expect credit costs to gradually decline but only in FY27F as MSME/unsecured loans stress settles down. We build in 2.1% of credit cost (as % of AUM) in FY26F, similar to FY25 before declining in FY27F.

Exhibit 54. Stage 3 assets trending up but PCR maintained healthy



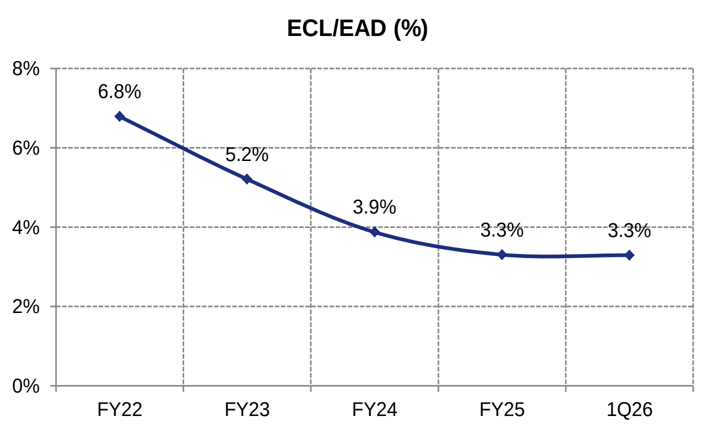
Source: Company, JM Financial

Exhibit 55. Stressed pool (Stage 2 + Stage 3) moved up due to stress in unsecured/MSME loans



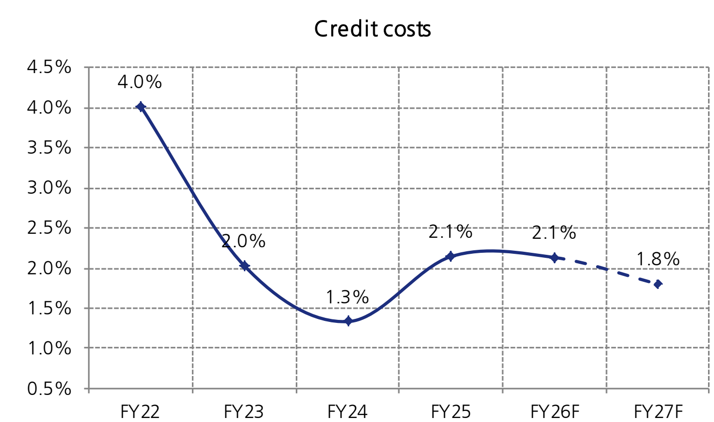
Source: Company, JM Financial

Exhibit 56. ECL cover has been coming down in last few years



Source: Company, JM Financial

Exhibit 57. Credit cost (% of AUM) to decline only in FY27F

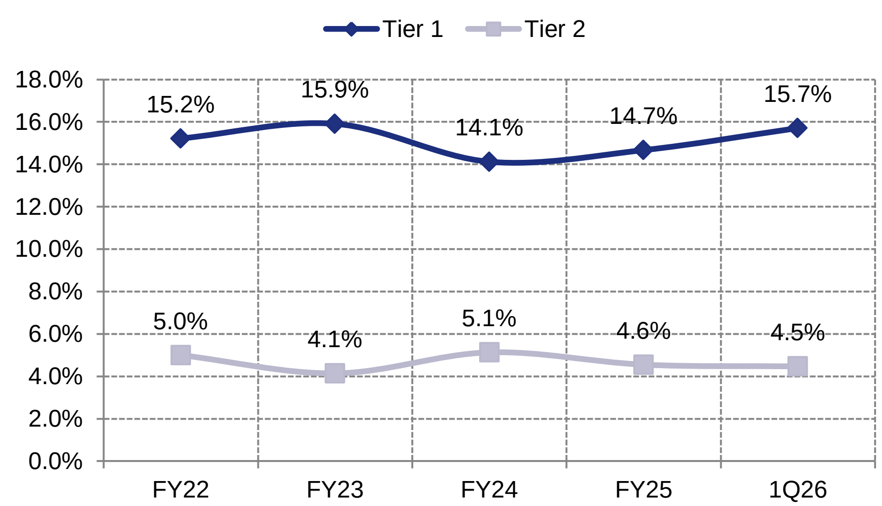


Source: Company, JM Financial

Well-capitalised to seize growth opportunities

As of Jun'25, HDB maintains a comfortable capital adequacy ratio of 20.2%, positioning the company to pursue its guided AUM growth of 15% over the next 2 years. In addition, HDFC Bank (promoter) holds 74.2% stake in HDB (on a fully diluted basis) as of Jun'25, which provides a reliable cushion and a dependable line of credit for the company, ensuring ready access to funds for future growth.

