

Eyeing a turnaround, IOB chief sees FY19 as 'watershed' year for the bank

Resolution in sight for debt of ₹4,000 crore at NCLT, says CEO

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The insolvency law has bolstered the likelihood of a turnaround for Indian Overseas Bank (IOB), which now expects to return to black in the last quarter of fiscal 2018-19, a top official said.

Out of IOB's total exposure of ₹7,000 crore in the RBI's first list of 12 cases referred to the NCLT, resolution is in sight for as much as ₹4,000 crore in the first two quarters this fiscal, R Subramania Kumar, Managing Director & CEO, told *BusinessLine*.

Besides riding on an expected boost from debt resolution at the NCLT, the bank is also implementing several strategies that will help it come out of the RBI's prompt corrective action (PCA) framework, said Kumar.

Without committing to a timeframe for the bank to be

able to exit the PCA, Kumar said that IOB was well on course to meet the parameters laid down by the central bank.

"There are five to six parameters under the PCA where we have already come under total control. This path will continue as we go about implementing our turnaround strategies, including rebalancing of portfolio, enhancing fee-based income and keeping away from specified risk-prone sectors like iron and steel," he said.

Over the last few years, IOB - which went into PCA in September 2015 - had consciously pruned its corporate lending while enhancing the size of its retail, agriculture and MSME (RAM) lending.

"From March 2014 to March 2018, our corporate book has come down from ₹88,000 crore to ₹49,725 crore.

"On the other hand, our MSME book has risen to ₹32,600 crore from ₹29,000. Agriculture exposure has gone up to ₹31,000 crore from ₹26,000. Retail has gone up to ₹28,000 crore from ₹18,000



Subramania Kumar,
Managing Director & CEO, IOB

crore. So, the rebalancing is happening and will (we) continue in this path," he said.

IOB will, this fiscal, strive to take the share of retail advances to 20 per cent of the overall loan book. "We will remain a retail, agriculture and MSME-focused bank in the coming years also," said Kumar.

While noting that the just ended March quarter will be stressful (mainly due to RBI's February 12 circular), Kumar said that this fiscal IOB will look to bring down the Gross NPA ratio by 5 percentage points to 16 per cent from the 21.95 per cent now. Also, efforts will be

made to bring the net NPA ratio to single-digit level.

As part of branch rationalisation, Kumar said that IOB will also scale down over 100 unviable branches and those located in the proximity to one another.

In the last couple of years, the bank had shut 11 regional offices, closed down 91 branches; it is now left with a network of 3,342 branches.

Foreign operations

On its overseas branches, Kumar said that steps are on to revamp the business model and right-size operations. "Seoul we are exiting. We have already closed our representative office in China and Vietnam. In Dubai and Qatar, we have scaled operations. We are planning to merge two branches at Colombo into one," he said.

The entire exercise is already showing results with the consolidated foreign operations now recording profits for the bank, said Kumar.

"We will review the situation in six months, and if need be, do more," he said.