“Bandhan Bank Limited

Q3 FY‘24 Earnings Conference Call”

February 09, 2024

MANAGEMENT: **MR. CHANDRA SHEKHAR GHOSH – FOUNDER, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BANDHAN BANK LIMITED**
MR. RATAN KUMAR KESH -- EXECUTIVE DIRECTOR – BANDHAN BANK LIMITED
MR. ABHIJIT GHOSH -- INTERIM CHIEF FINANCIAL OFFICER – BANDHAN BANK LIMITED
MR. VIKASH MUNDHRA - HEAD OF INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Bandhan Bank Q3 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 star then zero on your touchtone phone. Please note that this conference is being recorded

I now hand the conference over to Mr. Vikash Mundra, Thank you, and over to you, sir.

Vikash Mundra: Thank you, Zico. Good evening, everyone, and a warm welcome to all the participants. It's our pleasure to welcome you all to discuss Bandhan Bank's business and financial performance for the quarter ending December 2023. We will take this opportunity to update you on the recent developments in the industry as well as on Bandhan Bank during the quarter.

To discuss all this in detail, we have with us our Founder and Managing Director and CEO, Mr. Chandra Shekhar Ghosh; Executive Director, Mr. Ratan Kumar Kesh; Interim CFO, Mr. Abhijit Ghosh; myself, Vikash Mundra, Head of Investor Relations; along with other senior management team of the bank. We will be happy to provide you with any clarity if required from the current quarter numbers and the way forward.

Now I would like to request our Founder, MD and CEO, Mr. Chandra Shekhar Ghosh, to brief you all about our bank's operational and financial performance, along with the developments for the quarter ending December 2023. Over to you, sir.

Chandra Shekhar Ghosh: Thank you, Vikash. Namaskar and warm welcome to all of you. I'm presenting to you this, the third quarter financial year '24 result where bank has performed very good in this quarter. And this quarter has also been one of the important quarter for the bank as, in this quarter the bank went under migration to a new CBS platform from the old CBS platform, and for that reason, we have a little bit delayed to publish the result, instead of third week of the last month to today. So all our systems and process are now fully stable and working under the new CBS and it has been helped to bank to further grow in a different way.

Let me now move on to business numbers. Despite the various global uncertainties, India's macro parameters remain strong. RBI expects the real GDP growth 7%, CPI inflation 4.5% during financial year '25. The favourable macro backdrop should continue to help the momentum in the Indian BFSI sector in the coming quarters.

During the quarter 3 financial year '24, our bank, Bandhan Bank, overall advances grew 18.6% year-on-year and 7.7% quarter-on-quarter. The growth in the loan book reflects an uptick in demand across the asset verticals, which now stands as a total advanced book ~INR116,000 crores. EEB vertical added 6 lakh new borrower during quarter 3 financial year '24, as the EEB portfolio increased 7.5% quarter-on-quarter and 10% year-on-year.

Growth in the case of retail assets and commercial banking continue to be impressive. The retail loan book, other than the housing loans, grew 70% year-on-year and 15% quarter-on-quarter. The commercial banking vertical also grown very good, which is 60% year-on-year and 9% quarter-on-quarter. The housing finance book has registered a growth of more than 6%. During the quarter, we sold the housing loan NPAs which is INR720 crores to ARC. Adjusting to that, the growth of housing book would have been above 9%.

In line with our medium-term strategic objectives, the share of secured assets as part of our total loan book continues to increase – it reached around 44.5% in Q3FY24, up from 44% last quarter. We expect to have nearly 50% of our portfolio in secured assets by FY26.

Coming to the liabilities. On the liability side, total deposit has been now reached ~INR117,000 crores as on December '23, and grown 15% year-on-year, and faster than the industry growth.

As we focus on granular retail deposits, our total retail deposit and retail term deposits grown by 18% and 22% year-on-year, respectively. The retail to total deposit ratio, which was at around 69% in last December 2022 moved above 71% by December 2023.

CASA deposit, which stands at INR42,413 crores as of the end of quarter 3 financial year '24 have shown an impressive growth of 14% year-on-year. CASA ratio stands at a healthy 36.1% despite the tight liquidity in the market.

Microfinance customers continue to contribute just about 4% of our total deposits. Customers continue to respond their trust in the bank. The bank has added above 9 lakh customers in this quarter. And number of liability customers increased by 14% year-on-year, which have been helped us to future retail deposit growth will be like to grow, which are we expected.

Collection: Let us now move on to trends in collections and asset quality. The first, collection. The bank's overall collection efficiency remains healthy. The bank's overall collection efficiency, excluding NPA, stood at a stable at 99% for the December quarter of 2023.

Asset quality: On the asset quality front, the bank has seen a stable quarter. In fact, we have seen green shoots in several parameters, like gross NPA ratio improved at 7% from the last quarter, which was in 7.3%, 30 basis points the decrease. And if we compare to this last year, the same quarter, it was in a 7.2% and 20 basis points reduced.

