

# 'Worst over, we're seeing beginning of green shoots'

## Growth May Touch 7.5% In 18 Months: Aditya Puri

Mayur Shetty & Shubham Mukherjee | TNN

**A**ditya Puri, MD of HDFC Bank — the country's second largest private bank — by his own admission is a big picture man. At a time when most honchos outside of the defensive sectors continue to be moderately pessimistic about the economy, he feels the business cycle is changing and projects an economic growth of around 7.5% within the next 18 months. The quintessential banker spoke to **TOI** over a nimbo-pain on a range of issues, including his core business, non-performing assets and succession. Excerpts:

**Do you get a sense of optimism with the reforms ushered in at the fag end of the UPA regime as well as the faster clearances for infra projects? Will it fire growth?**

Nobody is expecting there will be some kind of miracle or magic. Our own estimate is that this year GDP growth rate will be between 5.4 and 5.5%. Maybe next year we will see a 6% and maybe 18 months later we will see 7-7.5%. As for 9-10%, unless the world really recovers we shouldn't be even discussing that. In the medium to long-term, we are seen as an outlier among emerging markets and the prospect is bright. (In the) Short term, as long as we continue to turn around and improve step by step, we should be all right. To expect investment and large projects to come in at the throes of an election is naive.

**But have you seen any quantifiable benefits of these policy measures?**

We have seen some. Our momentum is reasonably better than last year and we are seeing changes, but step-by-step. You could see dramatic changes in the stock markets, but changes in actual business will take time. I would only say that the worst is over and we are seeing the beginning of green shoots. There is also a comparative turnaround in commercial vehicles, but this is a gradual process.

**We have spoken to several CEOs lately but most still seem reluctant to invest?**

Those days are gone where you will go in and start a project and all approvals will come (subsequently). You will have to move to a more professional approach. The guys who are sitting with all their investments in a fertilizer plant, a power plant or an aluminium plant and are paying interest because the last-mile clearance has not come obviously are going to be a little troubled. But sentiment changes very

### ON SLOW INVESTMENTS

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ADITYA PURI | MD, HDFC BANK

### ON SUCCESSION

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quickly. Paisa phenko tamasha dekho (throw in money and see the fun). If we get the policies right and people feel comfortable with that...everything will change.

**Several companies are in distress because their projects have not taken off? Non performing assets (NPAs) in banks have also risen because of that. Have you lent to such companies?**

No, we haven't. Our total restructured portfolio is 0.2% of which 0.1% is NPA.

**Why your NPAs are so low?**

We have a very clear target market, we have a good credit process, our credit people do not report to the business guys so there is constructive tension there. In corporates, we stick to the top tier which have cushion and have experience. So if you have a power project and you have never done a power project in your life, then I don't think my margins provide me sufficient cover to take that kind of risk. Also, if you do not have coal supply, I won't lend to you. Put yourself in my place. If a mithaiwala (sweet meat maker) wants to set up a new Britannia (biscuits) factory, are you going to lend?

**Can you continue to grow and at the same time avoid the distress faced by others in the industry?**

We are the only bank that straddles the GDP of the country. Not only are we continuing to grow, we are growing faster than the system. I don't think there is any link between doing bad loans and growth. In semi-urban and rural India, the penetration of organized finance is 8%. I can grow to kingdom come as 60% of Indians live there. We went in and looked at it for the last four years and we changed the way we sell.

**How do you approach the rural markets?**

When we go to a rural area, we sell to a cluster of villages. This means we move from a product-centric approach to a customer-centric organization...offering all products from the net. We decentralized processing and instead of four hubs we have 40 hubs. We changed our product range. To establish our brand, we went about like a telecom company painting walls and holding meals.

**How are you approaching succession? You have just appointed a deputy MD...**

I have till October 2015, so it's a little too early to start talking about succession. In terms of potential candidates, whenever the time comes, the bank will have, as you'd expect it to, both internal and external options, including the deputy MD. We have a well-documented succession policy in place. The board will take a decision in line with the policy at an appropriate time.

**Are you looking at acquisitions?**

An acquisition at the right price would be nice to have but it is not imperative for our future plans.

**Companies are looking at corporate social responsibility quite closely. What is HDFC Bank doing to reach out to people?**

We want to bring about sustainable change in the people we are assisting — in health and education. There is a section of population in semi-urban and rural areas that have skills but are unlikely to receive education in the near future. But these skills can be converted into a viable business which can provide sustainable livelihood. So we form a self-help group where we give them training to fine tune their skills, train them on financial literacy, find market linkage and give loan and help with administration and financial planning. We are going to take this in the next three years to ten million families.