

Bandhan Bank can set up new branches: RBI

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Kolkata: In a big relief to homegrown Bandhan Bank, the Reserve Bank of India (RBI) on Tuesday lifted the restriction on its inauguration of new branches after almost 17 months. The central bank had blocked Bandhan Bank from expanding its network on September 28, 2018.

"Though the bank is still not in compliance with the licensing condition on dilution, considering the efforts made by the bank to comply with the said licensing condition, it has lifted regulatory restrictions on branch opening," the RBI said in a letter to the Kolkata-based

private sector lender.

However, the regulator has given a condition that 25% of the total number of banking outlets to be opened during a financial year are established in unbanked rural areas. It may be noted that in its Monday edition, TOI had written that the RBI

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may give more time to Bandhan and other banks in a similar condition to reduce promoters' holding.

Bandhan had merged Gruh Finance from HDFC Group to reduce the holding of Bandhan Financial Services, the promoter of Bandhan Bank, from little over

82% to 61% (current level). Though there is requirement for further dilution, banking industry veterans feel that the RBI has given some leeway considering the track record so far. The merger of Gruh and Bandhan Bank was ratified by shareholders in October 2019.

Now the promoters have to look at other avenues to fully comply with the regulations of lowering their stake to 40% in some time. Bandhan Bank has 1,010 branches across 34 states and Union territories (UTs).

The bank had posted a net profit of Rs 731 crore during the third quarter of the current fiscal. The total business of the branch stood at Rs 1.20 lakh crore.