



“Bandhan Bank Limited Q3 FY ’20 Earnings
Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Bandhan Bank Limited Q3 FY '20 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Hiren Shah – Head of Investor Relations. Thank you and over to you, Sir.

Hiren Shah: Thank you, Janis. Good Evening everyone and thanks for joining this conference call. We are here to discuss Bandhan Bank's business and financial performance for the quarter ending December 2019. Along with that, we will also take the opportunity to update on the recent development in the industry and Bandhan Bank. To discuss this in detail, I have got with me, our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh; our Executive Director Designate – Mr. Sudhin Choksey; our Chief Financial Officer – Mr. Sunil Samdani, and myself, Hiren Shah – Head of Investor Relations.

Now, I would like to request our Founder, MD, and CEO – Mr. Chandra Shekhar Ghosh, to brief you all about the financial performance of the company and developments during the quarter. Over to you, Sir.

Chandra Shekhar Ghosh: Welcome, Good Evening and Happy New Year to all of you. Thank you for your time. I am just discussing the point Quarter-3 Financial Year '20 Bandhan Bank results. Profit has jumped in the bank to 120.85%, which amount wise is 731 crores after taking additional provision on standard advance to 200 crores. Our loan portfolio has grown, that is, 88.87%. It has become now 65,456 crores which was in last year 35,599 crores, so year-on-year growth has come 88.87%. Deposit portfolio has grown very good in this quarter, which is 58.51% year-on-year. Our deposit now has come 54,908 crores, which was the last year 34,639 crores. The total business of the bank is 1,20,000 crores within less than five years of the bank. The CASA growth has come 31.36%, but the CASA of the total deposit 34.31%; if I not count my Gruh deposit, it will be more than 35%. Gross NPA is now 1.9%, which was one year before 2.4%. Net NPA 0.81%, which was in the last quarter 0.6% and last year 0.7%. Capital adequacy ratio, it is now 24.69%, actually it is really 29.46% you know that, the provision to some of this portfolio in the last quarter of last year for that reason it has come in this and Return on Asset has come 3.5%, but if we not consider 200 crores standard advance in this quarter, so then our ROA will come 4.23% because we account for this provision of 200 crores, so that our ROA has come 3.5%, and ROE it is in 20%, but if we not consider 200 crores, it is in 24%, cost-to-income ratio 33.4%, and NIMs 7.9% which was in the last quarter 8.1%.

We have 4288 banking outlets, out of that 1009 is bank branches, 3084 doorstep service centre, and 195 Gruh Centre. We added new customers in the last quarter of 7.3 lakhs and total of our customer now is 19 million, employee of 37,331 and we have the ATM of 486. If you see the advance growth, it is a very good growth but little bit conservative way because if we not count in that the Gruh that actually growth has come off the advance in the 33%. We are little bit

conservative because of the external some of the challenge is there, so that we are willingly decided to be conservative in the last quarter, but now it is over. This quarter it will be continue as usual of the last year, so Bandhan would like to focus future in the same way, it is in micro-banking, the core, housing also in core, and MSME, and these three are more focused. We saw that in big demand in the rural India, Tier-3, 4, 5, 6. We like to continue to provide this type of financial services to that segment across the country, so thank you to all of you. I hope you have some questions, which we like to answer on that. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Sir, I have three questions, firstly, can you give us some color on the kind of disruption if any that you have faced in owing to the CAA related protest that we have seen and specifically on Assam, I believe we have taken a 200 crore provision which works out to 3% of our Assam portfolio, would you foresee any similar level of standard provisioning required in the next quarter either with respect to the Assam portfolio or outside?

Chandra Shekhar Ghosh: The first point I will give the answer to you on that not in a specific any of the issue whatever you mentioned the name. What has happened is there anything in the external issue will come in India flood, natural or sometime election and that is continuously coming on that and my last 19 years' experience I saw that, my team has seen it so this is not anything exceptional, it is only the challenge on that how people is movement and regularly or properly, but if it is a movement of short time we will not make on that and after that when this scenario will change, automatically people are coming to their regular business and everything, this is my one point, we have not seen that very exceptional in the Northeast point on this one from my last 19 years' experience.

