

FY24



HDB FINANCIAL SERVICES LTD.



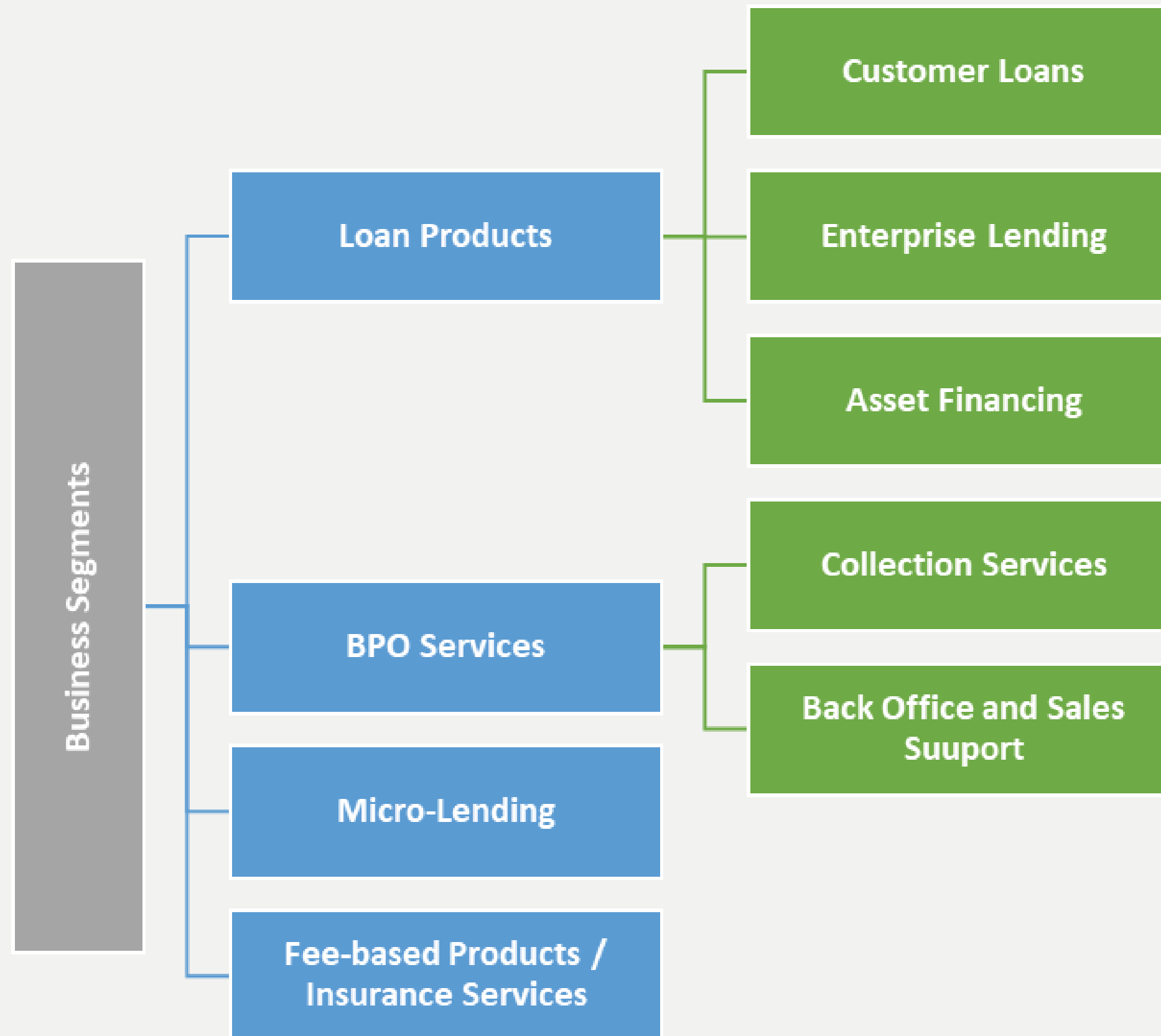
BY ALTIUS INVESTECH



Overview

- HDB Financial Services (**HDBFS**) is an NBFC offering financial products and services across enterprise lending, asset financing and consumer loans.
- HDBFS was incorporated in 2007 and commenced its lending operations in **2008**.
- HDBFS is one of the 15 NBFCs falling in the Upper Layer under Scale Based Regulation for NBFCs for 2023-24.
- **HDFC Bank**, the largest private sector bank in India, owns **94.8%** of the stake in HDBFS.
- HDBFS is accredited with **CARE-AAA & CRISIL-AAA** ratings for its long-term debt & bank facilities and an A1+ rating for its short-term debt & commercial papers, making it a reliable financial institution.

Business Segments



Snapshot



Product Portfolio

- **Lending Products:** Consumer loans, CV loans, Business loans, Gold Loans etc.
- **BPO Services:**
