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**Why some high-flying bankers quit cushy jobs to join old private banks**

by Raghu Mohan

**L**OVE at first sight is still alive. About 10 months ago, P.R. Somasundaram flipped for an 85-year-old. He gave up a cushy job in Mumbai as managing director and CEO of Standard Chartered-STCI Securities to be with her in Karur, Tamil Nadu. "Sex appeal, you know, is a dangerous thing," he says. His sensible half said a firm 'No' to his demand that she too move along with him. So, how's life now? "Well, there are fewer arguments. The Blackberry Messenger is a sweeter option!" he chuckles, sighs deeply, and quickly adds: "I miss my son. He will give his senior board exams this summer". It is sacrifice in the name of an elderly sweetheart, Lakshmi Vilas Bank.

Call it mid-life madness or whatever you like. It also struck Vishwvir 'Vish' Ahuja. He sat in Bank of America's (BankAm) biggest sea-facing room on the 16th floor of Express Towers in Mumbai for eight years. In May 2009, BankAm merged with Merrill Lynch. Just over a year later, Ahuja, hopped over to the 68-year-old Ratnakar Bank in Maharashtra's hinterland of Kolhapur.

"Out went the memberships of The Chambers, The Belvedere, the Gymkhanas and tony clubs, and the S-class Mercedes," says Ahuja who is said

to have been getting a \$1-million-a-year packet. The family of four moved into a three-bedroom apartment on Peddar Road. It worked up Vasudhaa, his 16-year-old princess: "Will we be okay, papa?"

They were very much in "Sobo" (a slang for south Bombay). Yet, the young lady felt it was not the same as the swank five-bedroom pad at "Il Palazzo" on Malabar Hill, home to souls who breathe the rarefied air on India Inc.'s summit. She has since travelled with her papa to the dusty interiors of the state. "I wanted her to know that there's life outside of the social circles she had seen so far," says Ahuja thoughtfully.

### The Moonwalkers

Somasundaram and Ahuja give company to Amitabh Chaturvedi of Dhanlaxmi Bank, Murali Natrajan of Development Credit Bank (DCB) and Shyam Srinivasan of Federal Bank. They, too, have wagered their plush cocoons "to engage with society in a more meaningful way". You can't call them "the famous five" just yet. The tag may be theirs just one day: they now have a crowd to walk with them; it is set to get bigger. Their capital is the sackloads of tricks mastered over the years as bankers. A great place to put it to use is an old private bank.

There are a dozen of them out there; their clientele are small-time businesses, agriculturists, farmers and tiny borrowers. It is a class the big commercial banks have failed to engage deeply with. Or find it not worth their precious time. Then, you have the agenda of financial inclusion; an old bank is the right vehicle to make it a bankable bet given its root and vintage.

There is more to it. A top-notch banker now has a chance to morph as an entrepreneur. You have to be fortuitous to get into this closed club. In 1993 (round one), five were waved in — Ramesh Gelli (Global Trust Bank), the Jains of

Bennett, Coleman & Co. (TimesBank), the late Dev Ahuja of 20th Century Finance (Centurion Bank), Inderjit Singh (Bank of Punjab) and the Hindujas (IndusInd Bank). Three other licences went to institution-promoted banks — ICICI Bank, HDFC Bank, IDBI Bank and UTI Bank (Axis Bank).

In 2003 (round two), Uday Kotak (Kotak Mahindra Bank) and the trio of Rana Kapoor, his brother-in-law the late Ashok Kapur and Harkirat Singh got lucky (Yes Bank).

But there's a new window that has opened. The Reserve Bank of India (RBI) wants old private banks to give up their fuddy-duddy ways. The promoter-families (or shareholders) know for this to happen, you need lots of brains and capital. It is tough unless you get a Pied Piper to first walk in through the door. If you play the game well, you get to cash in or out on your stock options. The cry "play" has rang out; the game's on.

