

Q3 2024

1. Net interest margin trends

- **Narrative:** Management has highlighted their focus on balancing deposit and loan growth rates to optimize the bank's net interest margin. The strategic approach involves ensuring that the deposit growth rate significantly surpasses loan growth, which is crucial for maintaining economic viability.

- **Management's Guidance:**

- Management anticipates that the deposit growth rate will exceed the loan growth rate by at least 300 to 400 basis points, which is essential for optimizing economic performance. The process of deposit repricing is expected to be completed within a quarter to improve the net interest margin.

- **Actual Results:**

['Q4', '2024']:

- Net interest margin (NIM) Post-merger 4.3%

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Net interest margin of 3.47%

['Q3', '2024']:

- The core net interest margin for the quarter was at 3.4%, and on an interest earning asset basis, net interest margin for the quarter was at 3.6% and was flat to prior quarter.

- **Evaluation:**

- **Expectations Not Met:** The actual net interest margin was 3.4% in Q3 2024 and 3.47% in Q1 2025, which did not meet the management's expectation of optimizing economic performance through a significant deposit growth rate exceeding loan growth by 300 to 400 basis points.

2. Profitability analysis

- **Narrative:** During the Q3 2024 earnings discussion, management emphasized their focus on accelerating growth rates, aiming for a substantial increase in revenue growth.

- **Management's Guidance:**

- Management projects a target growth rate moving into the high teens to around 20% in the upcoming quarters.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q3', '2024']:

- Net revenues for the quarter were at INR396 billion, which grew by 25.8% over prior year. The profit before tax was at INR194 billion, which grew by 19.8% over prior year. Net profits after tax for the quarter was at INR164 billion, grew by 33.5% over prior year.

- **Evaluation:**

- **Expectations Exceeded:** The company projected a growth rate in the high teens to around 20%, but achieved a 25.8% revenue growth and a 19.8% profit before tax growth, surpassing their target.

3. Asset growth strategies

- **Narrative:** Management highlighted their historical growth trajectory, emphasizing a consistent pattern of doubling revenue approximately every four to five years. This reflects their focus on steady and sustainable asset growth over time.

- **Management's Guidance:**

- Management implicitly suggested that the company aims to maintain this growth trajectory, indicating an expectation of continued asset growth at a similar pace in future periods.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q3', '2024']:

- Advances growth sequentially of 4.9% and 2.9% sequential momentum in retail deposit growth. Gross advances are at INR 24.7 trillion as of 31st December, reflecting the sequential momentum of INR1.1 trillion or 4.9%. In the CRB business, it continued its strong momentum, registering a quarter-on-quarter growth of 6.7%.

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** The management aimed for steady asset growth, and the actual results showed sequential growth in advances and retail deposits, aligning with management's expectations of maintaining their historical growth trajectory.

4. Retail loan growth

- **Narrative:** In the recent quarter, HDFC's management discussed the retail loan growth, highlighting their strategic approach to expand their loan portfolio. The focus was on increasing penetration with new customers, particularly through effective disbursements and cross-selling initiatives. This strategy aims to balance the disbursement between existing and new customers and enhance market penetration.

- **Management's Guidance:**

- The management indicated that in a specific month, approximately half of their first disbursements were to new customers, and of these new customers, around 65% were also engaged with a savings deposit. This suggests a targeted approach to deepen customer engagement and enhance the loan portfolio growth with

cross-selling opportunities.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q3', '2024']:

- Srinivasan Vaidyanathan [On the first disbursements that have happened in the month -- in December, roughly half-half is, existing to bank and new to bank, half-half of that.]

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Disbursement momentum improving across all three business segments with overall healthy growth of 24% YoY

- Evaluation:

- Expectations Met: The management's guidance of achieving balanced disbursements between existing and new customers was realized, as approximately half of the disbursements were to new customers, aligning with their strategic focus on expanding the loan portfolio and enhancing market penetration.

5. Geographic expansion plans

- Narrative: Management has outlined a robust plan for geographic expansion, focusing on significantly increasing the number of branches. The goal is to enhance their footprint across key regions by adding up to 1,000 branches in the near term.

- Management's Guidance:

- Management is targeting the addition of 800 to 1,000 branches this fiscal year, with a longer-term objective of reaching between 13,000 to 14,000 branches. This expansion is anticipated to strengthen the company's market presence and accessibility.

- Actual Results:

['Q1', '2025']:

- 1 million customers and 45 branches added during Q1 FY25

['Q4', '2024']:

- 0.9 million customers and 64 branches added during Q4 FY24

['Q2', '2025']:

- We grew 240-odd branches in this quarter, 350 something for the year so far. Last year, we grew 917 branches.

['Q3', '2024']:

- Branch network, which stood at 8,091 outlets as of December end. Overall, there has been an increase of 908 branches over the last 12 months. During the quarter, we added 146 branches, which is at the rate of 1.6 branches per day. Our rural business reach expanded to ~210,000 villages, a growth of ~60,000 villages over last year. Suresh Ganapathy: "we have only opened 270 branches this year." Srinivasan Vaidyanathan: "there are a little more than 500, 550 branches in the pipeline as we closed the quarter." Srinivasan Vaidyanathan: "we are having about 500 plus in the pipeline, that's 570 more precise in the pipeline."