Exhibit 58. Comfortable capital adequacy



Source: Company, JM Financial

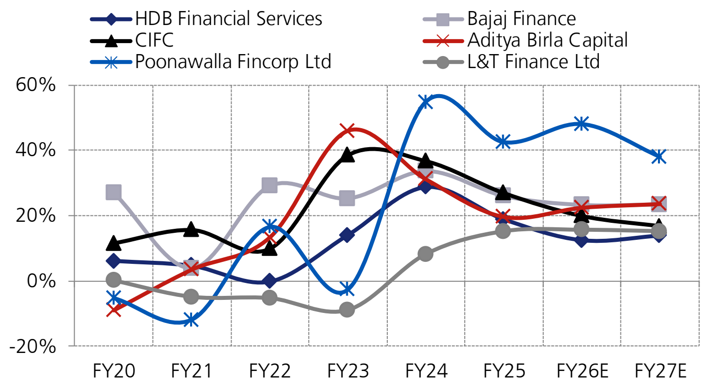
Exhibit 59. Current shareholding

Category	% shareholding
Promoter	
HDFC Bank Ltd.	74.19%
Others	5.68%

Source: Company, JM Financial

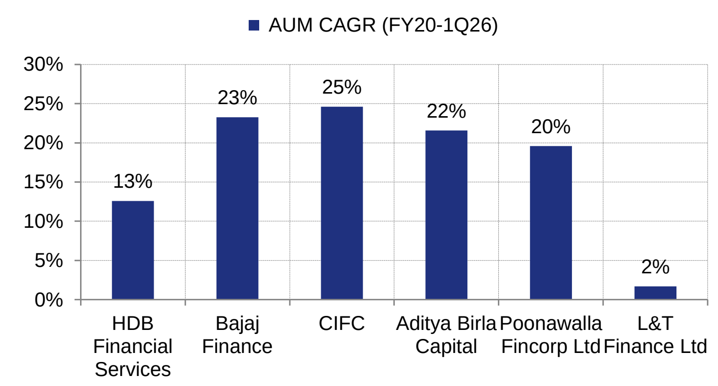
Peer Comparison

Exhibit 60. HDB: Moderate AUM growth rate compared to peers



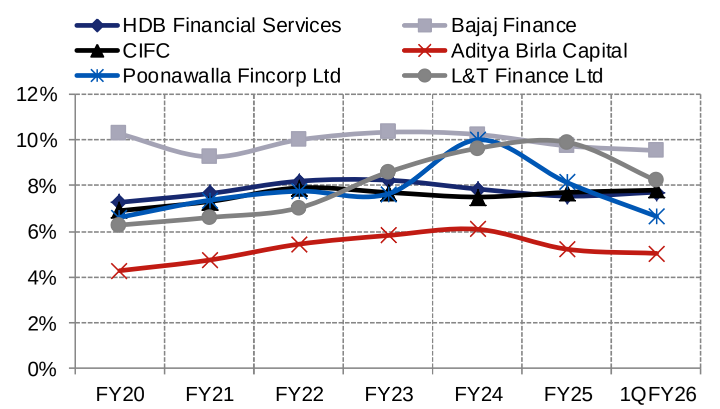
Source: Company, JM Financial

Exhibit 61. HDB: Modest CAGR over FY20-1QFY26 amongst peers



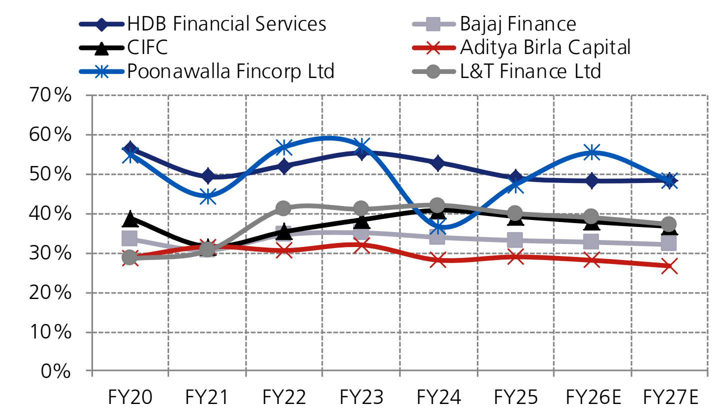
Source: Company, JM Financial

Exhibit 62. HDB: Stable NIMs with further diversification



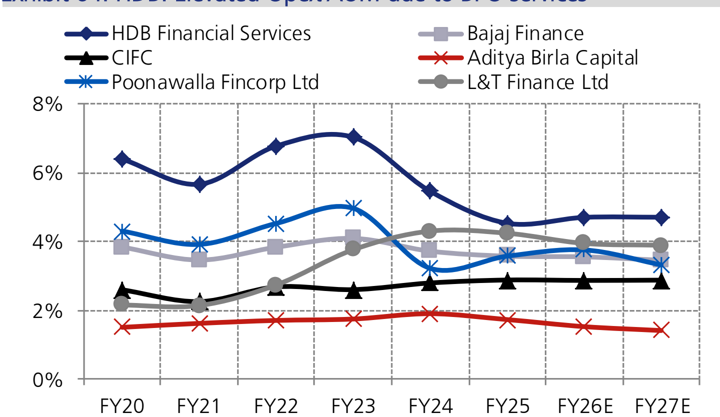
Source: Company, JM Financial

Exhibit 63. HDB: High cost-to-income relative to peers



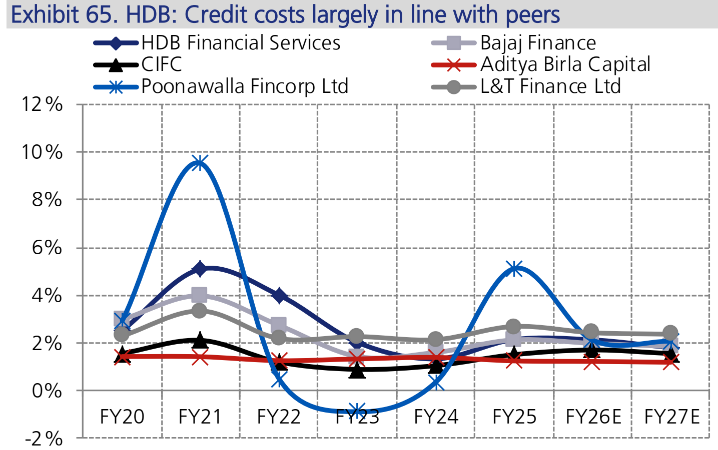
Source: Company, JM Financial

Exhibit 64. HDB: Elevated Opex/AUM due to BPO services



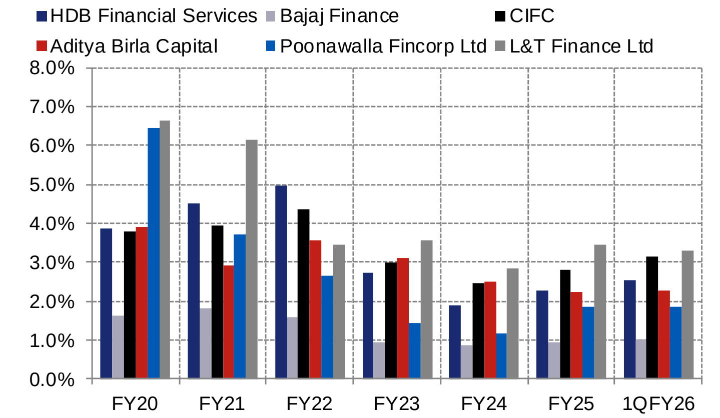
Source: Company, JM Financial

Exhibit 65. HDB: Credit costs largely in line with peers



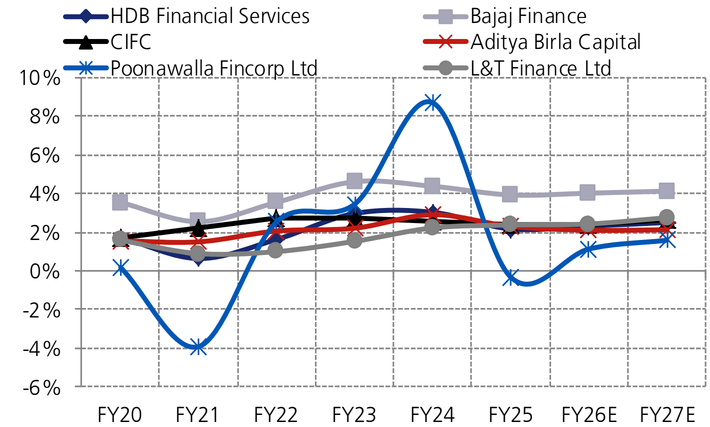
Source: Company, JM Financial

Exhibit 66. HDB: Moderate asset quality (Gross stage 3)



Source: Company, JM Financial

Exhibit 67. Lower RoAs relative to peers catering to same segments



Source: Company, JM Financial

Exhibit 68. Peer comparison across key parameters

	HDB Financial		Bajaj Finance		CIFC		AB Cap		LTFH	
CAGR/ YoY	1QFY26	FY22-25	1QFY26	FY22-25	1QFY26	FY22-25	1QFY26	FY22-25	1QFY26	FY22-25
Disbursements	-8.1%	31.6%	NA	NA	0.0%	41.7%	17.9%	41.1%	16.7%	17.5%
AUM	14.7%	20.4%	24.6%	28.3%	23.6%	33.9%	22.3%	31.8%	15.3%	4.4%
PAT	-2.4%	29.1%	21.8%	33.7%	20.6%	25.6%	8.8%	38.7%	2.3%	35.2%
Ratios (%)										
Yield on AUM (%)	14.7%	14.5%	16.0%	16.2%	14.1%	13.6%	11.8%	11.5%	13.9%	12.5%
Cost of funds (%)	7.8%	7.2%	7.4%	7.0%	7.8%	7.4%	7.7%	7.2%	7.0%	6.8%
NIM on AUM (%)	7.7%	8.0%	9.5%	10.1%	7.8%	7.7%	5.0%	5.6%	8.2%	8.8%
Credit cost (%)	2.5%	2.4%	2.0%	2.0%	1.9%	1.2%	1.3%	1.3%	2.2%	2.3%
ECL/EAD (%)	3.3%	4.8%	1.7%	1.8%	2.0%	2.2%	NA	1.8%	3.4%	4.7%
Du Pont (%)										
NII	7.1%	7.9%	8.6%	8.9%	6.2%	6.0%	4.57%	5.28%	6.7%	6.7%
Total income	9.3%	11.9%	10.6%	11.0%	7.5%	7.0%	4.92%	6.24%	7.4%	7.1%
Opex	4.5%	6.3%	3.5%	3.8%	2.8%	2.9%	1.59%	1.87%	3.4%	2.9%
PPOP	4.8%	5.6%	7.2%	7.2%	4.7%	4.6%	3.69%	4.37%	4.9%	4.2%
Provision	2.3%	2.3%	1.8%	1.7%	1.7%	1.1%	1.13%	1.24%	1.8%	1.9%
RoA (%)	**1.9%**	**2.4%**	**4.0%**	**4.1%**	**2.2%**	**2.6%**	**1.91%**	**2.37%**	**2.3%**	**1.7%**
RoE (%)	**13.1%**	**16.0%**	**18.9%**	**20.6%**	**18.8%**	**20.2%**	**21.2%**	**14.1%**	**11.0%**	**8.2%**
Valuation-FY27										
P/E		18.2		20.0		18.4		9.9		12.6
P/B		2.5		3.9		3.4		1.2		1.6

Source: Company; Priced as of 13th Aug'25

Keys risks

- **Risk of Ownership Change**: The RBI has introduced a draft circular that aims to prevent banks from having overlapping business activities with their group entities. Since HDFC Bank and its subsidiary, HDB Financial Services, offer similar products, this could lead to significant changes for HDB Financial. If the regulations are implemented in their current form, **HDFC Bank would be required to reduce its ownership stake in HDB Financial to less than 20%.** This significant decrease in ownership could have a material adverse impact on HDB Financial's business operations and financial stability. One of the immediate consequences would be the potential activation of debt covenants in its borrowing agreements. Many of these covenants allow banks to either recall or reprice debt facilities if the promoter's stake falls below 51%, which could substantially increase the company's cost of borrowing and hinder future fundraising. Furthermore, HDB Financial's ability to use the valuable "HDFC Bank" trademark is contingent on its status as a subsidiary. A reduction in HDFC Bank's stake to below the subsidiary threshold would result in the termination of the trademark license agreement, potentially impacting HDB Financial's brand recognition and market trust

- **Default risk from customers:** The rise in GS3 Loans to 2.56% in 1QFY26 (up from 1.90% in FY24) is a key risk we've identified. We believe this trend could be driven by macroeconomic factors, or borrower-specific issues like business cyclicality and wilful defaults (especially led by the Karnataka ordinance). As HDB expands into new markets, it may face challenges with collection efficiency, which could further elevate the NPAs.

- **Unsecured loan portfolio not backed by any collateral**: HDB's unsecured loan portfolio, which represented 27% of its total gross loans in 1QFY26, poses a key risk. Despite using direct debit instructions for repayments, the absence of collateral makes recovery uncertain in case of default. This could lead to a rise in GS-3 Loans. As the primary recovery method is through time-consuming and expensive legal action, diligent management of this portfolio is crucial for mitigating credit risk.

- **Intense competition:** HDB operates within a highly competitive market, facing a diverse range of lenders including banks, other NBFCs, and digital platforms. We believe a significant challenge for HDB is competing with institutions that have access to low-cost retail funding, extensive branch networks, and strong cross-selling capabilities. Furthermore, some competitors may benefit from lower debt-to-equity ratios, enabling them to secure funds at a lower cost, which could pressure HDB's margins and profitability.

- **Regulatory and compliance norms:** HDB operates under a stringent, multi-layered regulatory framework. As an upper layer NBFC, the company is subject to strict oversight and additional compliance requirements from the RBI. Its regulatory obligations also extend to the SEBI due to its listed Non-Convertible Debentures (NCDs) and to the IRDAI as a registered corporate agent. The cumulative effect of these regulations increases the company's compliance burden and operational complexity.

Highly experienced and professional leadership

The company is guided by a robust management team, with key members bringing over 25 years of individual industry experience in retail banking and lending. The longevity of its leadership is particularly noteworthy; the Managing Director and CEO has been with HDB since its inception, following an 8-year tenure with the HDFC Bank group. Similarly, most of HDB's key managerial personnel and senior management have been with the company for over 11 years. This deep institutional knowledge and extensive experience are crucial assets, enabling HDB to effectively navigate market challenges and capitalise on strategic growth opportunities.

