

# Private sector banks stare at succession challenge

By [Joel Rebello](#), [Devina Sengupta](#), ET Bureau | Apr 07, 2018, 08.23 AM IST

9  
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In the run-up to his first  
UK premiership in 1964,



*Axis Bank CEO Shikha Sharma's current term ends next month and Reserve Bank of India (RBI) has asked the lender's board to reconsider the fourth three-year term it gave CEO Shikha Sharma in 2017.*

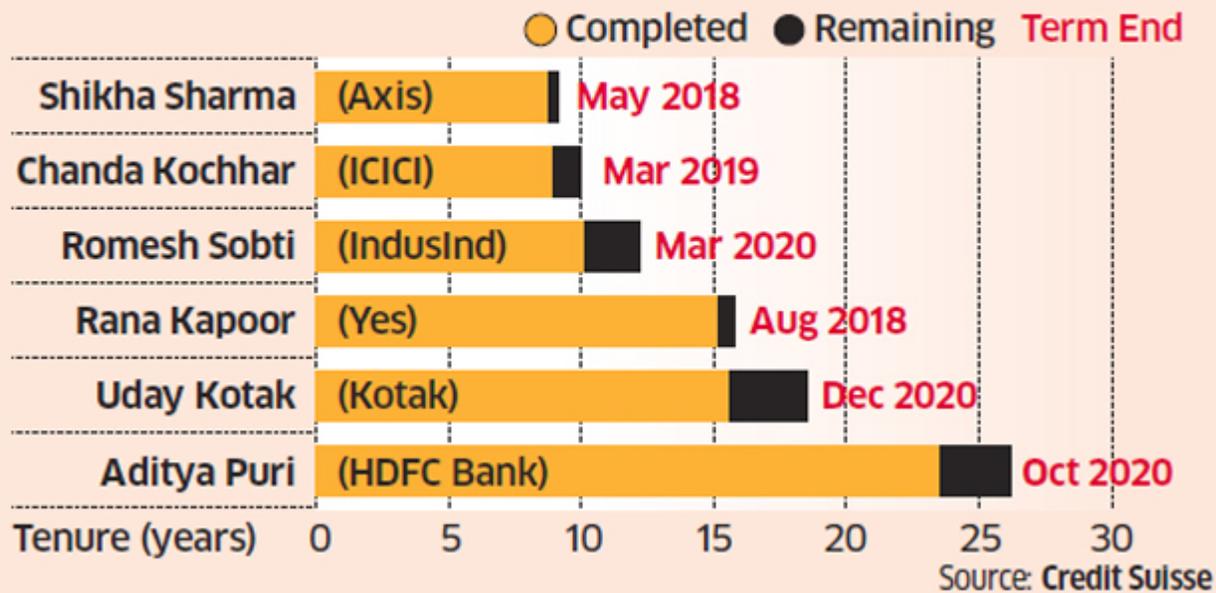
Labour's Harold Wilson had famously remarked that 'a week is a long time in politics.' That appears to be true as well for India's private-sector banks which, until not long ago, were considered to be at the vanguard of the country's economic ascendancy.

But an increasing number of questions on mismanagement, alleged conflicts of interest, and likely probes on large loans have put the spotlight on private banks that had hitherto outclassed state-run peers in valuation sweepstakes. And the biggest challenge for these bulge-bracket lenders could be succession planning.

The next couple of years will be crucial as CEOs end their terms or are close to retirement after leading some of the banks for as long as 25 years, Credit Suisse analyst Ashish Gupta said in a report.

"Management change could lead to some uncertainty for investors. But as ICICI has already been de-rated, if it comes through, we would not expect a further downside," Gupta said.

# Private Bank CEOs' Tenures



[Axis Bank](#) NSE -0.58 % CEO Shikha Sharma's current term ends next month and [Reserve Bank of India](#) (RBI) has asked the lender's board to reconsider the fourth three-year term it gave CEO [Shikha Sharma](#) in 2017. Sharma's former colleague and ICICI bank CEO Chanda Kochhar seems to be caught in the eye of a storm on loans given to Videocon Industries. Her five-year term ends in March 2019 and though at 56 she is the youngest among the CEOs of top private sector banks, an extension is not a surety.

Boards of [HDFC](#) NSE 0.25 % Bank, India's most expensive by market capitalization, and IndusInd Bank will also have to answer the succession issue soon.

"CEOs at HDFC Bank and IndusInd are reaching the 70-year limit, (and) they will not be eligible for re-appointment. Kotak, ICICI Bank and Yes CEOs are all eligible for extensions, but if the RBI approves them based on asset quality and divergence track records, only the Kotak CEO's continuity is certain," Gupta said.

HDFC Bank's [Aditya Puri](#) and IndusInd's Romesh Sobti will both be 70 in 2020, the official retirement age prescribed by the regulator.

Although Yes Bank's Rana Kapoor, 60, still has 10 years to go provided RBI approves his re-appointment, there is no senior management on the bank's board, making its bench strength pretty thin. So is the case with IndusInd.

K Sudarshan, managing partner at search firm EMA Partners India, said 15 years ago the current leaders were handpicked by the then incumbent heads, and there is nobody of that stature in private sector banks currently.

"No one in industry can do what former ICICI chairman KV Kamath did, but that said the scale of growth in the last 5 years has changed. In a high-growth market, the leadership pipeline is often not at pace with growth and hence a vacuum is often left. The boards need to entrust the next line with responsibility," Sudarshan said.

AK Khandelwal, member of the Banks Board Bureau who has tracked human resource issues in banks closely, said private-sector bank boards are still better placed on succession planning.

"I would still say that private-bank boards follow modern corporate practices and are alive to the issues facing them," Khandelwal said.

In its report, Credit Suisse said [Kotak Mahindra](#) NSE 0.08 % and HDFC have the strongest bench strength among private sector lenders. "Kotak and HDFC have the strongest bench strength, with average senior-management tenor of around 20 years. Yes/IndusInd are younger banks, with senior-management tenor of 7-10 years and also neither of them have senior management people on their boards," Gupta said.