

'I am an India Bull'

The Economic Times Nov 15, 2018	MC Govardhana Rangan & Shilpy Sinha Link
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'I am an India Bull'

ET Q&A **Aditya Puri, MD, HDFC Bank**



Aditya Puri, managing director of HDFC Bank, ET Company of the Year, said the lender is betting big on growing in semi-urban and rural areas, which now contribute 50% of its distribution. He told MC Govardhana Rangan and Shilpy Sinha in an interview that technology is opening a plethora of opportunities in a country starved of basic services. He also said that non-banking finance companies (NBFCs) needed to have more stringent oversight and that there should be vigilance on asset-liability mismatches. He also suggested that the liquidity squeeze on NBFCs appeared to be easing. Edited excerpts:

My view is (that India's) GDP will grow between 7.4-8% provided crude oil behaves itself. It is not bad in today's world.

On tighter norms for housing finance companies (HFCs)
If you ask me do we need more regulations on finance companies and mutual funds, my answer is yes. They should be subjected to the same liquidity norms, credit and operational procedures. Similarly, changes will be introduced on mutual funds that they cannot lend long on short term funds because there will be redemption issues.

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On systemic risk in the financial system
Systemic risk is only created when a large player or who is a participant in the clearing system in the country fails. Any other thing is purely a business risk, lender and the company. The finance company issue cannot create a systemic risk. It seems to be handled well and largely behind us. People have started lending to the finance companies. We must understand that we do not have deep enough corporate bond market in the country. The system is banks, and when they collect deposits and finance companies lend after borrowing from banks and mutual funds. You cannot point at NBFCs

with the same brush. Some NBFCs funded short and long.
On acquiring portfolios of HFCs and NBFCs
If you give me good portfolio at good price, I will say I share liquidity. Between my share house, other funds that I have raised and deposit growth, I have money coming. A good company, with good portfolio, I am happy to entertain.
On the government's digitisation efforts
Technology jump will bring in transparency, efficiency, which is being underutilised. For example, Self Direct Benefit Transfer (SDBT) now goes directly to the beneficiary. Information is being shared in broadband is bringing lots of people on the digital platform. The fact that there are lots of products being developed to cater to that market is phenomenal. The government wants to provide all services to consumers digitally. I am an India bull.
On Reserve Bank of India government ties
Constructive discussion between the central bank and the government is happening all over the world, which is a good thing. There is nothing unusual.
On demonetisation
Demonetisation added to digitisation. Whether demonetisation of GST goods and services tax, you can question the efficiency of the implementation but conceptually you cannot question it. GST is a good reform. As far as demonetisation goes, it brought a 1.5 lakh crore into the system and just by closing into the system, it has not become white. It is now examinable and can be used for productive purposes. It led to digitisation and, going to semi-urban India, more formalisation of the economy.

Continued on >>> MONEY MATTERS

I am an India Bull: Aditya Puri

>>> From ET News Page 1

We are a dominant bank in rural India and I can say that rural and electricity development that has happened is phenomenal. I see a fundamental change in rural India and I am betting big on that in the bank. We are doing two wheeler loans, loans to shopkeepers in this market.
On savings, jobs
Every coin will have two sides. On-growth sector growth will be linked globally. I have a different view and I may be wrong. Self-employment has created jobs, which is being ignored. Under Pradhan Mantri Mudra Yojana (PMMY) we have provided ₹10 million to 8 million families. GDP is growing not by magic. Should we do more, and should skill development be the area of focus - definitely. But to say no job is happening is not correct. We haven't solved the problem, but it is not as bad as we make it look like.

On growth areas, unsecured debt prospects
Out of our new originations, 18-20% is coming from semi-urban and rural. There are two things - risk and cost of reaching out to the market. With technology, cost ought to be reduced. As consumer markets are developing, people are realising if you default, you won't get loan for

their. That is a good improvement. Today, 50% of our distribution is in semi-urban and rural India and that much I am betting. I am offering same products in Mumbai and Pune/Telavai.
Semi-urban and rural India's GDP distribution has changed over the last 10 years. There is tremendous amount of self-employment. There is a change, which we are betting on. If you are assessing the credit property, unsecured will grow in the proportion of growth in the jobs. There are very few people in unsecured loans other than NBFCs and we are one of them. We have been in the system for 15 years. Bank's liquidity is held in trust for depositors. It is very important that liquidity is safe. It should depend on risk and reward. The rate of interest on unsecured will be more than what you need to fund a loan. As long as pricing is right and delinquency is within the product programme, the portfolio should reflect the characteristics of individual portfolio. Banking is a business of taking calculated risk.