Exhibit 69. HDB: Key management personnel

Name	Designation	Description
Ramesh Ganesan	Managing Director and Chief Executive Officer	He holds a bachelor's degree in mechanical engineering from Annamalai University, Annamalainagar and completed his post-graduate diploma in management from Indian Institute of Management, Lucknow. He has also completed a course in international banking from the Bank of New York. He has over 32 years of experience in business development, banking, consumer finance and operations. He has in the past been associated with companies such as Countrywide Consumer Financial Services Limited and HDFC Bank Limited. He was also associated with Enam Asset Management Company Private Limited, Godrej & Boyce and Intelenet Global Services Private Limited. He was appointed as Chief Executive Officer of the Company on April 1, 2010 and then elevated to the role of Managing Director and Chief Executive Officer of the Company with effect from July 1, 2012, and further he was reappointed as Managing Director and Chief Executive Officer with effect from with effect from July 1, 2022.
Jaykumar Pravinchandra Shah	Chief Financial Officer	He has been associated with HDB since June 14, 2021. He holds a bachelor's degree in commerce from the University of Mumbai, and is an associate of the institute of the Institute of Chartered Accountants of India. He has over 26 years of experience in the field of finance, investment management, accounting, taxation and auditing. Before his association with HDB, he has previously served with L&T Financial Services Limited, Royal Bank of Scotland, Sharp and Tannan, PricewaterhouseCoopers LLP across London, India and Singapore and N M Raiji and Co.
Srinivasan Karthik	Chief Business Officer	He has been associated with HDB since November 30, 2015. He holds a bachelor's degree in technology in electrical engineering from Indian Institute of Technology, Delhi and a post graduate diploma in management from Indian Institute of Management, Bangalore. He has over 22 years of experience in the field of operations, business development as well as corporate strategy. Before his association with HDB, he has previously served with Mphasis Limited and Serco Global Services. He has also served as an executive director with Zeus System Private Limited.
Sarabjeet Singh	Chief Business Officer managing Enterprise Lending Business	He has been associated with HDB since February 22, 2008. He holds a bachelor's degree in science from University of Allahabad and a post graduate diploma in business management from Institute of Management Technology, Ghaziabad. He has over 29 years of experience in retail lending and insurance distribution. Before his association with HDB, he has been associated with GE Money Financial Services Limited and Gujarat Lease Financing Limited.
Rohit Sudhir Patwardhan	Chief Credit Officer	He has been associated with HDB since December 10, 2007. He holds a bachelor's degree in computer science from Fergusson College, University of Pune and post graduate diploma in management from Symbiosis Institute of Management Studies, Pune. He has over 20 years of experience in the area of risk management, collections and collections strategy. Before his association with HDB, he has previously worked with Citi Bank Limited, GE Countrywide Financial Services Limited and Standard Charter Bank in India.
Manish Tiwari	Head- Commercial Equipment	He has been associated with HDB since September 2, 2011. He holds a diploma in mechanical engineering from Government Polytechnic, Seoni. He has experience in the field of business operations in finance, capital engineering goods and strategy planning. He has over 30 years of experience in financial services sector. He has previously served in infrastructure financing division with Kotak Mahindra Bank and has worked with Mait Middle East, Larsen & Toubro Limited. and Dynamic Engineers.
Marupudi Venkata Swamy	Chief Digital and Marketing Officer	He has been associated with HDB since August 1, 2008. He holds a bachelor's degree in engineering in computer science from Bharathivasan University, Tiruchirapalli and a post graduate diploma in management from Indian Institute of Management, Calcutta. He has over 20 years of experience in the field of digital marketing, product management, marketing strategy and data protection. He has previously been associated with ICICI Bank Limited as the assistant general manager.
Ashish Vishwanath Ghatnekar	Chief – People & Operations	He has been associated with HDB since December 01, 2008. He holds a bachelor's degree in engineering in electronics and telecommunication from the University of Poona, and a honours diploma in systems management from National Institute of Information Technology, Pune. He has over 31 years of experience in the field of human resources and operation management. He has previously been associated with HDFC Bank, Datamatics Staffing Services and Fortis Financial Services.
Mathew Panat	Chief Technology Officer	He has been associated with HDB since February 1, 2021. He holds a bachelor's degree in electronic engineering from University of Mumbai and has undertaken the one year executive program in business management from Indian Institute of Management, Calcutta. He has over 30 years of experience in the field of application development, support and delivery, enterprise architecture, cyber security and IT risk. Before his association with HDB, he has previously been associated with Tata Capital Financial Services Limited. He has also been associated with CapGemini (erstwhile Patni) Computer Systems Limited, IDFC First Bank Limited, and Oracle India Private Limited.
Harish Kumar Venugopal	Chief Risk Officer	He has been associated with HDB since February 1, 2011. He holds a bachelors' degree in arts from Delhi University and a post graduate diploma in business management from Institute of Management Technology, Ghaziabad. He has over 31 years of experience in risk management and mitigation, industry knowledge and decision making. He has over 19 years of previously been associated with Citibank, CitiCorp Finance India Limited, Foremost Factors Limited, RPG Itochu Finance Limited, SRF Finance Limited and Consortium Finance and Leasing Limited.
Arjun Bikas Dutta	Chief Compliance Officer	He has been associated with HDB since July 12, 2022. He holds a master's degree in commerce from Kanpur University and holds a masters of business administration from Sikkim Manipal University. He is a certified associate of the Indian Institute of Bankers (IIB) and is a certified banking compliance professional from Institute of Banking and Finance and has completed an executive certificate program in 'Financial Accounting and Auditing' from XLRI Jamshedpur. He has over 37 years of experience in the field of regulatory compliance, banking and finance. He has previously served with RBI.

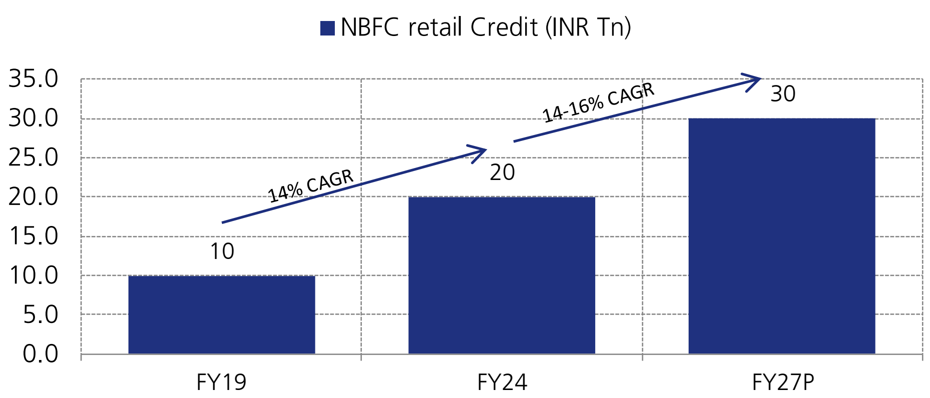
Source: Company

Industry overview

NBFCs drive financial inclusion through retail loan focus

The NBFC sector has evolved significantly in India, marked by growth in size, technological sophistication, and diverse business models. Fuelled by increased digital adoption and mobile penetration, financial services—especially credit—have become more modular. From fiscal year FY19-24, NBFC credit grew at an estimated CAGR of roughly 11%. This growth was primarily driven by the retail segment, which saw an estimated CAGR of ~14%, while non-retail credit grew at around 9%. Looking ahead, the retail segment is projected to grow at a CAGR of 14-16% from FY24-27. This continued focus on retail, coupled with a planned reduction in wholesale exposure by many players, is expected to be the key driver of overall NBFC credit growth.

Exhibit 70. NBFCs' retail credit is expected to grow at 14-16%

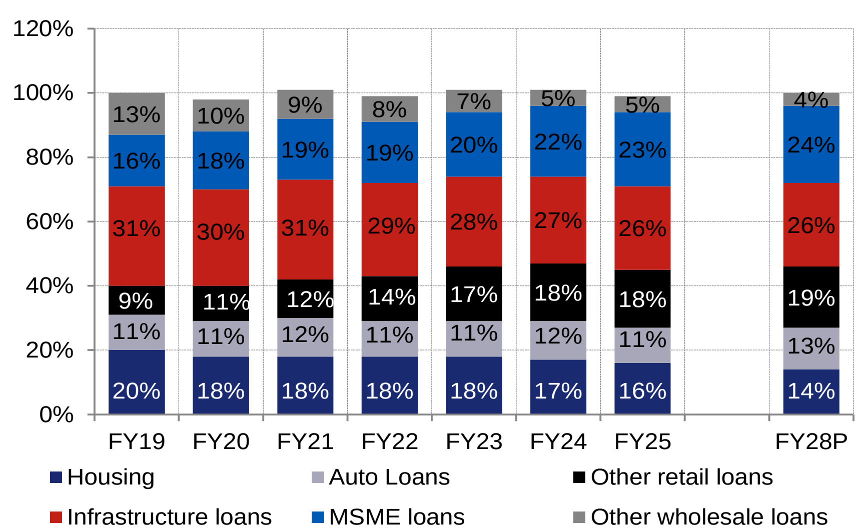


Source: Note: P = Projected; Retail credit above includes housing finance, vehicle finance, microfinance, gold loans, construction equipment finance, consumer durable finance and education loans; Source: Company reports, RBI, CRISIL MI&A

MSME, auto and other retail loans contributed approximately 52% to overall NBFC credit in FY25

Although infrastructure holds the largest share of NBFC credit at 26% as of FY25, its share has declined from 31% in FY19. The retail and MSME segments are poised for higher growth. MSME credit, in particular, has seen its share rise to 23% in FY25 from 16% in FY19.

Exhibit 71. Distribution of NBFC credit across asset classes



Note: Other retail loans include gold loans, microfinance loans, personal loans, consumer durable loans, education loans, other wholesale loans include wholesale loan and construction equipment loan;
Source: Company reports, CRISIL MI&A

Overview of MSME sector in India

The MSME sector is a vital component of India's economy, with an estimated 70mn enterprises as of FY22. These businesses are crucial for generating employment with low capital investment, promoting industrialisation in rural areas, and reducing regional economic disparities. The government aims for MSMEs' contribution to GDP to increase from 29.2% in FY22 to 40-50% by FY30. As of FY24, MSMEs accounted for 45.73% of India's total exports. The UDYAM registration portal has recorded 196mn jobs since its inception in Jul'20.

