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ET Q&A

KAIZAD BHARUCHA

Executive Director, Corp Loan Book, HDFC Bank

COMPANY PHOTO

'We're on Right Path, but Need to be a Bit Patient'

As an executive director in charge of HDFC Bank's corporate loan book, Kaizad Bharucha oversees 47% of the bank's ₹5.54 lakh crore advances. Since joining the bank in 1995 from the State Bank of India, Bharucha has presided over the bank's expansion, adding top clients from corporate India. In an interview with **Joel Rebello**, Bharucha said that corporate expenditure is showing early signs of revival after a lull of three years. Edited excerpts:

How is the macro economy shaping up? What's your sense?
We seem to be in a good position if you look at inflation, oil, current account deficit, BoP and currency stability. The macros look very stable which augurs well for us as a country and allows us to work with the opportunity. This provides us a sound platform with most of these elements falling into place.

Private capex is yet to come in the manner that one has envisaged, but one has to look back four-five years ago when a lot of capacity was built within the system. Until you don't see actual utilisation of that capacity, private capex will not follow. But we have seen better momentum, compared with last year.

The conversations across industry are with a more positive intent to participate in growth. Working capital utilisation has increased, order books are better, and the company plans to showcase a positive slant which will play itself out. We are on the right path but one would have to be a bit more patient — the indicators are positive. Roads and allied sectors, transmission, renewables are showing much more positivity as also commercial vehicles. Infrastructure-led sectors will lead the capacity utilisation.

How will HDFC Bank take advantage of this situation?
We have always said we are a play representing the underlying economy and if there is a higher level of growth in retail, we will participate in it; same for the wholesale side. We have been able to grow the wholesale bank faster than market at 20% compared with roughly 5% for the system.

Other areas grew faster like the corporate bank, and the mid corporates grew at around 23%. We have been able to achieve these rates through our customer engagement, products and digitisation. We also do working capital, vendor financing and also term loans as our balance sheet has evolved with the market. This has helped us gain market share, customer wallet, and offer more products to the customer.

ON RETAIL BANKING

Retail has grown very well, and makes about 55% of our balance sheet. We have been ahead of most other lenders

PSU banks have had their own problems. Has that helped you in gaining market share?
Yes and no, because we have gained share across the mid and large corporates. Whatever may have been the challenge of some participants, a good credit is not something that banks want to let go. Competition continues to be fierce because these are the top companies. I would say it's more due to our functioning that the challenges others are facing. We are seeing demand coming through in the cement and steel sectors due to the metro projects. We have seen better capacity utilisation in railways and metro projects and also ports. We are seeing some shoots from defence too. We have seen opportunities both in refinance and working capital.

Where does all this leave retail banking?
Retail has grown very well, and makes about 55% of our balance sheet. We have participated in all aspects of growth — credit cards, personal loans and two-wheeler loans. We have been ahead of most other lenders in terms of positioning. When the retail is presenting opportunity, we will be right up there.

How has corporate banking changed in the past few years?
The corporate sector has seen working capital getting participated through the commercial paper which was a fraction of what it was in working capital financing and is larger now. Similarly, the bond market has seen much more traction. People are accessing the bond market to meet their term requirement, which is also good because that is something that everyone wanted. Now, an RBI circular says by 2019 large corporates will have to access a good portion of the incremental amount through the bond market. We have seen that change in the last few years as new instruments have created alternate avenues for corporates to access finance.

ON CREDIT DEMAND

We see demand coming through in the cement and steel sectors, and better capacity utilisation in railways and metro projects

What does that mean for banking?
Banks will be there for their core products because companies need an overdraft and cash credit to meet their daily payments. You need term financing because it has features distinct from a bond depending on how you want to do your liability management. The bond market will not corner the loan market but it will create more alternatives. The entire part of the value chain in trade will continue to grow as technology evolves and clients' requirements change.