Net NPA stood at 2.2% in quarter 3 '24, versus in the 2.3% in the last quarter. Gross slippage during quarter 3 financial year '24 was in INR1,390 crores, which over INR600 crores, which is 45%, was seen during the month of October, reflecting some of the disruption due to CBS system migration and immediately followed by the festival season.

However, monthly average net during November and December was much contained at around INR380 crores per month, not only sharply lower than in October, but also better than run rate during the previous several quarters, even the couple of years. We expect the run rate to further fall down in the current quarter.

There has been improved across buckets in the EEB loan. If we see that our SMA-0 book in the previous quarter was around INR963 crores, which now has come INR805 crores, which is 1.4%. If I come to the similar in SMA-1, which booked in the September quarter was around INR609 crores and reduced and come INR567 crores, which is 1.0%.

Likewise, our SMA-2, which is the book in the September quarter was around INR688 crores, which has now reduced to the INR526 crores, which is a 0.9%. If I see these three, SMA 0, 1, 2 together, which has come to this 3.4%, and last quarter it was in a 4.2%, and last to last quarter it was in 5.5%. So gradually, we've seen that the quarter-on-quarter basis, the NPA buckets has come down, which is going to impact positively to our NPA or slippage in ensuing quarters.

The financial year '24 book, consisting of all loans disbursed from April 2023 is turning out to be a strong one. The gross NPA of these book stands at 0.11%, means whatever loan we have disbursed in an EEB in this financial year, their total NPA has come to only INR35 crores, which as a percentage wise is 0.11%, which was in last year is in 0.5%.

Profitability: The bank has registered a net profit of INR733 crores during the quarter financial year '24, against a net profit of INR291 crores a year ago. This was a year-on-year growth of 152% in the profit.

Our net interest income in quarter 3 financial year '24 is INR2,525 crores, compared to the last year, the same quarter, INR2,080 crores, which registered the growth of year-on-year 21%. Our net interest margin improved to 7.2% compare to the last year, the same quarter, from 6.5%.

Total credit cost has been stable at 2.5% in quarter 3 financial year '24. The bank delivered an ROA of 1.9% and ROE of 14% in quarter 3 financial year '24.

Coming to this, the branch and digital expansion. The bank continue with the emphasis on its branch network. This quarter, we have added 26 branches. Today, the bank has a branch presence in 35 out of 36 states and Union territories of the country.

I also want to highlight how our performance in digital banking has improved further. 95% of our total general banking transactions are happening digitally. Growth in digital registration is up 34% year-on-year. Our digital transaction volume increased 36% year-on-year. Our UPI transaction increased to 39% year-on-year. The bank has been impanelled by state like Goa, Gujarat, Chhattisgarh, and Maharashtra for state government business. This will further help the bank to mobilize more deposit.

The states of Assam and Meghalaya have authorised the Bank to integrate the Electronic Government Receipt Accounting System (e-GRAS), a single online collection medium for all tax as well as non-tax revenues.

New senior leadership talent: We have recently received the approval from RBI for the appointment of the second Executive Director, Mr. Rajinder Babbar. Our new CFO will also soon be onboarded. Both of these senior management members will join us soon. We also have Mr. Santosh Nair, who has joined us from HDFC group as Head of Consumer Lending & Mortgages sitting right here

To conclude, from my side, we expect the growth momentum across major business verticals to continue in the fourth quarter of the financial year, which we saw in the trend in the last 3 quarters. And also, it will be help us to show the trend of that quality of the portfolio.

Of late, we have successfully completed the migration into the new CBS and have initiated several steps to boost the cross-sell and branch lead sales to grow the retail assets and liabilities portfolio and also to increase the productivity for our employees supported by our digital and analytical initiatives.

Overall, we are well on our way to achieving long-term strategic goals of portfolio and geographical diversification. I wish you and your family all the very best. Thank you, and thank you to all of you to continue your trust and the support to our bank.

Now I'm requested to my Executive Director, Shri. Ratan Kesh, who would like to give some more point which you have liked to know about it. Thank you. Please, Ratan.

Ratan Kesh: Thank you, sir. I once again thank all of you for joining the call. I believe some of you may have questions on our CGFMU portfolio and ongoing audit. I'd like to clarify a few points relating to that.

First of all, let me put some statistics here. CGFMU was taken entirely for FY 2021, which is the COVID period. Neither before or after we have taken any CGFMU cover. The total portfolio under which we have taken a cover was INR20,800 crores under CGFMU, and we disbursed nearly INR1,950 crores under ECLGS. Out of the total portfolio of INR22,750 crores, combining CGFMU and ECLGS, nearly 85% of the total portfolio, which is roughly INR19,000 crores, have been repaid by the customers over a period of time. The remaining amount, which is around INR3,600 crores, as of December 2023, is sitting as Stress book in my current portfolio, and we are carrying a provision of more than 88% on that portfolio.

