"Bandhan Bank Limited Q4 FY 2018 Earnings Conference Call"

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Moderator: Good Day, Ladies and Gentlemen and Welcome to the Bandhan Bank Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hiren Shah – Head, Investor Relations at Bandhan Bank. Thank you and over to you, Mr. Shah.

Hiren Shah: Thank you, Margret. Good Evening, Everyone and Welcome to the First Earning Conference Call Post Result for Bandhan Bank. With me to share the views and vision of the company and to share the details of the results, we have got Founder, MD & CEO of Bandhan Bank – Mr. Chandra Shekhar Ghosh. Also, I have got Mr. Sunil Samdani – Chief Financial Officer of the Bank joining with us.

Now, may I request Chandra Shekhar Ghosh Sir to please give his vision and share the result to the community. Over to you, Sir.

Chandra Shekhar Ghosh: Good Afternoon, to all of you. I got the opportunity to talk after the first results post IPO and the second full year result of the Bandhan Bank. So, this is a good opportunity and all of your cooperation and blessing helped us to reach this result.

The last quarter that is the quarter four portfolio, net profit has come to Rs. 388 crores and the total year's net profit has come to Rs. 1,346 crores and as you know that the M2M loss, RBI permitted the banking industry to defer it to the next few years. But we have not, it has been differed, we have accommodated in this year. After that also our profit is at Rs. 1,346 crores, which is 21% year-on-year growth of that.

And the second point is that the deposits are now Rs. 33,869 crores, which is a 45.8% year-on-year growth, last year it was Rs. 23,750 crores. So out of that deposit, we mentioned on that we are focused on retail deposits and CASA, 72% retail deposits and 34% CASA, we are including deposit as sum of the CDs we have.

And the next point is that the loans, that is advances, is at Rs. 33,329 crores of credit, out of that the microcredit loan is Rs. 27,701 crores and the balance, the non-micro credit profit, out of that an SEL, small enterprise loan, you know that is at Rs. 1 lakhs to Rs. 10 lakhs loan, which is Rs. 1,639 crores, SME Rs. 1,641 crores. And the retail, that means the housing loan, loan against property and two-wheeler and personal loan together is Rs. 1,400 crores. So, microcredit loan year-on-year basis increased with 30% growth and other loans if you see that has come from Rs. 2,000 crores to Rs. 5,000 crores, this is not in a percentage wise on that. But totally we say that the 86% of our portfolio is in microcredit and non-microcredit is 14%. Compared to the last year if you see that fourth quarter, third quarter it was 12% in non-microcredit, has come to 14% of the non-microcredit, it is a little bit growing good in SEL, SME, and the retail on that.

Customer point of view, we have now reached in March to 13.01 million and 2.6 million new customers we have added. Out of that 1 million new customers added by 936 bank branches and balance are added by microcredit, 2,764 DSC's. And all of the deposits, whatever we have, the Rs 33,869 crore, very small amount is contributed by microcredit customer, that is 7% of that.

We are focusing on the rural, all together is a 936 and 2,764 DSC, together we say that all are banking outlets, that is called the 3,700 banking outlets. So, I would like to share with you, we are very happy to share it, as per RBI information and data we are the third largest banking outlet bank among the private sector banks, after the HDFC and ICICI we are the third largest banking outlet. So this is our strength, we like to build up our future growth on the basis of these 3,700 outlets. We have planed that another 300 outlets we would like to open in this year. 936 branches will become 1,000 branches and 2,764 DSC will come to 3,000. So we shall like to reach 4,000 banking outlets.

We have a 28,159 employees and we know that we are very focused on that how we can build up on the basis of classroom training to build up the capacity of the employees and hand holding both together which we are continuing on. We have set up a one best training institute in the eastern region, the name is Bandhan School of Development Management under Bandhan Konnagar. So, according to the need of the bank we are selecting, and people graduate and take them to this training by their cost. And they all receive the training in one-year, nine months is a classroom training and three months is internship, and the first three batch that means the 200 trained people have joined the bank after completing their internship, some of them. And we saw that is a very good response we got on that, they are performing very good compared to the new people. It can help us on the basis of this outlet and on the basis of these peoples' capacity and whatever initiative we have taken for this next-gen banker course, altogether have to help us to grow in the next financial year, it is very good.

