

DEEPENING PRESENCE

Ratnakar Bank: small in size, big in ambition

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MUMBAI

Ratnakar Bank Ltd, India's smallest bank, is not embarrassed about its size.

Instead of growing bigger, the Kolhapur-based lender with ₹3,200 crore in assets—smaller than India's only listed microlender **SKS Microfinance Ltd**—wants to consolidate existing operations and build up its technology platform, managing director and chief executive officer Vishwvir Ahuja said.

"This bank's management perhaps lacked the vision and ambition to become a large bank," he said. "In any case, I would say they were quite prudent on the one side—frugal, simple and content with running a clean, profitable bank that serves its customers well

with happy and committed employees and reasonably satisfied shareholders."

Private sector lender Ratnakar Bank is 67 years old but its asset base is far smaller than **Dhanlaxmi Bank Ltd** and **Development Credit Bank Ltd**, both set up much later.

Leading a new team, Ahuja, a former Bank of America executive, wants to build on its base. He took over the assignment in July last year and immediately got quite a few foreign and private bankers on board.

His team now includes Rajeev Ahuja, ex-head of fixed income capital markets and sales with Citibank; Suhas Sahakari, ex-head of small and medium enterprise (SME) business at **Axis Bank Ltd**, and Shanta Valury, ex-head, liabilities distribution at **ICICI Bank Ltd**.

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in the last one year and added close to ₹1,000 crore worth of assets.

"There were 14 unutilized licences in July last year. Those licences had been renewed three times by the Reserve Bank of India but the bank was unable to open the branches," Ahuja said. With the new branches, Ratnakar Bank now has a network of 100 branches and most of them are in Maharashtra.

Ratnakar Bank was formed by a group of patriotic and eminent personalities led by lawyer Babgonda Bhujgonda Patil. It got a commercial banking li-

cence in 1956.

Around 70% of its loan exposure is to SMEs based in Maharashtra. Ahuja will not change the strategy. "The SMEs will remain the large focus of our business and the remaining will be consumer loans and retail banking."

It is also taking financial inclusion seriously.

"Wherever we are present, we want to consolidate there by deepening our presence, by building a cluster-based approach, which may mean we may add more branches, even where we are well represented," Ahuja said. Recently, the lender had

started giving housing loans with an average ticket size of ₹10-50 lakh, targeting the affordable segment.

In February, the bank had raised ₹720 crore by selling about 30% stake to a group of private equity investors including Beacon India Pvt. Equity Fund, Cartica Capital and Faering Capital, which picked up minority stakes in the bank.

Following this, Ratnakar Bank has a capital adequacy ratio of around 52%, possibly the highest in Indian banking sector.

Ahuja says this capital will be enough for the targeted expansion plan for the next few years and the bank is unlikely to go for further capital raising in the near future.

Indian rules mandate that a commercial bank needs to have ₹9 capital for every ₹100 worth of loans.

For the fiscal year ended 31 March, Ratnakar Bank's net profit fell to ₹19.11 crore from ₹30.53 crore in the previous fiscal, while total income rose to ₹157.39 crore from ₹153.53 crore in the year-ago period.

Analysts are not too optimistic about the future of smaller banks in the face of changing industry scenario. They said consolidation is imminent among smaller lenders.

"There will be consolidation in the banking sector. When the new banks come into picture, the existing smaller player will be more prone to buy-outs, provided the regulator allows that," Santosh Singh, an analyst with Espirito Santo Securities in Mumbai, said.

"Also, it is not worth for shareholders to hold these shares due to the fact that it is very difficult for this bank to gain momentum in business without sufficient financial strength," he said.

"We are not building the bank to position it as an acquisition target," Ahuja said. "This bank is not for sale."

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