The maximum eligible amount, if you know, as part of the CGFMU scheme, that a bank or an institution can claim insurance cover is 15% of the total insured amount. For us, on the INR20,800 crores, it turns out to be INR3,100 crores. Our total claim put together our first tranche and second tranche, is roughly around INR2,200 crores, which is significantly below the prescribed or, let's say, maximum eligible that the scheme would have suggested.

So far, we have claimed and received an amount of INR917 crores in December 2022. Subsequently, in second quarter of FY '24, we made an additional claim of INR1,296 crores. So the total claim amount, as I said, is much lower than the maximum eligible limit in the schemes.

Now we continue our recovery process from these accounts. For example, in the first tranche of INR917 crores that we received last year from NCGTC, we have already recovered INR214 crores, which is more than 20% of the claimed amount. As part of the scheme, we have set that aside for refunding to NCGTC.

NCGTC also had done an initial sample audit subsequent to putting our second claim of INR1,296 crores, and the agency made certain observations in the audit. And we believe that some of these observations were inadequate and rather inappropriate. And therefore, we clarified our stand on those. However, NCGTC, before deciding on the final matter, they decided to conduct a detailed audit to validate our submission.

The bank is fully cooperating and submitting all the documents requested by the audit agency. The audit is currently underway. We, as a management, expect the results of the audit to be completed in the next few months, and we are fully confident that we will recover the money from CGFMU.

Vikash Mundhra: Thank you Zico, we can start the Q&A. Please.

Moderator: We will now begin the question and answer session. The first question is from the line of Mahruk Adajania from Nuvama.

Mahruk Adajania: My first question is on the CGFMU audit. So the amount involved is very small, as you just explained, which was helpful. But is this a forensic audit like some media articles say, or just a normal detailed financial audit?

Ratan Kesh: Look. Our understanding as management is that forensics can only be conducted by certain entities. We don't want to beyond the point claim this and create a problem for ourselves. But the point is that, subsequent to a sample audit, we validated and submitted our submission, and therefore, a detailed audit is what is being conducted. But as far as NCGTC take claim that it's a forensic audit, which is adequately published by them in their website, so we will say it is a forensic audit. Having said that, we have our views as to who is allowed to conduct the forensic audit and who are not.

Mahruk Adajania: Okay. Got it, sir. Yes. That was my doubt as well. And then, sir, just in terms of the SME pool. So obviously, the EEB SMA pool has declined. But where do we see it settling, right? Because the slippage is -- first of all what would be the EEB slippage?

Chandra Shekhar Ghosh: If we see that the slippage of EEB in this quarter, it's INR993 crores out of INR1,390 crores. And I also mentioned on that point, the 45% of this amount of the slippage of EEB has slipped in the month of October, where we migrated to new CBS followed by festival holidays.

But if you go to the next month onwards, that it isn't so much on a month-on-month basis so low. We have not seen that last 2, 3 years that much of that. So it is -- has given the comfort to us, this has been come down.

And second point, I also mentioned, whatever the portfolio we have shown that the EEB portfolio, which is disbursed in the FY24, so far, the portfolio quality, so good, it has been showing that NPA only 0.11%.

Mahruk Adajania: Got it, sir. Sir, so just one clarification, that you expect the low slippage that you saw in November, December, to continue in the next few months also?

Chandra Shekhar Ghosh: It will again come down on that.

Moderator: The next question is from the line of Yuvraj Choudhary from Anand Rathi.

Yuvraj Choudhary: Now with the CBS migration done, so could we expect some opex levels to come down -- in target, do we have on opex to asset ratio?

Chandra Shekhar Ghosh: If you see that the opex asset ratio, we guided on that is at 3.5% for FY24. So if we see that in the first quarter, it was 3.5%, second quarter has come 3.7%. Again, the third quarter has come to the 3.6%. So we say that it will be like to continue in these lines. For future growth of the bank, it has to incur 2 type of cost. One cost has come operational. It will continue. We cannot reduce. But other cost is a capital cost, which is like to make as in every year -- book some of the cost on that, depreciation, whatever we say that.

Yuvraj Choudhary: Sir, on margins, NIM was stable at 7.2% on a sequential basis despite strong growth due to cost pressures. So could we see NIM at the same level in the near term? Or could we see some improvement in NIM?

Chandra Shekhar Ghosh: If you see that the prediction of that as the NIM, there is 2 parts. One part is the cost of fund. So whatever the cost of fund has been increased. I feel that it is a very good way has come on that. And as per the yesterday regulators, the prediction, so it cannot be like further like to grow. So that it will be -- if it isn't fixed on that, in the future, it will be again come down.