And you know that though we have 37% credit growth, but in this year, that means in the 2017 - 2018, the little bit we were very conservatively growing because of the demonetization, GST and the agricultural loan waivers and some Basel III factors which affected the industry, not only the microcredit industry but the banking industry also saw, because some of the creditors suffer some of the cash flow because of supply of this type of amount is not that enough, so we are a little bit affected. So we have very consciously taken call to conservatively lending people on that. But though it is a very conservative, after that the last quarter has come into the very good amount of the portfolio which is in feel that the monsoon is also predicted very good, the forecast is very good, and prediction of GDP is very good. So in that sense we saw that the credit demand is coming, the last quarter especially in the March is showing on that. This is also very good and realistic on that note. And we feel that it will continue this year as well. Last this year in April we saw that very drastically demand has come down from our March figure and has come down drastically by more than Rs. 1,000 crores, which has reduce the portfolio from March. But this year we saw that not that much is coming, very much lightly and is at par with the March figure and continuing on that. That means demand is not continuing on that, we are not pushing any of our practice to go to credit growth on that. So I think that the credit growth is very good now.

And third point I will share on that, this is related to on that is NPA, this is last quarter that means the last year is a little bit is in audit for us and so that we have very good initiative on that how we can arrest it, now it has been arrested. And last quarter it was in a 0.76% of the net NPA, now came down 0.54%, it's amount is also reduced, not only the percentage wise. And it is a very good trend because we see that we are tracking OTR, on-time-repayment rate means that today the how many customers are given one single installment who have the single installment due. This calculation we are tracking every day and monthly basis, on yearly basis, that has been showing on that the nearly 99% OTR, on-time-repayment where we are not counting any of the overdue amount collected or any advance amount given to us. So it has been given to track on that and it is improving gradually. So, I feel that the NPA is not a very big issue and the future growth will come as a good credit portfolio.

And we are trying on that, the cost of fund has come down from last year to this year, 5.93% to 5.52%. Fee based income increased from 10.92% to 12.82%, you know that we have started in the last year, that is our third-party product sale, insurance and also the mutual fund which also helped us to get this good income. And if you see that the cost to income ratio also came down from 35.29% to 35%. NIM also little bit came down on that 10.69% to 9.69%, this is also some calculation issue is there**.** And all together we say that the ROA has come to 4.06% and ROE we had calculated at 25.98%, that means 26% after incorporating the IPO money. I feel that this a good way the bank performed. And we have prudentially written off Rs. 51 crores in this year.

So these are the point on that, but I feel that next year the opportunities are more and conservativeness whatever we played in the last year, it is now over, and the people are ready, space is also enough to grow. So we try to grow our asset and liabilities**.**

So if you see the other point is there that is standard assets as per RBI norms in the banking industry, in microcredit portfolio, there is an RBI circular saying that 0.25% we can provision. But we are provision higher, that is 1%. So whatever the NPA is there equal to my provision amount or so, that does not effective my profit anytime on that.

So we need your cooperation and help. I hope that you have some questions, and we will like to clarify on that. Thank you.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question is on the net interest margin on quarter-to-quarter and the full year basis. In Slide #19, the spread, our net interest margin in FY2017 it was around 10.4%, now it is 9.7%, even quarter-to-quarter it has declined. So, one is, what is the factor behind the decline of net interest margin? Secondly, what is the sustainable level of net interest margin given the balance sheet mix?

Sunil Samdani: Here, the net interest margin changes particularly for Bandhan on two counts. One is, of course, as the mix of non-micro finance portfolio increases, this will change. And two and more importantly which a is a more bigger variable factor in our case is the IBPC that we do when we downsell our portfolio. 96% of our portfolio, this year 94% qualifies for priority sector, so we down sell to other banks who are in need of priority sector. In last year we had done IBPC worth of Rs. 7,500 crores, reduces our balance sheet size, as a result of which the NIMs as a percentage look higher. This year we have done more of PSLCs which gives you fee income, and the asset remains in our book. So, it is a twin impact, one, the income on IBPC comes as part of interest income which improves NIM. Two, as the denominator reduces because the portfolio moves out, the overall percentage improves. Said that, this year the corresponding positive impact comes in the fee income which is where you see the spike in fee income as well, this IBPC gets replaced with PSLC. Net-net, the impact of moving from IBPC to PSLC is about 50 basis points.

Manish Ostwal: Okay. Second point sir, in terms of branches we have added almost 96 branches in this year. And going ahead also this run rate we would like to maintain or we can press the accelerator button in terms of branch expansion? And secondly, the operating expenses growth which is 28% for the full year, so whether this 25% to 30% kind of OPEX growth is a trend for Bandhan Bank for next couple of years?

