Business Standard

HDFC pushes its corporate loan book

In the last three years, loan book has doubled from ₹47,000 crore to ₹1 lakh crore

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HDFC Bank, the country's second-largest private sector lender that has been predominantly known for its retail banking, is now aggressively growing its corporate loan book. With this push, in the last three years the book has more than doubled from ₹47,000 crore to more than ₹1 lakh crore at the end of FY16.

Kaizad Bharucha, executive director at HDFC Bank, explained a whole host of measures — including increased focus on term loans, better product customisation and offering a bouquet of products for clients the lender already has a relationship with — has helped them cross the milestone.

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KAIZAD BHARUCHA
Executive director, HDFC Bank

"We have worked on rightsizing the customers, understanding their needs and taking a larger set of products to them, and thus increasing the customer engagement. So if the customer was dealing with us on two products, then we ended up carrying a larger bouquet of products. We also brought in technology in a significant manner, bringing greater convenience to the customer and ended up customising the offering, allowing us to become their main banker with," Bharucha said.

Apart from this, the bank also stepped up its focus on offering term loans. Prior to this, the bank's main focus in corporate lending had been on offering working capital. However, in the past three years, the mix has changed and now term loans contribute about 25-30 per cent of the book instead of the 10-12 per cent mark earlier.

"We also focused on increasing customer acquisition and going for a deeper geographical presence. Also, with the help of investment banking we were able to offer a full range of products to the clients," he added.

Even internally, the bank went through a change and trained sales staff to ensure it would suit market requirements. HDFC Bank's growth in the corporate book comes at a time when credit growth in the industry has been sluggish and has remained mainly in the range of 9-12 per cent. Also, with the rise in bad loans, several banks have either seen degrowth in their corporate books, or the book had largely remained muted.

But, analysts believe it had been easier for HDFC Bank to grow its corporate book in the last three years as its asset quality had remained largely stable at a time when the other banks have been grappling with the pressure of mounting bad loans.

At the end of FY16, the percentage of gross non-performing assets (NPA) to gross advances was at 0.94 per cent, compared with 0.93 per cent in the corresponding quarter in FY15. However, on a sequential basis, it improved when compared with 0.97 per cent in the quarter ended December. Net NPA also eased on a sequential basis. Net NPA was at 0.28 per cent in the quarter ended March, compared with 0.29 per cent at the end of the December quarter.

To ensure that bad loans are kept under check, the lender first ensures that it has a relationship on the working capital front before going in for a big investment such as term loans. Apart from this, HDFC Bank also scaled down the growth in its business banking business, which had seen an increase in bad loans.