''Challenges in the NBFC sector remain largely resolved''

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SURABHI
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Challenges in the NBFC sector seem to have been largely resolved and the entire system is showing maturity in dealing with it, believes Kaizad Bharucha, Executive Director, HDFC Bank. The bank's wholesale loan book touched ₹3.5 lakh crore at the end of September 30, 2018, from ₹2.85 lakh crore in March this year.

In an interview with *BusinessLine*, Bharucha, who handles the wholesale banking division at HDFC Bank, also spoke about the private sector lender's strategy on lending and keeping non-performing assets under control. Excerpts:

What is your view on the current crisis in the NBFC sector?

The current incident that we had realted to one NBFC did create ripples, but it would be incorrect to say that it is a sectoral or systemic issue. The challenges that arose in the sector in the last couple of months have largely been resolved. Some of the data points suggest a lot of NBFCs have been able to meet their payment obligations, and have been able to raise fresh liabilities once gain. The larger part of the issue is addressed. There may be some component, which will sort itself out in the next few weeks.

Has the Insolvency and Bankruptcy Code been helpful to banks? Are there concerns about delays in resolution?

I believe it is an important legislation, which will go a long way in bringing comfort to the banking system. It puts a time frame around the resolution of the asset, and looks to resolve the asset rather than only liquidate it for recovery.

It also brings a lot of transparency for the stakeholders and the process involved. It also tells the borrowers that if they do not conduct themselves in the expected manner in a defined time frame, then they would risk losing the the ownership and control of the company. This is very important, as earlier it would take a very long time to achieve dispossessing a change in management. On the issue of delays, I think we need to allow the legislation and the process to settle down.

There have already been a fair amount of resolutions, though all of them don't get the mileage or the visibility.

How did the bank grow its wholesale loan book, especially with many lendersbecoming cautious on lending?

It goes back to how we do our business in wholesale; there is a clear identified target market, we bring in a complete bouquet of products – not just working capital but term and project loans – as well as the entire supply chain and vendor financing.

The engagement that we have with the customer and a prudent approach have ensured that we try and avoid the pitfalls.

How has HDFC Bank kept NPAs low?

We look at the standing of the company; we look at the quality of management as well as the cash flows and the entire diligence done both by business and credit, as we deliver credit to the customer in terms of credit lines.

We have always had a model since inception where business and credit form separate verticals. This acts as a very good architecture to manage the risk-reward relationship and maintain asset quality. It is coupled with good monitoring process.

What is your expectation when it comes to interest rates?

We have seen an increase in interest rates over the last several months. Looking at various parameters, we are directionally in an interest rate scenario, which will rise.

However, the exact timing of the rise will be data and event-dependent. US dollar and rupee will continue to remain volatile. It will be in a range of ₹1.5-1.75 either way from where it is, though I am not a treasury person.

It won't swing off in the short term, but will be range bound.

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>
> **KAIZAD BHARUCHA**
> Executive Director, HDFC Bank