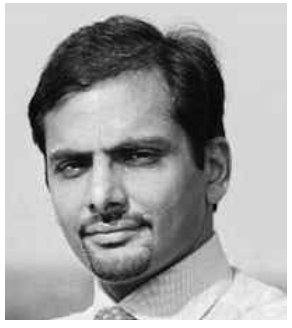
Some top bankers go solo amid credit crisis


Neeraj Gambhir (*extreme left*) has co-founded Incipia Advisors; Vikas Khemani (*centre*) has started an asset-management platform called Carnelian Capital, while Kunal Mehta quit his job at RBL Bankto start Arthan Finance

DIVYA PATIL & SUBHADIP SIRCAR
Mumbai, 10 April

Several of the best-known bankers in the country's financial capital, Mumbai, are striking out on their own after one of the most turbulent periods in decades for the country's credit markets.

The moves highlight how mounting strains in the country's markets are reshaping traditional career paths. Banks have been in cost cutting mode as they grapple with one of the world's worst non-performing loan ratios, and shock defaults since last year by shadow bank IL&FS group have added to a crisis of confidence.

While hitting a glass ceiling in their organisations can cause senior bankers anywhere to branch out, the recent moves in India are notable for some commonalities: many of them involve efforts to help investors and borrowers navigate mounting credit risks.

Banks and rating companies have been humbled in that regard in India over the past year. The individuals branching out face huge risks succeeding where financial institutions with deeper pockets stumbled and their businesses are largely just in initial stages. But as they see it, the recent market turmoil has created the need for a more boutique approach.

"Banking ain't the hottest sector any more in India as the credit markets evolve and new opportunities emerge," said Mansi Mehta, a partner at Mumbai-based executive search firm Nodus Talent International.

The following are some of the recent moves:

Managing risk

Neeraj Gambhir, 46, is one of the prominent names in the debt capital markets who has branched out on his own after heading Nomura Holdings' primary dealership business in the country. He has started Incipia Advisors with his wife Shalini Chhabra, a banker in credit risk management. The duo plans to provide risk management and advisory services to institutional clients.

Stress buster

Jayen Shah, 47, former head debt capital markets at IDFC First Bank, figured he could do more in distressed assets amid the nation's battle with bad debt. After almost 24 years in capital markets, treasury and banking, he set up Mavuca Capital Advisors. The firm plans to identify mid-sized corporates under stress, and advise and connect them to buyers.

Small is beautiful

Shalabh Mohan, 46, after more than twenty-three years in banking, teamed up with banker friend Vivek Kumar to launch financial services for micro-, small- and medium-sized firms in April 2018 under the brand Indium. The duo plans to evaluate borrowers using models which give more weighting to the strength of the business and its cash flows, rather than the traditional model of collateral based appraisals. "Collateral free working capital and secured machinery financing are two areas of massive opportunity," Mohan said.

Go east

Kunal Mehta, 34, will focus on lending to micro and small businesses across second and third tier cities in eastern and central India. Mehta, former head of inclusive finance institutions at RBL Bank, teamed up with Pravash Dash, 38, ex-head for micro enterprise finance products at YES Bank to start Arthan Finance. They foresee huge demand for credit in the nation's eastern and central geographies given low credit-to-GDP ratios there.

Money matters

For Vikas Khemani, 42, former head of Edelweiss Securities, India is currently at an inflection point, with its stage of growth reminiscent of the US in the eighties. He has started an asset-management platform called Carnelian Capital. "The opportunity is so large. If you do anything in a sensible manner without cutting corners, with a little bit of luck on your side, anyone can build an organisation," said Khemani.

BLOOMBERG

LAKSHMI VILAS BANK–INDIABULLS HOUSING DEAL

'Merger will lead to 25% CAGR'

The board of Lakshmi Vilas Bank (LVB) approved the proposed merger with Indiabulls Housing Finance last week. The bank's Managing Director & Chief Executive Officer **PARTHASARATHI MUKHERJEE** tells **T E Narasimhan & Gireesh Babu** the move would give a momentum to the concept of NBFCs entering the banking system through mergers. Edited excepts:

What prompted the bank to go for the merger?

The bank decided to raise funds through strategic investors, and we did raise some amount through qualified institutional placement. But since it was not enough, we went for the merger. We had 8-10 proposals. But none came to conclusion, except for Indiabulls. This particular transaction announcement would now give impetus to the concept of non-banking financial companies (NBFCs) looking at banks and vice versa.

