PURI MAGIC

HDFC Bank's Aditya Puri is the quintessential banker



Aditya Puri's desk, at his spacious office in central Mumbai's erstwhile mill district, lies uncannily uncluttered. Seldom does one find any files or papers or even a laptop on it. It's quite unlike a banker's desk. But then Puri, managing director of HDFC Bank, isn't your typical, straitjacket banker. Far from it. He never wears a watch, but is always on time. Like Mukesh Ambani, he rarely carries a wallet, yet he's handsomely rewarded his shareholders. He leaves office precisely at 5:30 pm, yet he manages to study 700 branch reports daily and send them back with comments. He doesn't even believe in carrying a mobile phone, but he's made HDFC Bank synonymous with technology. Puri, quite evidently, is full of paradoxes. And clearly, he is the most 'unbanker-like' banker you'll ever encounter.

Nevertheless (adding to the irony that Puri's life is), most industry veterans will tell you, he is the quintessential banker. "He has combined international experience with a strong Indian ethos to build an outstanding organisation that is one of the success stories of Indian entrepreneurship and management," says K.V. Kamath, non-executive chairman, ICICI Bank.

PHOTOS: PALASHRANJAN BHAUMICK

Within a span of 15 years, Puri's created a world-class bank from scratch, which has been growing consistently at 30-35 per cent per annum. Today, HDFC Bank is the seventh largest and amongst the most profitable banks in the country. It has delivered a consistent 40 per cent growth in net profits on a compounded basis for the past 10 years; even through the financial tsunami which hit the global markets. And at a time when banks went under with non-performing assests, HDFC Bank has NPAs below the 1 per cent mark. Not too many banks in the world can match this feat.

The *raison d'etre* is quite simply Puri's punctilious vigilance on quality of assets. "He has always maintained that there is ample scope for good quality assets at all levels," says P. Krishnamurthy, chairman, SKIL Infrastructure, and former vice chairman of JM Morgan Stanley. Growth for the sake of growth has never been an enticement for Puri. While competitors, ICICI Bank and State Bank of India (SBI), grew at breakneck speed, HDFC Bank took a more cautious approach. Size and market share took a backseat, while Puri kept a strict watch on the bottomline. In keeping with his penchant for all things sweet, he's often heard asking his colleagues who present him with new plans and opportunities, "But where's the *ladoo*?"

Save for his sweet tooth, Puri has been extremely disciplined about his banker's diet. He's resisted the temptation to indulge in any complex instruments, always sticking to simple, healthy banking principles. So, while other banks burnt their fingers with mortgages, credit card defaults and international business, Puri treaded these territories with measured steps to emerge largely unscathed. "Always balance risk and rewards," he says. According to Steve Pinto, friend and former colleague of Puri, who now heads a collaboration between Dubai-based Alfuttaim and GE Capital, "We (bankers) make a living out of taking risks. The point is to figure out what the risk-reward equation should be. Aditya has figured it out."

What he also figured out early on in the game is that technology is the way forward. "Even if it cost money, he never compromised on it," says Deepak Parekh, chairman of HDFC, which currently holds a 23.8 per cent stake in the bank. Fortunately for Puri, at the time the bank was instituted in January 1995, the face of technology was changing. Computing was become cheaper and outsourcing was slowly gaining traction. Empowered with foreign bank experience (he had worked with Citibank for almost two decades), Puri was very clear that the new bank he was about to begin would compare favourably, if not supersede, the foreign banks on the technology front. Technology was also the pivot on which the bank could take on the mighty PSUs. "I was very clear that I wanted to build a world-class Indian bank. And for that, we needed to provide the convenience of technology like the foreign banks at Indian costs," says Puri. Today, HDFC Bank is considered one of the most tech-savvy banks in India. And unlike many a foreign bank, it is not saddled with legacy systems.

