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## Biggest Indian Bank Ramps Up Corporate Loans as Rivals Retreat

By Suvashree Ghosh and Anto Antony | March 19, 2020, 4:30 AM GMT+5:30

- HDFC Bank's wholesale loan book grew 63% over last two years
- Enough pockets of growth in the Indian economy, says Shukla

India's most-valuable bank is betting big on the nation's businesses at a time when a slumping economy and souring loans have forced peers to retreat.

HDFC Bank Ltd.'s lending to large and small companies surged 63% over the two years through Dec. 31 as India's economy went from world-leading growth to its slowest expansion in six years. Behind the aggressive push is Citigroup Inc. veteran Rahul Shukla, who joined just months before the collapse of a major shadow lender in 2018 sent shock waves through markets and squeezed credit to consumers and firms.

Shukla, who heads corporate and business banking, has remained undaunted. "We as a bank are not hobbled down by stressed assets, nor do we have capital constraints," he said in an interview in Mumbai. "This gives us the strength to go out and lend."

HDFC Bank stands out in India's struggling financial sector. Its gross bad loan ratio has held steady at around 1.4%, while rivals have been forced to caution by growing stress among once-reputed companies, developers and shadow lenders. While its stock has been caught up in the recent market rout, the bank has weathered the storm better than most and remains the nation's biggest by market capitalization. About 38% of its shares are held by foreign investors.

That means Shukla's expansion will be closely tracked

"It will be important to watch how the corporate loan book shapes up, especially the pace of growth and asset quality risks, in a backdrop of slow economic growth," said Ravikant Bhat, a Mumbai-based analyst at IndiaNivesh Securities Ltd.

There may be additional pressures from the new coronavirus outbreak, which has spread throughout the world, including India. The impact on growth and credit will depend on how consumers react, said a spokesman for the bank, adding that it was too early at this point to estimate the effect.

## Local Bank

HDFC Bank has used the weak local environment to take over some of its rivals' corporate relationships, according to Bhat. There's also been organic growth. Shukla travels outside India's top cities at least two days a week to look for opportunities.

## Room To Lend

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Source: Bank filings for end-December results

He's sifting for the small and mid-sized firms such as biscuit manufacturers, juice makers and cloth dyers whose solid businesses are overlooked by other lenders. "Only a local bank can go deep into the hinterlands like this," Shukla said of his travels through the country. "The deeper you go, the better the opportunities."

Disbursals of loans to companies of all sizes touched record highs in November and December, he said, without giving specifics.

Such growth comes with risks. Large industries defaulted on about 18.7% of loans extended by India's banks as of September, with the figure at 18.1% for medium-sized enterprises, according to Transunion CIBIL, the credit information bureau. The delinquency ratio was 1.8% for retail loans by banks.

"My focus will remain on growth and on improving portfolio quality. We continue to believe that there are enough pockets of growth in the country," Shukla said.

## Market Shocks

India's financial sector has suffered a series of shocks since the onset of a shadow banking crisis in 2018. It forced policy makers to seize systemically-important Infrastructure Leasing & Financial Services Ltd., housing finance lender Dewan Housing Finance Corp. and Yes Bank Ltd., till recently the fourth-largest private lender.

## Widening Gap

HDFC Bank's corporate loans are growing at twice the pace of retail



Many banks have cut back on business lending, which contracted 3.2% in the last nine months of 2019. Fitch Ratings Ltd.'s local arm has warned 10.5 trillion rupees (\$142 billion) of India's corporate debt is vulnerable to default over the next three years.

Shukla is optimistic the government will prevent another shock to the economy and spend to revive growth.

"We are betting that the credit cycle is going to pick up," he said. "The budget commits itself to spend on infrastructure significantly. Once you spot the change, you run early -- you go out and do it."