Sunil Samdani: In terms of the provision that we have made, it is based on our assessment of risk, we have tried to depict that in our investor presentation as well. If you leave Assam aside our on-time repayment rate (OTR) is at what it was in September 2019, so outside Assam we have not seen dip in OTR rate. Including Assam if you look at the Assam movement in the first week of December i.e, when the disruptions were at peak, we saw it falling but it has swiftly recovered back to 93.5 as of December end. As we have seen an improvement week after week, on a conservative side we have taken this provision on the basis of the OTR movement as on the last week of December.

Karthik Chellappa: So just to clarify, can we say that in the fourth quarter we should not expect any similar provisions just looking at the consumer behavior or is it just too early for us to make that judgment?

Sunil Samdani: If the situation is what it is today, then we may not need to take any more provisions.

Karthik Chellappa: Of course, excluding Assam whether it is West Bengal or Maharashtra or so, your on-time repayment rate is still about that 98%-99%?

Sunil Samdani: Excluding Assam, as of December end we are 98.8.

Karthik Chellappa: Sir, my second question is on the segmental GNPA movement especially for Gruh which has gone from 0.34 to 0.49, which is effectively I think something like a 40% increase quarter on quarter and you have qualified that by seeing there is a change in the recognition norms, could you give us more color on what exactly where the changes and how much of this increase came from those changes alone?

Sunil Samdani: What we have seen is during the quarter there is slippages in the Gruh portfolio of about 82 odd crore. Till last quarter the asset classification was as per NHB norms till September, but post-merger it has to be done as per banking regulations. There is difference between the two regulations. Under NHB, it is on the reporting date DPD is considered and if the DPD is above 90 days then it is classified as NPA, whereas under banking regulation if a portfolio moves beyond 90 days and then even if it falls back to lets say 60 or 30, it continues to be an NPA till it becomes zero DPD, that is the major shift in the recognition of NPA between the two norms. We have seen about 82 crores of slippages in the home loan book this quarter and about 50% of this can be attributable on account of this regulation change.

Karthik Chellappa: The classification is pretty much done which means in the March quarter to December quarter, it will be Apple-to-Apple comparison on a classification basis?

Sunil Samdani: Yes.

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

Nishant Shah: Sir, just an operational question, how do you go about like in the Eastern geography, understanding which customer say is not affected by something like a CAA or an NRC, because some news articles are saying that these guys also seem to have Indian KYC's, but then they are still illegal immigrant and then probably going back to their country of origin, so how do we manage the operational risk in terms of like gathering that market intelligence in terms of knowing who is like slightly riskier customer in terms that he may not necessarily be an Indian citizen especially if you consider the fact that these guys also have Indian KYC documents, is it not like an operational nightmare, that is just the first question?

Sunil Samdani: We have valid OVD for all our active microfinance customers including in Eastern India. The average age of the customer in Easter India with us is about 7 to 8 years in which case they anyway qualify for loans and our customer.

Nishant Shah: What about the new customers that that you add?

- Sunil Samdani:** We continue to add customers basis the valid KYC document i.e, OVD.
- Nishant Shah:** So do you expect like the growth or customer acquisition to then come down because of this?
- Sunil Samdani:** Customer acquisition has been healthy, even last quarter it has been upwards of 20% year-on-year.
- Nishant Shah:** Sir, the next question is little bit difficult to phrase I will try my best, if you look at your retail liability base, what do you think is the percentage of your primary transacting customers in your retail liability base, so in the sense that who are the customers who have an account with you and that is their primary transacting account and they probably either do not have any other bank account or they probably use the other account like secondary account?
- Sunil Samdani:** This is a very difficult thing to answer because how do you define primary.
- Nishant Shah:** Velocity of transactions, like signups for bill payment, utility bills getting linked something like that?
- Sunil Samdani:** We have customers who have salary account with other banks, but they move their balances to our accounts and they transact with us, so there could be a situation where I would say it is the primary account for me and the other bank would say I have a salary account so it is primary account for me, it is difficult to quantify.
- Nishant Shah:** Sir, I will try to explain the context of the question, it has been like almost 4.5 odd years since we have now become a universal bank and still if we see our mass-market retail customer or retail assets, that has not really grown at quite the pace that we would have expected right, so the question becomes that is this growth or is it the lack of growth possibly because we do not really have the primary transactors with us in the sense that these are customers who have a salary account with someone else and are keeping most of the balances here, but they are also well penetrated in terms of other retail asset products like a home loan or a credit card, so in the sense that our cross sell ability to them becomes limited, is that like a fair observation in terms of like that you probably have a lot more float income or a float CASA, but not necessarily cross sellable CASA, I know it is a very subjective question but like any color you could give is like appreciated?
- Sunil Samdani:** I do not think we can comment on behalf of customer because ultimately the customer has a choice which product they want to take from whom and typically at least on the liability side, we have seen that customer maintains more than one bank account and more so in the fixed deposits. Our experience is that customer typically spread their fixed deposit with two to three banks and on your question we can cross sell other asset product to our customers, the answer is yes. IF our product and services are better, they will take it from us.