Says Monish Shah, director, Deloitte (India): "You now have a lot who have done an extremely good job at foreign banks. They have dealt with entrepreneurs, especially new ones who cropped up post-1991. It's natural they want to turn one, go to a new frontier." Adds Priya Chetty-Rajagopal, vice-president at Stanton Chase, a global head-hunting agency: "In foreign banks, by the time you are 45, you know if you have made it or not. If you have made it, are you going to be just another face in a very successful crowd? The idea of creating your own legacy can be a very powerful motivation after that point."

Aditya Puri, managing director and CEO of HDFC Bank, is seen as a 'buccaneer' — in the sense of an adventurer. He gave up his job as the boss of Citi-Malaysia and sold his options to set up HDFC Bank in 1994.

"Did you question Puri when he quit Citi 17 years ago for HDFC Bank?" asks Natrajan, managing director and CEO of DCB. Natrajan notched up a quarter century with American Express Bank, Citi and StanChart. In May 2009, he moved into DCB's corner office. He printed a new business card as "foreign banks can be boring places after some time. You have to listen to somebody in London, New York or Singapore telling you what is a bad or good business idea". He may not listen to you also if you tell him that Puri got to write on a clean slate, had the backing of HDFC and its chairman, Deepak Parekh.

DCB, an old private bank (it was set up in the 1930s) got "upgraded" to "new" in 1996 after a lot of controversy. There is a Swedish proverb that says "luck never gives, it only lends." You can't fault Natrajan if he believes he is luck



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personified. "I wanted to be like Puri. It's the closest I get to be to as an entrepreneur".

The first to get the plot was Chaturvedi, group president at Anil Ambani's Reliance Capital (RCap). Life changed in October 2008 when he met G.N. Bajpai, Dhanlaxmi Bank's chairman. Bajpai was a name to reckon with — he had been chairman at the powerful Securities and Exchange Board of India, and the Life Insurance Corporation of India.

"He (Bajpai) told me about this job at the bank, asked me if I was interested," says Chaturvedi. He knew what it took. He had run the retail book at ICICI Bank before he moved into RCap. Chaturvedi's worry was that it might mean a shift to Thrissur, headquarters of the 84-year-old bank in the heart of Kerala. The town's most powerful and famous resident, Lord Krishna at Guruvayoor, which lies at a short distance of 30 km, might have helped him. "It was agreed that I can stay on in Mumbai, unlike Shyam who had to move to Aluva."

That's a reference to Shyam Srinivasan, the last one to join the party. An old StanChart hand, Srinivasan had moved into the chair Natrajan got up from in StanChart. In August 2010, he took over the reins of Federal Bank, headquartered in Aluva near Kochi. Ask him

## SHYAM SRINIVASAN

**Age:** 50

**Corner room:** MD & CEO, Federal Bank

**Where:** Aluva, Kerala

**New itch:** Turn Federal as a pan-India bank; make it big in SMEs, NRI business; gobble a rival bank if you get a chance

**Old corner room:** Countryhead-Consumer banking, StanChart (India)

**What's the pain:** Nothing really. "I will never make as much money as I made at StanChart last year."

## MURALI NATRAJAN

**Age:** 49

**Corner room:** MD & CEO, Development Credit Bank (DCB)

**Where:** Mumbai

**New itch:** Smarten up DCB; make it a meaningful niche player

**Old corner room:** Country head - consumer banking, StanChart (India)

**What's the pain:** There's a little less in the pocket for sure. But, what the heck, "I get to be an entrepreneur"

about his shift to Federal, and he will tell you in his laconic style: "The board was on the lookout for a person to head the bank. Egon Zehnder (an international executive search firm) got in touch with me in June-July. And I said, yes. That's it."

### The Wheel Turns Full Circle

The world of old private banks is little understood. Its promoters sowed the seeds of banking entrepreneurship in the country. Laxmi Vilas, set up by V.S.N. Ramalinga Chettiar in 1926 promoted savings and offered finance to traders and small agriculturists in fertile Karur on the banks of the Amaravathi river.

DCB was set up in 1932 by the Aga Khan Fund for Economic Development (AKFED; it holds 23 per cent in the bank) to cater to the Bohra community. It would surprise you that AKFED was one of the co-promoters of HDFC. But had you told anybody that old private banks did have an entrepreneurial streak, folks would have thought you had not been smoking tobacco! "Lakshmi Vilas Bank took over nine banks in the 1960s.

