

Case 1- (Marks-10)- CO1

HDFC Bank's focus is on service, inclusion, digital

India's largest private sector lender HDFC Bank Ltd is working on establishing a more inclusive workplace, enhancing customer service and strengthening digital infrastructure, chief executive officer Sashidhar Jagdishan said on Wednesday.

In his message to shareholders in the bank's annual report, Jagdishan emphasized the importance of fostering a supportive culture to effectively harness talent, potential and capabilities. To achieve this goal, the bank has implemented a managerial behaviour framework based on the principles of nurture, care and collaboration. The "nurture, care, collaborate" initiative, which covered 12,000 managers in FY22, was extended to senior leadership and over 6,000 new managers in FY23.

"I am fully aware of the fact that there may be instances where some people managers might transgress our defined way of working. But, we have the resolve to nip it in the bud, both by way of training and counselling and appropriate action, ensuring that the same is not attempted by anyone else," said Jagdishan. He said HDFC Bank is yet to cover a fair distance and is taking steps to build an inclusive organization that will help rein in attrition. His remarks come in the wake of a recent incident where an employee was suspended after a video of him berating his subordinates went viral on social media during an undated group video call related to employee performance and their targets to sell products.

The bank has seen an increase in attrition over last financial year and a significant part of it was at the 'non-supervisory staff' level, including sales officers, he said. The bank saw attrition of 34.15% in FY23, according to the annual report. In 2021-22, the attrition rate was at 19.1%. It had also hired nearly 50% more employees than FY22 and its total staff base stood at 173,222 as on March 31.

"A reason that can be attributed to this increase is the post-covid phenomenon that may have prompted the young workforce to recalibrate their career goals. This led to increased attrition across sectors," he added.

According to Jagdishan, the bank is undergoing a technology transformation focused on building the "bank of the future". "For me, the focus on technology upgrade and digital transformation are central to achieving growth and excellence in customer service."

Jagdishan said he travelled across the country in private buses with colleagues across various levels, allowing him to meet employees as well as customers across multiple locations. These interactions, he said, have enriched his understanding and view of the locations visited and the myriad opportunities that exist.

"I am energized by the talent and passion our frontline colleagues display during the interactions and give us enough ideas to work on. This is something I will continue to do," he said.

Skilling is another important area, Jagdishan said, adding that the bank challenges people with continued job rotations and assignments outside their core areas, along with on-job and specialized training when required. "We will continue to take more such initiatives," he said.

On the HDFC merger, Jagdishan said investments in infrastructure are crucial for India's growth and the larger balance sheet will allow it to take a larger exposure in infrastructure projects, and participate meaningfully in India's growth story.

Reiterating the bank's plans, Jagdishan said the bank would look to add 1,500 to 2,000 additional branches during the year. According to him, branch banking is the fulcrum of the bank's customer relationships, and he believes that a physical branch is extremely important to customers, especially in semi-urban and rural locations.

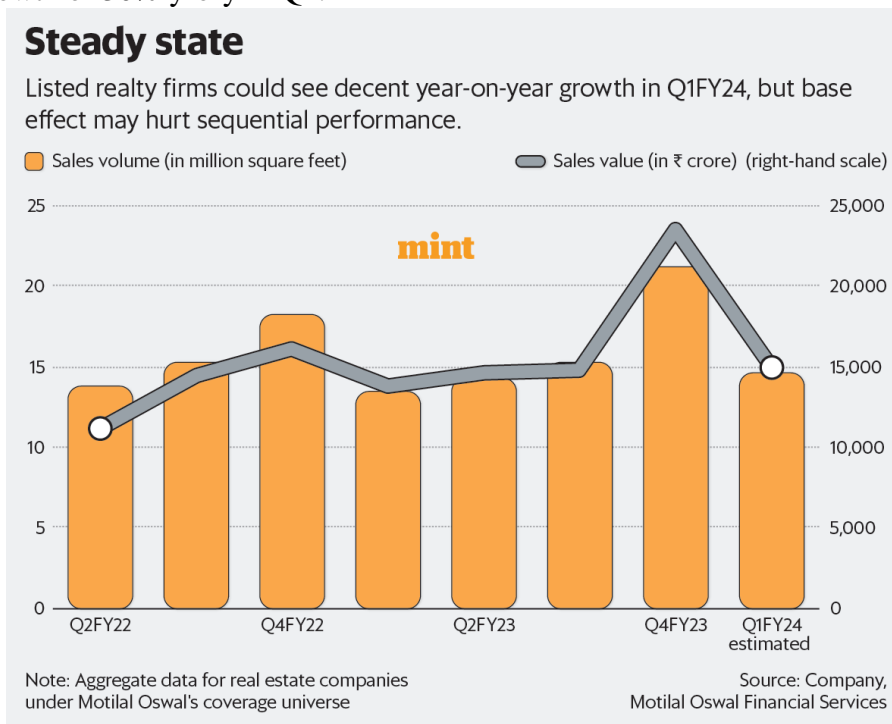
In FY23, HDFC Bank added 1,479 branches, a majority of which are in semi-urban and rural (SURU) locations. "We plan to add another 675 this year in SURU locations that will take the total number of branches in these locations to over 5,000," said Jagdishan.