Exhibit 72. MSME segment accounts for about ~29% of India's GDP

INR trillion	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	All India GDP	Share of MSME in All India GDP (in %)	Number of MSMEs (in million) *
FY16	41	11.00%	126	32.30%	138	29.70%	64
FY17	45	10.90%	140	32.20%	154	29.20%	66
FY18	51	13.00%	155	32.80%	171	29.80%	67
FY19	57	12.90%	172	33.50%	190	30.00%	69
FY20	61^	7.60%	184	33.40%	201	30.50%	NA
FY21	54^	-12.00%	182	29.70%	198	27.20%	NA
FY22	69^	27.10%	214	32.00%	235	29.20%	70
FY23	81^	8%	246	30.10%	269	NA	NA

Note: (*) – Estimated, All India GDP as of current prices, (^) Calculated numbers, Source: MSME Ministry Annual reports, Role of MSME Sector in India- Ministry of Micro, Small & Medium Enterprises, Source: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1946375, CRISIL MI&A

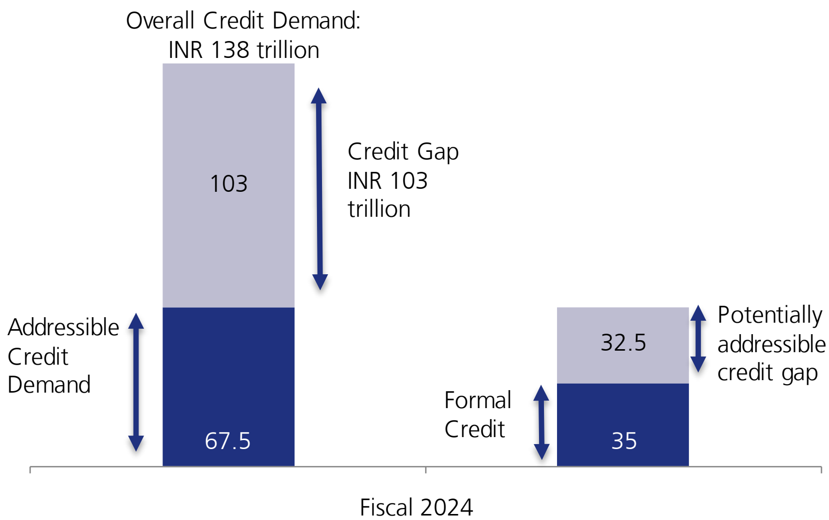
Exhibit 73. Snapshot of MSMEs in India

Note: *Data as of FY23,^ Data as of FY22 ** The numbers are estimated
Source: MSME Ministry Annual report for FY23, MSME Ministry Annual report for FY24, Ministry of Micro, Small & Medium Enterprises (Source: https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=152063&ModuleId=3&reg=3&lang=1), CRISIL MI&A

MSME credit gap

A high-risk perception and the prohibitive cost of physical service delivery have historically constrained formal lending to MSMEs, leaving a significant credit gap. According to an IFC report from Nov'18, the MSME credit demand in FY17 was estimated at INR 69.3trln, with only about 16% met by formal financing. This resulted in an estimated credit gap of INR 58.4trln, which was often filled by informal sources charging high-interest rates (30-60% per annum). The credit gap has widened further due to slower economic growth and the Covid-19 pandemic. Government schemes like ECLGS provided relief primarily to MSMEs with existing formal loans, excluding many in need. As of FY24, MSME credit demand is estimated to have grown to approximately INR 138trln, with formal financing meeting only 25% of this demand. CRISIL MI&A estimates the credit gap to have widened to INR 103trln as of FY22.

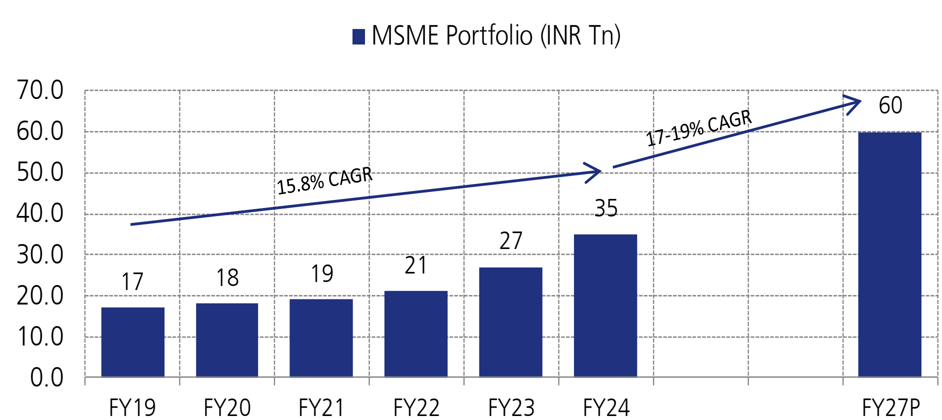
Exhibit 74. Despite increase in MSME loans outstanding, large credit gap still exists (INR trln)



Note: E: Estimated, Source: IFC report on Financing India's MSMEs dated November 2018, CRISIL MI&A estimates

While the total MSME credit gap has grown, a closer look at the "addressable" demand reveals a more targeted opportunity for financial institutions. In FY17, the total MSME credit demand was INR 69.3trln, but the addressable demand (excluding new, unviable, or informal-seeking MSMEs) was estimated at INR 36.7trln. With formal financing meeting INR 10.9trln of this, the addressable credit gap stood at INR 25.8trln. By FY24, CRISIL MI&A estimates the total addressable credit demand has grown to INR 67.5trln. Formal financing currently accounts for INR 35trln, leaving an addressable gap of INR 32.5trln for financial institutions to capture.

Exhibit 75. Portfolio outstanding (INR trln) for MSME portfolio to grow at 17-19% CAGR



Source: CRISIL MI&A estimates

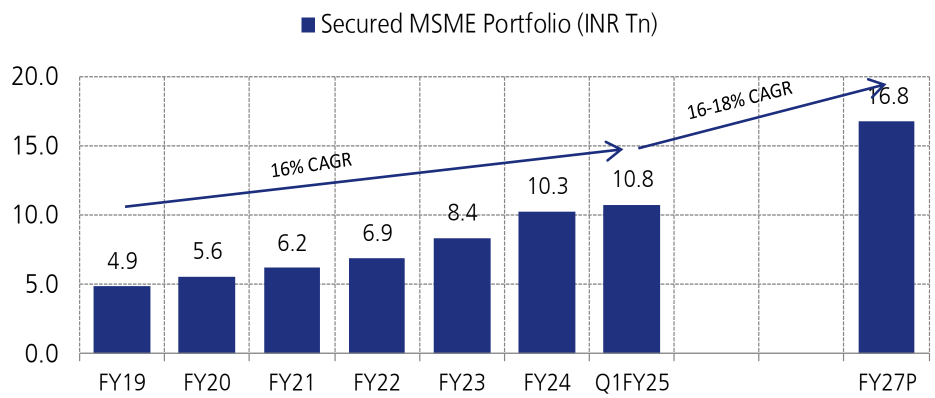
Overall Secured MSME (LAP) Portfolio Outstanding

Overall secured MSME portfolio outstanding is projected to grow by 16-18% over FY24-27

The overall secured MSME loan (Loan Against Property) segment has shown robust growth, with its outstanding portfolio registering a CAGR of nearly 16% from FY19-24. As of FY24, this portfolio stood at an estimated INR 10.3trln, growing to INR 10.8trln by 1QFY25. Growth in this segment slowed to about 11% YoY in FY22 but rebounded strongly with 22% YoY growth in FY23, supported by normalising economic activity and government initiatives like Aatmanirbhar Bharat. This momentum continued into FY24, where the portfolio grew by roughly 24% YoY, driven by strong economic conditions and domestic consumption.

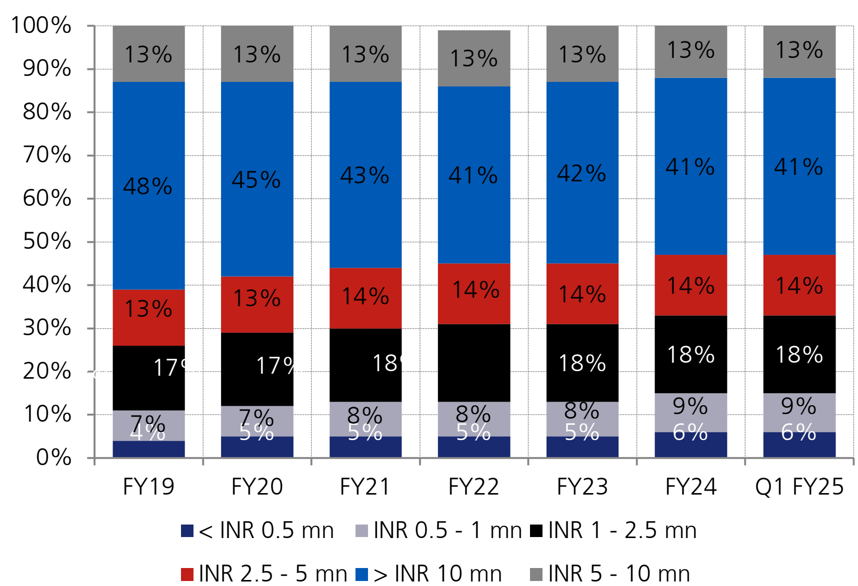
Lenders, particularly NBFCs, are increasingly focusing on this space, aided by an expanded branch network, better data availability, and government initiatives like GST and Udyam. NBFCs (including HFCs and NBFC-Fintech) currently hold a significant 36% market share in the secured MSME portfolio as of Mar'24.

