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‘THE BIG BANG’

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INDIA'S BEST BANKS / JOINT WINNER (OVERALL) / HDFC BANK

THE BIG BANG

THE LARGEST PRIVATE SECTOR BANK, HDFC BANK, IS LOOKING TO GROW IN SEMI-URBAN AND RURAL MARKETS.

By NEVIN JOHN
PHOTOGRAPH BY RACHIT GOSWAMI

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hen Aditya Puri joined HDFC Bank nearly 25 years ago, the bank's balance sheet was as empty as the table in his corner office today. Puri runs India's largest private sector bank without a pile of papers or digital devices on his table. He also does not use a mobile, a fact that in no way hampers his ability to imagine a fully-digital identity for the bank or talk non-stop about its tech-intensive omni-channel strategy.

In the last 25 years, the table has remained empty, but the balance sheet - with a size of ₹1.08 lakh crore - is bulging. HDFC Bank is



ADITYA PURI
MD & CEO,
HDFC BANK

the most valued Indian leader in the stock market with a market capitalisation of ₹5.67 lakh crore - State Bank of India and private majors Kotak Mahindra Bank and ICICI Bank are not even half its value. In spite of its size and wide portfolio, it posted a stellar 20.2 per cent rise in profit to ₹12,487 crore in 2017/18. The HDFC group, which includes HDFC and HDFC Bank, last year briefly overtook the 150-year-old Tata Group in aggregate market capitalisation, mainly because of HDFC Bank's performance.

"It is a journey where we have clearly defined our objectives. We are the market leader in most of the areas we operate. We are at the forefront of digitisation and change in the financial services industry," says Puri. The bank's services now cover one lakh villages. It has also been at the cutting edge of innovation. "We are one of the few banks which offer all our products in semi-urban and rural markets. We are using the latest technology and substituting the money lender. We service people right from microfinance (low-rover) to Reliance," says Puri. The bank's 55 per cent branches are in rural and semi-urban areas.

The bank had deposits of ₹8.53 lakh crore as on December 2018, an increase of 22 per cent from a year ago. Current account savings account, or CASA, deposits grew 13 per cent with savings deposits at ₹2.35 lakh crore and current deposits at ₹1.12 lakh crore. The share of CASA in total deposits is a healthy 40.7 per cent. The focus on deposits helped the bank maintain a healthy liquidity ratio of 123 per cent during the period. Domestic advances, including retail & wholesale, grew 24.3 per cent. Total advances were



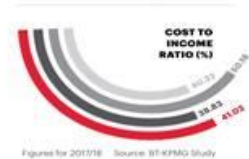
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UNMATCHED PERFORMANCE

HDFC Bank has better returns and asset quality

Legend: HDFC Bank, ICICI Bank, SBI, Yes Bank



Figures for 2017/18 Source: BI-KPMG Study

YES BANK FASTEST-GROWING BANK A NEW BEGINNING

THE FOURTH largest private bank Yes Bank has been taking through a difficult phase as the RBI refused to extend the tenure of founder and CEO Rana Kapoor. But the bank has been growing at a scorching pace in 2017/18, deposits and advances grew at a massive rate of 40-50 per cent. Given its growing size, with assets of over ₹3 lakh crore, the three-

year CAGR growth is 30-40 per cent. Fee income and operating profits are also growing robustly. The high-growth numbers have pushed the bank to the top as the fastest growing bank in the BI-KPMG Best Banks Study. It has got a new MD & CEO Raviwast Singh Gill from Deutsche Bank. Gill will have to strengthen

the credit standards as it was a huge deviation in reported by the bank as per the RBI's assessment. The bank is already scaling up retail assets & liabilities. Retail advances are around 15.2 per cent. CASA is about 33.3 per cent. Finally, the bank will have more equity capital to its future growth.

₹28 lakh crore. For nine months ended December, it earned a total income of ₹65,093.5 crore, up 22.14% from the year-ago period. The profit rose 39.7 per cent to ₹15,383 crore. The capital adequacy ratio was 17.24%. The bank had 5,000 branches around mid-February.

Engine Of Growth

A calibrated system takes care of HDFC Bank's growth says he cannot sanction a loan to anyone even if he The system takes care of the procedures, he says, add the bank is conservative and takes time to change a "If we make a mistake, it will be small, because we do scale straight away. We test everything. We are conservative as money has been invested in us on trust," he says, stance, the bank has been experimenting with open semi-urban and rural branches for the last right year decided to go for scale only recently. "Before you starting, you can't run. If you know what you are doing, & thorough manner and make sure you know every step

For instance, the bank has been cautious in co lending. "Our target is not one deal or transaction. We on a relationship-driven model and look for long-term engagement with companies starting from salary loans to working capital lending to project financing," says Bharucha, Executive Director of the bank.

The conservative approach helped the bank, than every other leader was being hit by defaults and NPAs call me conservative for not giving loans to people who repay, I am extremely conservative. We have a strong localised system for sanctioning loans," says Puri. The NPAs are the lowest in the industry at 0.4 per cent.

Lock, Stock & Barrel

HDFC Bank's aim is to become the market leader in businesses it is in. "We are transforming our banking into a world of financial experience. We facilitate the cheapest TV, mobile, grocery, travel ticket, consumerables, shares, mutual funds, insurance. When you think money, HDFC Bank should come to their mind Puri. His intention is to provide services of Amazon, JPMorgan, MakeMyTrip, BookMyShow and PayTM one platform.

Rahul Shukla, Group Head of Corporate Banking & Business Banking, says the bank focuses on offering varied services. "We prefer to cross-sell." The bank has 10,000 people working in semi-urban and rural areas. "This is virgin territory. It will grow faster than the urban," says Smita Bhagat, Head, Government and e-commerce, HDFC Bank.

HDFC Bank has signed an agreement for buying a 9.11 per cent stake in CSC E-Governance Services India for ₹14.62 crore. CSC has 3.2 lakh centres across India that the bank plans to use for selling their products. The bank already offers product services in 11 Indian languages on the mobile as part of its financial inclusion strategy.

Around 10 per cent retail loans are unsecured. Does this pose a risk? Arvind Kapil, Group Head, Unsecured Loans, Home and Mortgage Loans, says unsecured loan is becoming the new working capital loan for the unsecured class. "The risk in unsecured loans has fallen dramatically. We have processes and risk management mechanisms for correct assessment of the customer."

The Digital Journey

With new technologies presenting a host of options to customers, which ones will the bank depend upon for growth? "I strongly believe that the various payment options such as POS machines, mPOS, Bharat QR, UPI are the railroads to drive the digital ecosystem. In this day and age of hyperpersonalisation, we see ourselves as a lifestyle bank relevant to the needs and desires of customers," says Parag Rao, Country Head - Card Payment Products, Merchant Acquiring Services and Marketing.

"So, if mobile phone is the device of choice for people, our services and offerings are made available to them in just a few clicks through our SmartHub app. Our DigPOS enables a customer to pay using different payment platforms on one machine at shops and commercial establishments with nil investment by the merchant. Similarly, we offer virtual credit cards issued within minutes keeping in mind the rising e-commerce transactions. All offerings are backed by use of analytics to understand our customers better," he says.

The 69-year-old Puri says a succession plan is already in place. "For every key role, I have two people," he says. Recently, the bank received a jolt when Deputy MD Parsh Subhankar, seen as Puri's successor, left abruptly. The process for selection will start soon as the retirement age for CEO is 70 years. Puri says an outsider will also be considered for his role. Also, it won't be a surprise if Puri continues on top.

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