And second, my point on that -- whatever that the cost of the bank means on that that when the risk portfolio has come down, slippage has come down, automatically, it will be also help to the bank to better way to maintain on that. But I'm not very much say that it will be very long term can be like to say. But I say that this quarter, 7% to 7.5%, we can be like to do. And the March, we have it at the strategic meeting, we can analyse further on that. And again, we will be like to communicate to all of you on that what we can be like to pass on.

But we have said that the same line will be like to continue.

Yuvraj Choudhary: Sure, sir. And sir, last question would be, sir, some colour on our portfolio in Punjab would be helpful, like what would be our aim there, collection efficiency, if you can throw some colour on that.

Chandra Shekhar Ghosh: So Punjab point of view, we have not very much more in the portfolio in here. And so we'll give the number -- a small portfolio, I can say that in that very -- INR714 crores like on that, entire book, out of a total book of INR58,000 odd crores, INR714 is the Punjab portfolio.

Moderator: Thank you. The next question is from the line of Mohit Jain from Tara Capital Partners.

Mohit Jain: Sir, I just wanted to understand on the slippage part because of the system migration. Sir, I believe we have this weekly collection model. So when this transition happened, what -- how did it exactly affect the slippage? Like was it like we did not have the group meeting for, let's say, a particular period of time?

And just a related question, sir, overall the increase in GNPA is more than rest of India portfolio. I think in West Bengal and Assam it has come down. So is it also that the re-transition affected the collection in the other states and not the Eastern states where our focus was higher?

Ratan Kesh: So there are two points, Mohit. One is that -- on 3 October, we migrated to the new system. Given that we are migrating on that day, that day we declared as a holiday. It means we wanted to ensure that the people are able to understand the system, which means that day was a collection holiday. But for our portfolio, it will keep moving the DPD. So for the pool, it will keep moving, that's one.

Second, first few days, people got used to the new tab, new way of looking at the demand, and then go and collect it. So there are certain challenges in terms of understanding it, as much we try to train everyone. But slowly, they could quickly understand. Therefore, you see significant better November and even better in December. So that took some bit of a time.

Third, of course, October, you had the festive. And you see there are a whole bunch of holidays, I think, 5 to 7 days holidays. Holidays for us and customers. But DPD doesn't have holidays, so that keeps moving. Those are the three broad factors.

Mohit Jain: And sir, the related part as to why the rest of the India had a higher GNPA and why we performed better in West Bengal and Assam?

Chandra Shekhar Ghosh: No, if you see that the industry perspective, if you see the Maharashtra is an issue, and also partly also UP. So that is the two. And third, you -- specifically for us is Manipur. You know that the issue. So that is the MP also partly.

What happened on that in the microcredit point of view, if you look on that, this is a group-based credit. And when the group-based credit is a need to group bonding in the meeting. After the pandemic, some states very quick they had recovered and coming to the group meeting attendance and also bonding very good. Some states, some pocket, they are taking more time. And those areas a little bit this slippage will happen like to be seen.

So it will be improving by the month-on-month basis, we see that. And we are also taking very corrective measures, and we have a very separate team working on that. And very quick, we'll be like to come back on that.

Mohit Jain: Okay, sir. And sir, just one question, final. Do we foresee any impact from the upcoming elections that will be there on the disbursement all the collection, sir?

Chandra Shekhar Ghosh: No. We have not seen on that.

Moderator: The next question is from the line of Ritika Dua Dua from Bandhan AMC.

Ritika Dua: So firstly, you shared that going forward, the share of secured to unsecured would be 50-50. If you don't mind, just what is the number today?

Chandra Shekhar Ghosh: Today, number is in secured is 44.5%, and the 55.5% is the unsecured.

Ritika Dua: Right. So sir, just telling you, we will have Santosh, a person, joining on the retail and the consumer side. I think it would be good to hear from you, sir, how are you looking to get to this journey of increasing, and what would be the focus areas?

Chandra Shekhar Ghosh: Okay. I request Santosh Nair to address this question

Santosh Nair: Good evening to all of you. See, you can hear me -- I hope you can hear me?

Ritika Dua: Yes, sir. Thank you.

Santosh Nair: See the whole idea is like when I joined here, there's a clear chance like we want to stay focused on the affordable segment because we clearly see a demand in the affordable segment. The only way that we can do is probably get into more geographies, probably look at our internal sourcing and internal branches where we think we have a cross-sell opportunity, which we can -- we can explore, and also get into the digital way of lending across all the retail asset products and mortgages. So that way, we could surely see a progress towards what we mentioned and try to get it at 50%.

It's early days for me now, but we have a strategy meet in the next week or 10 days post which we will take a collective decision on how we have to move forward.

Ritika Dua: Sir, just one more question, if I could, request you to reiterate the long-term guidance which you have shared on the various growth and the ROA and ROE? Thank you. That's it for me.

Chandra Shekhar Ghosh: And we are guided on that, ROA and ROE. We said that the 14% to 18% of ROE. And ROA, we are like to predict it on that, the 2.5% to 2.8%.