THE BIG			
	Federal Bank		Dhanlaxmi
	2009-10	2010-11	2009-10
Deposits (Rs cr)	36,058.00	43,014.78	7,098.00
Advances (Rs cr)	26,950.00	31,953.23	5,006.00
Total income (Rs cr)	4,204.14	4,568.84	625.56
Net profit (Rs cr)	464.55	587.08	23.00
Cap ad (%)	18.36	16.79	12.99
Return on Equity (%)	10.30	11.98	5.30
EPS (Rs)	27.16	34.32	3.64
Net NPA (%)	0.48	0.60	0.52
Branches	672	743	274
ATMs	731	804	454

EPS: earnings per share; NPA: non-performing asset

We did much of what new private banks talk of now, but we (old private banks) got lost in the 1970s," notes Somasundaram. It did not help at all that the Nadars of Tamilnad Mercantile Bank and the Ruias of the Essar Group were caught in a standoff over control of the bank. Eventually, the Ruias gave up.

Now step back a little. New private banks had capital, manpower, technology, but the promoters crashed out within a decade of their turning on the engines. Gelli shifted gears wildly in his quest for bourse glory and fell apart. The Jains gave TimesBank's keys to HDFC Bank. Ahuja of Centurion Bank and Darshanjit Singh of Bank of Punjab decided to merge and later parked inside HDFC Bank. Part of the problem at these banks can be traced to their first CEOs: Gelli came from an old private bank (Vysya Bank); Centurion's Ashish Sen, TimesBank's N.G. Pillai, IndusInd's S. Soloman Raj and UTI Bank's Supriyo Gupta came from the State Bank of India (SBI). Sen, Pillai and Raj did not get their first terms renewed. "The culture at old private and state-run banks was not all that different", says a banker who did not wish to be identified. At UTI Bank, things changed only after P.J. Nayak took over from Gupta.

The trend of white knights walking in started at these banks, not at their much older cousins. IDBI Bank roped in Gunit Chadha from Citi in 2000 to give it a sense of purpose; he now heads Deutsche Bank in India. Rana Talwar, former global boss at StanChart, stepped into Centurion Bank with his Sabre Capital in April 2003.

Two-and-half-years ago, the Hinduja's buzzed Romesh Sobti of ABN Amro Bank to stem the rot at IndusInd Bank. Its first two



SATHEESH NAIR

## PICTURE

Bank	Development Credit Bank		Lakshmi Vilas Bank		
	2009-10	2010-11	2009-10	2010-11	
12,530.00	5,651.00	5,610.00	9,075.38	11,149.51	
9,065.00	3,956.00	4,271.00	6,277.50	8,187.67	
1,053.00	566.49	648.36	1,012.88	1,201.85	
26.00	-78.45	21.43	30.67	101.14	
11.80	14.85	13.25	14.82	13.19	
3.60	-1.30	0.32	5.14	12.81	
3.31	-4.25	1.07	4.95	10.37	
0.30	3.11	0.91	4.11	0.90	
275	80	80	265	274	
459	110	134	175	255	

Source: Banks

heads, Raj and K.R. Maheshwari, (also from SBI) did not set the headlines on fire; the third, Bhaskar Ghose (he came in from Bank of New York) tried his best, but by then serious differences had cropped up between the RBI and the Hinduja. Sobti recalls his early days at IndusInd: "It (the bank) was a loose federation of branches."

Sobti called in reinforcements. In trooped the entire top brass of ABN Amro: Paul Abraham (chief operating officer), K.S. Sridhar (chief risk officer), Sumant Kathpalia (consumer banking), Suhail Chander (corporate and institutional banking), Ramesh Ganesan (transaction banking), Sanjeev Anand (SME), Soumitra Sen (branch distribution). "In the case of some new private banks, they were caught in the mid-1990s liquidity crunch and some questionable credit decisions. In the case of the older banks, they carved a niche, but they now have to go to a higher orbit and get out of the community-banker play. That phase is over," explains Sobti.

