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WAR CHEST

HDFC Bank to raise ₹4,500 cr through infrastructure bonds

Aditya Puri says the bank has armed itself with funds with an eye on growth prospects improving in India

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MUMBAI

HDFC Bank Ltd will raise infrastructure bonds worth ₹4,500 crore before the end of March, following up on its jumbo share sale earlier this month, as the bank braces itself to take advantage of increased lending opportunities to both companies as well as individuals over the next two fiscal years.

In an interview on Thursday, HDFC Bank managing director **Aditya Puri** said the bank has armed itself with funds with an eye on improving growth prospects in India.

"India's economy will grow. I am very confident about the future. There is a great future for India and I have positioned for it. This is just the beginning and I will see even better (days)," Puri said.

Earlier this month HDFC Bank raised ₹9,766 crore by selling shares to domestic institutional investors and American Depository Receipts in New York.

The issue was cleared by the Foreign Investment Promotion Board (FIPB) following clarity on whether its largest shareholder **Housing Development Finance Corp. Ltd** (HDFC)would be classified as a foreign investor due to its predominantly foreign shareholding. Since HDFC was considered a foreign entity, HDFC Bank raised capital partly via a domestic share and through ADRs, so as to not breach the 74% foreign investment limit prescribed for private banks.

Puri said the bank completed the share sale quickly to meet US share sale norms which require that the filed financials should not be older than six months.

"We decided to get approval within the current guideline and we got the full cooperation and expeditious movement from the FIPB, ministry of finance and the RBI to close the issue in one day." The money raised through this share sale will be used largely for lending purposes as demand for credit picks up.

Credit demand across the sector has been low through the current financial year. The year-on-year credit growth is close to 10% based on the latest data available from the Reserve Bank of India (RBI).

"Retail demand is starting to pick up this month. Demand for retail loans across the sector is picking up. Lot of this is sentiment and as rates are softening," said Puri, adding there has been a pick up across personal loans, auto loans, credit card spends.

In a report on Thursday, rating agency **ICRA Ltd** said the overall stress in the banking system is likely to decline with higher economic activity, lower inflation and falling interest rates. "This may also support higher credit growth (from the current 11% levels) and lower fresh stressed-asset formation (now at 4.6-4.8%) over the medium term," said ICRA, the Indian arm of Moody's Investor Services.

HDFC Bank could also look at increasing lending to the infrastructure sector, which currently accounts for about 15% of the bank's book, after it raises funds via the long-term infrastructure bonds.

HDFC Bank's infrastructure bonds, like the ones before it will be sold under new rules framed by the RBI for lending to infrastructure and affordable housing projects which exempt banks from the central bank's reserve requirements and also priority lending sector targets under which banks have to give 40% of their loans to agriculture, small businesses and weaker sections of the society.

HDFC bank will follow the likes of **Axis Bank Ltd**, **ICICI Bank Ltd**, **Kotak Mahindra Bank Ltd** and **Andhra Bank** in raising infrastructure bonds this fiscal. Axis Bank was the last bank to sell these bonds when it raised ₹5,700 crore in December.

"We will lend to infrastructure but provided the projects are viable," Puri said.

Speaking about the stressed assets across the banking sector, Puri said that while stressed assets need "sorting out", some of them will get resolved as the economy picks up.

Puri, however, cautioned that the new structure of joint lender forums (JLFs), which are set up to find an early solution to stressed assets, should not be used to delay finding a solution.

"The JLF is intended to be a mechanism that takes us closer to Chapter 11 (US bankruptcy law allowing the reorganization of a company's business and assets and restructuring of debt). It is not intended to defer the problem further. I feel that here should be a provision if a bank objects to the new structure not being viable, then RBI should mediate. Then it will work. There is scope for misuse of JLF," Puri said.