Exhibit 76. Overall secured MSME portfolio outstanding is projected to grow by 16-18% over FY24-27



Note: P: Projected, Source: CRIF Highmark, CRISIL MI&A

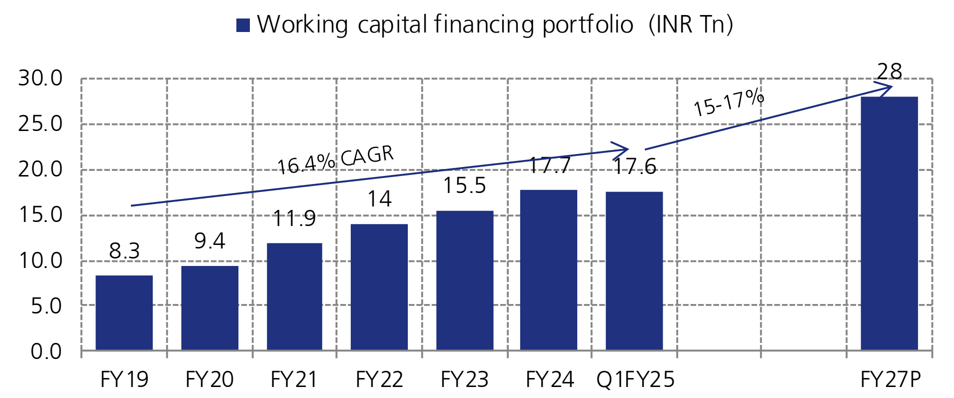
Exhibit 77. Share of overall secured MSME portfolio outstanding with ticket size INR 1.0mn-2.5mn has been increasing in the overall pie



Source: CRIF Highmark, CRISIL MI&A

Working Capital Financing

Exhibit 78. Working capital financing segment witnessed a CAGR of ~16.4% from FY19-24

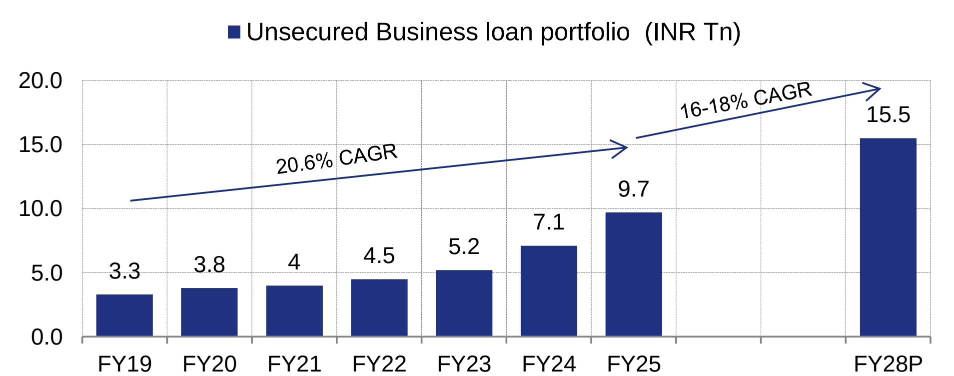


Note: Working capital financing portfolio outstanding as reported in the commercial bureau.
Source: CRIF Highmark, CRISIL MI&A

The Indian working capital financing market reached INR 17.7trln in FY24, exhibiting a CAGR of roughly 16.4% since FY19. Despite a slight dip to INR 17.6trln in 1QFY25, the segment has shown consistent growth, with the most rapid expansion occurring in FY23 and FY24. CRISIL MI&A projects a future CAGR of 15-17% through FY27.

Unsecured Business Loans

Exhibit 79. Unsecured business loans witnessed a CAGR of approximately 20.6% from FY20-25



Note: Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau.
Source: CRIF Highmark, CRISIL MI&A

The Indian unsecured business loan segment, comprising general business loans and loans to professionals, reached INR 9.7trln in FY25, growing at a CAGR of ~20.6% from FY20-25. The fastest YoY growth was observed in FY23 and FY24, at 15% and 38% respectively. CRISIL MI&A estimates a future CAGR of 16-28% through FY28, driven by an increase in the number of businesses, greater financial penetration, government initiatives, and improved underwriting practices by lenders.

Loans less than INR 0.5mn witnessed the fastest growth in unsecured business loans segment

Loans with a ticket size of less than INR 0.5mn are the fastest-growing segment in the unsecured business loans market, with a CAGR of 26.4%. Despite this rapid growth, they account for only 13.2% of the total outstanding portfolio. In contrast, loans exceeding INR 10mn hold the largest market share at 49.5%, growing at a solid CAGR of 21.8%.

Exhibit 80. Loans less than INR 0.5mn witnessed the fastest growth in unsecured business loan segment from FY20-25

Ticket Bracket (in INR billion)	FY20	FY21	FY22	FY23	FY24	FY25	CAGR (FY20-25)
< INR 0.5 mn	392.1	434.2	467.0	573.1	820.7	1264.9	26.40%
INR 0.5 - 1 mn	314.6	363.1	404.1	498.1	558.5	700.6	17.40%
INR 1 - 2.5 mn	566.9	579.2	623.5	811.2	985.8	1227.2	16.70%
INR 2.5 - 5 mn	396.8	400.4	455.5	607.8	796.4	1044.0	21.30%
INR 5 - 10 mn	235.7	253.0	292.7	345.5	473.2	595.6	20.40%
> INR 10 mn	1767.1	1883.3	2143.7	2213.2	3300.9	4732.9	21.80%
Unallocated	125.8	119.6	105.1	106.5	154.4	137.6	1.80%
Overall	3799.1	4032.8	4491.6	5155.4	7090.0	9702.9	20.60%

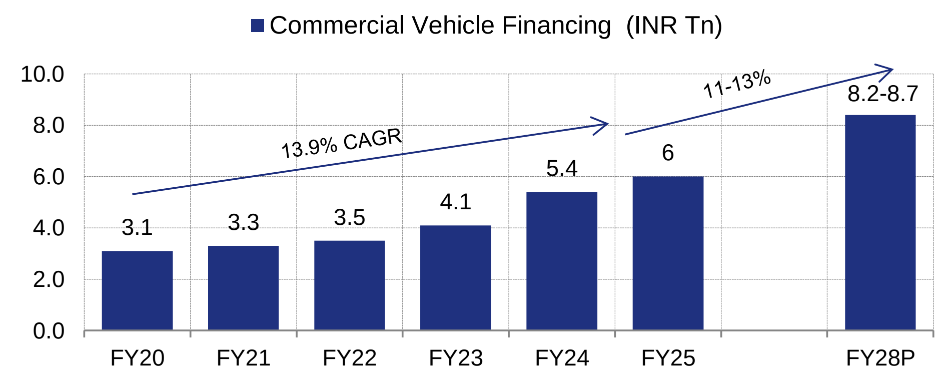
Note: Others include customer portfolio data in which no information on ticket size was available with the bureau,
Unsecured Business loan portfolio includes business loan general, business loan unsecured, and loans to professional as per bureau.
Source: CRIF Highmark, CRISIL MI&A

Commercial Vehicle Financing in India

Commercial vehicle financing is expected to witness a CAGR of 11-13% from FY25-28

The new commercial vehicle financing segment is projected to grow at a CAGR of 11-13% from FY25 to FY28. This follows a robust period from FY20 to FY25, which saw a CAGR of 13.9%. After a pandemic-induced slowdown in FY21 and FY22, the segment saw a sharp recovery, with growth rates of 18.6% in FY23, 29.2% in FY24, and 12.6% in FY25, driven by increased private consumption and freight demand. Future growth is expected to be supported by rising demand for Light Commercial Vehicles (LCVs) and Medium & Heavy Commercial Vehicles (M&HCVs), fuelled by improved economic activity, infrastructure development, and steady agricultural output.

Exhibit 81. Commercial vehicle financing is expected to witness a CAGR of 11-13% from FY25-28

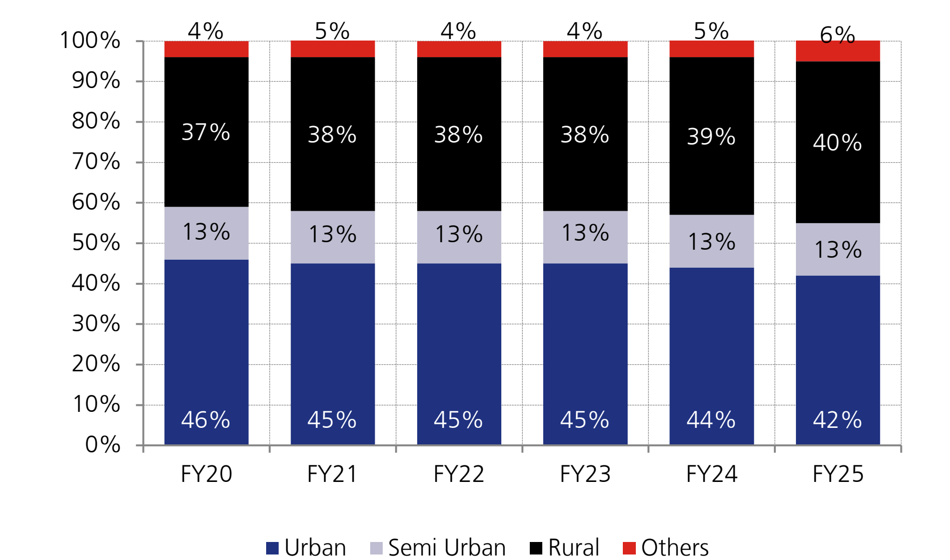


Source: CRIF Highmark, CRISIL MI&A

Urban areas account for the highest share among tiers across FY20-25

As of FY25, urban regions account for the highest share accounting for ~41.7% share in overall commercial vehicle financing, followed by rural regions accounting for ~39.5% share and semi-urban regions accounting for ~13.0% market share.

Exhibit 82. Urban areas account for the highest share among tiers across FY20-25



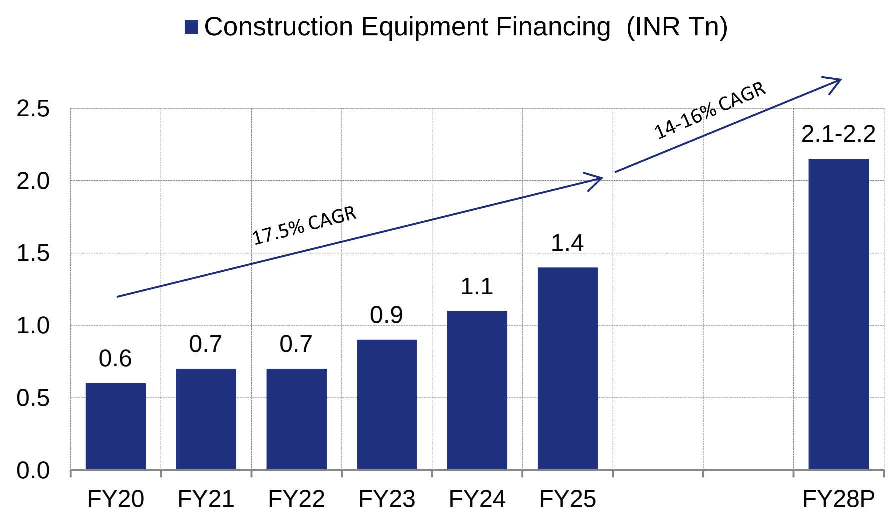
Source: CRIF Highmark, CRISIL MI&A

Construction Equipment Financing in India

Construction equipment financing is expected to witness a CAGR of 14-16% from FY25-28

The CE finance industry grew 26.1% YoY in FY25, reaching a market size of ~INR 1.4trln. The CE financing segment is expected to grow at a CAGR of 14-16% till FY28. The segment witnessed a growth of 17.5% CAGR from FY20-25. This growth was driven by an increase in the sales value of new construction equipment.