Ratnakar Bank's Ahuja has got a whole bunch of big boys with him. You have Rajeev Ahuja (formerly head-fixed income, Citi); Nitin Chopra (CEO, Bharti AXA Life); Sunil Gulati (group president, Yes Bank); Suhas Sahakari (head SMEs, Axis Bank); Shanta Vallury (head — liabilities distribution, ICICI Bank); Padmanabhan Kumar (head of operations at HDFC Bank and Yes Bank); and Naresh Karia (country controller, Citi). The Board, too, wears a new look. You now have Narayan Ramachandran, (ex-CEO of Morgan Stanley in India); Girish Godbole, (social entrepreneur); and Vimal Bhandari (formerly MD & CEO of Indostar Capital and chairman of Aegon India).

Big money has flowed into Ratnakar Bank.

Six months ago, it raised Rs 720 crore from a clutch of private equity firms; that is more than double what the bank had by way of tier-1 capital till then at Rs 320 crore; it now adds up to Rs 1,100 crore.

It gets to be more interesting: at end-March 2011, advances were at Rs 1,186 crore (just Rs 86 crore more than the capital) and capital adequacy stood at 60 per cent; the regulatory floor is 9 per cent! A big crowd backs Ahuja's dream — those who gave up fancy careers to be with him and investors such as Beacon India Private Equity Fund, Cartica Capital, Faering Capital, Gaja Capital Partners, HDFC, Norwest Venture Partners, and Samara Capital that together hold 30 per cent in Ratnakar Bank. And they cannot budge. "I

have no intention to go public for another two years," says a confident Ahuja who confirms the deal was stuck at Rs 67 a share.

It shows that if you have got a great idea, money is not a problem. "If you have proven your worth, getting somebody to back you up is not an issue these days," says Shah. "So, you give in

P.R.  
SOMASUNDARAM

Age: 50

Corner room: CEO & MD, Lakshmi Vilas Bank (KVB)

Where: Karur, Tamil Nadu

New itch: Revitalise KVB; focus on SMEs, agri- and small-business

Old corner room: CEO & MD, StanChart-STCI

What's the pain: Miss wife and son who is giving his boards; shuttle across interior Tamil Nadu; your cushy south Mumbai lifestyle is a distant memory



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## AMITABH CHATURVEDI

**Age:** 43

**Corner room:** MD & CEO, Dhanlaxmi Bank

**Where:** Mumbai

**New itch:** Grow the bank out of its just-Kerala roots to a mid-sized national player

**Old corner room:** Group-head, Reliance Capital; retail head, ICICI Bank

**What's the pain:** As the first to plough a lone furrow, had to show that you can get the job done at an old bank

to the sense of adventure. The RBI also knows these bankers can deliver given their record."

In September 2007, the central bank read out the riot act to Raja Mohan Rao, a businessman from Andhra Pradesh who held 36.69 per cent in Dhanlaxmi Bank. He now holds about 10 per cent, and Chaturvedi was pulled in shape up the bank. Last month, the bank said it would raise up to Rs 290.53 crore through preferential allotment of equity shares to private equity and institutional investors — WCP Mauritius Holdings (Wolfensohn Capital Partners), Customers Bancorp, and MKCP Mauritius Master Holdings II (Mount Kellet Capital Partners). About a year ago, it had raised Rs 320 crore through a qualified institutional placement. It has been a gallop since Chaturvedi came on board. In the past three years, Dhanlaxmi's deposits have gone up to Rs 12,530 crore (end-March 2011) from Rs 3,608 crore (end-March 2008); advances went up to Rs 9,065 crore (Rs 2,102 crore).

Chaturvedi, too, has bought in a bunch of bright sparks. Six, including him, have had a stint at what is now R-ADAG — Bipin Kabra, Arvind Hali, Sandeep Wirkhare, D.A. Dhana-jaya; Manish Kumar came in from ICICI Bank, but had an innings at Reliance. He is irked by the constant queries about Anil Ambani's help

to him. "Bakwas. It's nonsense. He (Anil Ambani) or R-ADAG has no stake in the bank. Reliance Banking Fund has a stake less than 1 per cent". And adds: "In any case, you cannot get in (to hold a stake) without RBI's nod. I am surprised that such rumours still float around."

