Coalition Greenwich
A division of CRISIL

Indian Corporates Turn to Big Banks to Fund Ambitious Growth

2023 Greenwich Leaders: Indian Corporate Banking

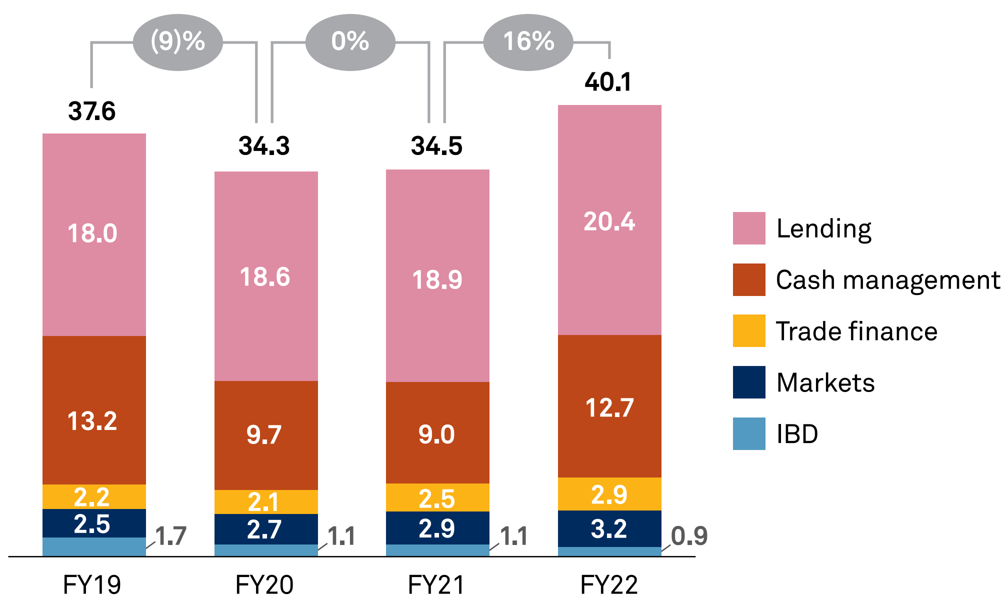
Q3 2023

Indian companies are joining forces with the country's largest banks to help fuel their drive to become bigger, more international and more efficient.

Industry revenue pools across banking grew by 16% overall year on year. The largest driver was the growth in cash management on the back of the higher rates environment. We also saw double-digit growth for domestic and cross-border trade. The capex cycle has been a key driver for growth in lending for banks in India as well.

FY22 Revenue Pools—India

USD Billions



Note: Numbers may not add to total due to rounding. Revenue pools include revenues from all institutional clients and corporates with annual turnover of more than $10 million.
Source: Coalition Greenwich Competitor Analytics – FY22

Nearly 90% of the large and middle market Indian corporates participating in the most recent Coalition Greenwich India Corporate Banking Study are optimistic about the outlook for their businesses over the coming year. Fully a third of those companies say they are highly positive about that near-term future.

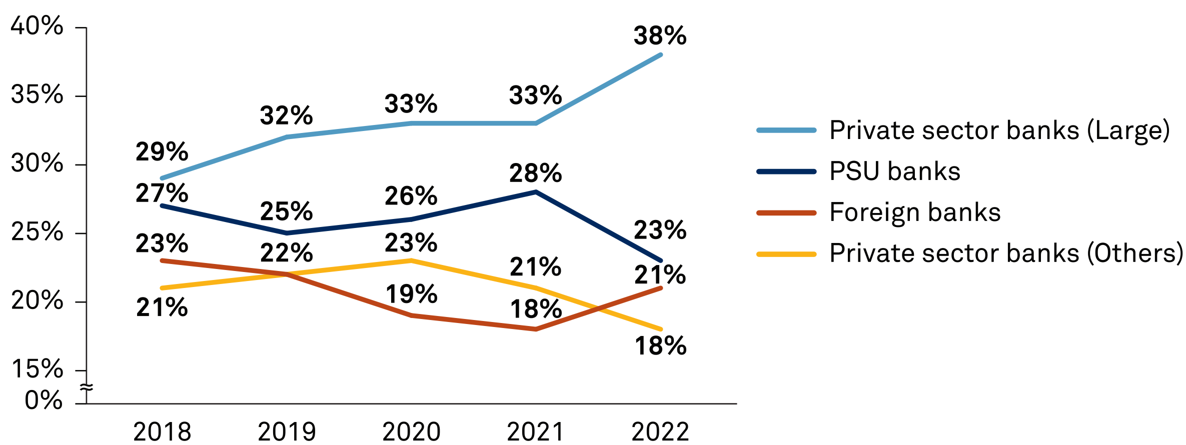
Those positive vibes reflect a robust economy powered by favorable demographics, a strong and growing consumer base and an influx of international capital from companies like Apple that are diversifying supply chains away from China. The favorable business conditions corporates in India are now experiencing are also a result of the Indian government taking steps over a number of years to create a more business-friendly environment. Corporates—and the Indian economy as a whole—are now reaping the benefit of various structural reforms introduced over the past decade or so, as well as the shifting geopolitical environment.