Chandra Shekhar Ghosh: As far as the distribution in the branch network goes, we have done bulk of the investments in the branch network. At Rs. 3,700 banking outlets we are the third largest distribution network in private sector bank. Going forward, we will open branch, but it may not be as aggressive as we had opened in the last two years. From 936 as on 31st March, we can go up to 1,000 branches by the end of next financial year. And on the expense side, since we have expensed out most of our investments in bank and branch infrastructure, so that will grow in line with our business, so there are no major expenses other than the regular business expense that we forsee.

Manish Ostwal: Now coming to the growth side, this year the disbursement growth was impacted because of some issue with the spillover the impact of demonetization, debt waiver in certain geographies. Now, next year what kind of disbursement growth we expect in the MF business? And secondly, the non-MF book balance sheet growth what kind of growth we can expect?

Sunil Samdani: On the micro finance side, if you see the bulk of the growth came into Q4, so we expect the microfinance growth to be robust going forward as well. On the non-micro finance side, we do not set up any target for ourselves because that is a new business for us, as and when our capacity keeps building up we will keep expanding that business. So, that is an additional revenue line for us, the non-micro finance. Of course being a low-base, the percentage growth will always be higher.

Manish Ostwal: And this credit cost, any guidance you would like to give on credit cost this year 1.15% the credit cost was for the full year. Now the demonetization impact is almost over, and the portfolio also is showing a very strong correction efficiency, so what kind of credit cost one should build in?

Chandra Shekhar Ghosh: If you see that in our credit the cost is there, the net is 0.76% was in December, it has come down 0.54%, net NPA. So in that sense it has been arrested on that, now it has been declining on that way and this has not increased that much. But we feel that around one it will be like, highest it will become on that.

Manish Ostwal: Last question from my side, currently the bank is reporting an ROA of 4% with a mix of 86% MF book and 14% non-MF book. So when we are looking at three years to five years journey and the mix will be in the favor of non-MF book which maybe 35% - 40%, so what kind of ROA one could see for the universal Bandhan Bank, it will be 3%, less than 3% what kind of sustainable ROA one should look at it? Because there is a piece which is unknown for us, it is how the Bandhan Bank is building the retail, non-MF book and the corresponding cost, whether the cost to income ratio in current levels is sustainable or not, we do not know. So capturing all those things what is your assessment at ROA in a 40% non-MF book which is typically retail balance sheet of other products?

Chandra Shekhar Ghosh: So my point on that basis, you should take confidence from our previous data. If you see the last 17 years data, it has not been come anytime blow the 4% of ROA. So, if you see the other point, cost to income ratio in the first year, we are always trying on that whatever the cost we have not differed to any other year, it will be immediately affected to our bank. If you see that the first year of the bank we have had huge cost, with RBI guidelines and income-based guidelines we can differ it to five years or ten years. But we have not done it, we have booked it in one-year on that. So in that sense 56% was a cost to income and next year it has come down to 36%. And now if you see the 36% is coming down to 35%. So if you see that the three years have trimmed the cost to income ratio, you should be like to confidence on that and trust on that the bank is also doing there. And another point if I say to add on this, my banking outlets are 3,700 and all 3,700 banking outletss out of that the 936 are bank branches which in last 2.5 years we have built up. And we have spent a lot of costs to establish these bank branches, the cost was incurred on that to set up the people as a fresher and building them and cost incurred for their training, capacity building, and now we earn from them without increasing the space, without increasing the table, chair, fan, AC, electricity, internet connectivity, all already we have spent. It is a normal course of that cost and we are only take on that the variable now 50 people is coming to the bank branch for transaction, if it will become 200 people but without any cost we are getting that advances. So that my cost is not increasing, this is the point. Odd point if you see that the cost of fund, though we are a new bank and our 36% CASA, that means other than if you see that there is some CD there, if you not count the CD, then 36% CASA in a new bank within a 2.5 years, 36% CASA means the good amount of the retail customer has come, 72% is the retail customer. That means our opportunities to reduce the cost of fund which has come from 5.93% to 5.52%, that is also advantage as a bank. Fee based income is increasing. So all together the efficiency increasing in total with new team and old team working together, the best team we have made in the bank who are coming from the different other banks and they are handling total bank and perform to this one, I hope that it is on that basis I can say that we try to continue in that way. And credit growth, whatever the last year has seen and last to last year 51%. Last year we already mentioned the conservative. So is it not to say that the 50% credit growth has come and this year again because of the monsoon is good, because of this the GDP growth, because my people in my bank will mature in three years. So altogether I feel that you will take confidence on us.