 - **Collection Services:** HDBFS operates call centres for HDFC Bank, providing end-to-end services across 700 locations via on-call and field support teams.
 - **Back Office and Sales Support:** HDBFS undertakes forms processing, document verification, finance and accounting operations, and processing support.
- **Micro-Lending:** HDBFS offers micro-loans through the Joint Liability Groups (JLG) model.
- **Fee-based Products/Insurance Services:** HDBFS, licensed by IRDAI acts as a registered Corporate Insurance Agent, offering Life and General insurance products.

Digital Lending Journey

HDBFS has embraced digital lending to cater to the evolving credit needs of tech-savvy customers. Through Digital Loans, Partnerships With Fintech Players, E-NACH & E-Sign, and Free online Credit Reports, HDBFS offers convenient and innovative solutions, simplifying the borrowing process for customers.

Customer Service Digital Channels:

- HDB On-the-Go App | Customer Service Bot | Online Customer Portal

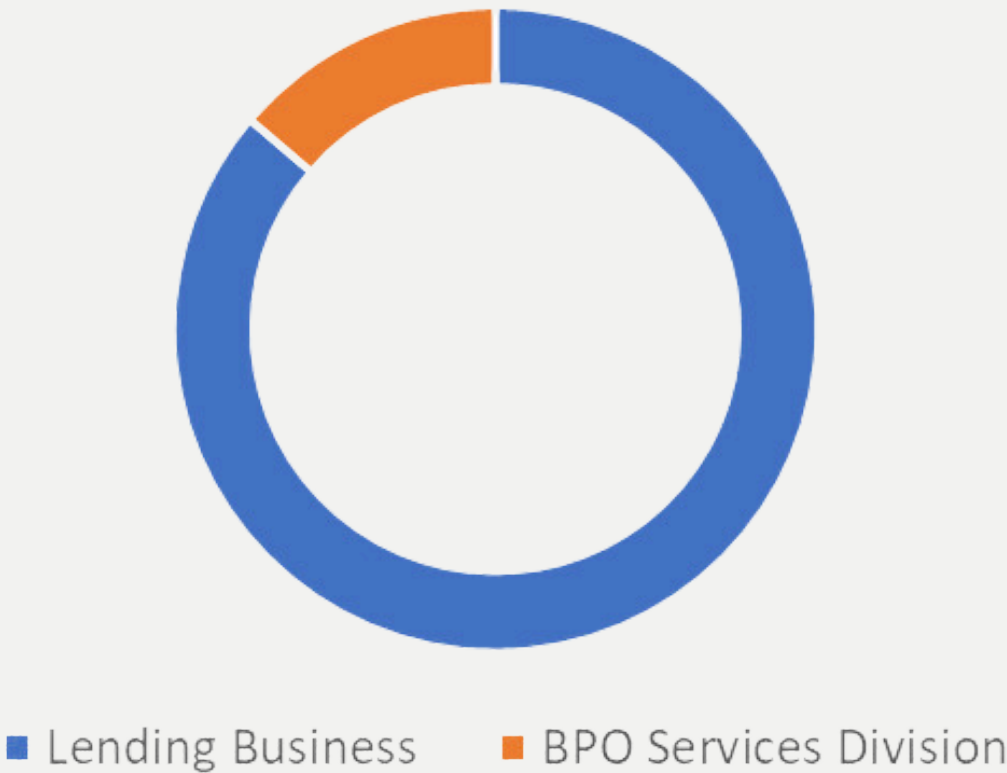
Key Initiatives:

- Digital Pre-Approved Offers: Instant loans for eligible customers.
- Aabhaar Card: Loyalty cards for streamlined benefits.
- Jiffy loan: Quick personal loans through digital process | Disbursed in 2 hours.
- WhatsApp Loan Application: Instant loan applications via WhatsApp

Segment Wise Performance

Business Segment	Revenue FY22	Revenue FY23	Revenue FY24	Growth
Lending Business	8,943	9,769	12221	25%
BPO Services Division	2,363	2,634	1949	-26%

Segment Wise Revenue Breakdown - FY24



Financial Highlights

Particulars	FY24	FY23	FY22
Total Income	14171	12402	11306
Net Interest Income	11156	8928	8363
PAT	2460	1970	1025
Net Profit Margin	17%	16%	9%
EPS	31.08	24.78	12.8

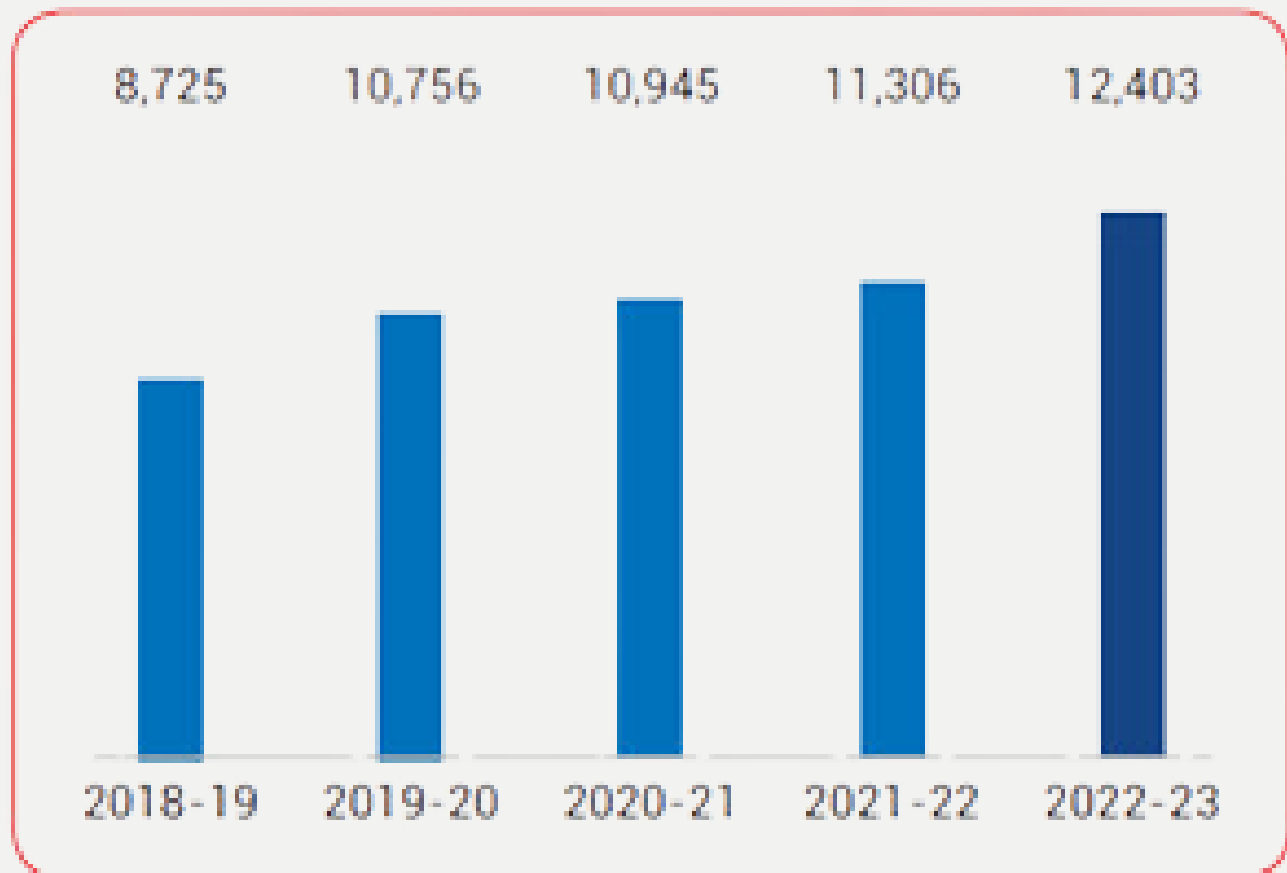
Based on 5-Year
Data

Revenue
CAGR: 10.36%

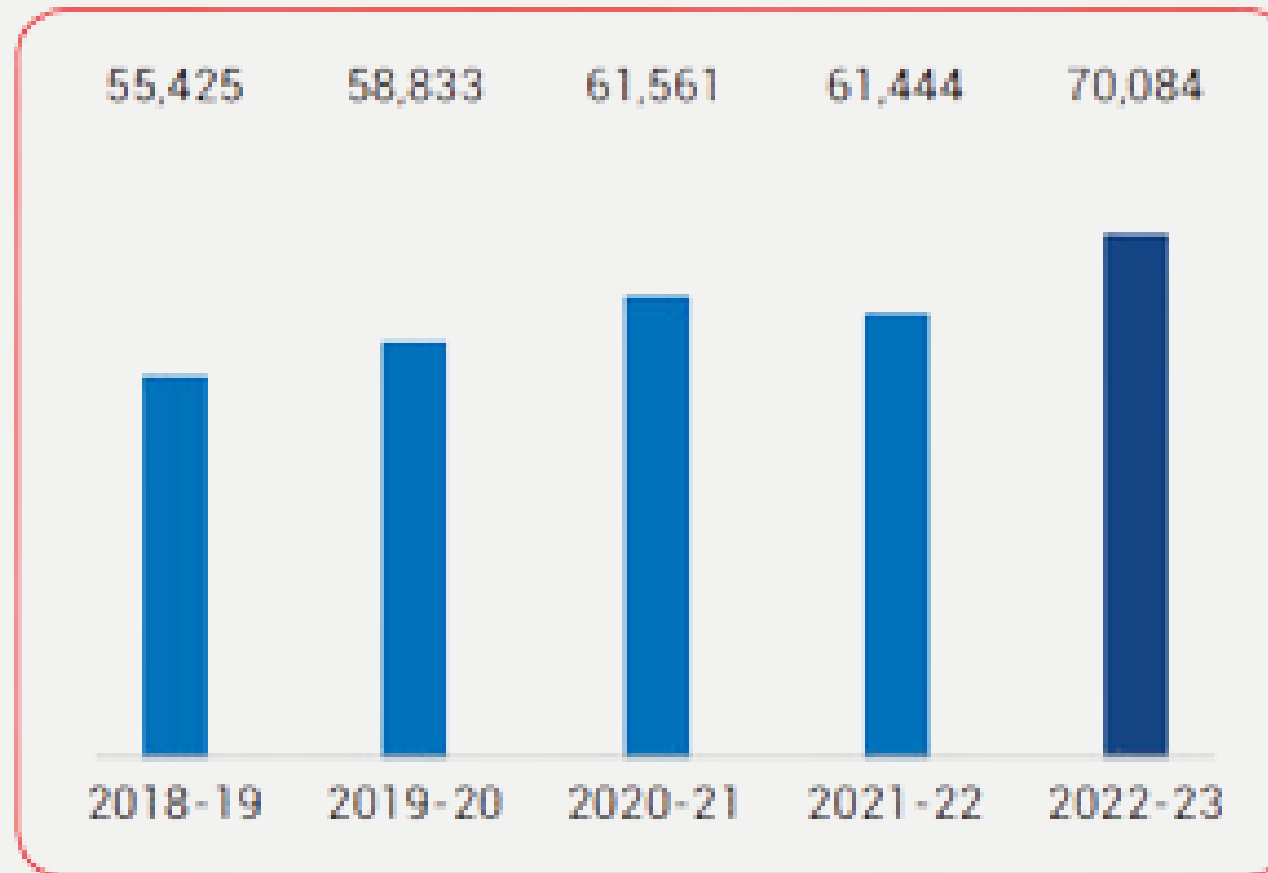
PAT CAGR:
16.44%

Financial Highlights

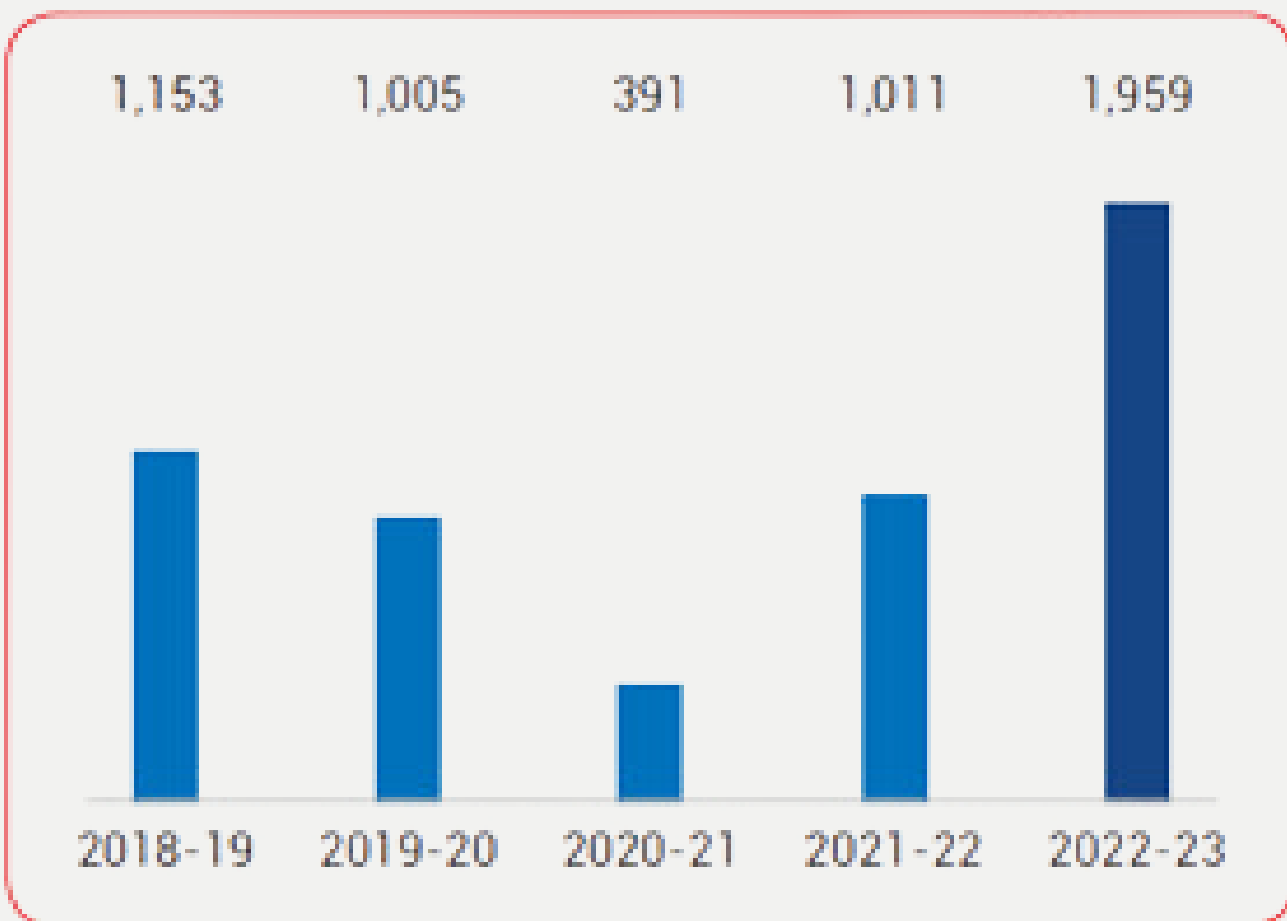
Total Revenue (₹ in Crore)