Chandra Shekhar Ghosh: I can add one point that is our growth of the customer is 26%, non-micro customers growth is at 50%. I am coming to that point, if you see that the rural and semi-urban we have that the presence is 70% and customer is 68%, where the private sector bank are very less amount of presence in that rural and semi-urban, it is only the public sector bank so that is one area where there are people are not getting all types of banking service from the existing banking outlet, so that is an opportunity at Bandhan, but we are not analyzing on that how much is coming primary and they have other loan on that, that is not counting here.

Nishant Shah: One question then, at the time of your listing in your DRHP, the mix of your retail loans if I remember correctly of about 70%-80% personal loans and loans against deposits, has that changed as of today in the last couple of years?

Sunil Samdani: With the new addition of GRUH, surely it has changed.

Nishant Shah: No, ex of new addition, I am talking more organic, have we tried to get a lot more say home loans, car loans, credit cards and something like that, has that mix materially changed?

Sunil Samdani: Apart from personal loan and loan against term deposit, the other product we started was mortgage loans, which is part of the Gruh vertical today.

Nishant Shah: Okay, but anything about the organic growth like say our part of within that mortgages how has that grown in say the last couple of years?

Sunil Samdani: That book year-on-year has grown about 40%.

Nishant Shah: In absolute terms how much would it be?

Sunil Samdani: That will be about 450 crores.

Nishant Shah: Just one last question, in some of our channel checks we have now come across some anecdotal cases where there is something called a medium enterprise loan supposedly being may be piloted or maybe our Intel is wrong, so could you talk about that, is this kind of an experiment being done like where you are trying to say scale up some of our existing customers into say higher ticket size loans of say three lakhs or so or is it just completely anecdotal?

Chandra Shekhar Ghosh: If you see what has happened, we have that the one crore 4 lakhs of borrower in microcredit, it is not specific in Assam, so out of that the 50% of my borrower who are more than five years to 19 years with us, so out of those customers some of that good number of customers we are finding out they fit with like MSME, but maybe they have not got any trade license and IT returns properly, so we ask them to understand, if they like to make it in good way and then we like to individual loan as an enterprise that can be key and they can grow as an MSME, so that is we can of the opportunities we can think about it, otherwise one person is in one of the business, they are in two to three business done on that and there is one microcredit started with

5000 and 19 years after also 50,000 or one lakh, how they will like to maintain, they will go to the multiple banks, multiple things otherwise they will not like to go and concentrate on the same but these sort of enterprise, when they are coming as MSME, they will create the new employment of that area, so that is also need for country, economic growth, and unemployment to get the job that is the future objective where we can get in.

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

Anand Dama: Sir, can you please help us with the 30 DPD plus portfolio that you would be carrying now particularly into the state of Assam?

Sunil Samdani: Our 30 DPD as of December is 556 crores which in September was 384 crores, so the increase in 30 DPD is 172 crores, I am talking about pan India and out of this increase of 172 crores, 162 crores is the increase in Assam.

Anand Dama: Okay and this 556 now would have come down?

Sunil Samdani: This, we are talking about December numbers and we would like to restrict ourselves to December numbers.

Anand Dama: Sir, secondly is that we have made this 200 crores of provision or standard asset provisioning, so what is the rate of standard asset provisioning that we have used or any polls that you can quantify on which this 200 crore provision has been made?

Sunil Samdani: If you have to look at the question that you asked earlier, the increase in 30 DPD in microfinance portfolio is 172 crores vis-a-vis September, Assam is 162. We have looked at one as that metrics and we have also looked at recent behavior on the OTR rate and conservatively provided.