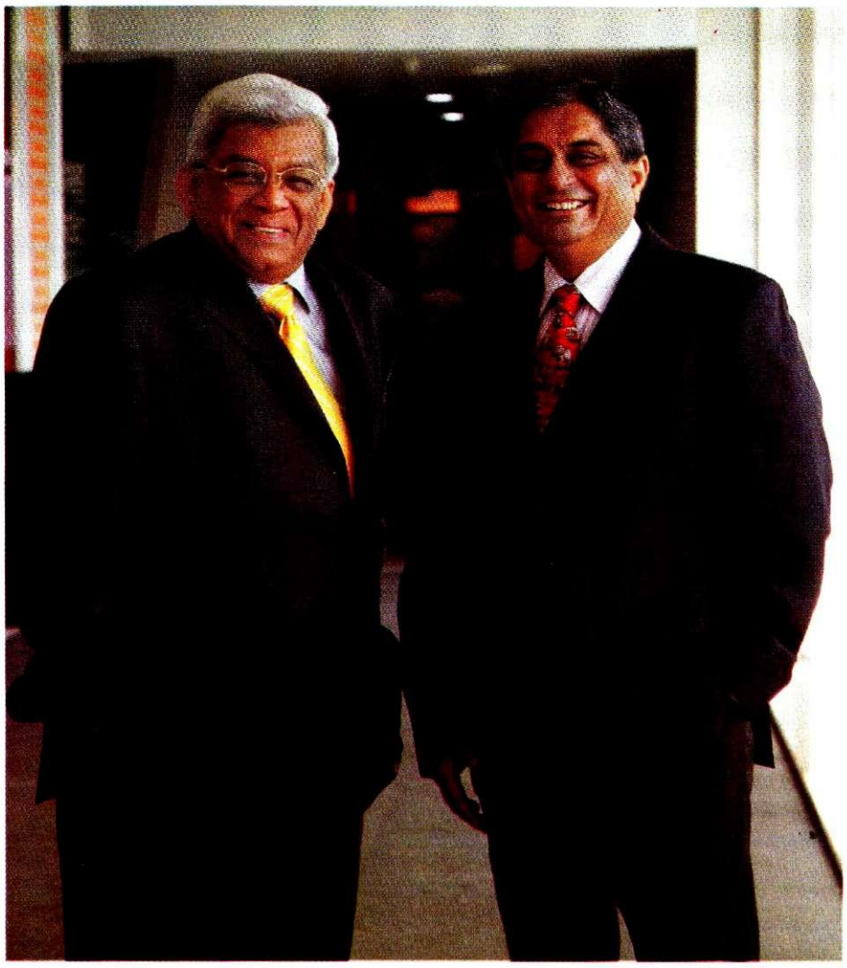
It was also Puri's careful orchestration which enabled the bank to successfully complete the acquisition of Times Bank in 2000 and Centurion Bank of Punjab in 2008. From 761 branches (in March 2008), HDFC Bank now has 1,506 branches (as of 30 September 2009) with all other major financial parameters remaining the same, except on a larger base. "We are positioned such that once the economy picks up, we would have doubled our distribution and gained market share, especially on the retail side," says Paresh Sukthankar, executive director, HDFC Bank.

BUSINESSMAN OF THE YEAR 2009

As most CEOs will readily admit, mergers aren't easy and the integration of Centurion Bank of Punjab certainly wasn't. Beleaguered with problems of different computing systems, labour issues and a potpourri of cultures (Centurion itself was a merger of four banks), Centurion was a tough horse to break. Yet Puri, with the help of his competent team and the support of Parekh, managed to conquer it. A year and a half has passed, the merger is complete and the integration process is almost a year ahead of its goals. HDFC Bank employees are quick to point out that it was Puri's able execution that won the day. "His ability to bring the team together and show a clear path is tremendous," says Bharat Shah, group head, HDFC Bank. Puri's great at strategy. But when required, he makes no bones about getting down and dirty to do the nitty gritty work himself. Soon after the merger, he personally attended several town hall sessions at the branch offices of the merged bank to allay the fears and apprehensions of the staff and communicate the ethos of the HDFC brand. "It had a salutary effect," says G. Subramanian, country head (internal controls and compliance risk), HDFC Bank.

Daring to be different

Ever since Puri was a child, he's lived life on his terms. Hailing from a simple Punjabi family (his father was in the air force), his grandfather encouraged him to be his own person. In



Parekh and Puri: friends first

school, Puri wasn't much of a diligent student, performing below the expectations of his father. It was only when he pursued a Bachelor of Commerce degree from Punjab University that he became more conscientious and appeared on the merit list. From university, he went on to pursue chartered accountancy in Delhi and secured his first job as an executive assistant to the finance director of Mahindra & Mahindra. Frustrated with the long, daily commute from Colaba to Kandivali and meagre boarding of just a room with toast and *chai* in the mornings, Puri quit M&M to take up a job with Citibank, which provided more attractive perquisites to its employees.