Ratan Kesh: So Ritika Dua, we are having our strategy meet somewhere by end of February, right? So where we will discuss our next 3 years plan. And once we do that, after that, we will share with the market participants. So please allow us one quarter more to give you about our long-term plan.

Moderator: Our next question is from the line of Saurabh Kumar from JP Morgan.

Saurabh Kumar: Sir, just two questions. One is the SMA. If you look at the total, 0 plus overdue book. That has gone up by INR470 crores quarter-on-quarter. I just want to know, is this your normal run rate? Because this book went up also by like INR230 crores in the second quarter, then about INR1,100 crores in the first quarter. So just in terms of the zero plus, how much -- how do you think this forward book, how does it flow through? Or should we think about the INR470 crores and INR500 crores as a normal run rate from here on?

Vikash Mundhra: Saurabh, I believe, considering the current situation and stringent underwriting norms, which we have adhered to, at least INR300 crores to INR500 crores of addition, from zero to the DPDs, what we're expecting even for one or two quarters. And then we'll work out how the situation improves and then we'll let you know. But as of now, yes, for the next 1 or 2 quarters, yes, that's the run rate which we believe would continue.

Saurabh Kumar: Okay. Helpful. And the second is just in terms of the savings account, I mean, can you just quantify how much of the -- I mean, how much of it would have been wholesale savings versus retail? Or is it all retail savings?

Chandra Shekhar Ghosh: Only 5,000 is a wholesale sale, and then balance are the retail.

Saurabh Kumar: Okay. So that decline which is we are seeing quarter-on-quarter is the wholesale decline?

Chandra Shekhar Ghosh: Yes, yes, yes.

Moderator: Our next question is from the line of Manish Shukla from Axis Capital.

Manish Shukla: On housing finance, slide number 13. Just curious what is driving the IBPC purchases? Because if I look at the quarter, the quarter-on-quarter increase in IBPC purchases is almost same as the fresh disbursement in housing loans. So just curious what is driving the IBPC purchases.

Chandra Shekhar Ghosh: No, if you see that the IBPC purchase, this is in -- good opportunities also to earn some revenue from this portfolio. So depending upon our liquidity and opportunity, we keep on adding or running off the IBPCs.

Manish Shukla: How will be the yield outcomes on the 2, IBPC purchases versus what you disburse annually?

Chandra Shekhar Ghosh: I think 7.25%, if we need, we can add.

Manish Shukla: Okay. Moving on the liabilities. Can you share the average cost of your SA deposits?

Vikash Mundhra: It will be slightly over 5. Give us some seconds...

Chandra Shekhar Ghosh: 5.16.

Manish Shukla: Okay. So if you look at liabilities mix, right, the bulk of the liability growth seems to be coming from non-retail TD, which I'm assuming only more expensive than retail TD. So in that context, I'm just trying to understand the balance sheet growth strategy. So between growth and margin, how do you look at it? Are you comfortable growing your balance sheet and funding it by a non-retail TD and keeping margins where it is? Or would you look at slowing growth and improving on Margins?

Sujoy Roy: So I'll take that. So our -- the deposit strategy has always been focused on retail term deposits. While there are opportunities on the wholesale piece also, whenever we have found opportunities, we've taken them. And we have been very circumspect in taking clients on the wholesale front.

However, the retail focus continues. And if you see the growth that we've seen on a Y-o-Y basis on a retail term deposit has been around 25%. That's reasonable growth, and that focus continues.

Manish Shukla: I was talking more from a sequential growth perspective, December over September, because that is when you've seen loan growth for you after 6 months.

Sujoy Roy: Yes. So we grew about 6% quarter-on-quarter.

Manish Shukla: And that was funded primarily by non-retail TD?

Sujoy Roy: No. On the retail TD bid, we grew by 6%. And of course, the overall TD growth that you see, the rest of it was wholesale.

Moderator: The next question is from the line of Prabal from Ambit.

Prabal: Sir, my first question is on the margins. The credit to deposit ratio improved 300 basis points sequentially. And still margins were stable. So had it not been for the liquidity? Is it fair to assume that margins would have declined?

Chandra Shekhar Ghosh: If you see that the -- of course, it is another side of this, we need to like to go to the increase that -- decrease the CD ratio cost will increase. But we see that there are two others. First thing is the quality of the portfolio, it will be like to help reduce the cost. And second point on that, whatever the rate is today, and that rate also in the future will be not long run, that will be also cost of fund will come down. That will be like to balance gradually.

Prabal: Can we increase CD ratio further. It is at 93%? So can this be further increased from here on?

Chandra Shekhar Ghosh: So if you see that the CD ratio last 5 years, we are reduced CS ratio from 127%. Now it has come less than 100%, which is 98% on gross advances. So every year we have been reduced in the 5% and more or less around all that.

