

# Bank of India mulling merger, says CEO

SHOBHA ROY

PRINT · T+

Share

Share 2

To focus on strengthening systems and processes before exploring consolidation



Dinabandhu Mohapatra, MD and CEO, Bank of India  
Debasish Bhaduri

## Kolkata September 17:

The board of Bank of India is examining the possibility of merger with other banks, based on the synergy in business.

According to Dinabandhu Mohapatra, Managing Director and Chief Executive Officer, the bank is in the process of strengthening its systems and processes before exploring merger possibilities.

“Discussion is going on; we are examining the possibility (of a merger). But before that, you have to be strong enough, have some uniqueness in order to be able to attract another partner. Only then, the process will be productive,” Mohapatra told *BusinessLine* on the sidelines of a banking colloquium organised by the Confederation of Indian Industry here. Talks of bank mergers gathered momentum after five of State Bank of India’s associate banks and Bharatiya Mahila Bank merged with the parent entity in April.

“Why should we be apprehensive (about mergers). You look at SBI; their merger with associate banks has been rather smooth,” he said, talking in favour of bank mergers.

Former Reserve Bank of India Governor Raghuram Rajan had earlier suggested that mergers of PSU banks should be done only after balance sheets are cleaned up and these are nursed back to health with adequate capitalisation.

Rajan had also drawn attention to the fact that going forward, mergers will not be as easy as that of SBI and its associate banks, as it will revolve around merger of banks with fairly different cultures, orientations, systems and regions.

## Consolidation proposals

With a view to fast-track the process of mergers, the Cabinet had recently approved the setting up of an alternative mechanism, or a panel of Ministers, to decide on consolidation proposals for State-run banks.

However, it is learnt that the government will expect banks to come up with a proposal.

However, some banks have not been too comfortable with the idea of consolidation in the industry.

Kishor Kharat, MD and CEO, Indian Bank, had recently said that with most banks under severe stress, it may not be the right time to move ahead with consolidation. He also opined that if merger takes place under the current situation, it might affect the health of the banks and may not be good for the entire banking ecosystem.

“The government has made its intention clear; there is nothing to be forced upon. Individual bank boards are discussing it (the possibility of mergers), it is a work in progress,” Mohapatra said.

## Asset quality, PCR

Meanwhile, Bank of India is working on strengthening its processes on a quarter-on-quarter basis, he added.

“We are focussing on asset composition, quality and capital maximisation, and we feel these are more important than growing our business.”

Talking about asset quality, Mohapatra said, as on June 2017, the bank's gross non-performing assets (NPAs) came down to 13.05 per cent, compared with 13.38 per cent for the same period last year; net NPAs also declined to 6.7 per cent (7.78 per cent).

Sequentially, the bank's gross and net NPAs came down from 13.22 per cent and 6.90 per cent as on March 31, 2017.

"Today, provision coverage ratio is more important than these percentages (of gross and net NPA).

"Our PCR is 64-65 per cent and in some cases (in certain big accounts), it is as high as 100 per cent."

(This article was published in the Business Line print edition dated September 18, 2017)