

## **UDAY KOTAK – THE ORIGINAL INDIAN FINANCIER**

Mr. Uday Kotak, the executive vice-chairman and Managing Director of the Kotak Mahindra Bank, holds the distinction of being the original Indian innovator of the Indian financial services, a field that is dominated largely by international and global financial service providers. At the age of 48, Kotak is India's only self-made billionaire banker and a key player in launching India on the global scenario as a major financial force during the coming years.

Uday was born in Mumbai and was an outstanding student of the Sydenham College and Bajaj Institute of Management Studies. His father, Suresh Kotak, founded the company Kotak & Co. Ltd. for commodity trading business, which he eventually passed on to his son. Uday began his career as an entrepreneur on November 21<sup>st</sup>, 1985, when he established the Kotak Capital Management Finance with assistance from his father's company, Kotak & Co, along with Mr. Sydney Pinto (who proved to be a worthwhile asset owing to his years of invaluable experience as a senior manager in firms such as the ANZ Grindlays and ICI). In 1986, the firm was joined by late Mr. Harish Mahindra and Mr. Anand Mahindra (the tractor tycoon) and was thus renamed Kotak Mahindra Finance Limited(KMFL). The KMFL started as a provider of a single financial product with a capital base of 30.88 lakhs and gradually diversified into an array of financial services to emerge as a noteworthy Non Banking Financial Corporation. Under the able guidance of Uday Kotak, the company gradually expanded its operations not only in India, but also made its presence felt on an international scale by establishing full-fledged financial institutions in Mauritius, New York, London and Dubai. The need to expand and grow brought with it the essentiality of establishing a global reputation which in turn led to forging partnerships with reputed international establishments like Old Mutual for life insurance, Goldman Sachs for investment and brokering and Ford Credit for auto finance. Through its subsidiaries, the KMFL provided a wide range of financial services like retail finance, investment banking, stock-broking, life insurance, mutual funds and equity products.

However, the key turning point in the organisation's fortunes turned out to be a landmark decision by the Reserve Bank of India to grant a banking license to KMFL in 2003. Uday realized the growing importance of the banking industry in emerging market like India and the tight control of the Government over this sector. After having established himself firmly as a financial service provider in the non-banking sector, it was only logical for him to pursue his ambitions further by making a foray into the banking sector, a field so far left unexplored by the other major business houses of India. He realized that the sector is dominated by inefficient state-owned banks (about 75% of banking assets) and also the inability of the foreign banks to open new branches owing to regulatory approvals. He not only acknowledged the potential of the sector but grabbed the opportunity with both hands since the only capable competitors to his kind of banking, that is the foreign banks, were incapable of posing a serious competition. He predicted that since the RBI has barred any foreign bank to acquire more than 5% of any domestic bank till 2009, his bank will gain its market share at the cost of state-owned banks. Therefore, at the turn of the century, Uday Kotak decided to venture into uncharted territory by applying for a banking license with the Reserve Bank of India and was finally granted one in 2003.

The banking license provided the much needed common interface for the various Kotak subsidiaries and enabled Uday Kotak to operate atleast six different businesses from a single platform. As quoted by Mr. Kotak himself:

"A dramatic change has taken place in India. This nation of savers has turned into a nation of investors and spenders. That's an exploding opportunity for a banker"<sup>1</sup>.<sup>1</sup>

The Kotak Mahindra Bank faced tough competition from global players like DSP Merrill Lynch, Citibank, ICICI Bank and HDFC Bank but has stood up to the daunting task of proving its competence by implementing a differentiation strategy and spreading its banking network all across the country in a bid to match the largest banking network of a foreign bank, the Standard Chartered Bank. The main function of the bank was to cater to the financial requirements of the affluent, super-affluent and the high-net-worth individuals

---

<sup>1</sup> Anand Mahindra, *Forbes.com*

and at the same time to convert the low income clients of the NBFC into the bank's customers. The Bank also launched its first range of credit cards in Mumbai on April 15<sup>th</sup>, 2008, to cater for its different customer segment needs. Over a period of time, the organization has evolved into an integrated financial service conglomerate with emphasis on supporting talented entrepreneurs seeking exceptional growth opportunities and long term value creation.

The rapid progress and faith in the country's economy led Uday Kotak to part ways with his long-standing global strategic partner in investment and brokering, Goldman Sachs in 2006, which, over a period, proved to be a liberating rather than a restricting move.

"With the purchase of the investment banking and securities businesses, the group has taken a significant step towards further integrating financial product offerings for customers. The time has come for us to raise our aspirations and scale as the India story takes the centrestage in the global order. We at Kotak have always aspired to create an Indian financial institution with global class and capabilities. This is a reinforcement of that vision"<sup>22</sup>

At the same time, Uday Kotak used his business acumen to successfully harvest lucrative profits from the booming telecom industry by tying up with Hutchison Max. However, his main focus was always on the banking sector, which he made synonymous with investments through his popular tagline: Think Investments, Think Kotak. In the words of Mr. Anand Mahindra who lent his family name and took a 15% stake in Kotak's start-up:

"Uday's never been one to follow the beaten track and has a sixth sense about spotting hidden opportunities."<sup>3</sup>

During his eighteen years of experience in the financial market, Uday Kotak has had to face his share of failures as well. The stumbling blocks occurred in form of investments gone sour when companies like ABCL, the Matrix Information Services and a publishing business failed to deliver. But such was the resilience of the entrepreneur that it took him merely a few years to recover from the incurred losses and regain his position as the top Indian banker of his era. Uday Kotak has been single-handedly instrumental in the rise of the Indian financial sector and is even expected to carve out a niche for his country in the global financial market. Amongst a plethora of reasons contributing to his success, the one reason which has over-shadowed all the others is his ability to harness the talents of his work force to the maximum possible benefit of the organization. The staff loyalty is apparent through the fact that most of his first and second rung managers are the ones who have been with him right from the start. Uday Kotak's inspirational leadership qualities have not escaped even his competitors as is evident from the following quote from an awe-struck competitor:

"We all know that Kotak is street smart, but one of his biggest achievements is to succeed in making the entire organisation think that way".

This successful 48 year old Indian banker is ranked as the 44<sup>th</sup> richest person in the world and lives in Mumbai with his wife and two children. In spite of his tremendous accomplishments, Uday Kotak has laid cogizance of his humble beginnings by establishing the Kotak Education Foundation along with his wife to cater to the educational needs of the under-privileged children.

---

Author: Neena Dayal

Copyright: WordPep™

---

<sup>2</sup> Interview in The Telegraph, Calcutta, India; Friday, March 17<sup>th</sup>, 2006.

<sup>3</sup> Interview in Business Today