Moderator: Thank you. We will move to our next question which is from the line of Parag Jariwala from White Oak Capital. Please go ahead.

Parag Jariwala: My question is about the RBI dictated where you have to bring down the promoter stake. I know through newspaper, etc., that we have applied for changes as well as for the extension. So can you just brief me about where are we on that?

Sunil Samdani: See, we have to speak to Reserve Bank on this particular issue because since we have done the IPO recently, for one-year the existing shareholders get locked-in. So there is no way that issue can change and we have time till August. So we will approach RBI by then and seek their guidance and do whatever best is possible.

Parag Jariwala: So we have not reached to RBI yet?

Sunil Samdani: No.

Chandra Shekhar Ghosh: Not reached, but we have touched upon that and feel they are not very much harsh about it.

Parag Jariwala: Okay, thank you. And secondly, sir, see now we are not mandated by the SEBI regulation, so can you throw some quantitative guidance in terms of where do we see in terms of growth, margins, the overall structure of our ROA, ROE?

Sunil Samdani: No, as a policy, we do not issue any guidance. But if you look at our performance, we have been able to maintain our spreads product wise. So that we have been able to do it year-after-year and we continue to maintain our spreads. Depending upon the mix between micro and non-micro, obviously the ratios will change, but we are confident we do not see a pressure in maintaining spreads product wise.

Moderator: Thank you. We will move to our next question which is from the line of S. Parameshwaran from JM Financial. Please go ahead.

Sameer: Hi, this is Sameer here. Thanks for the opportunity. Just wanted to get a sense on how the non-micro book is shaping up in terms of geographies or product rollouts or any specific customers that you are targeting?

Chandra Shekhar Ghosh: Sameer, you see that there is three segment we are addressing in non-micro. And if you see the SEL, the small enterprise loan, which is in the two segment, one segment is that micro-credit customer are graduate to the, they have the good demand which is not made up by the microcredit loan, so they are eligible to take it, there is a Rs. 1 lakh to Rs. 10 lakhs amount size wise on that.

There is other on that, the new business means the new customers who already have the business, they are trying to expand the business or diversify the business, that is the one area. So this is one segment we saw very good opportunities, we will also grow more. So that is an one area in non-microcredit. So as of now we have Rs. 1,639 crores the portfolio in SEL, which last year we grew 60% on the basis of Rs. 1,000 crores in the last to last year. And second point is in the retail, we had bunch of some products and services we have been offered, and a very good response we are getting, that is housing loan and the personal loan, two-wheeler loan, loan against property. So these are the four products in the bunch together as a retail. We have been developed to one of the good models and tested in the last year with two branches in one of the state of our country and good response we have received that this is the plan now. This year we have the plan to grow to set-up some new branches with the same standard and standardize it and process and the product everything, but good demand also. We feel that we like to also grow in that. And SME, there is an SME loan there, we can say that the MSME, micro small medium enterprise. And along with this also say MSME because some of the microcredit organizations, they are also taking loan from different banks and we know about microcredit, we know these institutions, we are selecting some of this institution by who are good, and they have good system processes, healthy portfolio, and we are setting up a new team who are driving to them and monitor supervise and accordingly we are also providing some credit. These are the three big areas we are going to increase the non-micro credit portfolio.

Sameer: Okay. And just one date question, the average cost SA deposits is 5.52% I believe?

Chandra Shekhar Ghosh: Cost of funds?

Sameer: Average cost of savings deposit?

Chandra Shekhar Ghosh: Yes, savings deposit is about 4.9%.

Moderator: Thank you. The next question is from the line of Ravikant Bhat from Emkay Global. Please go ahead.

Ravikant Bhat: Sir, just a couple of questions, both on CASA. One, if you could share how the sourcing happens in CASA, as in the geographic mix whether it is intensive on the eastern side or other parts where you are acquiring from? And going forward how do you see the acquisition intensity for CASA, how do you see these particular deposits shaping up?

Chandra Shekhar Ghosh: No, if you see that the CASA in another bank also historically eastern region is a CASA pocket, by any other banks on that. So now after when we incorporated we also see that the in the eastern region CASA is coming very good, along with the other steps. Second point is that we are looking on that, as a bank I already mentioned 3,700 banking outlet, out of that 71% baking outlet is in rural. So we saw a very good trend in a rural CASA is more coming from the rural and that is also very steady, that does not fluctuate on that. So these are the two area, we saw that there is a very good trend of CASA and they are stable.

