M.K. JAIN, Former MD & CEO, Indian Bank

PHOTOGRAPH BY RACHIT GOSWAMI

Trusted Banker

M.K. Jain led a successful transformation of South-based Indian Bank. He is now heading the much bigger IDBI Bank with multiple challenges.

BY ANAND ADHIKARI

BEST CEO

PSU (BFSI)

Total Income/ 3-yr CAGR
₹18,251.1 cr/ 3.2%

PBT/ 3-yr CAGR
₹1,758.2 cr/ 6%

PAT/ 3-yr CAGR
₹1,405.7 cr/ 6.6%

3-yr Average TSR
64.1%

Average MCap YoY growth*
111.8%

ROE/ ROA
10.1%/ 0.7%

NET NPA
4.4%

Net Interest Margin
2.6%

*For Oct 2016-Sept 2017; Standalone data; Total Income, PBT and PAT net of extraordinary items; TSR: Total shareholder returns; Data for Indian Bank; Jain was MD & CEO at Indian Bank till April 3, 2017.Source: ACE Equity

Around two and a half years ago, 56-year-old Mahesh Kumar Jain, then executive director of Indian Bank, found himself all alone at the helm as two of his senior colleagues left the South-based bank. T.M. Bhasin, then managing director and Chief Executive Officer, demitted his post to take up the role of Vigilance Commissioner in Central Vigilance Commission while Executive Director B. Raj Kumar was superannuated. Jain had to run the show all by himself for nearly six months (he was elevated to the post of MD and CEO in November 2015). During his stint, he effected a turnaround and created a strong institutional set-up to implement HR reforms and digitisation. Jain's success at Indian Bank catapulted the highly regarded but little-known executive into the limelight, turning him into a much-sought-after CEO in public sector banking space. So, it is not surprising that he currently holds an equally challenging role at IDBI Bank. He has also been named the Best CEO in the PSU (BFSI) category in the *Business Today Best CEO Study 2017*.

Sitting at the Mumbai headquarters of IDBI, Jain gives credit to Bhasin for guiding him along. "You have to drive the bank. You will get my full support," Bhasin had told Jain when the latter joined Indian Bank in September 2013 and became an essential part of its key initiatives. Later on, as the bank's MD and CEO, Jain focussed on creating a strong foundation to kick-start its lending activity. His priority was to improve the bottom line as the bank was facing profitability pressure due to a high-cost structure, lower other income and deteriorating asset quality. He did succeed in improving performance. Plus, there were other achievements. Customers still remember how the bank tested its business continuity plan at the time of Chennai floods in 2015. Armed with laptops, the bank employees offered doorstep services and even managed to bring a micro-ATM on a boat.

Early Days

A postgraduate in Commerce, Jain started his career with Delhi-based Punjab National Bank (PNB) in the mid-1980s and specialised in credit, covering the markets in Haryana, Chandigarh and Himachal Pradesh. In December 1999, he was part of a four-member team that developed a risk management architecture for the bank in association with the Boston Consulting Group. In addition, he completed his MBA, did a course on financial risk management and trained as a chartered financial analyst to hone his credit analysis skills.

It was a hectic period. Jain still remembers how he struggled to commute from his East Delhi home to reach his office in South Delhi and then headed to the North Campus to attend his MBA classes. "I used to reach home at around 10 in the night," he says. It was necessary, though, because "If you stop learning, you are stopping your development. It eventually impacts job satisfaction and organisational development." Working on risk management at PNB also helped him as he was "able to understand the nuances of credit, risk, capital".

His next move to Syndicate Bank as an assistant general manager (credit) required shifting base from North to South. He worked in the risk management department during 2005-2011, but got a plum position in January 2012 when he was appointed the zonal head of Mumbai. In a year and a half, he was able to ensure 20-25 per cent year-on-year growth across key areas, including retail and corporate credit, operating profits and cost of deposits.

The Man Who Delivers

According to industry experts, Jain faces the toughest challenge as the MD and CEO of IDBI. His mandate is to turn around the ailing bank as its deteriorating asset quality is eating up

Turnaround Strategy

its profits and capital. "This journey may be long, but it should be smooth," says a confident Jain. Many tend to believe him as he had delivered in the past when leading Indian Bank.

Under Jain's direction, Indian Bank worked on the liabilities side, reducing reliance on high-cost bulk deposits and pushing low-cost current and savings accounts (CASA). In three years, the CASA ratio jumped to 37.65 per cent from the previous 28.01 per cent. At IDBI, too, Jain is trying to bring down high-cost deposits. "We have paid off most of our bulk deposits," he says. Within six months, cost of deposits has come down to 5.71 per cent from 7.14 per cent.

Jain reduced operating cost at Indian Bank through space auditing, introducing centralised operations and ensuring energy efficiency. His initiative impacted cost-to-income ratio, which fell from 47.78 per cent to 45.69 per cent in three years. His strategy remains the same for IDBI and in the next one year, the target is to reduce operating cost by at least 10-15 per cent.

He faces another problem in cross-selling and other income. There is not enough cross-selling at IDBI. So, he is focussing on third-party sales and has activated the treasury to generate more fee-based income.

Jain has created a dedicated vertical to monitor non-performing assets and slippages as well as recovery. He has also identified non-core assets, including stakes in Small Industries Development Bank of India, National Stock Exchange, National Securities Depository Ltd, National Seeds Corporation Ltd, insurance companies and real estate firms. "We have realised ₹1,500 crore in the first half (of FY2017/18). In the second half, we should get ₹2,500 crore from offloading non-core assets," he says.

For him, the path to profitability and leadership matters most when it comes to turnaround. At Indian Bank, he took several initiatives for HR reforms, which would be carried out at IDBI.

That his efforts at Indian Bank have borne fruit is all too apparent. There has been a huge jump in market cap, from ₹3,000 crore to ₹13,800 crore. The industry now expects him to run IDBI along the same lines and he remains unfazed. "We expect the turnaround to take place post-September, 2018."

The man who has worked across four banks over the past three decades has clear strategies in place. "We should be transparent in all our dealings, and we should also be fair. If you are transparent, there is nothing to hide. And if you are fair to all, prejudice and bias will never enter your decisions." BT

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