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IndusInd Bank hopes to make more profit in rural India

By [Joel Rebello](#), ET Bureau | Updated: May 05, 2016, 04.06 AM IST

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MUMBAI: [IndusInd Bank](#) expects to earn 10% of its operating profit by March 2018 from rural areas, riding on the success of government schemes and fast-growing businesses such as micro finance and vehicle loans as it seeks to expand its reach within the country, chief executive officer [Romesh Sobti](#) said.

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"We believe that sustainable rural growth is around the corner, and it's not just [agriculture](#). It will be outside that. Therefore, I call it the new frontier. We will tap it through the physical and digital network and the government created infrastructure," Sobti said.

The bank is well on its way to achieve its 1200 branch network by March 2017 as it has already got an active network of 1000 branches as of March 2016. But Sobti said despite digitisation, the bank will continue to add branches.

"New frontiers are opening up in the rural areas. Even with digitisation, the frontiers and geographies are vast in this country and even 2000 branches aren't enough. (Branch expansion) is not going to be standstill after March 2017. We have established a strong linearity between growth of specific businesses and branch openings irrespective of what happens to digitisation and that linearity propels us to open more and more branches," Sobti said.

Sobti expects at least 20% of IndusInd's asset book to come from rural areas in the next three years, driven by loans to buy two-wheelers, small commercial vehicles, tractors and cars besides micro lending.

In the last eight years since taking over as MD & CEO in February 2008, Sobti has turned around the private sector lender expanding its loan book from Rs 12,795 crore in March 2008 to Rs 88,419 crore in March 2016 and delivered consistent growth, endearing it to investors.

"IndusInd like many of its mid-size counterparts is in a sweet spot. It has a strong fee income franchise, particularly in segments like [investment banking](#), and is immune to problems faced by larger peers because of its size," said Punit Srivastava, head of research at Daiwa Capital [Markets](#).

The only risk that worries investors is who will succeed Sobti when he retires. His current three-year term which started in February 2015 ends on January 31, 2018.

In September 2014, RBI had said private bank CEOs can serve until the age of 70. Sobti, by that measure, can apply for another two-year term. He said succession planning is not a concern. "There is a well thought out plan. It is an exercise that has been gone through because a year ago there was this uncertainty on extension and then the board had thought through a succession plan, so contingencies had been built in," Sobti said, referring to 2014 when the RBI gave him only a year's extension before it increased the retirement age.

In 2014, IndusInd had shortlisted four executives to take over from Sobti — COO Paul Abraham, head of consumer banking Sumant Kathpalia, head of corporate and commercial banking Suhail Chander and chief risk officer KS Sridhar.

It remains to be seen whether one of them does indeed take over whenever Sobti retires.

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