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HDFC Bank, Executive Director

# Good Monsoon'll be Single Biggest Boost

Bharucha is bullish on pharmaceutical, auto, roads and IT; cautiously positive on India story

A good monsoon will be the single biggest booster shot to spur growth and revive rural demand, said **Kaizad Bharucha**, executive director of India's most valuable private lender **HDFC Bank**. Speaking to **Saloni Shukla**, Bharucha said that it was cautiously positive of India's growth story and identified sectors such as pharma, auto, roads and IT as the bright spots. Edited excerpts...

## The latest RBI data shows corporate credit growth picking up, but have you seen demand on the ground?

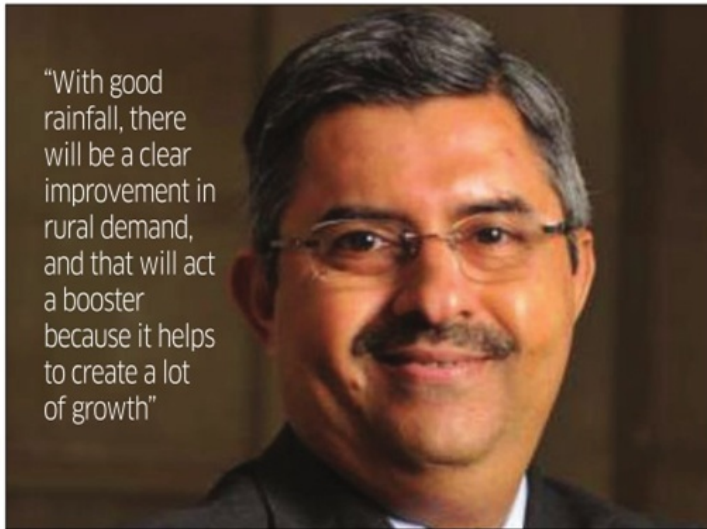
Demand will come, but I continue to be cautiously positive on the growth story. We have seen the commodity story playing its life cycle out. A lot of building blocks that people were talking about is coming through. If you look at road construction, we have seen good demand on equipment – our contractors are seeing their money being paid on time. The other area where we have seen growth is railways, so you have got the Mumbai-Delhi trade corridor and 2-3 other large projects which have been announced, creating demand. The other area that has come quite well is automobile – there has been a clear increase in medium and heavy commercial vehicles, and this has been followed on a relative basis by a recent improvement in the light commercial vehicle segment. Even passenger cars have shown a little growth.

## Have some sectors seen greenfield expansion?

I won't say greenfield expansion, but more of capacity utilisation with some amount of capacity addition happening in auto, roads and railways. Pharma continues to do well – so there are clear pockets which make us feel positive. Yes, what we are yet to see is real large private sector investment. Some amount of government spending is coming through in roads and railways, including housing projects for middle-income groups. So, government spending has started to trickle in.

## The last data in December showed that new investments dropped 27% across sectors

With good rainfall, there will be a clear improvement in rural demand, and that will act a booster



## RESILIENT ECONOMY

I am a firm believer that India does in a way stands insulated. We are a large self-consuming economy unlike China and the US which are dependent to a very large extent on exports. So, that gives us a resilience

because it helps to create a lot of growth. You have to realise that a large part of India's population lives in semi-urban and rural areas, so it will act as another very important milestone. We have had two years of disastrous monsoon and then we have had poor weather conditions with hailstorms which have disrupted agri crop.

## Are you worried about the talks that we live in an unstable world?

You can't walk away from a global impact today. Thankfully the US is doing well – it hasn't done so well in the past few years. Europe's a little sluggish, so is Japan, China will see a deceleration. So, I don't think it's looking all that bad as it was may be about a year ago. I think there were more global uncertainties about nine months ago, now at least, there is more clarity in terms of where the US is, and where commodity prices are.

Also, I am a firm believer that India, while being integrated, does in a way stands insulated. We are a large self-consuming economy unlike China and the US which are dependent to a very large extent on exports. So, that gives us resilience. It's a very consuming society which will give you an inherent demand and sustain us to a far larger degree and insulate us from global changes. But, can we be fully insulated? Certainly not, but demand should not be a problem here.