

Q2 2024

1. Net interest margin trends

- **Narrative:** During the Q2 2024 earnings call, management provided insights on the expected trends for net interest margins. They emphasized maintaining a stable core margin, which is crucial for the overall financial performance of the company. This focus underscores the company's commitment to sustaining a healthy financial trajectory amidst changing market conditions.

- **Management's Guidance:**

- Management anticipates that the core margins on a total asset basis are expected to remain between 3.7% to 3.8%. This range reflects the company's strategic focus on ensuring consistent profitability and operational efficiency in the upcoming quarters.

- **Actual Results:**

['Q4', '2024']:

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

['Q1', '2025']:

- The NIMs have been in the range of 3.4% to 3.5% with an increasing bias. Net interest margin of 3.47%

['Q2', '2024']:

- The core net interest margin for the quarter was at 3.65% on total assets and 3.85% on interest-earning assets. The reported net interest margin for the quarter was 3.4% on total assets and 3.6% on interest-earning assets.

['Q3', '2024']:

- The core net interest margin for Q3 2024 was at 3.4%, and on an interest-earning asset basis, the net interest margin for the quarter was at 3.6% and was flat to the prior quarter.

- **Evaluation:**

- **Expectations Not Met:** Management anticipated net interest margins to remain between 3.7% to 3.8%, but the actual results for Q2, Q3, and Q1 2025 showed margins below this range, indicating that expectations were not met.

2. Profitability analysis

- **Narrative:** Management has expressed confidence in maintaining stable profitability metrics, with a strategic focus on achieving consistent performance. They are optimistic about sustaining a return on assets (ROA) in the range of 1.9% to 2.1%, which aligns with past performance levels. Furthermore, there is an ambitious growth outlook for the merged entity, suggesting a robust growth rate exceeding 15%.

- **Management's Guidance:**

- The company aims to maintain profitability with an ROA between 1.9% and 2.1% moving forward. Management anticipates the merged entity to potentially achieve a growth rate above 15%, possibly reaching 17% to 18%. The expectation is for the remaining branches to reach breakeven within 22 to 24 months, with over 90% of branches already achieving this milestone within 20-21 months.

- **Actual Results:**

['Q4', '2024']:

- PAT ■ 165 bn; RoA of 1.96% and RoE of 15.4% in the current quarter

['Q1', '2025']:

- Return on assets (ROA) was reported at 1.9% for the quarter.

['Q2', '2024']:

- In Q2 FY24, HDFC reported a Return on Assets (RoA) of 2.0%, which is within the guided range of 1.9% to 2.1%. The net revenue for the quarter grew by 16% year-on-year, and the net profit after tax for the quarter increased by 50% compared to the previous year, indicating strong revenue growth and financial performance.

['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%. Net revenues for the quarter were at INR396 billion, which grew by 25.8% over prior year.

- **Evaluation:**

- **Expectations Met:** The actual results consistently showed an ROA within the guided range of 1.9% to 2.1% across quarters, and the growth rate exceeded 15%, aligning with management's expectations.

3. Technology investment plans

- **Narrative:** The management highlighted its focus on enhancing digital capabilities by launching digital journeys aimed at bundling products. This strategic move is part of their broader digital transformation plan, indicating a concerted effort to improve customer engagement and streamline offerings through technology.

- **Management's Guidance:**

- The company is set to launch its digital journeys for bundling products within the current quarter, which is expected to significantly enhance its digital service offerings and customer experience.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Around 94% of the active clients utilized the services offered through company's digital platforms.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Around 94% of the active clients utilized the services offered through company's digital platforms.

- **Evaluation:**

- **Expectations Met:** The management's goal to enhance digital service offerings and customer experience through digital journeys seems to have been achieved, as approximately 94% of active clients utilized the company's digital platforms, aligning with their strategic objectives.

4. Geographic expansion plans

- **Narrative:** Management is focused on expanding the company's geographic footprint significantly. The strategic plan involves increasing rural outreach and

adding a substantial number of branches to cater to a broader audience, ensuring long-term growth and market presence.

- Management's Guidance:

- The company aims to expand its rural business reach to over 2 lakh villages in the near term. Additionally, there is a plan to open 500 new branches in a single quarter, indicating a robust expansion strategy.

- Actual Results:

['Q1', '2025']:

- In Q1 FY25, management reported reaching 225,000 villages and added a total of 1 million customers along with 45 branches. Additionally, the distribution network included 275 branches and 497 digital offices.

['Q2', '2024']:

- The rural business reach expanded to 1.85 lakh villages, and there has been an increase of 1,446 branches over the last 12 months, including 85 branches in the quarter.

['Q4', '2024']:

- In Q4 FY24, management reported that they expanded their operations to 225,000 villages and added 64 branches during the quarter. This expansion aligns with their strategic focus on increasing their geographic footprint and rural outreach.

['Q3', '2024']:

- During Q3 FY24, the branch network expanded to 8,091 outlets, with an addition of 146 branches during the quarter, equating to a rate of 1.6 branches per day. The rural business reach grew to approximately 210,000 villages, marking an expansion of about 60,000 villages over the previous year.

- Evaluation:

- Expectations Not Met: The management aimed to expand its rural business reach to over 2 lakh villages and open 500 new branches in a single quarter. However, the actual results showed reaching 225,000 villages and adding only 45 branches in Q1 FY25, which fell short of the branch expansion target.

5. Liquidity coverage ratio trends

- Narrative: Management provided insights into their liquidity coverage ratio (LCR) strategy, highlighting a robust LCR average of 121% for the quarter. This strong LCR indicates effective liquidity and capital management, even while absorbing the impact of the Incremental Cash Reserve Ratio (ICRR).

- Management's Guidance:

- Management did not provide specific forward-looking statements or qualitative guidance regarding future liquidity coverage ratio trends for the upcoming quarters.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Liquidity coverage ratio Post-merger 126% Jun'23 121% 110% 115% Sep'23 Dec'23 Mar'24 123% Jun'24

['Q2', '2024']:

- The LCR was at an average of 121% after absorbing the ICRR for most of the quarter.

['Q3', '2024']:

- LCR (Consolidated) reduced to 110% in Q3 2024.

- Evaluation:

- Insufficient Info: Data not available.