A treasury professional from a large Indian corporate described the current situation for his company: "We are quite stable and our dependence on debt is not much. Our bottom lines have been consistent. We don't see much turbulence at all." A study participant from a large Indian pharmaceutical company explains that his company sees huge opportunity if it can successfully roll out new products while managing costs. "If we can manage these two things better, we would see business outcomes that are extremely positive," he says.

Big Banks Continue to Capture Corporate Banking Relationships

Large and middle market corporates are turning to the biggest banks in India—to help capitalize on current conditions and achieve ambitious plans for growth. The Reserve Bank of India's 2020 circular put the country's largest credit providers in an advantageous position in the competition for corporate banking relationships. The biggest domestic and foreign banks are building on that momentum at a moment when bank relationships are seen as especially important by Indian corporates and MNCs alike. Although companies in India are enjoying a favorable environment overall, rising interest rates represent a potential headwind in India as they do for other major economies globally. Strong banking relationships can help corporates maintain growth while mitigating any negative impact of rising rates.

Large Private Banks Are Winning Relationships



Note: Market penetration is calculated based on the number of respondents who cite a core relationship for each bank in the study. Based on 557 respondents in 2018, 634 in 2019, 647 in 2020, 658 in 2021, and 633 in 2022. Private sector banks (Large) refers to ICICI Bank, Axis Bank and HDFC Bank. PSU banks refers to State Bank of India, Bank of Baroda, Bank of India, Canara Bank, Bank of Maharashtra, Central Bank of India, Punjab National Bank, Indian Overseas Bank, Union Bank of India, UCO Bank, and other PSU banks. Foreign banks refers to Citibank, HSBC, Standard Chartered Bank, Deutsche Bank, DBS, SMBC, Mizuho, MUFG, BNP Paribas, Barclays, J.P. Morgan, and other foreign banks. Private sector banks (Others) refers to Kotak Mahindra Bank, IndusInd Bank, IDFC First Bank, RBL Bank, Federal Bank, Yes Bank, and other private sector banks.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

From 2021 to 2022, the share of Indian corporates working with one of the largest Indian private sector banks for overall corporate banking services increased to 38% from 33%. Over the same period, the share of corporates working with at least one large foreign bank climbed to 21% from 18%. That increase in penetration reversed what had been a three-year decline in market penetration among foreign providers, and reflects a growing aggressiveness on the part of foreign banks to provide credit not only to the largest Indian companies, but to middle market corporates as well.

Many of the gains for large private sector and foreign banks came at the expense of the smaller banks, including some of India's public sector banks. But even among the PSUs, the trend toward consolidation among the largest providers persisted, with State Bank of India doing a better job than smaller banks at maintaining corporate relationships. Over the 12-month period, the share of Indian corporates working with at least one of the country's other, smaller, private sector banks dropped to 18% from 21%.

The same trends were evident in the domestic cash management business, in which large private sector banks increased their market penetration to 46% of Indian corporates in 2023 from 40% in 2022, while foreign banks expanded to 21% from 18%. Meanwhile, market share contracted among both public sector banks and smaller private sector providers. Those shifts mark a continuation of the consolidation trend that started in 2020. This is in contrast to the broader regional trends in Asia where corporates have again begun diversifying their cash management relationships after a period of contraction during COVID-19.