Assets Under Management (₹ in Crore)



Profit After Tax (₹ in Crore)



Improvement in Business Volumes & Profitability

Metrics:

- Strong Growth in **Disbursements**: 42% Y-o-Y
- **AUM**: ₹70,084 - FY23 | ₹61,444 Crs. - FY22
- Total **Income** Growth: 14% in FY24
- **PAT** Growth: 24% in FY24
- GNPA - 2.73% in FY23 | 4.99% FY22.
- NNPA - 1.01% in FY23 | 2.45% in FY22.

Industry Overview

Relevance of NBFCs in the Indian landscape:

NBFCs have emerged as a significant force in promoting financial inclusion in India by successfully catering to the underserved segments of society.

The growing market share of NBFCs can be attributed to the lighter and more flexible regulations imposed by the RBI and their focus on specific sectors and niche markets.

Highlights

- As of September 2023, NBFCs in the country have disbursed loans amounting to over 450 billion U.S.
- As per ICRA, the NBFC-Retail AUM growth rate in FY23 was 16-18% in FY23 and 12-14% in FY24.
- Projected CAGR of the NBFC sector: 18.5% | 2021 – 2026

Key Strengths

- **Strategic Importance to HDFC Bank:** HDBFS benefits significantly from its linkages with HDFC Bank, enabling it to raise funds at competitive rates. HDBFS complements HDFC Bank's product portfolio and customer coverage and supports sourcing retail loan portfolios.
- **Established Presence in Retail Segment:** HDBFS has become one of the leading players in retail financing. Its portfolio has witnessed a CAGR of 8.4% over the last 5 years. As of FY23, vehicle loans accounted for the majority share of the AUM at 43.2%.
- Experienced Management | Comfortable Capital Structure: CAR: 19.25% as of FY24.

Key Weaknesses

- Moderate Asset Quality and Exposure to Riskier Segments.
- Vulnerability to Asset Quality Shocks

IPO Plans

The CFO of HDFC Bank, Srinivasan Vaidyanathan, indicated that the IPO process for HDB Financial Services, is anticipated to commence in the upcoming months. (Target - by September 2025)

Recent News

(12th April 2024)

Bank of Tokyo-Mitsubishi UFJ, MUFG is set to acquire a 20% stake in HDB Financial Services for \$2B | 16654.31 Crs. - INR

Current MCAP: 83888.3 Crs.
Expected Price: ₹1037

This investment values the IPO-bound arm of HDFC Bank at an estimated \$9 billion to \$10 billion OR 83270.9 Crs.



Peer Comparison

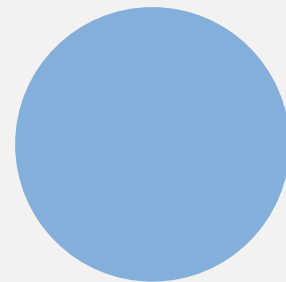
Particulars	HDBFS	Bajaj Finance Ltd.
Total Income	14171 Crs.	54969 Crs.
Net Interest Income	11156 Crs.	48306 Crs.
PAT	2460 Crs.	14451 Crs.
Net Profit Margin	17%	26%
CMP (15/05/2024)	₹1099	₹6668
MCAP	86975 Crs.	4,12,747 Crs.
P/E Ratio	35	28.52
P/B Ratio	6	5.6

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