



# Winner Again, No Surprises There

HDFC Bank has always been ahead of its peers. One reason is its early 'digital' move and the other being attention to customer needs

**By Raghu Mohan**

# INDIA'S BEST BANKS

**1 RANK**

**HDFC  
BANK**

**MANAGING  
DIRECTOR:  
ADITYA PURI**

**BALANCE SHEET:  
Rs 5,90,503  
crore**

**NET PROFIT:  
Rs 10,216 cr**

**J**OSEPH NEUBAUER led Aramark for 31 years; Ray Irani steered Occidental Petroleum for 21 years. That is, if you were to look outside the list of promoter-bosses who helmed firms across the world. Aditya Puri is our own in the Neubauer-Irani mould. Now you might say HDFC Bank is not a multinational, but so what? It's the most expensive banking stock in the world! And this January, Puri completed 21 years at the managing director's desk at HDFC Bank.

Sprightly HDFC Bank is the *Fastest Growing Large Bank* in the *BW Businessworld's Best Banks' Survey 2015*; it's been a winner many times in the past editions of the survey. Awards and accolades are par for the course for the bank — it notches up 30-plus every year. This shows what a great journey the bank has had. The secret: it has always travelled with the times.

When it opened shop in 1995, HDFC Bank (among other home-grown banks) was the first to put in place a technological platform that allowed it to offer real-time banking across channels. In 2001 (just when retail banking caught fire), it was among the early birds to set up a data warehouse — it helps banks (and firms) to know what you do, why you do, how many times you do what you do, and how to get you to do it more often. The idea behind it is to get to know you a wee better than you do yourself; and make money out of it.

Says Puri: "There's nothing related to financial services — whether we manufacture it ourselves or not — that we will not deliver to you in a manner convenient to you at the best price with the trust that's backed by HDFC Bank". The essence of it: as a customer when you go to a HDFC Bank's counter, you will get what you need; the bank is agnostic (at one level) about whether the product or service sought is picked off its own rack or not. The bank now fits into a profile that Puri sums up as 'Think money, think HDFC Bank'.

What does it mean in numbers? The bank posted a net profit of Rs 10,215.9 crore at end-March 2015, up by 20.5 per cent. Its balance sheet grew 20.1 per cent to Rs 5,90,503 crore. The return on average net worth was 20.4 per cent; the earning per share stood at Rs 42.2 (Rs 35.5); while net advances grew 20.6 per cent to Rs 3,65,495 crore, the credit-deposit ratio (or what a bank gives out as loans for every Rs 100 in deposits) was 81.1 per cent. Net non-performing assets were at 0.25 per cent.

A few questions follow: how does HDFC Bank grow in difficult times, keep dud loans under check and reward its shareholders? It's not only the costliest banking stock in the world, its market capitalisation equals 20 of our state-run banks put together. This on the back of a market-share of approximately 4.9 per cent and 5 per cent of the banking system's deposits and advances.

## Early Bird, Digital Worm

The weld that forges HDFC Bank's offerings to its target audience is its digital presence.



**FASTEST GROWING  
LARGE BANK**

## INDIA'S BEST BANKS

"There are very few players in organised finance, I mean in terms of bankers who are on the asset side of the balance sheet in semi-urban and rural areas. We were one of the few who went in there four years ago. That's almost like a virgin territory where 60 per cent of India lives. So we quickly adopted digital", says Puri.

When Puri uses the word "digital", it's nothing but good old "technology" that's come of age, but allows the bank to do more with it. "What the network can do is change your fundamental business model. And how you deliver a better product to your new and existing customers based on the information the network provides about them so that you can tailor a product for their needs," says Puri.

He gives an example of speed: for its best customers, HDFC Bank can process and disburse a personal-loan in 10 seconds. "For any other customer, we will do it anywhere between 10 seconds and three hours subject to you providing documentation. And you will get disbursement two hours after that. But you will straightaway know whether you are eligible or not," he adds.

What's unsaid here is what you vend must make sense. And the bank rarely stays in no-win situations. "If we are not a market leader in a product, we don't stay on in that product. In almost all the products we offer, we are among the top three," says Puri. This approach, in turn, puts pres-

### AXIS BANK SHIKHA SHARMA

Rank **2**  
MD & CEO

**Balance Sheet:**  
Rs 4,61,932 cr  
**Net Profit**  
Rs 7,358 cr

### ICICI BANK CHANDA KOCHHAR

Rank **3**  
MD & CEO

**Balance Sheet:**  
Rs 6,46,129 cr  
**Net Profit**  
Rs 11,175 cr

sure on business-heads to stay relevant within the bank or run the risk of being called up to Puri's fifth floor corner office at the bank's headquarters in Mumbai.

In effect, HDFC Bank has used a judicious mix of secular growth plus digital to get a bigger bang for its buck. "Two things happened. One is the normal growth related to GDP. The second is the growth we got by penetrating deeper into our custom-

ers or what we call cross-sell even as we widened our geographical reach," says Puri.

It's not often that you hear a bank head in India talk on the cross-sell ratio — the number of products and services a firm (bank or otherwise) hawks to its customers — without being asked about it. "When we wanted to be among the best, one of the banks we looked at was Wells Fargo of the US as it has the highest cross-sell in the world," says Puri. What it does is reduce the cost of customer acquisition as the process is fed by common and well-mined pool of information. More than 60-65 per cent of its credit cards and 50 per cent of personal loans are to existing customers. Puri says with the most mature HDFC bank customer, the cross-sell is as high as 12.

Is it a coincidence that 12 is the inverse of 21? **BW**

[raghu@businessworld.in](mailto:raghu@businessworld.in); [@tabonyou](https://twitter.com/tabonyou)