2023 Greenwich Share and Quality Leaders

Among local banks, HDFC Bank has overtaken State Bank of India to earn the top spot on the list of 2023 Greenwich Share Leaders for large corporates. Meanwhile, ICICI Bank won the sole designation as the 2023 Greenwich Quality Leader for large corporates. For middle market corporates, HDFC Bank continues to top the list of 2023 Share Leaders among local banks, and joins ICICI as joint 2023 Greenwich Quality Leaders.

See the full list of 2023 Greenwich Share and Quality Leaders across both local and foreign providers at the end of this report.

Indian Corporates Eye International Expansion

Encouraged by their optimistic outlook, Indian corporates are rolling out ambitious growth plans. Many companies see international expansion as a key source of that future growth. Over the past two years, the share of large and middle market Indian corporates with international business and operations requiring bank support increased from less than three-quarters (73%) to 81%.

Nearly half of those companies employ a foreign bank to meet their international cash management needs, with the biggest global banks holding a majority of those relationships. "Because we are expanding internationally on a large scale, we are looking toward [a large global bank] to serve our international needs," says a treasury professional from a large Indian packaged food provider. "We expect our banks to be able to offer products which suit our international needs as we now have presence in several countries," adds a study participant from a large Indian corporate.

Pushing Back Against Interest-Rate Headwinds

Even as Indian corporates implement growth plans, most are also working to minimize the potential negative impact of rising interest rates on their businesses. Two-thirds of the large and middle market companies participating in the study say they are taking proactive steps to mitigate the effects of rising rates. Companies are working to optimize efficiencies in cash and inventory management, taking a microscope to operational costs, and deleveraging.

It is important to recognize that a sizeable minority of Indian corporates are not taking any specific steps with regard to rising rates. Relative to the low/zero interest rate regime in most of the major economies for much of the past decade, rates in India have been relatively higher. A sizeable number of corporates have been generally less leveraged and have proven to be less vulnerable to rate increases.

The following graphic shows the most common steps Indian companies are taking in response to rate increases.

Key Measures Taken to Mitigate Interest Rate Impact

Hedging/Negotiating better terms

43%

- Utilizing financial products to hedge (e.g., IRS, etc.)
- Locking fixed rates/longer tenors
- Negotiating with multiple banks/ alternate funding sources

"We are using a mix of several financial products that focus on different circumstances and needs, such as money market hedging, futures and options, to ensure that we are able to hedge our interest rates."

"We have tied up on fixed-rate borrowing, which has given us good results."

"We are renegotiating our borrowing and have reduced our cost."

Increasing working capital efficiency

26%

- Optimizing cash conversion cycle
- Efficient asset-liability matching

"We are optimizing resources, and working capital utilization is kept at the lowest possible level. And we are trying to match the credit period."

"Collections and payments are done smartly to manage the net and gross profile. We have managed to increase the credit period to our advantage to help us manage the working capital and interest rates."

Passing costs to customers

22%

- Increasing pricing review frequency to partially/fully offset financing costs increase

"We have an agreement in place with our customers with regards to interest rates and inflation. Any additional costs can be passed on to our customers."

"We are in active discussion with our vendors and supply front stakeholders to manage rising costs and interest rates. We are finding ways to pass this on to the respective stakeholders."

Deleveraging the balance sheet

20%

- Early repayment of principal
- Review of long-term debt and reduction in borrowings

"We are currently in a 'debt repayment phase' since Q4 2021. We aim to repay another 200 cr INR before 2024 and to leave only low-interest annuity loans in our balance sheets."

"We are trying for the repayment of the loans. This is to lower our burden on interest cost."

