

# Will RBI ease its appointment norms for IndusInd Bank and HDFC Bank?

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Both private sector lenders may want to retain their chiefs post retirement age

The ball is clearly in the RBI's court. The regulator needs to decide soon on whether it will allow the re-appointment of the chiefs of private sector lenders IndusInd Bank and HDFC Bank.

IndusInd Bank MD and CEO Romesh Sobti and HDFC Bank MD Aditya Puri will both turn 70 next year, and retire in March and October 2020, respectively. They will not be eligible for re-appointment based on current RBI norms.

“The benchmark will be what happens in IndusInd Bank's case. If the RBI agrees to Sobti's re-appointment, then HDFC Bank could also send a similar proposal,” said a person familiar with the development.

Sources said initial feelers have been sent to the RBI for a possible exception to the rule though a formal proposal is yet to be sent. The banks may also engage in formal discussions in the course of this year.

In response to an email query by *BusinessLine*, IndusInd Bank said: “We do not wish to comment as the matter is speculative.” HDFC Bank, in its response, said: “Our stand on succession is in the public domain, and we wouldn’t like to add to it. Suffice to say that we have an appropriate succession plan in place.”

## Recent precedents

With the RBI cracking the whip on private sector lenders such as Axis Bank and YES Bank, which have seen top-level changes, it is unclear whether it will relax its norms for IndusInd Bank and HDFC Bank.

Bankers have pointed out that private companies, unlike banks, can continue to have directors over the age of 70. Experts also believe that exceptions should be made for good performers.

“Age is just a number. If a person is performing well then he/she should be allowed to continue in the role,” observed JN Gupta, MD, Stakeholder Empowerment Services. “However, succession planning is crucial for an organisation and it should be prepared for the exit of the CEO at any time.”

Ashvin Parekh, Managing Partner at Ashvin Parekh Advisory, agreed.

“Capability and age are not bound to each other. If a person has the ability to lead, he should be allowed to continue post the age of 70.”

Significantly, the RBI, in October 2018, had approved the re-appointment of Puri as MD and CEO for two years though the shareholders had approved it for five years.

Both Sobti and Puri are veteran bankers. Sobti recently expressed his keenness to continue if the RBI allows it. HDFC Bank has remained silent on the issue although Puri, in an analyst call last year, had said the process of appointing a successor would begin 18-24 months before his retirement.

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