Exhibit 83. Construction equipment financing credit outstanding

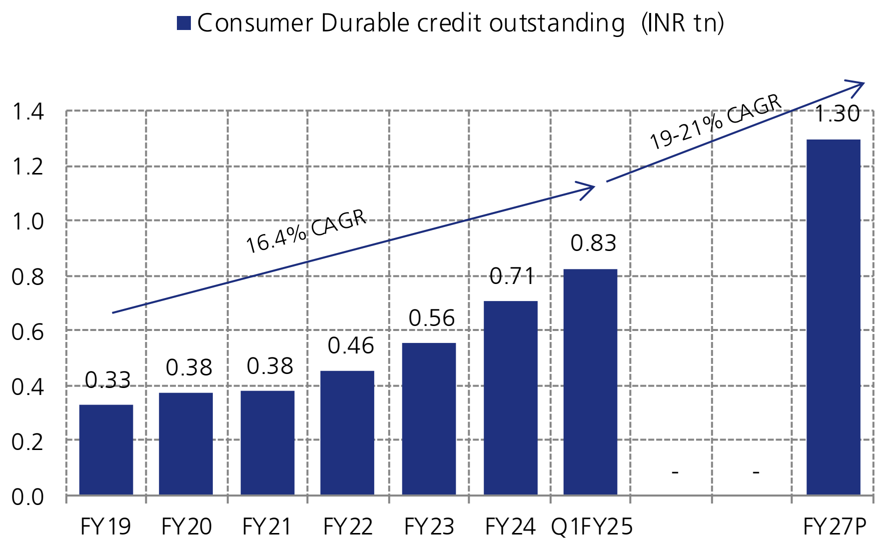


Source: CRIF Highmark, CRISIL MI&A

Consumer lending in India

The consumer durables loan book in India grew by 27% year-on-year to reach INR 0.71trln in FY24, driven by resilient consumption, aspirational spending, and increased financing penetration. The momentum is expected to continue, with CRISIL MI&A projecting 19-21% CAGR from FY24-27.

Exhibit 84. Consumer durable credit outstanding is expected to witness a CAGR of 19-21%



Source: CRIF Highmark, CRISIL MI&A

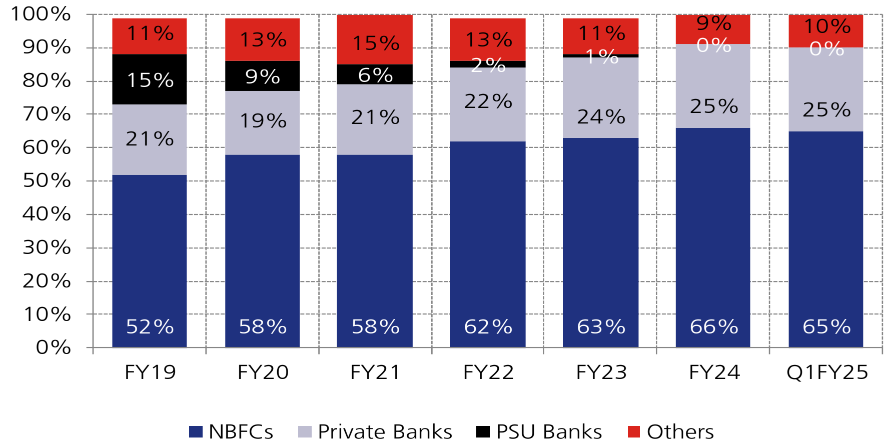
Prime and below-prime customers to support NBFCs' credit growth

NBFCs are driving growth in the consumer durables financing sector through innovative, low-ticket-size products and a strong focus on Tier 2 and smaller cities. Their expertise in customising products and understanding customer behaviour allows them to effectively underwrite below-prime customers. As this segment of the loan portfolio matures, asset quality will be a critical factor to monitor.

NBFCs account for majority share in consumer durable finance outstanding across FYs

NBFCs continue to dominate the consumer durable financing market, holding a nearly 66% share of outstanding loans as of FY24, an increase of approximately 8% since FY21. Private banks are the second-largest players, with about a 25% market share. From FY19-24, NBFCs also demonstrated superior growth with a CAGR of ~22%, slightly outpacing the 21% CAGR of private banks over the same period.

Exhibit 85. NBFCs account for majority share in consumer durable finance outstanding across FYs



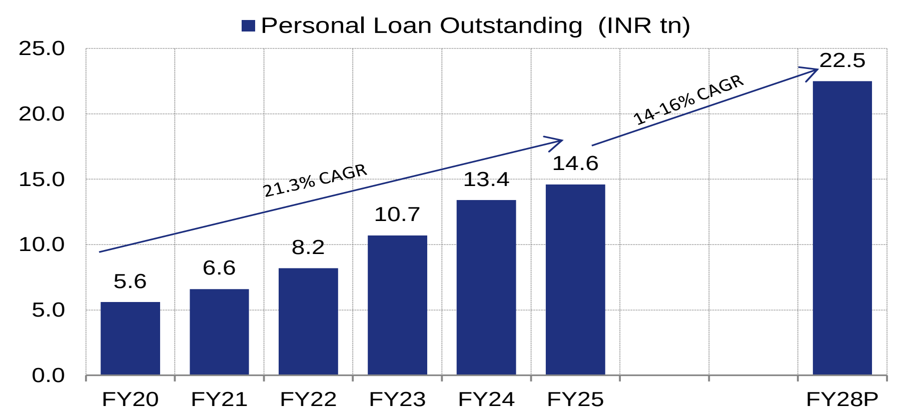
Note: Others includes other financial institutions, Small Finance Banks and foreign banks, Source: CRIF Highmark, CRISIL MI&A

Personal Loans

Strong disbursements especially from NBFCs led to robust personal loan book growth in FY24

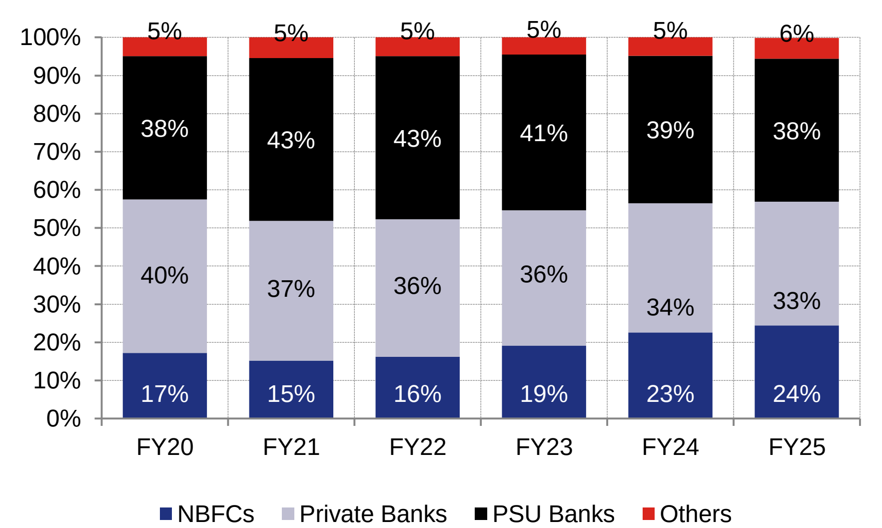
From FY20 to FY25, personal loans outstanding grew at a CAGR of ~21.3%, from INR 5.6trln to INR 14.6trln. This surge was fuelled by the rise of new-age lenders, increased focus on Tier 1 and beyond customers, and a shift to a consumption-driven economy. Post-pandemic, the segment saw a period of "exuberance" as lenders favoured retail over wholesale loans due to granularity and improved asset quality. However, a slowdown occurred in the second half of FY24 after the RBI increased risk weights on unsecured loans, leading banks and NBFCs to recalibrate their strategies. While the "exuberance" is expected to taper, growth remains healthy. Personal loans outstanding grew by 9% to INR 14.6trln in FY25. Looking ahead, the segment is projected to grow by 13-15% in FY26, driven by anticipated boosts in retail consumption from income tax relief under the Union Budget 2025-26.

