



INTERVIEW-HDFC Bank eyes green shoots as Indian companies borrow again

Devidutta Tripathy, Clara Ferreira-Marques

By Devidutta Tripathy and Clara Ferreira-Marques

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MUMBAI, Dec 4 (Reuters) - HDFC Bank, India's largest lender by market value, said it is beginning to see "green shoots" in corporate loan growth, as companies begin to borrow and spend again after almost two years of reining in.

The combination of a more conservative stance among state-run banks - hit by bad loans - and a lack of demand as the economy slowed, has held back Indian business lending. But there are signs of a change.

HDFC Bank's long-time managing director, Aditya Puri, said he saw signs of a recovery among automobile, telecoms and consumer goods, and even small and medium companies.

"This is more working capital (demand) at the beginning, but we are starting to see term loan growth in the last month or two," he said.

Puri, whose conservative bank's profit and loan growth has outpaced rivals for a decade, says he expects Indian banking sector loan growth to come in at 12-14 percent this fiscal year to March, still a slowdown from over 20 percent six years ago.

His bank should be ahead of the market by 5 to 6 percentage points, he added.

To maintain growth in the face of a corporate slowdown, HDFC Bank, like others, has bet on lending to individuals, boosting unsecured products such as credit cards and personal loans.

The segment, targeted by heavyweight rivals such as ICICI and State Bank of India, is among the market's most competitive. But Puri brushed off any chance HDFC - famously conservative in its due diligence - could take on excess risk in the race for margins.

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HDFC Bank sees green shoots in corp loan growth



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Mumbai coverage (Circulation: 735,933)

Puri: Hints of revival as cos borrow again

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Ahmedabad coverage (Circulation: 189,374)

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Total circulation: 227,000

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That segment, targeted by rivals such as ICICI Bank and State Bank of India, is among the market's most competitive. But Puri brushed off worries HDFC Bank could take on excess risk in the race for margins. "There is no need to go up the risk ladder or down the margin ladder," he said, adding HDFC Bank focuses on India's "middle and upper middle".

Run by former Citibank executive Puri since its launch in 1994, HDFC Bank was for a while the world's most expensive bank, as investors cheered its consistent double-digit growth.

Puri said this growth rate is sustainable, thanks to a conscious effort to embrace technology and an aggressive push into smaller towns and villages across India. It has been making inroads in-

to those areas for the last three years and they now account for roughly a fifth of its book.

Unlike its public sector rivals, HDFC Bank does not have a network of branches outside the cities.

Business there, Puri says, is growing at twice the clip of India's large cities and should make up 40% of the bank's loan and deposit book over time, thanks to technology that allows him to offer cheap, quick and personalised products.

Being a retail-focused bank, HDFC Bank has sidestepped a damaging infrastructure lending boom, and so has minimal bad debts, unlike almost all other major lenders in India.

HDFC Bank has also increased its investment banking presence, but Puri said he would not compete for the top spots in India's league tables, given rock-bottom fees paid by the Indian state and large corporates. *Reuters*

Financial Chronicle – 05 Dec 2015 – (06 Edition)

Total circulation: 142,726

“See early hints of recovery in auto, telecom, consumer goods and small and medium firms... expect loan growth to come in at 12-14% this FY”

Aditya Puri,
MD, HDFC Bank

Total circulation: 865,110

HDFC BANK SEES GREEN SHOOT AS COS BORROW AGAIN

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Total circulation: 316,063

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Rural push

Run by former Citibank executive Puri since its launch in 1994, HDFC Bank was for a while the world's most expensive bank, as investors cheered its consistent double-digit growth.

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