Anand Dama: Okay, so you do not expect any further provisions to be made on these loans and if the recovery rate is better going forward then basically there could be some reversal on this provisions as well?

Sunil Samdani: That is logical, I mean we do not want to comment on future, but logically that is how it will be.

Anand Dama: Sir, another reports were coming in particularly adverse reports coming in West Bengal and market, any comments over there what is happening in these markets, are you seeing some stress building up into this West Bengal as well?

Chandra Shekhar Ghosh: If you see that I am working 19 years in West Bengal and I have not seen any of this type of incident in Bengal, that is good if you see that before my 19 years nobody believed on that why I have been starting with West Bengal, at that time Government is very stringent on that and always the people are treated West Bengal cannot be lent, that time also I faced that issue and

gradually if you see that 19 years, the Rs. 3000 I gave loan or Rs. 1000 I given the loan and after 15 years, this people have built up a good enterprise and if you see that in 19 years many of challenges have come to the line, chit funds all are in Bengal, all things in that time we have faced and our people know that, but ultimately my customer knows that, they are running the business, they have made the money, they must be paid to us and whatever is happening and they are not bothered about it and they are giving to that, if you see within that all situation my OTR of West Bengal till now is 98% plus, I am not seeing that is, the only point on that, you will not count the amount of the portfolio, you count how the senior of this the business or mature the business, how long running this business, how many business they have been making on that. If I say that the last time I also mentioned I have the business intelligence team asking them to check microcredit borrower who are taking loan from us, what is their status of the income that, they communicate to me that they have collected some of the random sample and meet that people and find out on that their per month income Rs. 38,000 of family income. When I asked to my banker's colleague because I was not a banker and asking them how much you can like to lend to these people, they said that they can give six lakhs on the basis of 38,000 per month income or 1,25,000, so that is not the matter. If I find out on this the customer and who have the business and you see that now we are a bank, we are very much strong rich team, everything they are also guided to our system, processes and everything. I am not feeling anything about the West Bengal point of view.

Anand Dama: Sir, basically any centre particularly in the Assam where we still do not have any recovery at all or basically every centre we have started recovering and we have been able to reach all the centres?

Sunil Samdani: There has not been a single day where such situation has come where there has not been any recovery. The lowest OTR if you look at our presentation we ever seen was about 78%.

Anand Dama: Sir, we would have had the RBI supervision for last year being completed recently, any adverse comments which were there from RBI on the overall compliance risk or as such?

Sunil Samdani: We cannot comment on the RBI inspection report that is a confidential document.

Moderator: Thank you. The next question is from the line of Rahul Jain from LionRock Capital. Please go ahead.

Rahul Jain: Two questions, one is when you look at the media report obviously with respect to all these CAA-related protest as well as overleveraging, there is lot of concerns in the way from multiple channels with respect to microfinance especially in the East and north-east part of India, even today we have seen an article saying West Bengal is seeing a bit of microfinance crisis and I know you partly answered this question just now, but what is your assessment, why do you think there is such a big concern being raised and why you do not see any issue at your end, so what is really happening maybe not your end but on industry level, are you seeing something which is basically causing all this things being talked about and is in the press report?

Chandra Shekhar Ghosh: We cannot comment on the press report and second point on that my practice of 19 years I have not seen because I am working in the ground level and I meet every month some of the customers and some of the ground level people what their perception on that, so I have given that my best explanation from my experience. Yes, because I am doing the business, I also try to address my risk in future and accordingly I will take my decision. Second point of my learning on that any business have risks and this is a challenge for our country, India. I cannot say that no, but for the last 19 years we have the best way, I have seen that the experience gathered by my team how this type of situation will be to like to face on that. The other point on that the customer point of view is that the customer loyalty, they understand about it, they have made the money for business and how they got the money and what position they have come, so they are satisfied and automatically my repayment. I have 100% commit from myself on that. As per my experience, I have not seen any type of challenge in Bengal whatever report has come on that.

Rahul Jain: My second question was with respect to just from operational perspective, so I understand on the ground the loan officer is always in contact with the borrowers and you obviously have a lot of communication, but when you look at these borrowers in terms of data access like how do you make sure that you have always have a full picture of both formal as well as informal leverage at the customer level, for example a customer can always walk up to a local moneylender, borrow something, and repay the installments through the microfinance companies so how does the bank manage that data access and operational details, how do you make sure that whatever data you are feeding is clean and covering all the potential leverage which could be there at the customer level?

