

The bank would get an infusion of Rs 500 cr from existing investors, which include IFC, SIDBI and sovereign wealth fund GIC and capital adequacy will be at 34%. The bank would do an IPO in 2018

Bandhan gets bank licence; to launch ops on Aug 23

Mumbai

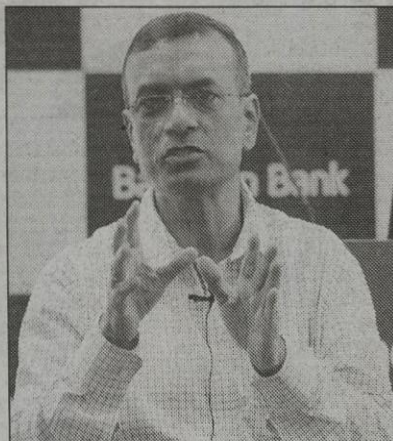
Micro lender Bandhan Financial Services said it has received licence from the Reserve Bank of India to start a full-fledged bank and will debut in August with up to 600 branches focusing on retail and small businesses segments. "We have received the final bank licence from RBI today and will be starting operations with 500-600 branches on August 23," Bandhan Financial Services' Chairman and Managing Director Chandra Shekhar Ghosh told reporters here.

There will be an infusion of Rs 500 crore by shareholders, which include IFC, SIDBI and Singaporean sovereign wealth fund GIC in the run-up to starting operations and the capital adequacy will be at 34 per cent. The bank will not need any infusion in the first three years of operations, he said, adding that it will launch an initial public offer by 2018.

The company, which along with infra lender IDFC was given in-principle nod last year to enter universal banking, has named it as "Bandhan Bank" and will focus on its strengths in retail and micro enterprises in unbanked or under-banked rural areas for the bank, he said. Its entire current operations, including a network of 2,200 offices across 22 states, over 17,000 employees, 66 lakh customers and a loan book of Rs 10,000 crore, will be part of the bank from day one, he said.

The 500-600 branches will be freshly set-up and the 2,200 offices will act as door step service centres, he said, adding that 200 of the branches will be in metro and urban areas, and the rest will be in semi-urban and rural areas.

The bank will focus on retail loans and rural loans, in which it already



Chairman and Managing Director of Bandhan Bank, Chandra Shekhar Ghosh speaks at a press conference in Mumbai

has expertise, with specific focus in loans to the micro, small and medium enterprises. On the product mix, he said Bandhan Bank will be doing housing loans of up to Rs 10 lakh and auto loans as there is some demand for vehicles in rural areas.

The existing micro finance business would move to the Bandhan Bank and form its micro banking segment. Along with the loan book, the staff and customers of Bandhan Financial Services will also be transferred to Bandhan Bank.

However, it will stay away from corporate lending for at least three years. Bandhan Bank will also prefer the much reliable retail deposits, rather than the bulk deposits.

"At the moment, we want to be financially viable," Ghosh said, pointing out to the woes being faced by lenders because of large ticket lending and

added that Bandhan's NPAs are 0.10 per cent.

He said that Bandhan, which currently had a net interest margin of 10%, would look to bring it down once it has migrated to becoming a bank, and is able to tap public deposits.

The bank will have an ATM network of 250 on day one, and also associates, who have been serving the rural population in its current avatar as a MFI. The bank is now calling these 12,000 associates as "HTMs" who will operate from handheld devices and undertake transactions like deposit and withdrawals done at ATMs.

Ghosh said the bank will start lending from the first day onward but hinted that the ticket sizes will be smaller. Once it transforms into a bank, it will lower its lending rate from the current 22.4 per cent, Ghosh said, adding that the pace of lowering the rate will be determinant on the pace of deposit accretion by the bank.

The bank has put in place a management team of 20 people, Ghosh said, without divulging the hierarchy structure. He added that all the top-level appointments will have to be cleared by RBI. It has hired 850 people from other lenders, including private sector and state-run ones, for the bank, he said.

Bandhan Bank will have debit cards from day one, and has no immediate plans of a credit card offering, he said, adding that a digital platform will also be available.

Bandhan, which started from a town near Kolkata in 2006, had posted a post tax net of Rs 428 crore for FY15. The RBI has repeatedly said the sole objective of new banks is to deepen the reach of banking in the country, where nearly half of the citizens do not have an account.