Ravikant Bhat: And these are not necessarily rural at the micro banking SA balances, these could also be in the rural balances SA balances with average balances upwards a few thousand, 10,000 - 20,000 odd, is that correct?

Chandra Shekhar Ghosh: No, if you see that out of the total deposits my microcredit customer deposit only 7%. So that is not that much because we are not pushing any of the deposit liability product to my microcredit customer. We feel that if it is done then my credit quality will be like to fall, people will be disbursal loan, put the money in their money and showing their target is fulfilled. So we are very concern about it, we do not like to do it. We wiill only mobilizing these person to build up their habit Rs. 10 - Rs. 20 along with the loan installment they can give, if any one day his health is not good then they will like to deduct their account with my installment. So that way we are processing on that, we are not doing as in deposit focus to the microcredit customer.

Ravikant Bhat: Sure. And sir, if you just could comment on how do you see the growth going forward?

Chandra Shekhar Ghosh: Growth of banks?

Ravikant Bhat: CASA?

Chandra Shekhar Ghosh: CASA growth if you see the record in the industry, whatever we done as of now is in very much tremendous result has come from them. So it is not comparable with any other bank on that. So I feel that it will continue, because within 2.5 years 36% CASA, and again it is not possible again maybe not in a justifiable in the next two to three years again it will be jump to double on that. So because the denominator also increases and we are focusing on that, how the people more transact in the bank. If they transit more automatically their CASA deposit will come to this accounting. So in that sense 36% is very good, I feel that the percentage wise.

Moderator: Thank you. The next question is from the line of Anusha Raheja from LKP Securities. Please go ahead.

Anusha Raheja: Sir, what is the share of non-microfinance loan that you are looking at over at the medium-term? And also would you like to wide base your products which you are offering there like apart from personal loans, home loans, and the vehicle loans? And if you see this space is already very competitive currently because there are too many players offering all these products, so don’t think so with the increase in the share of non-micro finance loans you could see a sizeable downside pressure on the return ratios?

Chandra Shekhar Ghosh: If you see that our non-microcredit loan portfolio is 14% of the total portfolio. And next point you said, the SEL loan Rs. 1 lakh to Rs. 10 lakhs, I said not in my knowledge which bank have this type of product on that. Third point is there, maybe product, but selling to the level of door steps, I hope that Bandhan has a very good strength for that. And we are managing it and we are growing on that. If you see that one-year before we started this product, first year 1,054 crores and the last year it has come Rs. 1,639 crores, 60% year-on-year. I hope that it is a very good opportunity for us and not any competition on this segment. Only the competition in this segment maybe we found some of the NBFC, and that NBFC also not penetrates in rural because their network reaching in rural is a very challenging on that. But we are as a microfinance institution we have started from rural, recruited more people from rural, we have good strength in rural people and we are feeling on that this is the opportunities for bank. SME, I already mentioned MSME major is there that is microfinance institution. We have given, and retail also is there. If you mentioned about the personal loan, personal loan is not only for, personal loan we have not given across all customers, personal loan we have given who have in the bank the three months account, we are tracking on that, they have suddenly needed like the credit card facilities on that. So, they have a good amount of the demand, we saw that, but we are very careful about system, process and then raise bar. And every product there is challenge in the banking industry to attract the customer with turnaround time, how they like to minimize on that. And that is interesting not the factor for this type of customer. So we are trying to reach on that, we do not feel in this segment is a very high competition.

Sunil Samdani: And to add, we are not saying that we are growing the non-micro finance book at the expense of microfinance. Microfinance will continue to grow to fullest possible it can grow. So it is not that if I do not do non-microfinance, I can grow my microfinance at a higher level. That is not the case, so this is an additional business which bank is generating over and above the micro-finance business.

Anusha Raheja: But still some rough numbers, an internal target that you are looking at like non-microfinance book is on 20% or 30% says over the next three years to five years term period?

Chandra Shekhar Ghosh: There is a no hard coaded target for us because it is a new business for us. As and when the capacity builds up we will keep growing this. But the way we see the opportunity in microfinance space growing and the base that we have there, we do not see these new businesses for the next two to three years growing beyond 25%.

Anusha Raheja: Okay. And do you mean to say that where you have the branches the banking density is relatively less and hence you are able to attract the customers and get better yields out of them?

Chandra Shekhar Ghosh: Yes because, one, our presence is mostly in the under-banked district as a bank, 70% of our branch network is in rural and semi-urban space. So, that opportunity is always there. And the products that we are in, Rs. 1 lakh to Rs. 10 lakhs loan, not many banks focus on these customers.

