

“Infra, renewable sectors bright spot for investment”

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The government aims to reduce transportation costs by building dedicated freight corridors. (Reuters)

Country's largest private sector lender HDFC Bank sees infrastructure and renewable sectors as bright spots for investments domestically, Rakesh Singh, Group Head of investment banking, private banking, among other verticals, tells Piyush Shukla in an interaction. Edited excerpts:

What are the sectors the bank is bullish on domestically?

We are seeing reasonably good growth in all companies we are coming across. The infrastructure sector looks promising, particularly the transportation segment which is looking very strong. The government aims to reduce transportation costs by building dedicated freight corridors. Renewable energy is another good sector, as the government strives to provide 24x7 electricity nationwide by increasing renewable capacity and some thermal capacity as well.

If you look at the current government's manifesto, they have committed to provide piped natural gas to a large population, which lifts outlook for both CNG and PNG. Further, it aims to improve private transport and make it more akin to public transport. Metro trains, for example, are showing good trends and will require consumption of [steel](#) and cement.

Will investments/credit flow towards non-renewable energy continue dipping despite thermal dominating domestic power mix?

This is inevitable as core addition in non-renewable energy sources is lower than renewable segments like wind and solar. Most incremental capacity growth is occurring in solar and wind, , and the government is discussing SOPs for small modular reactors with power capacities up to 300 megawatts. The government has committed to making [India](#) carbon neutral by 2070 and is taking steps in that direction and we must appreciate the step. We are blessed with huge amount of sunlight and every megawatt of energy security that we make out of renewable energy saves forex. If you see last two wars—Ukraine and Russia and conflict in West Asia—the first thing that rises is energy prices which pushes inflation. So if you are able to manage your local energy demand and keep it ring-fenced from inflation, chances to control inflation becomes more strong.

What is the bank's global investment outlook. Will it do any overseas issuances in FY25?

Issuances are a part of balance sheet funding, but we will definitely raise funds. Internationally, India's trade corridors with China, Japan, Korea, West Asia and Singapore have become strong. We are seeing India become a natural buyer or supplier of certain commodities in these corridors. As the country becomes more integrated as a factory and develops Gen AI, AI, and IT services for large companies worldwide, both software services and regular trade are increasing.

What are your views on the RBI's revised investment classification norms?

Broadly, this is a good mechanism by the RBI as it forces lenders to price securities at [market](#) value rather than below it. It also ensures that there are no hidden mark-to-market losses.

Is deposit mobilisation becoming a structural concern for small- and mid-sized lenders?

I handle the wealth management vertical at the bank, and it's a simple logic that no smart [money](#) will remain, permanently, at a rate lower than government securities. This is a reality. In my personal view, as people become more aware of SIPs and fixed income SIPs, there is a shift happening in the allocation of household surplus from purely bank deposits to a mix of bank deposits and mutual funds. Investment avenues are increasing, and people are making money in the stock market. Earlier, people used to save money before consuming, but now they consume faster. This shift is contributing to the overall decrease in savings in the macro environment.

As a large bank, we are able to comprehensively meet all customer demands. Consumers are unlikely to choose a bank that only meets half or two-thirds of their needs; they prefer a bank that provides end-to-end solutions. . Consequently, the role of small banks is becoming marginalised unless they are a specialist. Banks need to reposition themselves.

What was the AUM from wealth management clients and outlook for FY25?

We handle close to about Rs 1.20 trillion as on Q3FY24. On a line-to-line basis, our assets under management (AUM) would be close to the 10th largest [mutual fund](#), only from third party assets. If you include deposits, demat balances of our customers, it would be upwards of Rs 6.5 trillion. It would be difficult to provide outlook as we do not share forward looking guidance.