On HDFC Bank's low NPA
Even today, 40% of our lending is to corporate and SOBs to protect but we are very careful people. We may not have given to people who were not sure about, but we have the fastest growing bank in the last five years.



On credit growth
Everybody will grow. If GDP grows, banks will have to grow. Bank revolution is happening. Some restrictions are happening. We are a major player in SME, and we continue to grow. The issue is temporary and it will sort out in a month or two.
On corporate and retail
First rule, don't give loan to someone who will not repay. Second rule, make sure he repays. The demand for corporate is slow and retail is growing. But it will be \$10 billion or \$15 billion. When the corporate bond market develops, then a section of debt will move to debt market. India

is a consumption-driven country, almost 50% is consumption. We need to push into manufacturing, whether it is in India or taking opportunity in rural India. India has scope because our exposure is very small to global trade compared to our size.
On brand, technology use
We have the best brand in the country. We have capital adequacy of 17%. Our portfolio is not under strain. We have completely transformed our technology to be the best in the world. We have large distribution in semi-urban and rural. Fundamentally, what Anand, Neha did was use technology to change business model. They are providing a better product in a convenient manner and cost to their customers. I am saying, why couldn't we do the same for banks? We are using credit ratings to substitute repetitive functions. We will ditch digital. We are giving loans in 10 seconds. It gives delight to customers and changes my cost dynamics - 30% of my personal loans are done in 10 seconds and 50-60% credit cards are done within 10 seconds. We are providing banking in less than 10 seconds for our customers and 10 minutes for outside customers. In semi-urban and rural, all my products are available in future phones in 15 seconds. I am substituting the money lender in that market and growing.

Crisis No Hurdle to Economic Growth, Says 'India Bull'

HDFC Bank CEO Aditya Puri rubbishes talks of financial market crisis, says 8% economic growth prospects intact

Our Bureau

Mumbai: Amid the din over an impending financial crisis, slowing consumer demand and a frail investment climate, "I am an India Bull," says Aditya Puri, the chief executive of India's most valuable bank who sees opportunity for growth in a digitised world that has brought down costs and widened reach. Talks of 'crisis' in the financial markets due to funding issues for some Non Banking Finance Companies (NBFC) is rubbish and a slower than expected corporate earnings does not take away the prospects of 7.4% to 8% forecast economic

growth for this year, said Aditya Puri, Chief Executive, HDFC Bank. "Finance companies issues cannot pose systemic risk," said Puri, whose bank won the ET Awards for Corporate Excellence in the Company of the Year category. "Systemic risk is only created when a large player, who is a participant in the clearing system in the country, fails. Any other thing is purely between investor, lender and the company. Finance company issues cannot create a systemic risk. It seems to be handled well and largely behind us."

Financial markets have been on the edge over the past few months after a default by the Infrastructure Leasing & Financial Services led to investor risk aversion. Mutual funds stopped lending to NBFCs on fears that they may not be able to repay making rollover of expiring commercial papers difficult. The government had to nudge state-run banks to buy assets from NBFCs to improve liquidity position. The Reserve Bank of India has also relaxed some norms to make lending by banks to NBFCs a bit

easier. Puri, who cut his teeth at Citibank, believes that the global trade liberalisation era is over and India should think of its interests and come up with measures to protect its interests even if it meant duties on imports. "What I am saying is we should not be holier than thou," said Puri. "If there is a situation where global trade is slowing down, and we are getting essential, non-essential or job depriving imports or dumping, we should look at it or we need to rationalise duties. We have moved away from free trade and globalisation. Managing in the new geo-political environment requires you to keep relooking."

FULL INTERVIEW >>>