Anusha Raheja: Okay. Just one last thing, any internal assessment that we have done with respect to how much cross-sell of the third-party products that can be done to the existing client base apart from what you have done so far?

Chandra Shekhar Ghosh: We have newly started this product, and if you see that the bank have been started 2.5 years, but this product we have been started 6 months before. That means we have very consciously taken that call, we are not can be likely to take the dissatisfaction from my customers. So we are very closely watching on that, not the sales target, target is the satisfaction target. So that is we are tracking on that.

Moderator: Thank you. The next question is from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: I have three questions. First on the geographic mix, given that most of the branch addition has already been done and we do not expect have a lot many more branch additions, is it safe to say that the geographic mix will largely remain where it is like eastern focused, north-east focused rather than expanding into new geographies? That is question one. Second is on ticket sizes, if I worked it out correctly, I think the outstanding balances per account for the microfinance segment is about 40,000. Where are you comfortable to take these up to? Like what is what your comfort level is given that we have larger wallet share for the customer for most of our customers. And the third is around center meetings, what we understand from the state is that the discipline is waning a little bit. So is true for Bandhan as well or we are a superior institution compared to the remaining rest of the guys? Those are my three questions. Thanks.

Chandra Shekhar Ghosh: Three questions, I will start from middle. The average loan is not 40,000 it is 36,000. So point is there that our microcredit customer those are our borrower, 73.22 % customers have sole account in Bandhan Bank, for that reason we are getting that very good number of customers is a mature and the continued cycle. So our is eight cycle they are maintaining with us. In that sense, if these people now one want a Rs. 70,000 loan and asking another Rs. 10,000 or Rs. 20,000 it is not very harmful for us to give that. So that is one point is there. Another side if you see that our economy is growing 7.5% and the inflation is coming to this 4% to 5%, so that sense any growth of any businessman, they have a credit need also increase on the basis of that. So in that sense, it is not very harmful to grow 30% - 40% on the basis of their base credit in the future. So, I feel that it is realistic because we have the good amount of matured customers. If you see that our customer all are new then our loan size will be like too low. So these are the one point I say that is there. And next another point you saying that…

Nishant Shah: Geographic mix of AUM.

Chandra Shekhar Ghosh: So if you see the geographic mix we have started from eastern region and specifically in Bengal. So, of course, after the five years, we have gone to other state, so our matured customer and old customer in Bengal their loan size is also higher because the drop out rate is very low. So, in that sense our geographical portfolio is very good. And other point is that if you see that eastern region banking penetration is low. MFI wise if you say that the credit on the MFI in that segment compared to the other any state like south and that, there is one-third MFI are working in that area. So that is also advantage to grow in there. So in that sense we are a little bit high penetration in the eastern region. Along with that we are also expanding to others because we have now 34 states in India territory out of 36. So, we are going some area very good as in liability product, we are focusing in the liability, some areas very good as in microcredit product, we are focusing on the microcredit, some area we are focusing on that if it is needed on that the housing loan, we are focusing on that. So we have assess the total geography according to the demand and the very potentiality to get the good business, accordingly we are opening the branch or asset center for credit. This is what we are doing to diversification on that.

Nishant Shah: Third question on center meeting, like what is the attendance records and stuff anything qualitative?

Chandra Shekhar Ghosh: No, if you see that from the beginning we are still continuing our weekly meeting. And second is that weekly meeting means customer, my borrower must attend the group meeting. So, they will not send their children with money, they cannot send the money with other borrower. If they do not come we are not taking as a good customer, we are trying to convince them to regular attend the group meeting. So, this in our core area where we are lacking. You know that yearly we are conducted the workshop with the group leaders. How they help us to attendance in the group meeting, willing by the customer. Not say that the by force you come and they are giving the false attendance, not like that. Yes, it is like to be clear on that. So do not compromise on the attendance in the group. If attendance has come good and disciplined, automatically we are getting the opportunities to establish on that. So that the advantage given to us compared to the industry, our portfolio quality, even Andhra Pradesh issue, even the demonetization or GST it has not that much affected the Bandhan portfolio.

Moderator: Thank you. The next question is from the line of Nilang Mehta from HSBC. Please go ahead.

Nilang Mehta: I just wanted to get some sense on your non-microfinance book in terms of retail lending. Are we using the credit uptake process and the sales process, if you can just give some color on that? One is while we are selling is it mainly to the existing bank customers or deposit customers or it is primarily to your microfinance customer, so what is the target segment? And the sales approach, is it through the branches or you have a centralized kind of sales force which goes around procuring customers through DSAs or some other channels?

