1. Profitability analysis

- Narrative: During the Q4 2023 earnings call, the management highlighted their focus on maintaining a stable return on assets (ROA). The company aims to continue operating within a specific range, which demonstrates their commitment to efficiency and effective asset utilization. This guidance underscores the management's strategy to enhance financial stability and long-term growth prospects.

- Management's Guidance:

- Management indicated that they intend to operate within a return on asset range of 1.9 to 2.1 going forward.
- Actual Results:

['Q1', '2024']:

- The actual Return on Assets (ROA) for Q1 2024 was reported as 2.1%, which is within the management's guidance range of 1.9 to 2.1.

['Q3', '2024']:

- Profit after tax for the quarter increased by 33.5% versus prior year, delivering a return on assets in the quarter of about 2% and return on equity of about 15.8%. I'Q4'. '2023'I:
- Return on Assets for Q4 FY23 was reported at 2.2%, which is above the guidance range of 1.9 to 2.1. This demonstrates better-than-expected asset utilization and profitability for the quarter.

['Q2', '2024']:

- Return on Assets (ROA) was reported at 2.0% for Q2 FY24, which is within the management guidance range of 1.9 to 2.1. The net profit after tax for the quarter was INR 15,976 crores, representing a growth of 50% over the prior year.
- Evaluation:
- Expectations Met: The actual Return on Assets (ROA) for Q1, Q2, and Q3 of 2024 was within the management's guidance range of 1.9 to 2.1, indicating that the company's performance aligned with the management's stated goals.

2. Asset growth strategies

- **Narrative:** The management at HDFC has conveyed a comprehensive strategy for asset growth, centered around expanding their customer base significantly and increasing their physical presence through branch expansion. They have set ambitious targets for customer acquisition in the current year and plan to leverage these new customers to drive growth. Additionally, the management has highlighted the importance of strategic branch expansion, which is expected to play a crucial role in supporting revenue growth in the coming quarters.

- Management's Guidance:

- The management plans to onboard 2.6 million new customers in the current quarter, contributing to a total of over 10.5 million new customers this year. Over the next four to five quarters, they aim to integrate around 2,000 new branches, which they anticipate will take approximately 18 to 24 months to start contributing to revenue, thereby offsetting the initial costs.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available
- Evaluation:
- Insufficient Info: Data not available.

3. Mobile banking enhancements

- **Narrative:** Management highlighted the significant growth and adoption of their Vyapar app, which is part of their mobile banking enhancement strategy. They emphasized the strong year-on-year growth, showcasing the app's increasing popularity and its role in the bank's digital transformation initiatives.

- Management's Guidance:

- Management noted a 30% year-on-year growth in payment acceptance points, driven by the momentum of the Vyapar app. This indicates an expectation of continued growth and enhancement in their mobile banking services, contributing positively to the bank's digital transformation strategy in future quarters.

- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- SmartHub Vyapar has garnered tremendous growth with three-fold increase in active users and more than three-fold in merchant transactions value.

['Q2', '2024']:

- SmartHub Vyapar platform handles monthly transactions of INR19,000 crores and provides monthly disbursals of INR650 crores.
- Evaluation:
- Expectations Exceeded: The Vyapar app, part of HDFC's mobile banking enhancement strategy, achieved a three-fold increase in active users and merchant transaction value, significantly surpassing management's 30% year-on-year growth expectation.

4. Asset quality trends

- **Narrative:** Management highlighted the stability of the company's fixed rate book, which constitutes approximately 44-45% of the total portfolio. They emphasized that the current trends in the asset quality will persist for the foreseeable future.

- Management's Guidance:

- Management indicated that the fixed rate book, which runs for two to three years, has started contributing to the stability in asset quality and this trend is expected to continue for some time.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q1', '2024']:

- Gross stage 3 as of June end improved to 2.5% against 2.7% as of March '23, and 4.9% as of last year, June.
- Evaluation:
- Insufficient Info: Data not available.

5. Geographic expansion plans

- **Narrative:** Management has emphasized a strong focus on expanding the company's geographic footprint through significant branch additions and the strategic enhancement of wealth management services. This expansion is part of a broader strategy to increase market presence and improve service accessibility across key regions.

- Management's Guidance:

- The company has added 638 branches in the recent quarter, culminating in a total addition of 1,479 branches for the financial year '23. Management intends to maintain this pace of expansion for branch additions in FY'24, aligning with the growth trajectory observed over the last 15 to 18 months. Wealth management services have expanded to over 923 locations using a hub and spoke model, with 232 new locations added in the quarter, underscoring a continued commitment to broadening service availability.

- Actual Results:

['Q1', '2024']:

- On the distribution, while we added 39 branches in the quarter, we added 1,482 branches over the last 12 months, which now stands at 7,860 branches.

['Q2', '2024']:

- Overall, there has been an increase of 1,446 branches over the last 12 months, including 85 branches in the quarter.

['Q3', '2024']:

- During Q3 FY24, 146 branches were added, and the total branch network reached 8,091 outlets by December end, marking an increase of 908 branches over the last 12 months.

['Q4', '2023']:

- We added 638 branches during the quarter taking the total branch addition in financial year '23 to 1,479. Wealth management is offered in over 923 locations through hub and spoke model. We have expanded by 232 locations in the quarter.

- Evaluation

- Expectations Met: The company met its target by adding 1,482 branches over the past year, aligning with management's guidance to maintain the branch expansion pace observed in FY'23.