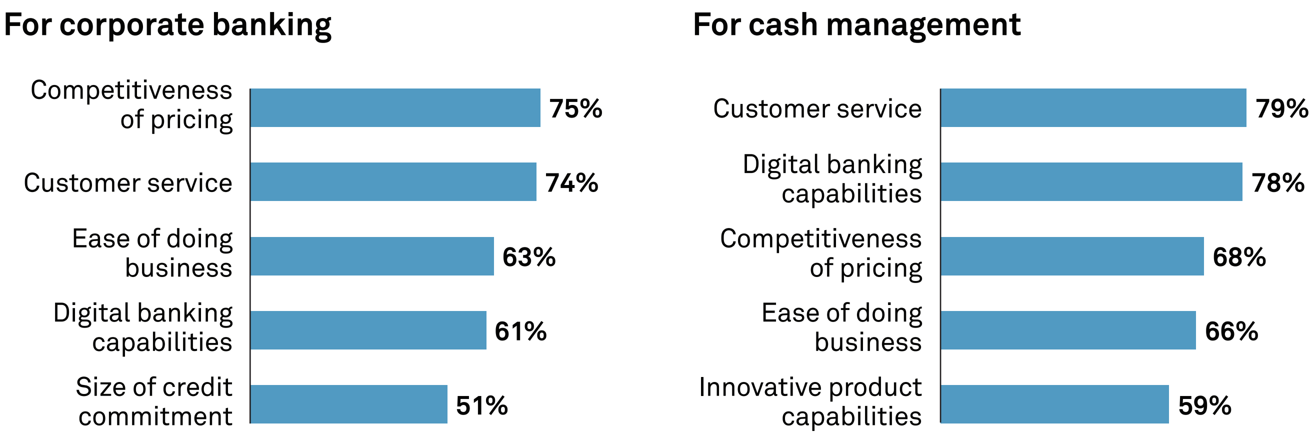
Some of the other mitigants mentioned were government support, improving operational efficiency, rationalizing CAPEX, etc.

Note: Based on 246 respondents who answered the question on "How are you managing the current macroeconomic environment with rising interest rates?".
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

India's Private Banks Up Their Game in Service and Digital Banking

For corporates in India, the quality of a bank's overall service level is now equally or more important than price when it comes to selecting a provider for corporate banking and cash management.

Key Criteria for Selecting a Corporate Banking Provider



Note: Corporate banking based on 465 respondents. Cash management based on 69 respondents.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

The graphic above shows the most important criteria considered by corporates in India in their assessments of the banks competing for their business. As the charts illustrate, factors like customer service, digital banking capabilities and ease of doing business now match or outweigh the impact of pricing—a situation that would have seemed incredible just a few years ago, when the Indian corporate banking market was more price sensitive. In cash management, service and digital capabilities have skyrocketed in importance to Indian corporates over the past 12 months and now rank as by far the most important selection criteria.

At first glance, it might seem like the increased emphasis on digital capabilities and overall service quality would benefit the largest global banks, which have vast resources to devote to technology and have been investing on a global basis in digital. However, we see large Indian corporates rank with foreign banks in delivering the best digital experience, as Indian banks have been investing heavily in their digital capabilities. The domestic players typically tend to be more nimble and faster-to-market relative to the biggest global banks. Indian banks have impressed companies with their ability to respond to customer demand and quickly get to market with new digital features. As a result, two Indian banks, ICICI Bank and HDFC Bank, score spots in the top five for digital experience, as measured by ratings from large and middle market corporates.

Indian corporates described some of the features that help their current banks deliver a great digital experience:

> **"The site fetches the data from DGFT for export sales registration; we enter commercial invoice details there. Once exports are lodged, payment gets processed digitally."**

> **"We are doing most transactions digitally via the bank. For example, we can make LCs online. Also, remittances can be done online. Physical paper transactions are almost nil. Touch and feel of their digital platform is very good."**

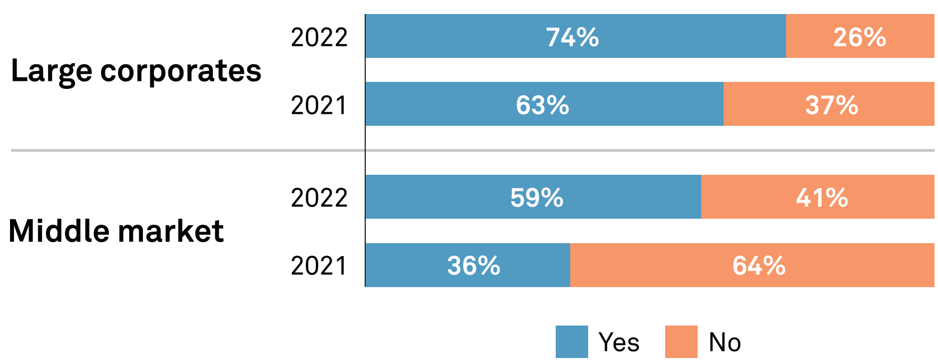
> **"The interface is easy to understand, easy to use. Log-in systems are secured. The transactions flow smoothly, and there are much fewer errors."**