Sunil Samdani: To answer your question 100% of microfinance customers are on credit bureau. What is not there in credit bureau of course is the moneylender's indebtedness, but then our model is such that they meet customers every week for an hour. The average age of customers with us is more than 5 to 6 years for existing customer base, that gives us enough ability to get the information about the customer not only from the formal sources but also from informal sources

Moderator: Thank you. The next question is from the line of Kunal from Edelweiss Securities. Please go ahead.

Kunal: Firstly in terms of again the portfolio in Assam so against this portfolio of 6500 crores, I think we have made the provisioning of 200 odd crores which is 3 odd percent and I think we are saying if this situation continues as it is, there will not be any further provisioning required, but if we look at maybe the previous events across for the industry and I think this seems to be much more intense, so the general write offs have been in the range of 5% to 6% based during the demon- or may be at AP wherein say most of the players were impacted, so what gives us the confidence with respect to this 3% and currently also our collection efficiency is around about 93.6 so there is still a gap of almost like 6 odd percent which will yet to fill over there, so first is that and against maybe this exposure which we have of 6500 crores, what would be the quantum of deposits which we would have raised from Assam as such, so may be purely in terms of the MFI?

Sunil Samdani: I will answer your first question first in terms of our assessment, our total book is 6500 crores in Assam, but as you see our OTR has come up quite swiftly to almost 93%-94% and this is based on the recent behavior of the customer that we envisage that this will be the right amount or the adequate amount the way we look at today, so we had looked at our data from 3 to 4 sites looking at DPD, looking at OTR, looking at the customer interactions in the field, and come up with this provision and with respect to deposits in Assam, our total deposits from Assam but this not necessarily is deposit from borrower, this is the deposit from our banking channels is 1474 crores.

Kunal: Okay, and if you can get the split between the customers and maybe outside of the MFIs, would that be possible to share?

Sunil Samdani: It is not readily available, but on an average we have our average balance per DSC customer is about Rs. 1900 at all India level.

Kunal: Sir, maybe would that help in terms of at least if there are deposits maybe our recovery rates would relatively be better because maybe customers have the deposits and they would not want to delay especially with Bandhan, so just trying to evaluate maybe as compared to that of other players that should be relatively better off in terms of the recovery run rate given the ...?

Sunil Samdani: If you look at our presentation, we have benchmarked this event against GST and demonetization, so there our experience has been that things come back to normalcy in three months' time in both demon- as well as GST as far as Bandhan goes. Here we are talking about Bandhan specifically, so we are hoping that this should be back to normalcy in three months' time.

Kunal: Secondly in terms of Gruh portfolio, so mortgage is if we really look at it, it has been still quarter-on-quarter sequentially when you look at it the portfolio is down, so is it more to do with the integration or this is more in terms of the business momentum which we should look at it and when should we expect this portfolio to get back to the growth trajectory because when you look at it, it was like 19,200-19,300, now it is down to like 19,000, so slight slip sequentially, so is it more of an integration or that is maybe the trend in the near term?

Sudhin Choksey: I think it has lot to do with the integration because the merger got effective from October 17th, so it is only one-and-a-half months that we are into the merged entity and priority obviously is to ensure that we are in compliance with the RBI norms especially on the KYC and on the identification of the NPA so I think probably we should get back to the normal momentum, which we have experienced during the last 12 month period probably three months' time to six months' time.

Kunal: Okay, so it would still take like three to six odd months to get back to the normal trajectory?

Sudhin Choksey: Yes.