So we have very strategic plan on that, how it can be like to make it in a good way and to maintain the other all ratios.

Prabal: Okay. My next question will be on this mix of secured versus unsecured. So you have been guiding that we are moving more towards the secured side. So with that, the implication yield on advance should be on the downward side, isn't that? So structurally, our yield on advances will only come down as we raise the share of secured in our mix. Is that the right assumption?

Ratan Kumar Kesh: Assumption is right. As we said that we will maintain -- so as of now, our yield and cost of deposits are moving almost in tandem, and therefore, you see that we are actually maintaining 7.2%. We said that we will maintain 7%, 7.5%. But we have our strategy meeting. We will go back and go to the drawing board and really look at all parameters, balancing all the metrics that you want to target and come back with a detailed plan, whether we would like to compromise on some part of the NIM, et cetera, we will come back.

But the truth is that, as of now, we are -- even our retail book, 66% is secured. And those are generally high-yield products. We are focusing on some of those. Like Santosh mentioned, my colleague, that we are focusing on affordable yield significantly higher than, let's say, prime segment. So our focus will continue to be not compromise NIM beyond the point.

Prabal: Okay. But any this secured retail will be lower than the MFI leads.

Chandra Shekhar Ghosh: That's true.

Prabal: Okay. And sir, one data, housekeeping question. What will be the differential between non-retail term deposits and retail term deposits?

Chandra Shekhar Ghosh: 100 basis points.

Prabal: Okay. Sir, second question will be on these branches, I just want to understand what are the nature of these branches? Because branch count on a Y-o-Y basis has increased by 30%, but other expenses are virtually flat. So our OpEx per branch has come down significantly. So what are these branches? Where we are carrying this amount of savings?

Ratan Kumar Kesh: So the branches are actually the standard general banking branches where we garner starting with deposits, and then do cross-sell to the internal customers. So these are pretty much standard branches. And you see our -- some part of the cost on even people we are deploying so that we can set up our new branches. So this is generally frontloaded, to add more people. Also in the retail portfolio and the housing portfolio, we're adding more people?

Prabal: The size and the shape of branches haven't changed?

Ratan Kumar Kesh: Not really, not really.

Prabal: But then why…

Ratan Kumar Kesh: When you go to the new market, the first branch is generally a standard branch. When you look at the second and third branch, we may wish to compromise on the size and scale of those branches. But generally, the first branch, first few branches, we are keeping it as a standard.

Moderator: Our next question is from the line of Jai Mundra from ICICI Securities.

Jai Mundhra: Sir, how much is the LCR for the quarter ended? Liquidity coverage ratio, for the bank?

Vikash Mundhra: 142%.

Jai Mundhra: And sir, in that context -- sorry. Now -- I think someone had asked earlier also. But if you see this quarter, I mean fourth quarter is supposed to be seasonally good in terms of AUM growth. This quarter, the growth has also revived. Now, I believe the growth should be even higher next quarter, going by the seasonality. Could that be constrained by growth in the retail term deposits? Because this quarter, retail to total deposits on a quarter-to-quarter basis, that number has come down from 74% to 71%.

The deposit growth is mainly funded by nonretail term deposit. Considering what we have been hearing in the media and about RBI stance and in general tight liquidity, do you think this can impact the fourth quarter, otherwise, super strong growth seasonally that we see in a usual fourth quarter?

Sujoy Roy: So the fourth quarter, also, the momentum that we have managed to build over the last 9-odd months of retail term deposits is expected to continue. However, having said that, opportunities that I mentioned earlier on the wholesale front will also be leveraged. And as mentioned earlier, the bank will pick up deposits, and deposits, be it retail or wholesale, it will continue to leverage opportunities that are available.

Jai Mundhra: Okay. Understood. So there is, as of now, there is no -- you are more or less indifferent as far as growth happens, either it comes through retail deposits or wholesale deposits. As of now, we are not overly worried that can constrain that near-term growth.

Chandra Shekhar Ghosh: Yes.

Jai Mundhra: Sure. And last data-keeping question, sir. If you have the recovery number in EEB for this quarter. I think last quarter, it was INR130 crores. And the total provisions I think including standard, non-standard and everything were, and also the EEB or for the entire bank.

Chandra Shekhar Ghosh: Total provision of the bank on P&L, INR600 crores, is aligned with the first quarter, second quarter, third quarter. All quarters around INR600 crores as a provision. But if you say that the recovery from EEB, INR178 crores, which was in the last quarter, INR139 crores.

Moderator: The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Is it fair to assume that in terms of ARC sales, we are largely done in the near term? Or do you think there could be some more for 4Q?

Chandra Shekhar Ghosh: We have not yet planned on that. If we have the plan, then we would like to inform.

Sameer Bhise: Okay. And secondly, in terms of margins, while you said that we are incrementally into secured retail, which are slightly higher yielding products. But three years out, how do you see from your structural perspective?

