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Shankar Sharma shares what makes HDFC Bank a once-in-a-lifetime opportunity

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Dimple Sharma | News

Editor

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New Delhi: An opportunity like HDFC bank comes once in a lifetime says Shankar Sharma of First Global. During mega-market masterclass hosted by ET NOW, ace investors opened up on various topics, from stock picks to mistakes they have made and from their views on asset allocation to risk management. HDFC Bank stock has been close to their hearts and one of the early finds by the couple.

What differentiates HDFC Bank from others?

Top class management is the key factor in differentiating HDFC Bank

from other private banks. "Many banks came and went in the 90s, there are many dead lying around the gem-like HDFC Bank," says Sharma. "We knew Aditya Puri and his team well from our Citi days, we were confident that they knew their stuff and will do a great job at managing the bank," says Sharma.

He says since HDFC bank listed in just a year or two after its inception, it allowed them to enter at an early stage and make the most of it. Just a few days back Shankar Sharma reminded his fans that "In 1996, we wrote our initiation note on HDFC Bank @ 30: with a pic of a baby and Arnold Schwarzenegger together. The blurb: This is HDFC Bank Now (ie, Baby) And this is what it's going to become (Arnie)! Prophetic beyond imagination!"

Stressing on the importance of good management, Sharma says while YES bank promised to be a good bet initially, some wrong calls made by the management took it down. "Even though YES bank is an important private bank and we hope that it revives, it is a perfect example of how Arnold Schwarzenegger turned into a baby."

Insurance Companies VS Private Banks

"I would prefer insurance companies over private banks in the current situation. The business model of insurance companies is far better, but, they have already been around for many years, and listing at this stage of business may not be a good entry point for equity investors" argues Shankar Sharma. "Banks have to bear the brunt of any economic crisis, their margins are wafer-thin and their assets are over-leveraged. Almost all banks have raised funds recently and this liquidity is not to boost assets but to fund losses" says Sharma. He says that the business model of private banks is not very pleasing and funding losses repeatedly and taking the burden of economic slowdown - do not make them a viable investment option.

Sharma also sounds off against the extension of the moratorium scheme. "It is like putting a paper cover over the huge crater on road, we will know how deep it is only when the cover tears out." warns the market veteran.