RAJIV ANAND, DEPUTY MANAGING DIRECTOR, AXIS BANK

'Capex demand will come from 5G ecosystem, renewables and EVs'

Axis Bank, which is in the process of completing its integration with Citibank's consumer business, is confident that there won't any much impact on its net interest margins (NIMs) despite the overall rise in the deposit rates. **Rajiv Anand**, *deputy managing director, Axis Bank, tells* **Shashank Didmishe** *and* **Joydeep Ghosh** *that going forward, there will be capex demand from the 5G ecosystem, renewables and electric vehicles. Excerpts:*

Q&A

You had said earlier that Axis Bank was not looking at large corporate loans. Why? Are you still following that strategy?

It wasn't an issue of us not having an appetite for writing loans to companies. But there was a period of three to six months during the year when the credit risk pricing over, say, G-secs for a corporate was not commensurate with the level of risk.

We felt that markets were mis pricing risk at that point in time. The situation is obviously improved over the last two quarters.

We will do what we have been doing. Whether we hold it on our balance sheet or not is a function of whether we are getting paid for the risk that we're taking.

Our strategy on the corporate side is that we have chosen to work with a certain set of customers that are 'A-' and higher. That strategy will continue.

In the past few days, SBI and HDFC Bank have raised their deposit rates sharply. What is your strategy when it comes to deposit raising and its impact on margins in coming quarters?

What we are seeing is as RBI fights inflation on one side and manages the rupee on the other side.

So liquidity has tightened and, therefore, in general, deposit growth in the industry has been lower than asset growth. In that sort of environment, it is inevitable that deposit rates will go up.

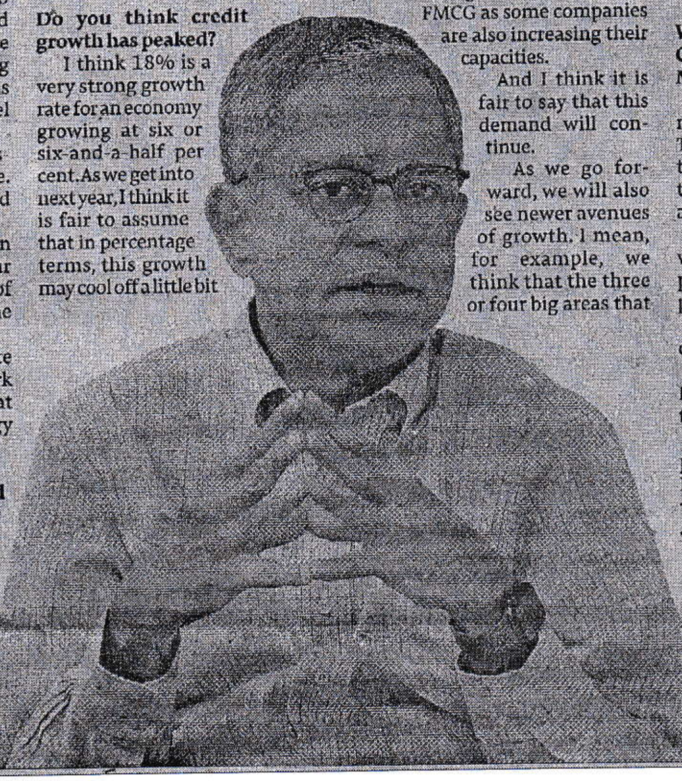
In fact, what you will find is that while most other rates have gone up to pre-Covid levels and beyond, the one-year deposit rates have still not reached there.

In this latest cycle, since much of the portfolio is linked to external benchmarks, assets have re-priced faster than liabilities.

Therefore, to this extent, our NIMs have expanded. Since deposits are our raw material, as the cost of raw materials goes up, it is inevitable that asset pricing will also go up.

Do you think credit growth has peaked?

I think 18% is a very strong growth rate for an economy growing at six or six-and-a-half per cent. As we get into next year, I think it is fair to assume that in percentage terms, this growth may cool off a little bit as we get into FY24. But in general, credit growth will be reasonably strong.



Where is the credit demand coming from?

It is quite a broad based. We are seeing demand for working capital because of the fact that commodity prices have gone up.

But we are also seeing term loans and fairly widespread capex demand. We are seeing demand in iron and steel, renewables, chemicals, and city gas distribution.

In fact, we are also seeing some demand in FMCG as some companies are also increasing their capacities.

And I think it is fair to say that this demand will continue.

As we go forward, we will also see newer avenues of growth. I mean, for example, we think that the three or four big areas that will see growth.

There will be capex demand around the 5G ecosystem and from what we call the transition economy – renewables, electric vehicles' batteries and others.

> **In this latest cycle, since much of the portfolio is linked to external benchmarks, assets have re-priced faster than liabilities.**

Many PSUs have gone for infrastructure bonds to raise funds. Will you also consider it?

We have just done a tier-I bond issue of ₹12,000 crore recently – one of the largest issuances that we have done.

We will also look at infrastructure bond issuance at an opportune time.

Will the integration with Citibank's business happen by March-end?

There is an integration management team that is working on this. There are multiple streams, within that, looking at technology, regulations, customer products, people and so on and so forth.

That process is working well. And we are quite satisfied with the progress that we are making at this point in time.

The intent is obviously to get this completed as soon as possible.

How is CBDC expected to impact the cost of operations for banks?

Currently, we are in the pilot phase. I think the Reserve Bank of India (RBI), banks and the customers are just beginning to evaluate use cases.

So, I think you have to give it some time for the concept to catch, then work on some of the use cases here and get adoption going.

Once you get to see mass adoption, we can worry about what it will do to your costs.

The first focus should be on major use cases and how can we get mass adoption going.