### What's The End Game?

It perhaps has to do with the sneaking suspicion that Chaturvedi and his ilk are out to make a killing. "I am not driven by the pecuniary. I will not make as much as I made at StanChart even in the last year in my life at Federal", says Srinivasan. He quit StanChart a few months after the bank listed its \$750-million IDRs (India Depository Receipts) in May 2010; he was allotted his quota of options. "We (he and his wife) are an issueless couple. For whom do I have to make all this money for? I want to make Federal a major small business and NRI bank. And by the way, Federal is not a broken bank. Please do not make me out to be some kind of a saviour."

Federal is the biggest in its peer group; and the fourth largest private bank after ICICI Bank, HDFC Bank and Axis Bank. Three others — Yes Bank, Kotak Mahindra Bank and IndusInd Bank — mark it closely. Ahuja is dismissive if you suggest there is a vested interest in Ratnakar Bank; "I had no dearth of offers from big business houses." The grapevine says he had a plum offer to head an investment bank at \$2 million a year plus bonus. How much does he now earn for every Rs 100 he got at BankAm? "Rs 10-12". Here's what Natrajan says: "All of us took pay cuts. I am not saying that money does not matter. I have taken a five-to seven-year horizon. I will be okay."

His thoughts are shared by Somasundaram, "I now have a chance to put to work all that I learnt at multinationals." But why Laxmi Vilas?

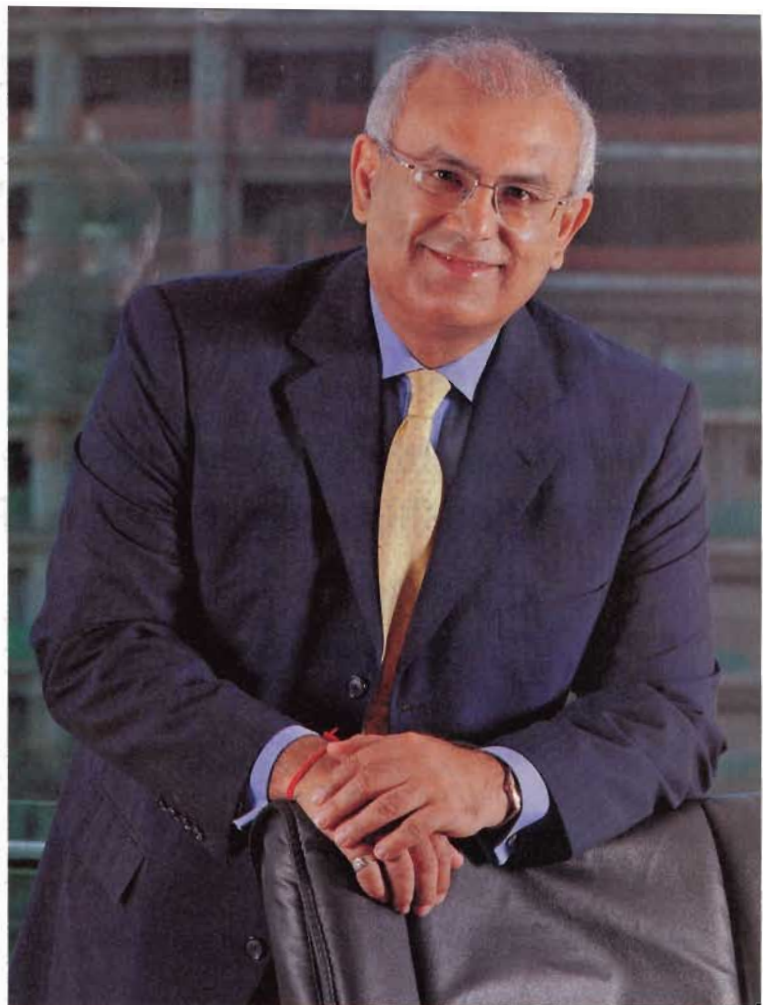
## THE OLD GUARD

Ratnakar Bank		
	2009-10	2010-11
Deposits (Rs cr)	1,585	2,042
Advances (Rs cr)	1,187	1,920
Total income (Rs cr)	157.39	207.77
Net profit (Rs cr)	19.11	12.33
Cap ad (%)	36.01	59.42
RoE (%)	5.52	1.71
EPS (%)	1.82	0.96
Net NPA (%)	0.97	0.36
ATMs	19	32