Chandra Shekhar Ghosh: We'll come back on that, Sameer. Post our strategy meet.

Moderator: The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: Yes. Just wanted to check in terms of what would be the cost of bulk deposits that we raised during the quarter? And was it like more towards the end and we are not seeing the impact in terms of the overall cost of deposits?

Chandra Shekhar Ghosh: Yes, the cost of funds, as I mentioned on the savings rate that actually last quarter we have seen a decline from 5.17 to 5.06.

Kunal Shah: No, cost of bulk deposits? Bulk..

Sujoy Roy: I'm just coming to that. I'm just coming to that. So overall, TD cost have, of course, increased. It has increased about 7.4% the overall cost of funds on the TD front. Of course, the bulk rates have, if you would be aware, have hit a higher number. And the cost that will come in, of course, will impact in the next 3 or 4 quarters also. So, yes.

Vikash Mundhra: Slightly higher than 8%.

Kunal Shah: Okay, higher than 8%?

Chandra Shekhar Ghosh: Slightly.

Ratan Kesh: Around 8%, 8.1%

Kunal Shah: Okay. Okay. Got it. And secondly, maybe I'm not sure if you highlighted in terms of when this migration issue would correct. So would we see whatever incremental slippages we saw 2 months back, when do we see them coming back in the rest of India, GNP as we started at 8-odd percent. When do we see that stabilizing? How much time would that actually take?

Chandra Shekhar Ghosh: Yes, as we said, post October, November has been -- in the entire slippage that you see in the last quarter, 45% came in only October. November has been significantly better than October, and December is the best across last 16 quarters. So it's already back from the slippages perspective.

Kunal Shah: I'm saying whatever has slipped, how could it course correct? Yes. I'm not asking about the incremental one. But if you look at October slippages, which were there, when would it course correct?

Chandra Shekhar Ghosh: The recovery. You are talking about the recovery?

Kunal Shah: Yes.

Chandra Shekhar Ghosh: So recovery rates have been higher than the last 2 months. For example, last quarter, INR139, this quarter 178, and we are seeing.

Kunal Shah: And first quarter, it was INR81 crores.

Chandra Shekhar Ghosh: So first quarter was INR81 crores, second quarter INR139 crores, last quarter INR178 crores, and we clearly see that uptick also in Jan and Feb.

Kunal Shah: Okay. Okay. So by March, we should see that normalize.

Chandra Shekhar Ghosh: We expect it on that.

Moderator: The next question is from the line of Punit Bahlani from Macquarie Research.

Punit Bahlani: First one is this quarter we had an ARC sale. So just wanted to understand the accounting for that. Like the way I understand is we have provided up to like 50%-60% for that, and the remaining is to be taken on the part of other income? Am I right? Or just wanted to get a -- because in the disclosures, there is nothing related to the ARC income. So just wanted to confirm for this quarter.

Abhijit Ghosh: So the ARC, the total portfolio was INR720 crores, and at the time of sale, so whatever the carrying amount of provision was INR352 crores. And that, we have -- the additional provision that was required that was stated at the time of the sale. And the overall transaction is a PL neutral transaction.

Punit Bahlani: Okay. Okay. So then this quarter, we'll see the additional INR350 crores provisions that you created during the time of the sale. And then you have ....

Abhijit Ghosh: So that was already there in my books, adjusted at the time of sale of the assets.

Punit Bahlani: And second bit, on the Stress Pool bit, now we're seeing that, because of the migration to the core banking system, we have incrementals. But just going forward, should I see this Stress Pool

-- should I expect this Stress Pool to decline, which has gone up, like, say, from INR55 billion to like INR75 billion over the coming quarters, should I expect this to decline? What's your -- because it seems like there are -- the forward flows keep on happening every quarter despite all these things. Any comment on that?

Chandra Shekhar Ghosh: What we say that, that is we seen. But, as of now, in an EEB portfolio, total slippage percentage -- DPD percentage is coming for that is in 3.4%. And we saw that whatever the amount have at the slippage in there, there have been 60% recovered and 40% slippage to NPI. In that sense, we are calculate on that.

Punit Bahlani: Got it, sir.

Moderator: The next question is from the line of Prakhar Agarwal from Elara Capital.

Prakhar Agarwal: Three questions. One, when you talk about slippage due to the migration, can you help me understand why would it not recover? Because you probably took time to paying the staff, but if there are not underlying cash flow problems with the customer, why should the recovery take more than 2 months for that portfolio?

Chandra Shekhar Ghosh: So what we see that, is the group loan, and mainly, it is a weekly based. And there is the first point on that. The weekly, when it happens second week, we are not able to keep the double installment to all of the customers. So this is the main point on that.

And the second point on that, they are normally practiced and behave on that. They are paying this amount in the last installment. When they close the loan in the last installment like in the 50th number of weeks, and that day they are given to wither in the two.