> **"The ease of integration, host-to-host integration, the API they provide, and the success rate are some of the features which makes it a good digital experience."**

Indian Corporates and Banks Embrace ESG

Indian corporates are embracing environmental, social and governance in a big way. Over just the past 12 months, the share of companies in India with established ESG targets increased from less than half (43%) to nearly two-thirds (63%). Almost three-quarters of large Indian corporates now have formal ESG goals.

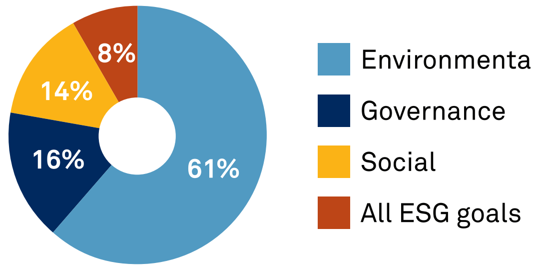
ESG Target or Goals Are in Place?



Note: Large corporates based on 156 respondents in 2021 and 153 in 2022. Middle market based on 422 respondents in 2021 and 424 in 2022.
Source: Coalition Greenwich Voice of Client – 2022 and 2023 India Corporate Banking Studies

Banks are playing a key role in helping companies in India and elsewhere set and achieve their ESG goals. For most Indian companies, environmental issues are the focus of ESG targets. To meet those targets, more than a third (of those who cited using green banking products) of the corporates are using green bonds, with about another third using ESG-linked loans. In addition to sourcing these products from banks, Indian corporates are looking for support in other areas. For example, about 3 in 10 corporates in India said they are getting help from banks to help develop sustainable supply chains.

Key Focus of ESG Goals



Note: Based on 324 respondents in India.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

Going forward, banks have an opportunity to deepen their relationships with Indian corporates by helping clients build out ESG programs or establish them for the first time. Among companies currently without formal ESG targets, more than a quarter say they have not taken action due to a lack of knowledge about ESG issues. Another third cite a lack of resources or funding. Banks can help clients bridge gaps in both areas.

Although foreign banks are seen as the leaders in ESG, Indian banks are closing the gap quickly. Every year, Coalition Greenwich asks Indian corporates which banks have been most active in approaching them to discuss ESG topics. From 2021 to 2022, citations increased by more than 16 percentage points for ICICI Bank and by at least 10 percentage points for Yes Bank and HDFC. Citations for State Bank of India increased by six percentage points. Clearly, increases of that magnitude reflect both strategic choices to focus on ESG and execution that has brought that focus to clients.

Greenwich Share and Quality Leaders and Greenwich Excellence Awards

The following tables present the 2023 Greenwich Share and Quality Leaders in Indian Large Corporate and Middle Market Banking and the winners of the 2023 Greenwich Excellence Awards in several important categories.

Greenwich Share and Quality Leaders — 2023

Indian Large Corporate Banking Market Penetration—Local Banks

Bank	Market Penetration*	Statistical Rank
HDFC Bank	69%	1
State Bank of India	60%	2
Axis Bank	55%	3T
ICICI Bank	54%	3T

Indian Large Corporate Banking Quality—Local Banks

Bank
ICICI Bank

Indian Large Corporate Banking Market Penetration—Foreign Banks

Bank	Market Penetration*	Statistical Rank
Standard Chartered Bank	51%	1T
HSBC	50%	1T
Citi	44%	3T
DBS	42%	3T

Indian Large Corporate Banking Quality—Foreign Banks

Bank
Bank of America
HSBC
J.P. Morgan

Note: Based on 177 respondents. *Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate banking services. Market-level leaders are based on Top 3 leading banks, including ties. Quality leaders are cited in alphabetical order, including ties.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

