

# 'Further Rate Hike of 50 to 75 Bps Likely'

Aditya Puri says the amount of hike to be passed on to the market, will be decided by demand & supply



Aditya Puri, chief executive at HDFC Bank, long recognised that the Indian market will be consumer-driven and it remains so. It is dominant in everything consumer related. In an interview with ET NOW, Mr Puri says he now aspires to be Number 2 to State Bank of India, even in the hinterland. Excerpts:

#### **POLICY ACTION**

Policy rate hikes between at best 50 and 75 basis points should be expected till inflation comes under control. I don't believe all of it will be passed on to the market. How much will be passed on will be a function of demand and supply.

#### **EXPOSURE TO REALTY**

Our true exposure to real estate, which is to the developers, is sub 1%, and it is also doing quite well. We do not face pressures on our retail portfolio. We do not face pressures on demand for retail loans and working capital. Our portfolio is healthy, sound and we probably had the least slippage that we had for a long time. I don't see the situation altering substantially.

#### **SAVINGS RATE DEREGULATION**

#### **ADITYA PURI** CEO, HDFC Bank

**HDFC Bank has established leadership positions in almost all the products it operates in...We've also substantially increased our distribution network, which has gone up 2.5 times. We are extremely well positioned to be No.2 to State Bank of India in terms of brand recognition in the interiors**

You will see increase in charges, you will see reduction in service to the middle class, you will not gain substantially because the amount that most people keep in savings accounts is peanuts. Should it happen in a country like India? If you really want to introduce monetary transmission and not have a deregulated interest rate, please introduce some money market account like the rest of the world. Also, you cannot have half-baked deregulation, if you deregulate balances, you'll have to deregulate charges.

#### **PRODUCT PORTFOLIO**

HDFC Bank has established leadership positions in almost all the products it operates in, whether it is car loans, two-wheelers, credit cards, personal loans, loans against jewellery, agricultural loans, loans to small businesses, loans to medium enterprises, loans to micro enterprises, cash management, government businesses — you name it. We've also substantially increased our distribution network, which has gone up 2.5 times. We are extremely well positioned to be No.2 to State Bank of India in terms of brand recognition in the interiors.

#### **RESTRUCTURING OF LOANS**

If 15 power projects have some issues in terms of getting raw material supplies, etc, and they have to be restructured, it is not the end of the world. And it is not large enough for the system.

Obviously, there will be some issues for the banks involved. Similarly on the real estate, I want to say categorically, that the Reserve Bank of India does not allow banks to fund land and when you don't fund land in real estate, you are unlikely to have a major recovery problem.