After training in Beirut for six months, Puri moved to Kolkata to work in the loans department and later to Mumbai as a relationship manager in the marketing department. Even then, as a new recruit, he would arrive to work at 8:30 in the morning and leave at 5:30 pm. "At Citibank, there was talk that if you didn't sit late at work, you wouldn't make it. I remember thinking long and hard about it. And I eventually decided that I didn't want to make it at all if I had to sit late at work."

But make it he did; all the while forging his own path. Friend and former Citibank colleague and country head, Jaitirth (Jerry) Rao, who now runs his own low-cost housing venture, remembers that there was always something distinguishing about Puri, "He was very focussed and had no desire to impress people."

After working in India for six years, when Victor Menezes, head of Citibank at the time, gave him the option to work in New York or Saudi Arabia, he opted for the latter, largely because the position came with three paid holidays and a 100 per cent hardship allowance. "I figured I could save the money and become financially independent," says Puri. After being cooped up in the 'prison', as he calls it, Puri went on to become country head (wholesale banking) of Citibank for India, Sri Lanka and Bangladesh. His wife, Smiley, recalls receiving calls from other Citibank wives telling her she would have to host parties and butter people up in her new role as the first lady of Citibank. "When I called Aditya, worried, he told me that the day I have to climb on your shoulders for my career, I'll quit."

He was later transferred to Hong Kong and finally settled into the chair as CEO of Citibank Malaysia, complete with a palatial house and Mercedes Benz. After warming the chair for three years, Puri once again flouted conventional wisdom and gave up the special stock options Citibank CEO John Reed had allotted to a select 50 people in the organisation. He moved back to India when Parekh came knocking on his door with the offer to begin HDFC Bank. It was rare for Indians to return in those times, but Puri moved bag and baggage to be close to his ailing father, and *tandoori* chicken.

Gem amidst the rubble

In August 1994, the bank began amidst rubble (the floor was undergoing construction at the time) in Sandoz House. With a small team of approximately 12 members, all veterans in the field hailing from Citibank, Bank of America, Reserve Bank of India (RBI) and SBI, the new bank aimed to combine the advanced technology and products of a foreign bank with the extensive reach and low costs of a public sector entity. "It sounded terribly arrogant at the time. But we genuinely believed we could change the banking world," says Sukthankar, who was one of the members of the original team. Harish Engineer, executive director of the bank and

another member of the original team, remembers his wife being very apprehensive about him leaving his cushy job (with a lavish house) at Bank of America to join a start-up. So he invited Puri, along with some other employees, home for lunch so his wife could speak to them personally. "My wife asked Aditya, where will I stay? To which he replied, 'When Harish retires, I promise you he'll have a house better than this'," says Engineer.

