ET EXCLUSIVE Q&A

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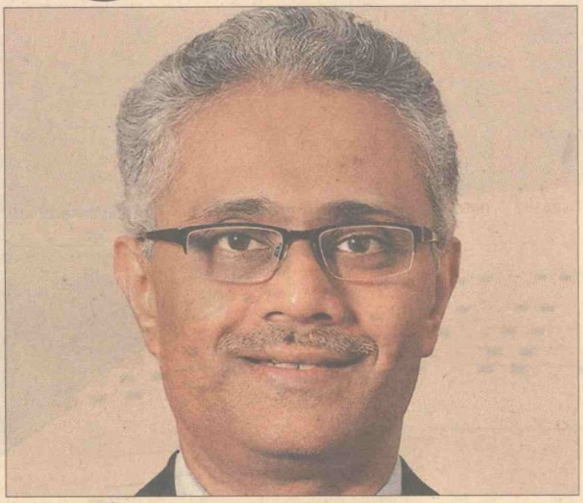
Green Shoots Seen in Mid-segment, SMEs

HDFC Bank, India's most valuable lender, is diversifying into corporate lending in an aggressive way, which crossed the ₹1-lakh crore mark at March-end 2016, as it senses greater competition in retail lending. In an interview with ET's **Saloni Shukla**, **Paresh Sukthankar**, deputy managing director of HDFC Bank, said there are adequate opportunities in both corporate and retail segments, and if capex picks up, the bank's corporate book will get a further boost. Edited excerpts.



The retail market has seen greater competition with many traditional corporate banks aiming for a bigger pie. How do you view this?

We are about 51-49% (retail to corporate mix), so we are roughly half and half. Corporate is just one of our wholesale segments. When you look at the 49%, corporate and other segments are in wholesale, and 51% is the consumer part. There are two things – one is at what pace the underlying industry in the retail part is growing. So, if you are looking at car loans, how fast are car and commercial vehicle loans growing. And within that, what's our market share. We are a market leader in most retail loan products, and are well-positioned to maintain our market leadership.

Fortunately, if you look at the last couple of quarters, the underlying momentum in a lot of these industries has improved. So, commercial vehicle sales, which were languishing till a few quarters back, have veered into positive territory, especially in the medium and heavy commercial vehicles. We have other products such as personal loans where we have always been a market leader and continue to grow. Credit cards and business banking have done well. Our Kisan gold card in the agriculture lending section has also done well.

Has the competition affected you?

We have shown that we have the resilience to protect our share, and grow it, even in the wake of competition. Since we believe that we have a strong brand, we have invested in distribution. A lot of our digital initiatives have helped in the loan origination side. I don't think there are too many players who have as wide a range of retail products like ours, and we have the advantage of delivering brand, distribution, and service quality.

Will you be willing to take on riskier corporate assets to grow your book?

If the economy starts looking up on the back of an investment revival, then there will be opportunities to grow the corporate book a little more. Because, the corporate business is growing primarily on the back of say, working capital, medium-term loans and very little of term. I think within our credit appetite, there will be credit opportunities for us to pick up.

Even if what has happened in the past 4-5 quarters, when corporates were being perceived as high risk, we have been able to grow our book by about 20%, and that has not been by changing our risk profile. So, I would say there are adequate opportunities in both wholesale and retail space – we have shown that in the past several years, including last quarter. If there is some pick-up in capex, then corporate should get a bit of a boost.

In your corporate book, what are some of the bright spots – sectors that are seeing green shoots?

You will certainly see some spurt in demand in the auto sector or chemical and fertiliser industries. But those tend to depend on quarter to quarter because these are short-term spikes. But rather than just focus on a few sectors, our strategy has been that if you have a diversified book and you stick to better placed players, then it will certainly support growth. And again it's not just the large corporates, it is the mid-segment which is emerging, as well as the SMEs.