So that is the normal practice on that. And our system is not doing in there -- that is not -- they're not know that. But I hope that they are also recovering coming on that. And of course, it will be coming -- reducing on that after that. So that if you see November, December, it has been come down, drastically, on that.

Ratan Kumar Kesh: So in addition to Mr. Ghosh. So when the customers are falling to NPA because of this migration issue, these customers are marginal customers. So those are the 80 days DPD. The moment customer goes in -- cross this 91 days DPD, even if he pays the 2 installment back to me, so he will come back at the DPD of 80, but he will remain stamped as NPA since -- once he starts to NPA. So entire amount needs to be recovered from the customer to bring the customer out of NPA.

Prakhar Agarwal: No, I understand that part, but then your recovery numbers should also have been higher, right? So irrespective of the fact that you have the full payment of 2 months, but then your recovery amount should have been higher even if we think is one EMI.

Chandra Shekhar Ghosh: So my recovery number has been increased from INR139 crores to INR178 crores this quarter.

Prakhar Agarwal: Second, in terms of the fee, if I were to look at 2, 3 line items, if I were to look at your third-party income that has come down a significant rate, I'm talking about from a trend perspective.

Can you also help me understand what are these card charges which is moved from Q1, if you look at Q1 to Q2, that number has essentially doubled? What are essentially the nature of these card charges and the others, which is around INR176-odd crores? If you look at these three line item other income, can you help me understand what is happening there?

Chandra Shekhar Ghosh: Give us a couple of seconds. So if you see that we are revised our group insurance policy to the customer. So earlier, we have given that the mandatory to the all customers as they insure it, that time premium has come on that. Now we have decided on that, everyone sometimes is not needed to the insurance. So after the taken loan, and they are -- we offer them then who are interested, they are coming.

So during this period, so a little bit just change some of the systems and the process. And that will be taken some time not to come on that amount in that third-party product. And it will be gradually coming on that, and it will be like the bigger way the people will get the services of insurance with all the compliance with the regulation.

On the card charges, now with post core banking migration that we have done, we have an ability to adequately and appropriately charge debit card customers. We have certain slippage gaps in that area. So now we have a better ability to collect the exact charges, compute it exactly. And that's why the numbers are slightly better.

Prakhar Agarwal: Okay. And just last one, others, what is exactly the difference between the two?

Chandra Shekhar Ghosh: Others is that one-off, which is INR400 crores in the last year, similar quarter, same quarter, there is an ARC sale, one-off income. That is not there.

Prakhar Agarwal: Lastly, on management changes of -- while you highlighted that you've onboarded couple of guys and they will join in. But if you look at on the other hand, there has been guys that's been leaving and probably that trend seems to have not halted. What do you think exactly the reason for that? And when do you think it probably settles down. Because every now and then we keep on layering that there is some or the other movements that is happening. So what do you anticipate the reason to be? And how will you see this settling down?

Chandra Shekhar Ghosh: If you see that the -- compared to the last financial year, last to last financial year, we are more stable on that. Yes, 1, 2 have left, and that is bigger opportunities has got by them. And it has been also -- of course, it is not expected on that, but a very good number of team members also has joined to the bank for future way to grow and reach to bank the goal.

So I am not -- I'm feeling that they're comfort on that, very strong team now in the bank to running this bank on that.

Moderator: The next question is from the line of Yuvraj Choudhary from Anand Rathi.

Yuvraj Choudhary: Sir, just one follow-up on CGFMU again. So we've mentioned earlier, we could have applied for INR31,000 odd crores. However, we applied for a lower claim. So any reasons for that?

Ratan Kumar Kesh: No, no. It's not that. The scheme provides for the fact that a borrower has to become NPA, and stay NPA for 6 months, within the 3-year period of taking the insurance cover. In our case, 85% borrowers have normally paid and closed their debt, therefore, they never came to the NPA pool. Or they have come to NPA, but not stayed for 6 months. Therefore, we didn't need to claim for that. Practically, that's what it means. So the scheme say it 15%, but ours is roughly around 11-odd percent.

Moderator: The last question for today is from the line of Mahruk Adajania from Nuvama.

Mahruk Adajania: Thank you for allowing me to come back again in the queue. So I just wanted to know what would be the slippage from SMA 2 into EEB NPA this quarter?

Chandra Shekhar Ghosh: Give 1, 2 minutes on that.

Ratan Kesh: Mahrukh, I will get in touch with you on this one. Currently, I don't think we have that number.

Chandra Shekhar Ghosh: We're not handy on this number, I'd like to get back to you.

Moderator: Ladies and gentlemen, that brings us to the end of the question-and-answer session. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Chandra Shekhar Ghosh: Thank you. Thank you so much for participating in the teleconference.

Ratan Kesh: Thank you to all of you. Thank you to participate and give your valuable time. Keep confidence on us. We'll be always with you all. Thank you.

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