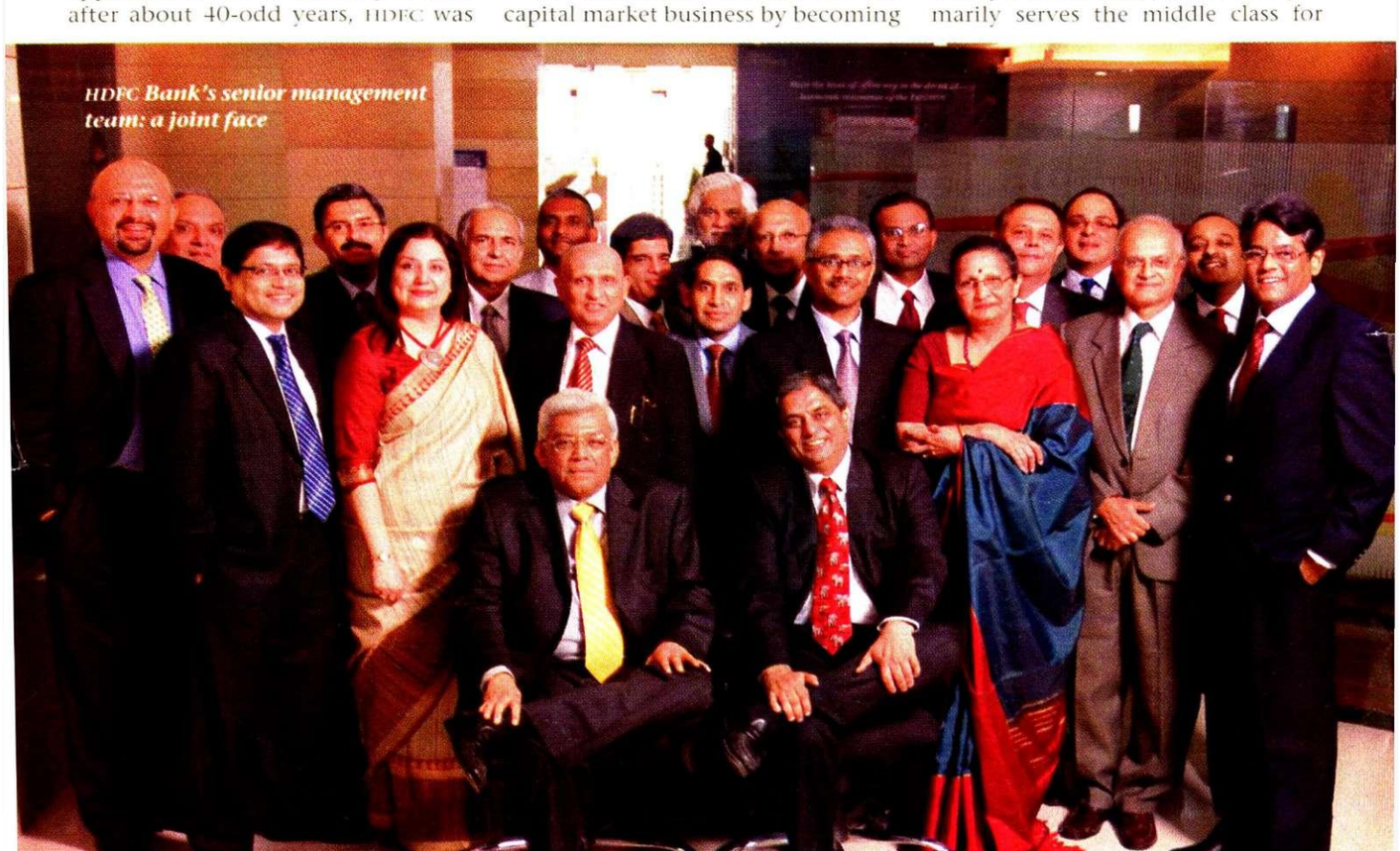
Puri's words have rung true. Engineer does have a more extravagant house than he used to, but it all panned out quite differently. HDFC Bank started out as a corporate bank, but changed course over the years to become a full service institution. Parekh recounts that in the beginning, parent HDFC's idea was to build another Triple A corporation like itself. It saw the bank as a means of diversification into other areas of finance. So, when the RBI invited applications for a banking licence after about 40-odd years, HDFC was quick to nab the opportunity; it was the first institution to receive a banking licence. "S.S. Marathe, director of RBI at the time, told me that ours was the best application," recalls Parekh.

At the outset, HDFC Bank, with its parent's connections, started as a corporate bank lending to Triple A clients like Siemens, Reliance, Munjals, Thapars, etc. The segment was most difficult in terms of the products it required, but afforded the least risk. Within three years, the bank became a significant player in the segment. Brijmohan Lall Munjal, chairman of Hero Honda, recalls being amongst the first 8-10 account holders of the bank. "We were confident that a bank started by HDFC with Aditya at the head would do well. And we were fully satisfied. Aditya personally took it upon himself to see that our motorcycles were financed. With him, we felt like we were dealing with a real banker," he says.

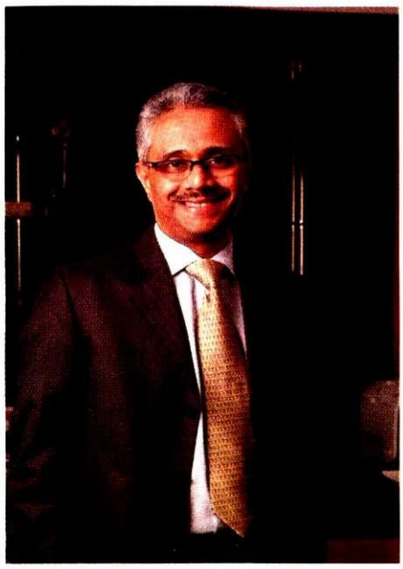
The bank later ventured into the capital market business by becoming a settlement bank for the National Stock Exchange (NSE). Today, HDFC Bank is the largest settlement bank for the stock exchanges with over 50 per cent market share. Next was a foray into wholesale banking, which is now one of its most profitable divisions. The bank is amongst the largest providers of cash management and transactional banking services to corporate customers.