Case 2(Marks-10)-CO2

Listed real estate companies showed resilience with stellar pre-sales at a time when interest rates were rising. The March quarter of FY23 saw bumper bookings in the residential segment helping developers close the year on a strong note.

The quarterly operational update released by some key listed companies shows that decent residential sales continued in the June quarter (Q1FY24), too. For instance, Macrotech Developers Ltd saw bookings grow 17% year-on-year (y-o-y) to ₹3,353 crore, also the highest Q1 number delivered by it. With that, the

company has achieved 23% of its FY24 pre-sales guidance of ₹14,500 crore. Prestige Estates Projects Ltd saw sales value growth of 30% y-o-y in Q1.



Graphic: Mint

On an aggregate basis, Motilal Oswal Financial Services Ltd expects realty companies under its coverage to clock 9% y-o-y volume growth in Q1FY24. Of course, given the high base, sequentially volume could be soft.

Nonetheless, investors seem to be in an upbeat mood. In this calendar year so far, Nifty Realty Index has rallied by 24.2%. Also, with interest rate hikes largely out of the sector's way, sales could get a further fillip as home loan rates could remain steady.

The premium and luxury segments could continue to do well, however, affordable housing, which is relatively more sensitive to higher interest rates could take time to revive. "Higher mortgage rates have hit affordable and mid-income housing, but luxury demand remains indifferent to the interest rate. This is because luxury segment is driven by wealth effect," Parikshit Kandpal, vice president, Institutional Research, HDFC Securities, said. And since most listed real estate companies have meaningful exposure to this segment, it augurs well for their sales prospects.

But to keep sales growth intact, the pace of new launches is crucial going ahead. "Considering a scenario where the interest rate hikes are unlikely in the medium-term, companies could have strong business for next two years (FY24 and FY25). But this depends on how fast they are able to launch projects and new business developments," said Ronald Siyoni, associate vice president, Sharekhan by BNP Paribas.

So, management commentaries on new launches are crucial. Along with demand, supply trends are important for the sector's pricing outlook. "In line with seasonal trends, new project launches across markets are likely to moderate in Q1FY24 post-strong Q4FY23. Further, the companies are likely to focus on churning inventories at existing projects," said the Motilal Oswal report. Meanwhile, robust sales aided cash flows of listed companies, helping them to pare debt. The net debt of the top eight listed developers fell to over ₹23,000 crore in FY23 from ₹40,500 crore in FY20, recording a decline of 43% in the period, showed an analysis by Anarock Property Consultants. On a yearly basis, net debt of developers has remained almost stable in FY23 as compared to year ago period, showed the Anarock data. However, a sustained pause on interest rates and eventually rate cuts could lower cost of borrowings for the sector, thus, aiding expansion plans. Further, the ongoing consolidation especially in select micro markets should aid market share gains for listed developers. "The industry continues to consolidate with residential developments steadily shifting into hands of stronger developers who have been able to weather the economic storm created by the pandemic," said Knight Frank India in a recent report. Developers are also finding takers for their under-construction inventory, it added. On the flip side, the ongoing slowdown in the IT sector, leading to job losses, can hurt housing demand.