

MFI Bandhan unlocks capital by selling Rs 180-cr farm loans

Banks Set To Gain As Bought-Out Loans Will Boost Their Agriculture Lending Ratios

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BANDHAN, one of the country's leading micro-finance institutions (MFI), has sold agricultural loans totalling Rs 180 crore to a host of commercial banks including Punjab National Bank (PNB) in order to free up its resources. This move would help Bandhan to grow business without raising capital from the market.

The banks, in turn, will gain as the bought-out loans will boost their agriculture lending ratios. Banks are stipulated to maintain a minimum 18% total agricultural advances of their total net bank credit.

Typically, such deals happen when a fiscal draws to an end. Private banks especially become aggressive in

buying out loan portfolios from cooperative banks, regional rural banks and MFIs to meet priority sector lending targets.

In this particular case, Bandhan has sold Rs 60 crore worth of agri loans to PNB. It has sold loans worth Rs 75 crore to IndusInd Bank, Rs 25 crore to Development Credit Bank (DCB) and Rs 20 crore to Kotak Mahindra Bank. Bandhan chairman and managing director Chandra Shekhar Ghosh said the deals have been struck in the space of last 10 days.

Senior officials from PNB and DCB have confirmed the development. The DCB official was, however, silent on the size of the deal. Concerned officials from IndusInd Bank and Kotak Mahindra Bank could not be contacted.

"This move will free up capital and

help us grow lending business without raising resources. This will

also improve our capital adequacy ratio to 15% from 12%," Bandhan chairman and managing director Chandra Sekhar Ghosh told ET.

MFIs that are registered as non-banking finance companies must maintain CAR of a minimum 15% from 2009-10. This move will put pressure of these entities to shore up capital adequacy ratio (CAR).

Prior to this development, Bandhan had outstanding agriculture loans to the tune of Rs 250 crore while its total lending portfolio stood at nearly Rs 700 crore. Consequent upon the latest deals, the size of the size of its outstanding agri loan and total loan portfolios stand reduced to about Rs 70 crore and Rs 520 crore respectively. Cumulatively, it disbursed loans over Rs 2,000 crore since its inception in July 2002.



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