It is not a "brand" after all. "You see, these are things that people in cities like Mumbai bother about. We have over-qualified bankers at these glamorous banks. They put their skills to work and tell customers more than what they need to do, like buy this, sell that. It's like a doctor doing the job of a compounder."

Somasundaram has seen it all. In London, he was Unilever's in-charge for frozen foods under Birdseye Walls (frozen foods and ice-creams). Back home in Mumbai in 2001, he was in the multinational's mergers and acquisitions cell (it included rationalisation) and involved in the buyout of Captain Cook (salt) from DCW; and sale of some parts of its agri-business, the animal feeds line (Gold Mohur) to Godrej Agrovet, and its specialty chemicals division. It landed him with a job at StanChart. The Chettiars gave him a tinkle after he managed Laxmi Vilas's initial float. "If I can discover a few Somsundarams out here, it will be worth the while." He hopes to get more to troop into the bank; he has got the RBI's nod to offer options.

Natrajan disagrees with the view that 'you first create value in a business, and then sell it'. "I am a romantic entrepreneur," he says. But make no mistake, there is a hard-nosed side to these bankers. Here's Chaturvedi: "Why should Chaturvedi shake hands with Srinivasan? It will be just two Kerala-based banks coming together." Federal Bank has been in talks with Catholic Syrian Bank (CSB). "We called it off. We are not interested," says Srinivasan. CSB is no pushover either, says its managing director and CEO, V.P. Iswardas: "At the end of the day what matters is performance." That is a dig at the new suits on his turf. He refuses to give the shareholding profile at the bank. "We are unlisted and have difficulty in disclosing it," says Iswardas.



SATHEESH NAIR

"This is the last roll call for old private banks," says Somasundaram. What he means is that they will have to shape up now, and can do so. Of course, it is also quite possible that you entirely misread him, and believe they are soufflé and will not rise again. They are more like the Phoenix. In 2000, ICICI Bank went for the tiny Bank of Madura; and then Sangli Bank (2006). In the same year, suitors — ICICI Bank, HDFC Bank, Citi, StanChart, Udayan Bose (the former chief executive of Lazard in India), and eventual winner, IDBI Bank — aggressively courted Satara (Maharashtra)-based United Western Bank. And in a year from now, new bank licences would have been doled out. "There will be a fresh round of head-hunting," says Shah at Deloitte. "It will be interesting to see how many more will go over to these old private banks by then. The talent pool is not all that big. New private bank promoters will find it hard to woo good hands". If you look at that way, you can say the "famous five" (it's premature, we know) have made a fantastic pre-emptive strike. Yes, we have a game on. It will be played hard.

[raghu.mohan@abp.in](mailto:raghu.mohan@abp.in)

#### VISHWAVIR AHUJA

**Age:** 52

**Corner room:** CEO & MD, Ratnakar Bank

**Where:** Kolhapur, Maharashtra

**New itch:** Foster financial inclusion

**Old corner room:** CEO & MD, Bank of America (India)

**What's the pain:** You give up \$1 million in pay; a five-bedroom pad at Malabar Hill, S-Class Merc; The Chambers, The Belvedere, Bombay Gymkhana

### BIG MONEY FOR RATNAKAR BANK

- Raises Rs 720 crore from PE firms
- Deal done at Rs 67 a share; face value Rs 10
- Investors are Beacon India Private Equity Fund, Cartica Capital, Faering Capital, Gaja Capital Partners, HDFC, Norwest Venture Partners, and Samara Capital
- PE investors now hold 30% stake in the bank
- To go for an initial float two years from now