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BID TO DIVERSIFY BALANCE SHEET, GAIN MARKET SHARE

HDFC Bank Shifts its Focus to Long-tenure Corporate Loans

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Mumbai: HDFC Bank, which has for years primarily given working-capital loans to companies, is slowly increasing its exposure to longer-tenure term loans, as it seeks to diversify its balance sheet and gain market share even as competitors are playing safe.

The percentage of term loans with tenure of five years up to nine has increased to 25% of the bank's wholesale loans — up from roughly 12% in the last decade, said Kaizad Bharucha, executive director, HDFC Bank. "Our term-loan exposure is certainly higher than (what it was) 10 years ago because the market has evolved and our balance sheet has also evolved. Ten years ago my ability to lend deep and long was constrained. Today we would have roughly 25% to 30% of the wholesale book, which was may be 10% to 12% earlier," Bharucha said.

Wholesale loans or loans to small and large companies made up 47% of the bank's loan book of ₹5.54 lakh crore as of March 2017. It has grown at about 21% YoY, more than four

times the pace of current growth in the banking sector.

Bharucha said the bank had gained 5% market share in the past couple of years as it now has a bigger bouquet of products, which can be offered to customers in a cost-efficient way due to digitisation. "Our comfort with particular promoters has helped. We don't get into or start a relationship

CHANGING GAME



Share of term loans with tenure of 5 to 9 years has increased to 25% of wholesale loans

with project lending. We typically would have seasoned with the company, understood its cash flows and how it operates and then participate. If you are the size that we are then you are going to have to participate equally in the opportunities required at the customer's end," Bharucha said.

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However, the bank is selective in lending to projects, preferring to participate in refinance opportunities where the project risk is minimal.

Asutosh Kumar Mishra, analyst at Reliance Securities, said the bank of the size of HDFC could no longer avoid long-tenure loans. "HDFC Bank was built on retail. But after a point, retail alone is not enough to sustain growth. This bank built retail when all others were cautious, not when everyone



else is looking at retail for growth, HDFC bank is building its corporate book, but term loans remain just about 10 to 12% of their balance sheet which is still small," Mishra said.