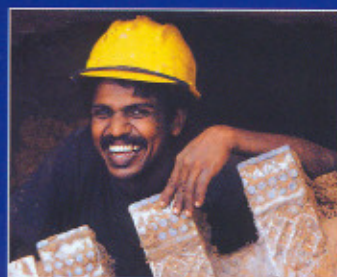


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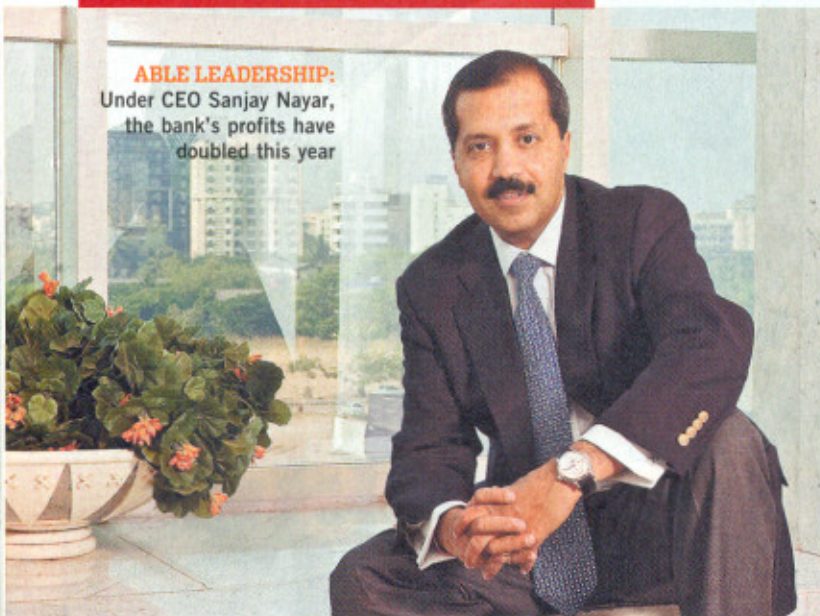


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ABLE LEADERSHIP:
Under CEO Sanjay Nayar,
the bank's profits have
doubled this year



SATHEESH NAIR

Citi On A Home Run

by Raghu Mohan

Citibank's smartly crafted moves have taken it to the top

CITIBANK

Deposits: Rs 46,125 cr
Advances: Rs 38,377 cr
Net profit: Rs 1,804 cr
Net NPAs: 1.23%

The universal banking model of Citibank makes it stand out among the rest

A COUPLE of years ago, there was a feeling in the banking circuit that Citibank had gone a bit off the boil. In terms of size, it had lost its pole-position among foreign banks to Standard Chartered. In terms of visibility, too, private rivals such as ICICI Bank and HDFC Bank were hogging the headlines. Then, over the past year or so, Citi's new global CEO Vikram Pandit was cutting it down to size, and planning to sell about \$400 billion in assets. In India, there were whispers of large-scale layoffs, and speculation that it will offload its 13 per cent stake in HDFC.

However, Sanjay Nayar, CEO of Citigroup (India), has proved that Citi never sleeps. The *BW-PwC* study sees Citi at the top of the heap of foreign banks in India for 2007-08. It more than doubled its net profit to Rs 1,804 crore; total revenues (net interest income plus other income)

rose by 51 per cent to Rs 6,099 crore.

So, what makes Citi tick? Nayar says it is the bank's universal banking model. "Strong headwinds in global credit markets clearly had some impact in India towards the end of the year, but we are confident that the strength, diversity and resilience of our franchise will help us ride out these conditions."

There is more to Citi than just being a bank. As a group, its net profit stood at Rs 2,596 crore, that is a 65 per cent rate of growth. At end-March 2008, the group's balance sheet stood at Rs 1,07,679 crore, up by 28 per cent. This, despite the fact that a foreign player such as Citi is constrained by regulations. It cannot open branches as it wants, and it cannot grow inorganically for some time to come.

The bank claims that despite the tough times in the retail business, its cards business grew 24 per cent; that the retail bank and plastic helped offset rising credit costs in the consumer finance business. The bank also rolled out a customer education initiative to spread awareness of best practices in using credit, giving vital tips on the myths and facts about consumer credit.

To remain relevant to its Indian audience despite the restrictions placed on it, Citi has put its Citigroup platform into play. It hand-held several Indian firms in their global ambitions, such as Tata Steel-Corus, Tata Motors-Jaguar and United Spirits-Whyte & McKay. Some others such as cash management and trade services that add to its fee-income, which rose by 82 per cent to Rs 2,446 crore, are below the radar. Of course, much of this is largely contributed by robust growth in profits from the foreign exchange business. Of Citigroup's total revenues of Rs 8,410 crore, corporate banking's share was 31 per cent, retail's 43 per cent, and treasury's 24 per cent. And in terms of profits before tax, the same stood at 30 per cent, 25 per cent and 45 per cent, respectively.

Citigroup's most visible strategic move came in May 2006 when it picked up a 9.27 per cent stake for a tad above Rs 3,000 crore in HDFC, taking its holding to 13 per cent. The deal not only made Citi the largest stakeholder in HDFC, but also gave it a strategic hook into HDFC Bank (HDFC holds 22 per cent in HDFC Bank). It has led to speculation that it may one day lead to two grand deals — first between HDFC and HDFC Bank, with Citigroup coming to the party right after. Citi, and Nayar, are awake to the possibilities.

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