However, Puri soon realised that in India, he couldn't merely depend on wholesale deposits as a long-term strategy. Even though he held a poor view of retail banking in his Citibank days, he realised that the future lay in going retail; so he threw himself headlong into it. Pinto recalls meeting Puri a couple of years ago and being amazed at the way he was rattling off figures on customer per sales, cost per contact, revenue per contact, etc. "He knew every detail of it."

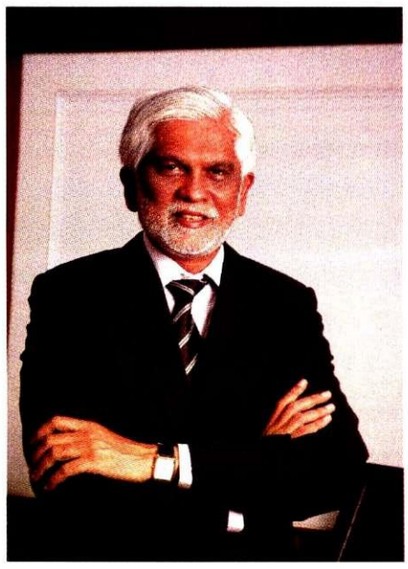
Today, HDFC Bank is predominantly a retail bank, just as HDFC primarily serves the middle class for



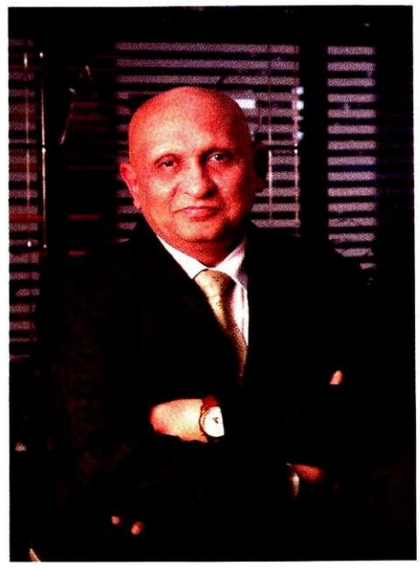
HDFC Bank's senior management team: a joint face



Sukthankar believes that it was the things HDFC Bank didn't do which worked



Shah: Puri carries the team forward



Engineer: Puri combined technology and costs to build a world-class bank

housing loans. With 1,506 branches and 3,573 ATMs across the country, its distribution network is almost at par with ICICI Bank's. "Aditya's been a major player in making modern banking widely available to the Indian consumer," says Chanda Kochhar, managing director and CEO, ICICI Bank. At Rs75,419 crore, HDFC Bank has the largest volume of low-cost deposits, which are much wooed in the banking sector. Its CASA (current account/savings account) deposits as a percentage of total deposits are as high as 47 per cent, which ranks the highest in the industry. By borrowing relatively cheap from retail depositors and lending at a spread, HDFC Bank has kept itself well ahead in the profitability charts. In FY08, its net profit grew 41 per cent over FY09 to Rs2,245 crore. The bank's share price has also moved in tandem. Even though it took a beating during the financial slowdown last year, the stock has recovered to climb to a peak of Rs1,836 in early December and now (at the time of printing) hovers around the Rs1,650 level.