Greenwich Share and Quality Leaders — 2023

Indian Middle Market Banking Market Penetration—Local Banks

Bank	Market Penetration*	Statistical Rank
HDFC Bank	70%	1
ICICI Bank	64%	2
Axis Bank	47%	3

Indian Middle Market Banking Quality—Local Banks

Bank
HDFC Bank
ICICI Bank

Indian Middle Market Banking Market Penetration—Foreign Banks

Bank	Market Penetration*	Statistical Rank
Standard Chartered Bank	20%	1T
HSBC	19%	1T
Citi	18%	1T

Indian Middle Market Banking Quality—Foreign Banks

Bank
HSBC

Note: Based on 455 respondents. *Market Penetration is the proportion of companies interviewed that consider each bank an important provider of corporate banking services. Market-level leaders are based on Top 3 leading banks, including ties. Quality leaders are cited in alphabetical order, including ties.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

GREENWICH EXCELLENCE AWARDS

For the sixth year, Coalition Greenwich is recognizing excellence in Indian corporate banking. The 2023 Greenwich Excellence Awards identify the top-ranked banks in a series of product and service categories. Winners are determined by receiving a statistically significant portion of "Excellent" ratings from their large corporate and middle market clients in India.

Greenwich
Excellence
2023

2023 Greenwich Excellence Awards for Indian Large Corporate Banking

Among More Than 70 Banks Evaluated, 4 Have Distinctive Quality

Overall Digital Experience	Ability to Streamline KYC Processes	Coordination of Product Specialists	Frequency of Contact
Citi	ICICI Bank	ICICI Bank	ICICI Bank

Knowledge of Transaction Banking Needs	Knowledge of International Banking Needs	Proactive Provision of Advice	Timely Follow-Up
ICICI Bank	Standard Chartered Bank	Bank of America ICICI Bank	ICICI Bank

Note: *Performance evaluations did not yield statistically differentiated providers for this metric. Based on interviews with 177 respondents.

Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

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Greenwich
Excellence
2023

2023 Greenwich Excellence Awards for Indian Middle Market Banking

Among More Than 70 Banks Evaluated, 3 Have Distinctive Quality

Ability to Digitize KYC Processes
HDFC Bank
ICICI Bank

Ease of Doing Business
HDFC Bank
ICICI Bank

Effective Senior Management Support
Axis Bank
ICICI Bank

Overall Digital Experience
HDFC Bank
ICICI Bank

Ability to Streamline KYC Processes
HDFC Bank
ICICI Bank

Coordination of Product Specialists
HDFC Bank
ICICI Bank

Frequency of Contact
Axis Bank
ICICI Bank

Knowledge of Transaction Banking Needs
HDFC Bank
ICICI Bank

Knowledge of International Banking Needs
ICICI Bank

Proactive Provision of Advice
ICICI Bank

Timely Follow-Up
Axis Bank
ICICI Bank

Note: *Performance evaluations did not yield statistically differentiated providers for this metric. Based on interviews with 455 respondents.
Source: Coalition Greenwich Voice of Client – 2023 India Corporate Banking Study

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METHODOLOGY

From September 2022 to March 2023, Coalition Greenwich conducted interviews with 177 large corporates and 455 middle market businesses in India, focusing on key areas such as banking relationships, quality perceptions of the respective relationships and products used including corporate lending, cash management, trade services and finance, foreign exchange, structured finance, interest-rate derivatives, and investment banking.

The Greenwich Quality Index ("GQI") comprises metrics that measure Institutional Relationship Quality and Overall Coverage (i.e., "People") Quality. Institutional Relationship Quality factors include "Effective Senior Management Support," "Ease of Doing Business," "Willingness to Lend," "Most Competitive Pricing," and "Ability to Communicate Upfront on KYC Requirements." Coverage Quality factors include "RM's Proactive Provision of Advice," "Knowledge of Transaction Banking Needs," "Knowledge of International Needs," "Frequency of Visits," "Timely Follow Up on Requests," and "Effective Coordination of Product Specialists." Study participants were then asked to rate their banks in 14 product and service categories. Subjects covered included product demand, quality of coverage and capabilities in specific product areas.

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We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

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It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

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