- Evaluation:

- Expectations Not Met: Management aimed to add 800 to 1,000 branches for the fiscal year, but only 350 branches were added by Q2 FY25, indicating the pace of expansion is behind the target.

6. Competitive positioning

- Narrative: Management highlighted the company's focus on maintaining a superior rate of growth compared to the market, emphasizing their strategy to capture incremental market share in the high teens to 20 percent range. This approach underlines their commitment to strengthening competitive positioning and expanding their market presence.

- Management's Guidance:

- Management expects to maintain an incremental market share between 18% and 20%, which indicates sustained growth and enhanced competitive positioning.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q3', '2024']:

- Incremental market share of 18%-20% is garnered.

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Our incremental market share was around 12%.

- Evaluation:

- Expectations Not Met: Management expected an incremental market share between 18% and 20%, but actual results showed a market share of only 12% in Q1 2025, indicating that expectations were not met.

7. Cost-to-income ratio management

- Narrative: Management emphasized their commitment to improving the cost-to-income ratio progressively. The focus is on achieving a reduction to the mid-30s, indicating a strategic effort to enhance operational efficiency over time.

- Management's Guidance:

- Management expressed their objective to decrease the cost-to-income ratio to the mid-30s progressively, suggesting an expectation of improvement not just in the long term but also in the near future.

- Actual Results:

['Q4', '2024']:

- The actual cost-to-income ratio reported in Q4 2024 was 38.0% including transaction gains and staff ex-gratia provision. The core cost-to-income ratio stood at 41.3%.

['Q1', '2025']:

- The cost-to-income has been in the range of 40% to 41% with a decreasing bias.

['Q2', '2025']:

- Cost-to-income ratio reported at 40.6% in Q2, 2025, which is above the mid-30s target set by management.

['Q3', '2024']:

- Cost-to-income ratio for Q3 2024 was reported to be 40.3%, which is above the target mid-30s range stated in the management guidance.

- **Evaluation:**

- **Expectations Not Met:** Despite management's guidance to reduce the cost-to-income ratio to the mid-30s progressively, the actual results remained above this target, with ratios in the range of 38% to 41% over the observed periods.

8. Liquidity coverage ratio trends

- **Narrative:** The management of HDFC has outlined a strategy to maintain a stable and efficient liquidity coverage ratio (LCR), aiming to operate within a target range of 110% to 120%. This approach is part of their broader capital management framework to ensure a balance between deposit growth and loan operations.

- **Management's Guidance:**

- Management has expressed a forward-looking expectation to maintain the LCR between 110% and 120%. Additionally, they anticipate a progressive reduction in the loan-to-deposit ratio (LDR) over the coming quarters. This strategy is supported by a focus on ensuring deposit growth outpaces loan growth, especially in light of upcoming maturities that may need to be replaced with deposits.

- **Actual Results:**

['Q4', '2024']:

- Liquidity coverage ratio Pre-merger Post-merger 126% 121% 116% 115% 112% 110% Q4 Mar'22 Q4 Mar'23

['Q1', '2025']:

- Liquidity coverage ratio was reported as 115% in March 2024, which is within the target range set by management.

['Q2', '2025']:

- The liquidity coverage ratio (LCR) was reported at 128% for Q2, 2025, which is above the management's target range of 110% to 120%.

['Q3', '2024']:

- Suresh Ganapathy reported that the Liquidity Coverage Ratio (LCR) is at 110%, which is within the management's target range of 110% to 120%.

- **Evaluation:**

- **Expectations Met:** The Liquidity Coverage Ratio (LCR) mostly stayed within the management's target range of 110% to 120% across the evaluated quarters, aligning with management's guidance and ensuring stability as part of their capital management strategy.

9. Borrowings prepayment strategies

- **Narrative:** The management discussed their borrowings prepayment strategies with a focus on maintaining a stable maturity profile. They emphasized that there are no significant maturities expected in the near term, which suggests a deliberate approach to managing liabilities without immediate pressures.

- **Management's Guidance:**

- Management indicated that the maturity profile is set at 20,000 and 25,000, with no significant maturities anticipated over the next two to four quarters. This suggests a stable liquidity position and effective capital management strategy in place for the foreseeable future.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Ravi Purohit: "there has been a significant drop in the borrowings, INR75,000 crores in the March quarter and about INR60,000-odd crores in the June quarter."

['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', '2024']:

- Srinivasan Vaidyanathan [750, out of which INR29,000 crores is either commercial paper or term borrowings that came from HDFC Limited and the rundown.]

- **Evaluation:**

- **Expectations Not Met:** The management aimed for a stable maturity profile with no significant maturities expected, but the actual results show a significant increase in borrowings in Q3 2024, contrary to the stable liquidity position suggested by the guidance.