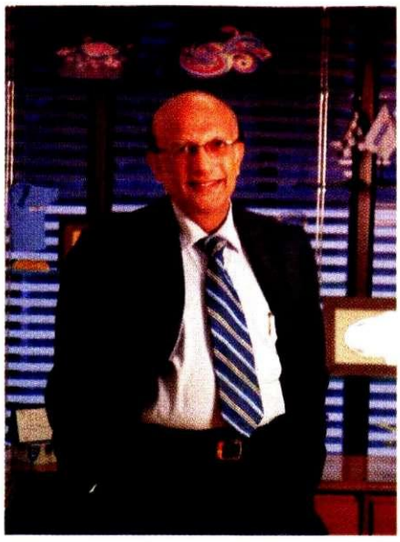
An expanding portfolio

As a retail powerhouse, the bank has been constantly adding innovative and attractive products to its portfolio to cater to customers at every level. It offers debit cards, special women's debit cards, credit cards, loans against gold, auto loans and two-wheeler loans, apart from its regular products. In 2003, the bank also forayed into microfinance and has reached out to 2.5 million families. It now plans to help another 10 million households over the next three to four years. "It's not a hugely profitable segment yet, but it will be," says Puri. In most other segments, it is a leader. The bank issues 70,000-80,000 credit cards every month (the highest in the industry). It is the market leader in the auto loan segment with Rs700-800 crore disbursements every month (the highest ever has been Rs1,150 crore disbursed in October 2009).

The mandate for all these segments has been well defined – become one of the top three players or exit. A strict adherence to this policy has also meant that the bank has had to reduce its two-wheeler business and exit investment banking in the past, where it couldn't establish a leadership position. Each product also needs to pass the scrutiny of the risk management team onboard. There have been many instances, in the past, when the bank has abandoned a new product or opportunity because it didn't meet the stringent credit policies of the bank. But it is this discipline that has helped the bank to maintain net NPAs below the desired 1 per cent level over the years. Even in the toughest year (2008), net NPAs were a mere 0.67 per cent. "In hindsight, more than the things we did, it was the things we did not do that have held us in good stead," says Sukthankar.

So, even while competitors went overseas, Puri resolutely decided to stick to his home turf. "Why go overseas when there is enough business for me here in India?" is his perennial response. Apart from some NRI and remittance business and a branch in the Middle East, HDFC Bank has no major international business. And Puri harbours no deep-seated ambitions to venture overseas in the near future, either. The bank also has no direct mortgage, asset management or insurance business. As part of the agreement with parent HDFC, the bank doesn't deal directly in these areas because they constitute HDFC's core business. HDFC Bank merely sources and distributes these products to its 18 million customers for a fee.

Like with every parent-offspring relationship, the bank has inherited most of its core values from HDFC: its conservative credit policies, customer service imperative and a clean reputation based on efficiency, fairness, trust and transparency. Shah of HDFC Bank



Subramanian: Puri is wedded to the concept of customer service

recalls that when the initial team was recruited, they agreed on the condition that the bank would take on the HDFC brand name. So, with a few modifications to the HDFC logo and the addition of the colour blue, HDFC Bank began with the strong backing of its rich lineage. Even today, both organisations share a close, symbiotic relationship. The bank is the largest mobiliser of HDFC's asset management products, sources one-third of its housing products and distributes about 45 per cent of its life insurance products. In turn, the bank has the right to buy back some of the mortgages it sells on behalf of HDFC to meet its priority sector lending needs and thus, it earns a lucrative fee for its services without taking on the risk.

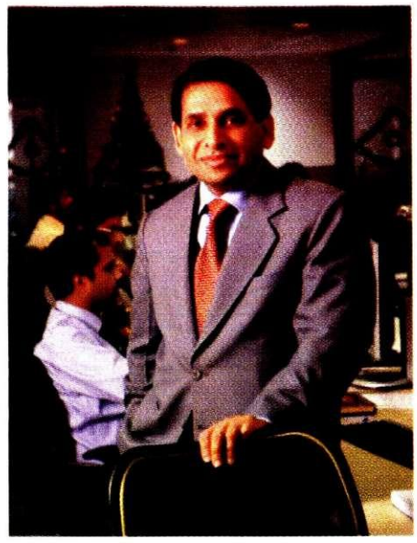
Contrary to some media speculation, Parekh and Puri too share a close and cordial relationship. "We're friends first," insists Puri. Whenever he faces any problem with regard to the bank, he calls up Parekh. "And I'm available for him," says Parekh. From a strategy point of view, Parekh is intimately involved with the bank, although as per RBI's regulations, he does not have a seat on the board. Nevertheless, he makes it a point to attend all the board meetings, as an invitee. "We have Rs12,000-13,000 crore invested in them along with our brand name. So I have to protect that," explains Parekh.