- Kunal:** Until then I think it should be more or less flattish kind of, so maybe in terms of the business growth that should be limited in Gruh portfolio?
- Sudhin Choksey:** What has happened this particular quarter I would not make any judgment based on this quarter situation. I think going forward this fourth quarter probably will give us an indication as to how soon we can gather the momentum.
- Moderator:** Thank you. The next question is from the line of Rakhi Prasad from Alder Capital. Please go ahead.
- Rakhi Prasad:** Just on the growth of the MFI book for rest of India, it seems like it is growing faster or sequentially because Assam took a hit this quarter and also our number of employees have also increased, so are we putting more employees in the rest of India locations, could you just give some color around this growth?
- Chandra Shekhar Ghosh:** If you see the West Bengal customer growth is coming in 15% year on year in the last point on that and this is, if you go to this total microfinance portfolio growth has come 30%, but instead of that the West Bengal growth has come 15%, so this is one point I mentioned. Second point on that this is not in a microcredit point of view to that is in employees increasing, employees increasing from different vertical opening on that the SCL and others and some of the internal auditor is needed so that we are transfer from the business to internal audit, concurrent audit, so that is in some other factors also is there. At one point, we have been introduced in the last one-and-a-half years, one year also that is every of the microcredit office, one of the position is operational hit that is we have now given to them, so that is number of employees is increasing on that.
- Sunil Samdani:** Yes, the growth in percentage terms outside East India in terms of customer acquisition is faster than Eastern India and our growth excluding Assam book has been steady, it was 34.6% year-on-year in September quarter, it is 33.5% this year.
- Rakhi Prasad:** This growth in employees and the corresponding cost also, that is why we can see the growth in the cost is because of this jump in the employees?
- Sunil Samdani:** The increase in OPEX partly is because of the increase in people, but the large amount is specifically for the merger-related expenses. There has been an increase in merger related advertisement expenses, which we did on merger. Also as we replaced Gruh's high cost borrowing since Gruh was on Ind-AS, the processing fee paid on loans was also amortized over the tenure of the loan so now that we have repaid the Gruh borrowings, you cannot carry the on charts processing fee on the books and that has to be charged off, so that is why there has been that one-time impact on account of repayment of Gruh borrowing.
- Rakhi Prasad:** So then next year basically these will get normalized?

- Sunil Samdani:** Yes.
- Moderator:** Thank you. The next question is from the line of Rohan Adwan from Multi Act. Please go ahead.
- Rohan Adwan:** Sir, my first question is on the code for responsible lending that we have been reading about in the newspapers which the MFIN seems to be propagating, I know Bandhan stands on this but if hypothetically it were to be adopted, how will it be decided who gets to lend to the customer if the total is capped at INR 1 lakh, that is the first? Second was on NIMs, the decline in QOQ basis, if you can just throw some light on that?
- Sunil Samdani:** We have seen a drop of about 20 basis points on the NIMs largely two reasons, one is the excess liquidity. We have been carrying excess liquidity of almost 4500 crores this quarter for the entire quarter and as we repay in this quarter, the balance accrued liabilities, you know this excess liquidity will come down, and two, as the recognition of NPA of Gruh portfolio there has been a reversal of certain interest income. We are quite hopeful and once the cost of fund comes down with those one-time charges being recognized in this quarter, we see the NIMs going back to that 8% mark in a quarter or two.
- Chandra Shekhar Ghosh:** Bandhan from beginning is a responsible lending practice but not as a certificate. We are only the organization, our interest rate is 17.95 the lowest in the industry and if you come on that before I am bank, I was in a bank that time also my interest rate was 22.5% which is lower than any of the lenders, we are the lower, so we are very careful about it from my customer point of view, how we can see the responsible lending and pass on some of the benefit to them. Second point is we are the organization, we are practicing I say that there is only single loan. One loan, one customer, until it will not close we are not going to the next one, so many of the things, if you see that the going to the respect to all, if you visited my group meeting and how we respect my customer and customer also respect to us and assessment have been prepared on the basis of their business and others so I hope that we are as a micro-finance institution and also as a bank, we are practicing responsible lending on that, not the signing the paper, so this we like to continue on that.
- Rohan Adwan:** Sir, lastly on number of exclusive borrowers if you can share?
- Sunil Samdani:** It is in the same range of about 55%.
- Moderator:** Thank you. The next question is from the line of Nishant Shah from Macquire. Please go ahead.
- Nishant Shah:** There was a question earlier on about what the underlying pool is for this 200 crores provision that you have made, could you just repeat that, I did not quite catch that properly? Second question is there is a sequential 10% drop in PCR so could you just like may be talk a little bit about that, why should the PCR exclude in technical write-offs be down by 10%?