6. Cost-to-income ratio management

- **Narrative:** The management has articulated a strategic focus on managing the cost-to-income ratio by maintaining it within a range of 42 while striving to reduce it progressively over the coming quarters. This reflects their commitment to enhancing operational efficiency and managing costs effectively.

- Management's Guidance:

- Management anticipates that the cost-to-income ratio will initially remain around 42 and then gradually decrease to the mid-30s over a period of four to six quarters as productivity improvements take effect.

- Actual Results:

['Q2', '2024']:

- Cost-to-income ratio reported at 40.4% for Q2 2024, indicating a slight reduction from the initial target range of 42%.

['Q3', '2024']:

- Cost-to-income ratio for Q3 2024 was reported at 40.3%, reflecting a slight improvement compared to the initial guidance range of 42.

['Q4', '2023']:

- Cost-to-income ratio for Q4 FY23 was reported at 42%, aligning with the initial management guidance.

['Q1', '2024']:

- Cost to income ratio for the quarter was at 42.8%.

- Evaluation:

- Expectations Exceeded: The actual cost-to-income ratio consistently improved from 42.8% in Q1 2024 to 40.3% by Q3 2024, surpassing the management's initial guidance of maintaining around 42% and progressively decreasing, indicating faster-than-expected operational efficiency improvements.

7. Capital adequacy requirements

- Narrative: The management outlined their focus on maintaining strong capital adequacy levels in alignment with regulatory requirements. They emphasized the importance of prudent capital management to support future growth and strategic initiatives.

- Management's Guidance:

- Management did not provide specific forward-looking quantitative guidance related to capital adequacy requirements for future quarters. Instead, they reiterated their commitment to ensuring robust capital buffers that align with regulatory norms and support the company's growth trajectory.

- Actual Results:

['Q1', '2024']:

- Capital adequacy ratio is at 18.9% and CET1 is at 16.2%.

['Q2', '2024']:

- Capital adequacy ratio is at 19.5%, with CET1 at 17.3%.

['Q3', '2024']:

- Capital adequacy ratio was at 18.4%, Tier 1 ratio at 16.8%.

['Q4', '2023']:

- Capital adequacy ratio is at 19.3% with CET1 ratio at 16.4%.

- Evaluation:
- **Expectations Met**: The management emphasized maintaining robust capital adequacy levels, and the results consistently show strong capital adequacy ratios (ranging from 18.4% to 19.5%) and CET1 ratios (ranging from 16.2% to 17.3%), aligning with their stated commitment to regulatory norms and growth support.

8. Dividend distribution policy

- **Narrative:** The management highlighted the bank's commitment to its dividend distribution policy, emphasizing consistency and shareholder value. The recommendation of a dividend reflects the company's focus on maintaining a stable capital return strategy while ensuring adequate liquidity for future growth opportunities.
- Management's Guidance:
- The bank's board has recommended a dividend of INR19 per equity share, contingent upon shareholder approval.
- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- The bank's board has recommended a dividend of INR19 per equity share subject to shareholders approval.

['Q1', '2024']:

- Data Not Available
- Evaluation:
- **Expectations Met**: The management's guidance of recommending a dividend of INR19 per equity share was consistent with the actual result, as the board recommended the same, aligning with their stated commitment to dividend distribution policy.

9. Borrowings prepayment strategies

- **Narrative:** In the context of Liquidity and Capital Management, specifically focusing on Borrowings prepayment strategies, management outlined a long-term approach to enhance financial stability. The strategy involves gradually replacing borrowings with deposits over an extended period, aiming to strengthen the company's liquidity position.
- Management's Guidance:
- Management anticipates achieving a more favorable liquidity position by replacing borrowings with deposits over the next three to five years.
- Actual Results:

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- The borrowings have remained or actually gone up in this quarter by almost INR209 billion it has gone up, out of which about 7,500 is infra bonds.

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available
- Evaluation:
- Expectations Not Met: The management's strategy to replace borrowings with deposits to enhance liquidity was not met, as the borrowings increased by INR 209 billion in Q3 2024, showing a move opposite to the intended strategy.

10. Employee motivation and retention

- **Narrative:** Management emphasized the importance of elevating the maturity and productivity levels of their workforce. Throughout the year, they have significantly expanded their team by adding 31,000 employees, with 6,600 of those joining in the last quarter. The focus is on enhancing these new hires' capabilities to ensure they contribute effectively to the company's objectives.
- Management's Guidance:
- Management aims to advance the maturity and productivity of their newly added staff to drive better performance and integration into the company's operational framework in upcoming quarters.
- Actual Results:

['Q1', '2024']:

- In Q1 2024, management reported that they added 29,000 people over the last 12 months and 8,500 people during the quarter, which reflects a focus on workforce expansion and engagement.

['Q3', '2024']:

- We have added \sim 41,000 employees over the last 12 months and \sim 10,000 during the quarter.

['Q4', '2023']:

- We have added 31,600 people over the year and 6,300 during the quarter.

['Q2', '2024']:

- We've added 16,000 people during the quarter.
- Evaluation:
- Expectations Exceeded: The actual results show a consistent and significant increase in workforce numbers beyond the initial stated figures, with management adding a total of ~41,000 employees over 12 months, which surpasses the initial target and reflects strong progress in workforce productivity and engagement.