Puri, on his part, has worked hard to build the HDFC brand name and make it synonymous with customer service. His constant refrain to his team is that in the banking world, with products and pricing being largely similar, service is the key differentiator. When the head of retail resigned in 2006, Puri appointed two heads and had them report to him, effectively becoming the division head himself. He's also known to accompany his staff to meet clients at their offices. "He'll take anybody head on," jokes Engineer. So if someone has slipped up, beware, because Puri will come behind you. "He quickly sifts the grain from the chaff. So there's no fooling him," says Aditya Partha-sarathy, the head of treasury. At the same time, employees readily admit that he can be very humane and sympathetic.

Joint effort

Not one to take undue credit, Puri's quick to attribute the bank's success to his colleagues. "HDFC Bank is the public face of a joint achievement," he asserts. It's a team he and Parekh have carefully culled themselves. "He has a great team, which is very quick to mobilise," says Nandan Nilekani, former CEO of Infosys, who has now launched the unique ID venture. Most of them, like Engineer, Sukthankar, Subramanian, and even Puri's assistant, Goretti, have been part of the bank since its inception. Some, like Sameer Bhatia, Neeraj Swaroop and Shailendra Bhandari have left; but they went on to head other leading banks like Barclays, Standard Chartered and ING Vysya. So, even though Puri has no succession plan in mind as yet, he isn't worried. "It's too early," he says.

An eight-hour workday, however, is more than sufficient to fulfil his responsibilities as managing director. Puri's 5:30 pm departure is legendary within the company and outside. His neighbour of earlier times, Arun Maira, former chairman of Boston Consulting Group and now member of the Planning Commission, remembers being amazed at his timely routine of golf and a glass of orange juice in the mornings, followed by work

