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Lakshmi Vilas Bank draws up plan to revitalise business

By PTI | Updated: May 08, 2016, 01.30 PM IST

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MUMBAI: Private player Lakshmi Vilas Bank's new chief executive has drawn up an ambitious 10-year plan to revitalise **business** and has set up big targets to improve performance on a variety of operational parameters.

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Vision documents for 2020 and 2026, labelled LVB 2.0, have been drafted with targets on asset size, **market share** and shareholder returns, the 90-year-old bank's newly-appointed managing director and chief executive **Parthasarathi Mukherjee** told PTI.

"From the outside, our bank may look outdated and slow-moving but the possibility for growth is huge. We have an immense opportunity. I would definitely say it is not a losing bet," he said.

"Across all parameters, I think of 20-25 per cent annual growth for the next 10 years. By 2026, our overall business, including advances and deposits, should be up to nine times higher than the current Rs 45,000 crore. Similarly, our profit should be 15-20 times higher than the usual run rate," he said.

Mukherjee, however, made it clear that the objective is not to drive the change himself, but make the senior team do that so that there is a sense of ownership in the project.

As part of the project which resembles **State Bank of India's** 'Parivartan' theme in the 2000s, LVB has started with redesignations to clear "lot of mindset issues" of the past.

So, a chief general manager, who heads a business vertical becomes a president and the general manager under him is senior vice-president now, Mukherjee said.

Besides, the bank has hired a new chief customer service officer, Madhukar Rao, who headed new business initiatives at SBI. That apart, the bank has also designated a head for electronic banking.

As part of the strategy, the bank will focus on the higher earning retail and SME loans, which will see the composition of corporate loans going down to 25 per cent from 42 per cent now, he said.

The Karur-based bank will also focus on pushing the share of low-cost current and **savings** account (Casa) deposits up to 25 per cent by 2020 from 14.5 per cent now, and to over 35 per cent by 2026.

There will be an uptick in the margins through these measures, but as they improve on it, the bank will focus on better quality customers in segments like mortgages which will ensure that the asset quality is not hurt, Mukherjee said.

Expanding branches and pushing the alternate digital channel is an important aspect, he said, adding that the branches will go to over 500 by the end of 2016-17 and should touch 750 by 2019-20, from 300 at present.

The biggest challenge, he said, is improving the cost to income ratio. It is at a high 57 per cent now and it wants to bring it down to 45 per cent -- at par with the industry level by 2019-20.

"The challenge is on income side and not on costs. We need to push the income lines with better net interest income and fee generation through third party product sales," Mukherjee said.

Far from targeting the employee base to push the cost to income ratio, he however said the bank will not mind hiring more in the future.

At present, contractual employees make up around 30 per cent of the staff strength and this will increase in the future, he said, asserting that he does not see any protests by the IBA-linked wage employees due to this.

When asked about aggression of its new age private sector lenders, Mukherjee conceded that it lacked it as the "rate of targeting was less aggressive" but was quick to add that "some banks are aggressive in their own way".

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