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Big winners from India's cash clampdown are private bankers

BY BLOOMBERG | UPDATED: MAY 04, 2018, 12.51 PM IST

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By Anto Antony

India's clampdown on unaccounted cash has sent a flood of money into the private banking industry, prompting a major lender to embark on a hiring binge for wealth managers.

HDFC Bank Ltd. -- the most preferred wealth manager in India among high net worth clients surveyed by Euromoney -- plans to add as many as 150 relationship managers by the end of 2020 to the current 250, said Rakesh Singh, group head of private banking. He started hiring at a faster pace last year, when he added about 50.

The recruitment drive at the private banking unit, which started in the early 2000s, moved into high gear last year as India's rich started shifting investments away from property and gold and into financial markets, Singh said in an interview last month. **Real estate** and **gold purchases** were often financed with cash as a way to avoid Indian taxes, and have come under greater scrutiny since demonetization.

"Demonetization has been the inflection point for the private banking business in India," Singh said, predicting HDFC Bank's wealth assets will double to a record \$16 billion over the next three years. "Conversations on investments in asset classes like real estate and gold have ceased, and that money is going into equity, debt and so on."

Singh's unit manages wealth for 16,000 of HDFC Bank's richest clients. HDFC Bank, India's largest private-sector lender by assets, was

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ranked among the country's top three wealth managers in a 2018 survey by Euromoney. Its shares have risen 28 percent over the past year, more than double the 11 percent gain in the broader Bankex index.



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Singh said HDFC is seeking to grab a larger share of the growing number of millionaires in India, as well as to get existing clients to do more transactions and invest more of their money through the bank.

Unlike larger rivals IIFL Holdings Ltd. -- which has some 300 relationship managers -- and the wealth management business of Kotak Mahindra Bank Ltd., HDFC Bank relies on commissions for its wealth management revenues, rather than on advisory fees or bespoke investment products.

One immediate investment opportunity HDFC Bank will steer clear of is India's \$210 billion pile of stressed assets, touted by some as a chance to buy firms at a steep discount. The nation's revamped bankruptcy process is in full swing but risks being delayed by factors ranging from a shortage of judges to legal challenges.

"We believe it is not the right thing for high net worth individuals to get exposed to stressed asset investments," said Singh. "It is better to wait for two years for the process to get well settled, and rough edges to get sorted out" before plunging in, he added.

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