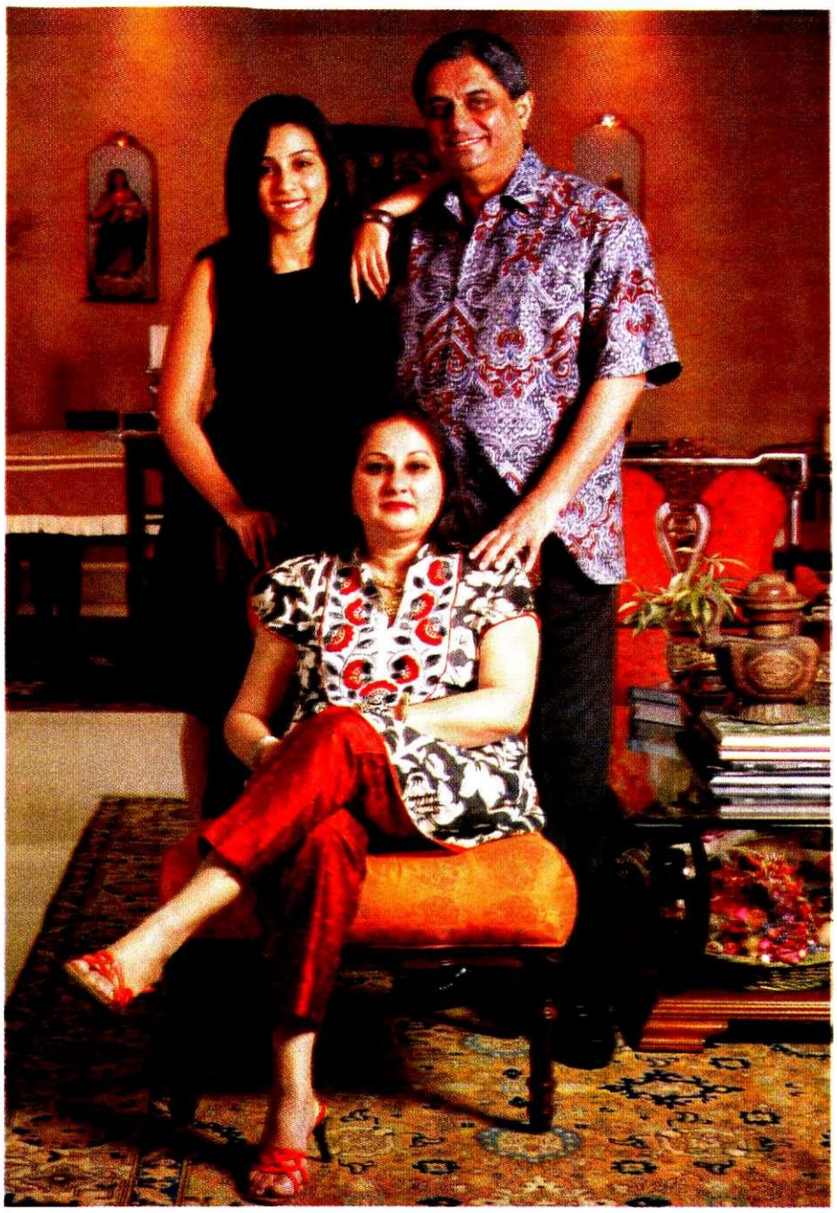


Parthasarathy: Puri quickly sifts the grain from the chaff

and then family time post 5:30 pm. "He believed that there was no need to spend more time at work just because you have an important job. And he's right, because if you apply yourself only to what is necessary, you don't need more time." According to buddy Pinto, even in his Citibank days, he would tell his employees, "If you're sitting late at work to impress me, then don't, because at 5:30 pm, I'm gone."

But while Puri's at work, there's no stopping him. He blazes through tasks, wanting things done at the earliest. "So if you can do it tomorrow, he'll ask you to do it today; if you can do it today, he'll ask you to do it now; and if you can do it now, he'll ask you why it wasn't done yesterday," says Subramanian. Within 5-10 minutes of visiting a branch (which he does pretty often), he quickly figures out what the root of the problem is. He'll then lay out the broad policy parameters and allow his team to run with the ball. But if he thinks the task isn't being achieved at the speed he expects, then he'll pull up his sleeves and do it himself or micromanage every bit of it.

While this clockwork precision works at the bank, it doesn't work too well with his family. Like their father, Puri's son Amit and daughter Amrita, believe in charting their own course, at



All about the family

their own time. After pursuing two MBAs (from IMI in Delhi and INSEAD in France) and a Masters degree in organisational psychology, Amit joined the banking world, but renounced it a month before he was expecting his first child with wife Bhaswati, to pursue his dream of starting his own venture. Now he runs an HR consultancy in Singapore and takes care of his son, Rian, while his wife works full time at ING Vysya. Amrita too tried her hand in the corporate world, working at O&M in advertising and later freelancing for fashion publications *Man's World* and *Verve*. But she soon realised that acting was her calling. She is now debuting in a Bollywood film, which hits the screens in May 2010. "He's been extremely supportive of me," says Amrita. She remembers having a tough time at school when she was a child and how Puri dropped her off to school every morning for one-and-a-half years to ensure that she was fine. "He would tell me, 'What are you worried about? You're the *'sher da puttar'*; just go and do it'." Puri even pushed his wife Smiley to take a shot at making a career out of her passion for art. She had six very successful solo exhibitions, but she gave it up to be available for her family.

House proud

For Puri, his family is his life. He loves spending time at home, being in the middle of things. And even at home, his family reveals, he's a ball of boundless energy. He's always checking the speakers, reading, listening to music or rearranging the furniture. "He's totally house proud," says Smiley. She recounts the laborious hours he spent doing up their beautiful farm house in Lonavala overlooking a lake, where Puri lovingly tends to his button tomatoes, sorrento lemons and Mankurad mangoes, when he visits on the weekends. Currently, they're working on doing up their house in Goa, which is located on the beach. And he's cracking the whip on the workers, so that the house is ready by the time the love of his life, his grandson Rian, visits. Even the senior management team, which sometimes joins him for lunch at his house on weekdays, is kept dutifully informed of Rian's latest antics.

Puri maintains a fine balance between work and family. But in the midst of it all, he also finds time to be the deputy chairman of the Indian Banks' Association (IBA), consciously supports the rural BPOs that service the bank to change the quality of life of the people, and consult with the government on important banking and financial matters. In Delhi circles, he's known as Mr Squeaky (because of his attention to detail). He's also a darling of the RBI, for putting up a stellar performance while strictly observing its policies. But more importantly, HDFC Bank is a proud symbol of the success of the time when the government opened up the banking sector to private corporations. With Aditya Puri at the helm, the bank's triumph bears testimony to the pinnacles an individual can climb by merely daring to dream big, while keeping it extremely simple.

• HIRAL SHETH