Exhibit 86. Personal loan outstanding stood at INR 13.8trln as of 1QFY25



Note: P – Projected, Source: CRIF Highmark, CRISIL MI&A

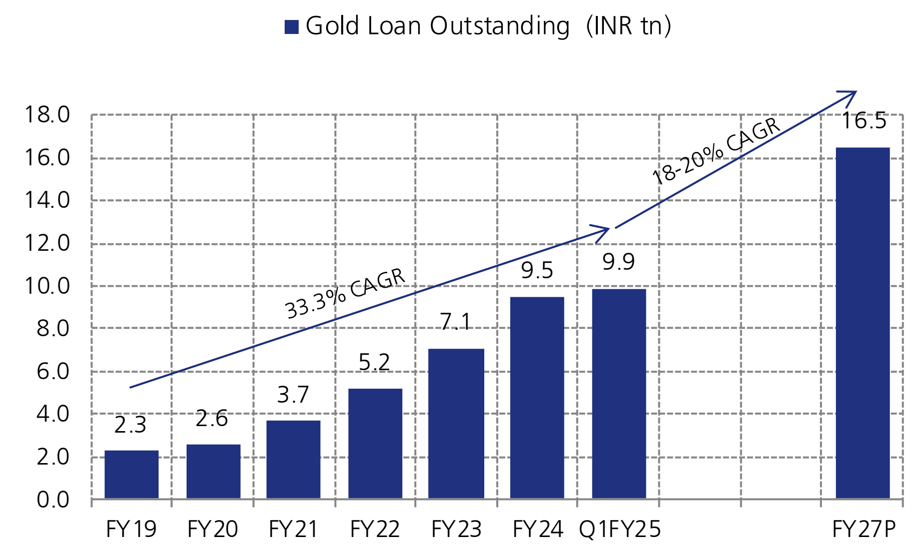
Exhibit 87. Share of NBFCs in personal loan outstanding has increased in the past few years



Note: Others includes other financial institutions, Small, Finance Banks and foreign banks, Source: CRIF Highmark, CRISIL MI&A

Gold loans

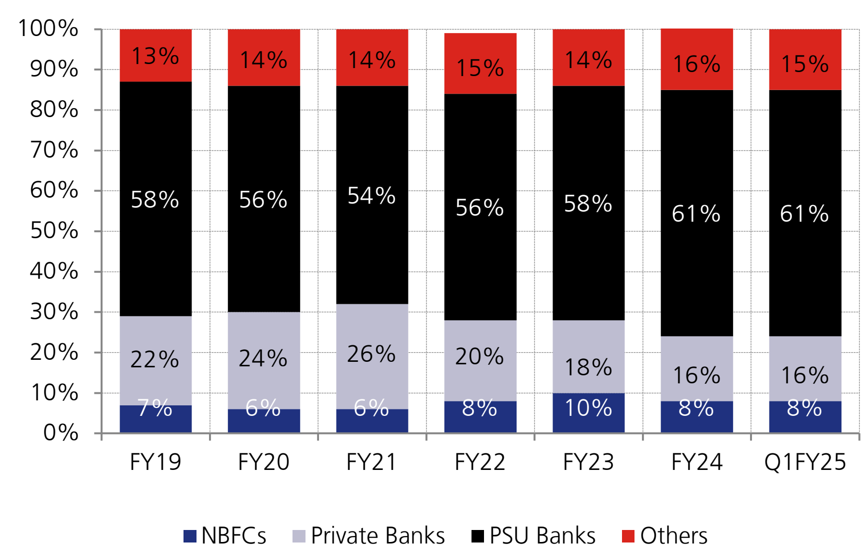
Exhibit 88. Gold loans credit outstanding is expected to grow at a CAGR of 18-20% from FY24-27



Source: CRIF Highmark, CRISIL MI&A

The gold loan sector, traditionally dominated by unorganised players, is experiencing significant growth, with organised disbursements increasing at a CAGR of ~35% from FY19 to FY24, reaching INR 12.5trln. This trend is expected to continue, with CRISIL MI&A projecting a CAGR of 18-20% for outstanding credit from FY24-27. This growth is driven by increasing customer comfort with gold loans, efforts to capture market share from unorganised lenders, and geographic expansion beyond South India. The demand is further fuelled by micro-enterprises and individuals seeking working capital and personal finance, as well as the adoption of convenient doorstep loan models.

Exhibit 89. NBFCs account for nearly 8% share in overall gold loans credit, with public sector banks accounting for the highest share

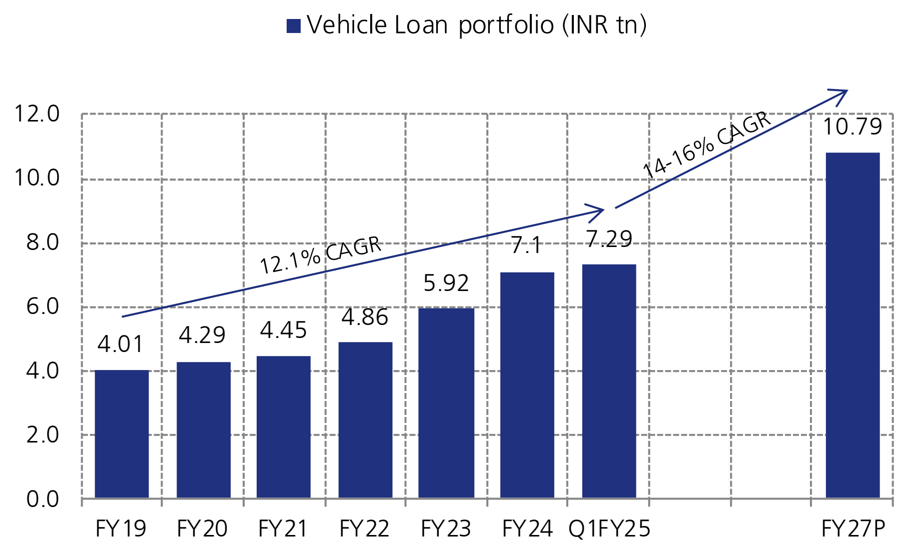


Note: "Others" includes Small Finance Banks and foreign banks.
Source: CRIF Highmark, CRISIL MI&A

Passenger Vehicle Loans

The new car loan portfolio grew at a CAGR of 13.8% from FY20 to FY25, reaching a growth of 15.6% in FY25. This follows strong growth in FY23 (21.9%) and FY24 (19.8%), driven by post-Covid economic recovery and increasing finance penetration. Despite this, new passenger vehicle sales faced headwinds in FY24 and FY25 due to weak consumer sentiment, high inventory levels, elevated interest rates, and uneven rural demand. However, sales improved in the second half of FY25 due to festive demand and inventory-clearing discounts. Finance penetration for auto loans is currently estimated at 75-80%, with further increases expected.

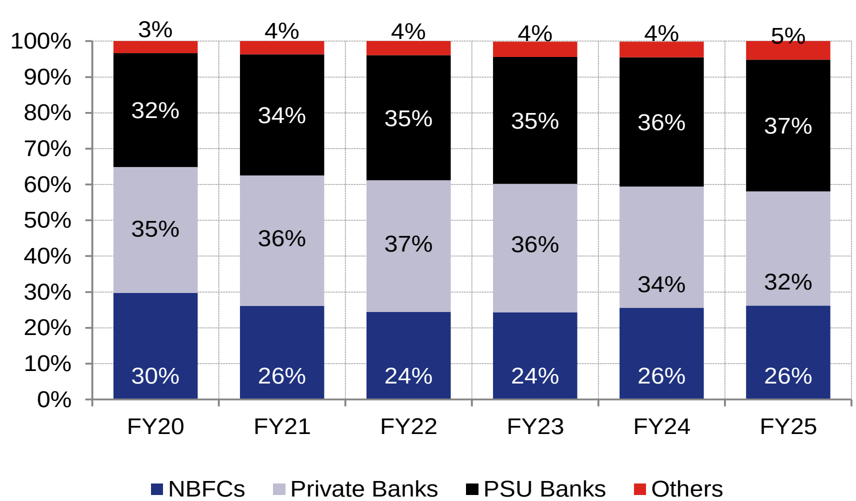
Exhibit 90. Vehicle loan (passenger vehicles loan) portfolio expected to grow at 14-16% CAGR from FY25 to FY28



Note: The above data includes lending portfolio of new passenger vehicles.
Source: CRIF Highmark, CRISIL MI&A

Banks are increasingly capturing market share in the new-auto financing sector, primarily from non-captive NBFCs, due to their ability to offer lower financing costs and cross-sell products. NBFCs, however, are carving out a distinct niche by focusing on used car loans and leveraging their deeper penetration in rural and semi-urban markets, which are often underserved by traditional banks. This strategy allows them to access a large, unserved customer base and remain a favoured option for both new and used vehicle financing, despite the competitive pressure from banks.

Exhibit 91. Lender-wise share of passenger vehicle loan portfolio



Note: The above data includes lending portfolio of new passenger vehicles. "Others" includes Small Finance Banks and foreign banks.
Source: CRIF Highmark, CRISIL MI&A

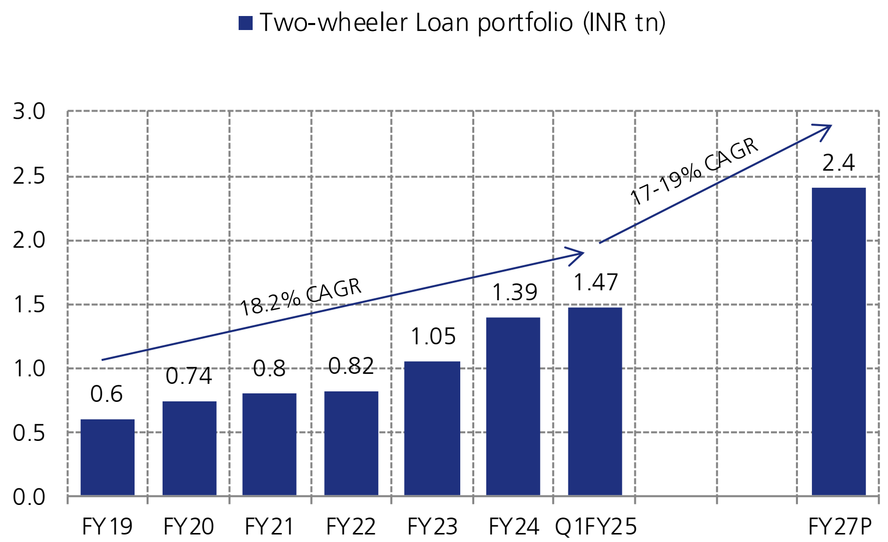
Two-wheeler Loans

Two-wheeler domestic sales grew by 14% to reach sales volume of 18.4 lakh units in FY24. Two-wheeler volumes are expected to improve by 7-9% in FY26 on account of recovery of rural market sales aided by healthy crop prices and incomes finally catching up with the hike in vehicle prices and pent-up replacement demand. Furthermore, the introduction of electric scooter models by OEMs is also helping drive volumes.