Chandra Shekhar Ghosh: Okay. Now, first point I will clear about it, non-microfinance everything is channelized centrally through 100 assess centers. And second point would I like to also clear about it, we have not pushed any product to our microcredit customers. So if they ask they can come to the different channels, that is asset center channel and process by them, and after they taken NOC from the microcredit branch manager then we take that proposal and disburse the loan on that. So this is very clear, we do not push selling anything to our microcredit customers, it is a little bit we feel that it is future risk on that. If they come, they can come with their NOC and they can complete their last installment there then can come. And second point is that we have not any DSA, we have separate staff at every asset center and they are selling it, even also bank branch sometimes also sell it on that, as a cross-sell of their product. If something asking to the branch, asking that am I like to get a housing loan, they can process it to the assess center, assess center independently assesses and the process and then if it is possible inform to my central processing unit and they are sanctioning authority in some of those segment and accordingly it is disbursed. But we say that products everything we are divided in two channels, one channel source and collection, another channels assets and disbursement. So these are the two different channel on that.

Nilang Mehta: Thank you, sir. That is very clear and helpful. One more thing, is it again the focus to sell more to then cross-sell to the deposit customers at this point of time? And if you can also tell what is the overlap between your deposit customers and your microfinance customers?

Chandra Shekhar Ghosh: No, if you see that we are very differently also calculate process on that. Microcredit customer primarily focus is on credit and not deposit. Deposit is their habit, we are organizing their habit to put some money, Rs. 10, Rs. 20, Rs. 50 along with the installment they can put their account. This is an habit, not my target to increase the deposit from this table. And the bank branch is in primarily is in deposit. And when the customer comes for credit they can ask, or any other customer has come for credit there can be processes on that. So these are the two different ways we have specified and accordingly we are processing.

Nilang Mehta: Okay. And sir, one more last question I had, one was on provisioning considering the volatility of the assets underlying the customer base, so while our credit quality has been superior, but we did see some stress because of demonetization in last year. What is our provisioning policy, and do you expect to create buffers as we go along to ensure that if there is a crises kind of a situation then you have a good provision coverage to start with to take care of that eventuality kind of thing?

Chandra Shekhar Ghosh: As per regulator provisioning norms on the standard asset base that is in 0.25%, but we are provisioning 1%. So, that we have a good buffer.

Moderator: Thank you. The next question is from the line of Sandeep Jain from Birla Sun Life Insurance. Please go ahead. Sandeep Jain from Birla Sun Life Insurance, your line is in the talk mode.

Sandeep Jain: My question on Slide #10. The full year disbursement if I look at FY 2017 - FY 2018 is higher than the overall AUM so can you just explain what is our two-year loan percentage in overall AUM, and what is our one-year loan percentage and overall AUM and how are the repayment trends and all those things?

Chandra Shekhar Ghosh: No, you are talking about the 2017 to 2018, so there is an increase of that is 20% on that, 20.51%.

Sandeep Jain: No, so FY 2018 total disbursement is 389 billion for microloan disbursement and FY 2018 total AUM total micro banking asset is 276 billion?

Chandra Shekhar Ghosh: See, here these are weekly repayment loans. So typically, on a door to door tenure about 60% of our loan will be one-year tenure and 40% will be two years tenure. But again, these loans are all weekly repayments, so the average tenure for a one-year loan is typically six months to eight months and a two years loan is about 12 months to 14 months.

Sandeep Jain: Okay. So if I do that thing then 214 billion, that is 2013 million being an opening AUM and 389 million being an addition and 276 million is closing and rest is all repayment. So repayment is somewhere 350 odd million, right?

Chandra Shekhar Ghosh: Yes, that was the math, yes.

Sandeep Jain: Yes. So 60% constituted one-year that is why it will always remain in there because in FY 2017 also this is the case?

Chandra Shekhar Ghosh: Yes, so that is what, one to to two years ratio is about 50% each.

Sandeep Jain: 40% or 50% sorry. So it is one-year to two years is 40% loan, right?

Chandra Shekhar Ghosh: Yes, one-year to two years is 40% loan.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, most of the questions have been answered. Just the question on open market customers which are driving our CASA deposits loan. So just wanted to understand, sir how are you seeing the traction there in terms of coming quarters. We have 2.4 million customer base in that open market customer and how are you seeing the momentum kind of going ahead, sir?