What was the obstacle with other investors? And, did the board consider merging with other banks?

Valuation was the main issue. We considered merging with other banks, but did not take it forward for the fear of losing the LVB identity. We wanted it to be the core.

Indiabulls doesn't have banking experience and has 9,000 employees (LVB has 5,000). Will the merger be a challenge and create cultural issues?

It would be an advantage for LVB, considering the merged entity's core would be banking. It would be led by LVB employees across the branches.

Indiabulls employees come with good retail domain experience, and it has 220 branches, taking the combined entity to around 800 branches. These would now be bank branches, with nearly 14,000 employees. The merged entity, Indiabulls Lakshmi Vilas Bank, would be the eighth largest private bank in India by size and profitability, as against second last in terms of size. At one stroke, we will get a huge leap.

The merged entity, to be called Indiabulls Lakshmi Vilas Bank, would be the eighth largest private bank in India by size and profitability, as against second last currently

Parthasarathi Mukherjee
MD & CEO, Lakshmi Vilas Bank

By when would the approval come? Do you have a Plan B if there are delays?

We are hoping it would take 6-12 months. In the interim, Indiabulls has said it would support us. Besides, the bank is also planning to raise funds by preferential allotment of equity shares and additional Tier-I bonds.

By when do you expect a turnaround, considering non-performing asset (NPA) levels are still high leading to loss since provision coverage ratio needs to be high?

Six to eight years back, the bank was growing fast and picked up some chunky corporate assets. While the economy was doing well, these assets were giving good returns, but when things started slowing down these became non-performing loans (NPLs), leading to around ₹3,000 crore gross NPA by the end of December 2018. More than 50 per cent of these loans are provisioned, and I would actually like to pre-empt the provisioning for the first two quarters now itself to further strengthen the balance sheet.

But it is too early to comment. The corporate book was around 53 per cent about a year back. Now it is 37 per cent. Hereafter we would be mostly on a recovery drive for NPLs, which means allocation would be less in the coming quarters and some of the assets would be sold to asset reconstruction companies.

Today, nearly ₹1,400 crore of NPLs are with the National Company Law Tribunal so the bank needs to wait for resolutions. Straight recovery might not be easy in such cases. But on a portfolio basis it would not be unreasonable to expect at least about 40 per cent of the book would stand recovered over time. A bulk of it should happen in the next couple of years. All this, backed by fresh capital, would help the bank start reporting small profit from first quarter.

What kind of growth are you looking at after the merger?

Without the merger our focus would have been on conserving capital and we would have grown at 5 per cent. With this merger and capital, we can grow at a CAGR of 25 per cent. By 2026, which would be 100 years in existence for the bank, we would grow six times. Before the merger, the expected figure was three times.

Will the bank continue to be headquartered in Chennai? Will any retrenchment happen?

Since our focus is in south, a good number of management people would be based in Chennai. Whether the bank would be headquartered in Mumbai or in Chennai is yet to be decided. As far as the people are concerned, the agreement is clear that all existing service conditions and commitments of the bank will be maintained by the merged entity.

The PM called the tragedy a 'shameful scar' on British Indian history

May: 'Deeply regret' Jallianwala

PRESS TRUST OF INDIA
London, 10 April

British Prime Minister Theresa May on Wednesday described the Jallianwala Bagh massacre in Amritsar as a "shameful scar" on British Indian history but stopped short of a formal apology sought by a cross-section of Parliament in previous debates.

In a statement, marking the 100th anniversary of the massacre, at the start of her weekly Prime Minister's Questions in the House of Commons, she reiterated the "regret" already expressed by the British Government. According to the British government records, 379 people, including men, women and children were killed and around 1,200 injured in the firing.

"The tragedy of Jallianwala Bagh of 1919 is a shameful scar on British Indian history. As Her Majesty the Queen (Elizabeth II) said before visiting Jallianwala Bagh in 1997, it is a distressing example of our past history with India," she said in her statement. "We deeply regret what happened and the suffering caused. I am pleased that today the UK-India relationship is one of collaboration, partnership, prosperity and security... Indian diaspora make an enormous contribution to British society and I am sure the whole House wishes to see the UK's relationship with India continue to flourish," she said.