Two-wheeler financing market

The two-wheeler financing market grew at a CAGR of 17.5% from FY20-25, reaching INR 1.6trln. After a slowdown in FY22 due to the pandemic (1.7% growth), the segment rebounded strongly with 29.2% growth in FY23 and 18.2% in FY25. CRISIL projects a continued CAGR of 14-16% from FY25-28, with the market reaching INR 2.4trln-2.6trln. Finance penetration is estimated at 60-65% in FY25, driven by digital inclusion and improved traceability, which has reduced default rates. The market is highly competitive, with NBFCs and captive finance companies aggressively targeting rural and non-metro areas with attractive schemes and promotions to stimulate demand, despite rising vehicle costs. Future growth is expected to be supported by the increasing role of captive NBFCs in rural markets.

Exhibit 92. Two-wheeler financing is expected to grow at a CAGR of 14-16% from FY25 to FY28

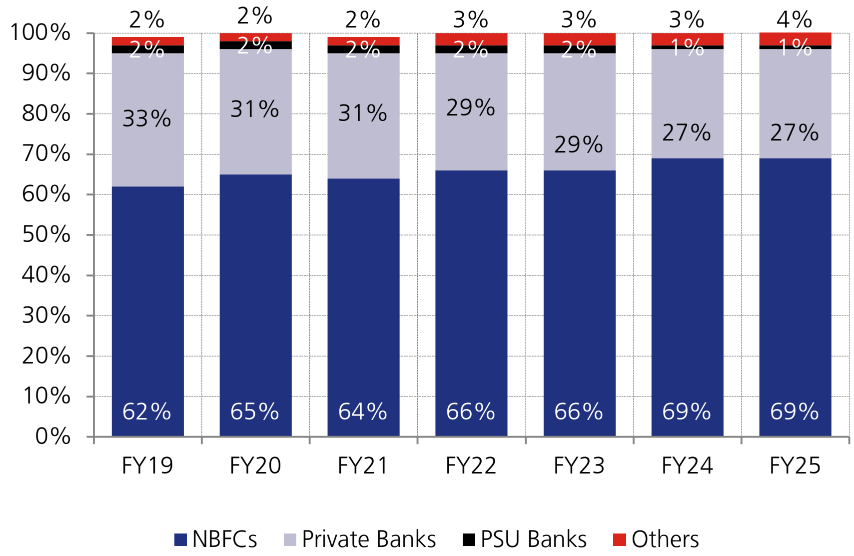


Note: P: Projected, Source: CRIF Highmark, CRISIL MI&A

NBFCs account for the highest share in two-wheeler financing across FY20–FY25

NBFCs are solidifying their dominance in two-wheeler financing, with their share of outstanding credit rising from 65.1% in FY20 to 68.5% in FY25. This growth comes at the expense of private banks, whose share has declined to 26.9%. NBFCs' success is largely attributed to their ability to serve under-penetrated rural markets with competitive rates, where banks have a limited presence. The rural segment remains a key growth driver, supported by rising incomes and greater financial participation from women.

Exhibit 93. NBFCs share in two-wheeler financing market stands at 69% as of FY25



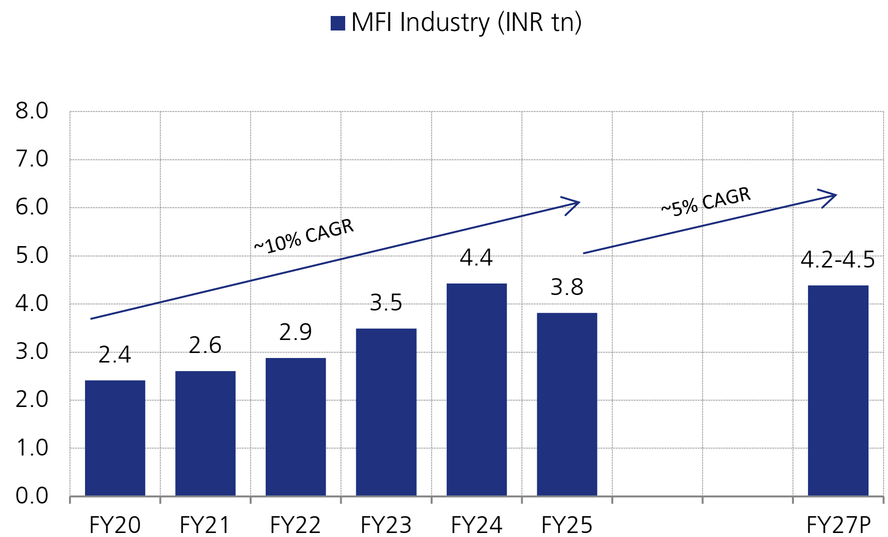
Source: CRIF Highmark, CRISIL MI&A

Microfinance Industry

Rising penetration to support continued growth of the industry

In FY25, the microfinance industry's portfolio outstanding contracted by 13.9% YoY to INR 3.81trln, primarily due to a decline in disbursements and a rise in write-offs. This decline was exacerbated by several factors, including an ordinance in Karnataka aimed at preventing coercive recovery, a combination of environmental and socio-political challenges, borrower over-indebtedness, and the implementation of MFIN's guardrails.

Exhibit 94. Overall MFI industry to grow at 5-6% CAGR over FY25-28



Source: CRIF Highmark, CRISIL MI&A

Financial Tables (Standalone)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	1,11,567	1,38,358	1,61,817	1,81,940	2,06,367
Interest Expense	(48,643)	(63,902)	(69,888)	(75,626)	(84,754)
Net Interest Income (NII)	62,924	74,456	91,928	1,06,314	1,21,613
Non Interest Income	30,144	24,645	25,639	27,226	29,484
Total Income	**93,068**	**99,101**	**1,17,567**	**1,33,540**	**1,51,097**
Operating Expenses	49,347	48,693	56,841	64,791	72,949
Pre-provisioning Profits	**43,721**	**50,408**	**60,726**	**68,748**	**78,148**
Loan-Loss Provisions	10,674	21,130	24,209	23,153	24,974
Others Provisions	-	-	-	-	-
Total Provisions	**10,674**	**21,130**	**24,209**	**23,153**	**24,974**
PBT	**33,047**	**29,278**	**36,517**	**45,595**	**53,174**
Tax	8,438	7,519	9,129	11,399	13,293
PAT (Pre-Extra ordinaries)	**24,608**	**21,759**	**27,388**	**34,197**	**39,880**
Extra ordinaries (Net of Tax)	-	-	-	-	-
Reported Profits	**24,608**	**21,759**	**27,388**	**34,197**	**39,880**
Dividend	-	-	-	-	-
Retained Profits	**24,608**	**21,759**	**27,388**	**34,197**	**39,880**

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	7,931	7,958	8,296	8,296	8,296
Reserves & Surplus	1,29,496	1,50,239	2,02,289	2,36,486	2,76,366
Networth	1,37,427	1,58,197	2,10,585	2,44,782	2,84,662
Borrowed Funds	7,43,307	8,73,977	9,65,193	10,78,766	12,11,880
Other Liabilities	44,831	54,459	1,08,918	1,25,256	1,44,044
Total Liabilities	**9,25,565**	**10,86,633**	**12,84,696**	**14,48,803**	**16,40,586**
Net Advances	8,67,213	10,33,430	11,62,410	13,24,014	15,16,366
Cash & Bank Balances	7,025	9,843	36,195	34,356	31,477
Fixed Assets	1,625	2,431	2,674	2,942	3,236
Other Assets	49,702	40,929	83,417	87,492	89,507
Total Assets	**9,25,565**	**10,86,633**	**12,84,696**	**14,48,803**	**16,40,586**

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Borrowed funds	35.5	17.6	10.4	11.8	12.3
Advances	30.6	19.2	12.5	13.9	14.5
Total Assets	32.1	17.4	18.2	12.8	13.2
NII	16.2	18.3	23.5	15.6	14.4
Non-interest Income	(13.3)	(18.2)	4.0	6.2	8.3
Operating Expenses	0.0	(1.3)	16.7	14.0	12.6
Operating Profits	10.5	15.3	20.5	13.2	13.7
Core Operating profit	181.3	89.8	36.2	18.3	17.2
Provisions	(19.8)	98.0	14.6	(4.4)	7.9
Reported PAT	25.6	(11.6)	25.9	24.9	16.6
Yields / Margins (%)					
Interest Spread	6.92	6.53	6.84	6.83	6.80
NIM	7.85	7.54	8.07	8.24	8.25
Profitability (%)					
ROA	3.03	2.16	2.31	2.50	2.58
ROE	19.5	14.7	14.9	15.0	15.1
Cost to Income	53.0	49.1	48.3	48.5	48.3
Asset quality (%)					
Gross NPA	1.90	2.25	2.52	2.36	2.21
Credit Cost (on AUM)	2.37	3.94	4.01	3.37	3.17

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	7.74	7.40	7.75	7.78	7.87
Other Income / Assets	3.71	2.45	2.16	1.99	1.91
Total Income / Assets	11.45	9.85	9.92	9.77	9.78
Cost / Assets	6.07	4.84	4.79	4.74	4.72
PPP / Assets	5.38	5.01	5.12	5.03	5.06
Provisions / Assets	1.31	2.10	2.04	1.69	1.62
PBT / Assets	4.06	2.91	3.08	3.34	3.44
Tax rate	25.5	25.7	25.0	25.0	25.0
ROA	3.03	2.16	2.31	2.50	2.58
Leverage	6.73	6.87	6.10	5.92	5.76
ROE	19.5	14.7	14.9	15.0	15.1

Source: Company, JM Financial

Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	793.1	795.8	829.6	829.6	829.6
EPS (INR)	31.0	27.3	33.0	41.2	48.1
EPS (YoY) (%)	25.3%	-11.9%	20.7%	24.9%	16.6%
P/E (x)	24.1	27.4	22.7	18.2	15.6
BV (INR)	173.3	198.8	253.8	295.1	343.1
BV (YoY) (%)	19.9%	14.7%	27.7%	16.2%	16.3%
P/BV (x)	4.3	3.8	3.0	2.5	2.2
DPS (INR)	-	-	-	-	-
Div. yield (%)	-	-	-	-	-

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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