Chandra Shekhar Ghosh: In the last financial year we added 1 million customers in our general banking segment. On an average today we open about 10,000 to 8,000 accounts a day and steadily raising. So, we see that customer activation growth very healthy this year as well.

Jai Mundhra: Sure, sir. And sir, just if you have not mentioned if you can share the cost of SA deposit on a blended basis?

Chandra Shekhar Ghosh: 4.9%.

Moderator: Thank you. The next question is from the line of Harish Kapoor from India Infoline. Please go ahead.

Harish Kapoor: Sir, just want to know, so you have given your branch mix, but I just want to know in terms of deposit mix geography wise east, south, west, north, and north-east. Could you just split your FY 2018 book percentage of the deposit, geography wise.

Chandra Shekhar Ghosh: West Bengal contributes about 44% of total deposits; followed by…

Harish Kapoor: West is 44%?

Chandra Shekhar Ghosh: West Bengal is 44%; followed by Maharashtra which is 16.8%, and then there is Assam and Bihar at 5% each.

Harish Kapoor: Okay.

Chandra Shekhar Ghosh: So it is better on that if you can see that our banking outlet where our percentage accordingly it is coming but it also sometimes differs on that.

Harish Kapoor: Sure, sir. Thanks for that. I just want to know, so in terms of the other income that we have booked, could you just maybe give the split in terms of maybe the core fees, PSLC and how the moment has happened this year compared to last year? And maybe any other component which is there?

Chandra Shekhar Ghosh: There is a major point on that, this is coming on the processing fee from the loan. And the second point is coming IBPC or PSLC, last year was IBPC more, this year PSLC is more. And the third point is that this year we have started for third-party product sales that is mutual fund and insurance. So there also the fee has come. So these are the altogether is coming on that.

Harish Kapoor: Sir, could you just quantify the amount?

Sunil Samdani: About Rs. 370 crores come from processing fee. PSLC was Rs. 151 crores and rest is others.

Harish Kapoor: Okay. Rs. 370 crores for this year's processing; Rs. 151 crores is PSLC and the others is third-party. Okay.

Sunil Samdani: Third-party and treasury and other account related.

Harish Kapoor: And how much was the processing fees last year?

Sunil Samdani: Last year it was about Rs. 320 crores.

Harish Kapoor: And the PSLC or IBPC for the last year?

Sunil Samdani: There was no PSLC last year.

Moderator: Thank you. The next question is from the line of Harsh Modi from JP Morgan. Please go ahead.

Harsh Modi: I had a simple question. The current ticket size that we have on microloan of Rs. 36,000**, h**ow do you see that evolving over next couple of years? And second, on the duration, you said you had 60-40 mix from one and two years, how do you see that evolving? And more importantly how do you decide which borrowers get two years loan versus a one-year loan, and is there any difference in the yield of depending on the tenure?

Chandra Shekhar Ghosh: Tenure is a two way on that, one way is if the loan amount is higher, so normally customer is asking two years because the loan installment size will come down. Second point is it depends on cash flow of that business. so you are assessed by the cash flow of the customer accordingly we are permit on who will get that for one-year, who will get that for two years.

Sunil Samdani: And the interest rate charge for one-year or two years loan is same.

Harsh Modi: Right. So is it fair to say then the larger ticket size loans are also longer duration broadly and have you seen older customers gravitating towards longer duration and larger ticket size loans?

Chandra Shekhar Ghosh: It not only depends on that, it depends on the customers how they feel to take it on that. Because some customer are feeling that the ticket size, normally is correct, but some customer feels that Rs. 1 lakh loan but their cash flow is very hardly has come, they are taking it as in one-year loan.

Harsh Modi: And in terms of industry or segments where customers with bigger ticket size loans are and the longer duration ones are, is there any differentiation that it is more agricultural, rural, it is more shorter duration, its grocery store equivalent, is there anything segment wise which you think is different in terms of tenure?

Chandra Shekhar Ghosh: No, we are not getting in that way. But if you see that the other way, if anyone taking a loan for milking cow they are maybe asking as a long-term, because for the short-term game is not there. But if you see that milking cows who already have three cows, they are asking short because they have income in that from other two cows, and they are taking on it. So that is their different business wise and of course you are mentioning on that the agriculture, and the agriculture loan always try to take as a one-year, not more than one-year. Other than this milking cow.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Sunil Samdani -- CFO, Bandhan Bank for closing comments.

Sunil Samdani: So thank you, ladies & gentlemen, for taking your time out and coming for the call. We look forward for your continued support. Thank you.

Moderator: Thank you. On behalf of Bandhan Bank Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.