Sunil Samdani: Your first question we have already explained, we evaluated it from all sides from the DPD side, from the OTR side and the interaction from the field and that is the basis our conservative estimates we have come up with this 200 crores. On the PCR side, the increasing GNPA that we see partly is on account of the home loan book that turned NPA that is more on the regulatory norms for recognizing from an HFC to bank

Nishant Shah: Sir, just coming back to the first question again, this 200 crores what would be the proportionate total advances outstanding for all the customers that you have identified on which you have made this 200 crores provision, so what you are trying to estimate is like what actually could be the affected portfolio potentially?

Sunil Samdani: That is provided basis our risk evaluation given the situation currently.

Nishant Shah: So 200 is the total amount, it is not that, we assume that maybe 25% is the haircut that we would have and therefore the underlying exposure is maybe let us say is 800 crores and we will provide 25% against that, that is not how we should look at it, right?

Sunil Samdani: Yes.

Moderator: Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: Thank you very much for the follow-up, Sir, out of the 10.5 million micro-borrowers, how many would be in West Bengal?

Sunil Samdani: Micro-borrowers you can say that my portfolio of the micro in West Bengal is 40%.

Moderator: Thank you. The next question is from the line of Akash Datani from HDFC Securities. Please go ahead.

Akash Datani: I have two questions, firstly after what you all have seen in certain parts of Assam in the quarter that has gone by, is there any introspection or there any reason which you all want to change your operation policies, practices, what is your take from this?

Sunil Samdani: We have been operating in Assam for last 13 years and out of this 13 years for the last 10 to 11 years, since last 10 years we have been the sole lender in Eastern states. It is only in the last three years we have seen other players entering the Northeast India and we hear this noise mainly in the last one to one-and-a-half years, so we do not think there is a need to change the model. Process improvement is a continuous exercise some to meet regulatory guidelines and some to incorporate best practices.

Akash Datani: Secondly, if there have been any group meetings that have been suspended in the quarter that has gone by?

Sunil Samdani: There has been few days where there has been disturbance and we could not conduct the group meetings.

Chandra Shekhar Ghosh: If you see that in some of the time on that when the bandh is coming, so that I cannot request my staff to go to the village, so that it will not happen that is sometimes the customer is coming to the office to repay in the evening, so that is happening, this is not exceptional, it has happened earlier as well.

Akash Datani: There is not a large proportion of meeting that still stand suspended, is that a fair assumption?

Sunil Samdani: If you are talking about recent situation it has been peaceful, so the meetings continue.

Moderator: Thank you. The next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani: Three quick questions from my end, one is how many customers would we have in Assam of the total 10 million in micro-banking?

Sunil Samdani: 14.2 lakhs.

Gaurav Jani: Sir, the customer profile in Assam, so this will be typically unsecured loans eligible for the JLG model, right?

Sunil Samdani: The entire micro-banking categorization is unsecured.

Gaurav Jani: As per the erstwhile JLG model?

Sunil Samdani: Yes.

Gaurav Jani: Sir, lastly if I may ask you what will be the vintage of our MFI loans, will it be 1.5 to 2 years, am I reading that correctly?

Sunil Samdani: Yes, it is 1 year and 2 years, we have two products.

Gaurav Jani: So, assuming that I think for the quarter we might on average have a 1000 odd crore portfolio outstanding, right? Which should be due for Q3 and hence that can also be there for Q4, right, that is the way to read it from Assam?

Sunil Samdani: Sorry, I did not get this question.

Gaurav Jani: What I was getting to is Q3 would actually have an outstanding or probably an overdue of 1000 crores from Assam, am I reading that correctly because our vintage would be about 1.5 to 2 years?

Sunil Samdani: No, not really.

Gaurav Jani: Could you just explain how to look at it?

Sunil Samdani: See, as I said our total bank wide 30 DPD number is 556 crores out of which the Assam book is about 227 crores and the increase if you look at it from September quarter, it is 162 crores in Assam at an overall pan-bank level 172.

Moderator: Thank you. The next question is from the line of Digant Haria from Antique Stock Broking.

Please go ahead.

Digant Haria: I just wanted one data keeping question, could you just tell me what is the loan portfolio that we have in the state of Bihar and Orissa? I just wanted the previous year's portfolio also of those two states?

Sunil Samdani: Bihar is 4053 crores which previous year was 3120 crores, which is a 30% year-on-year increase. Orissa is 945 crore, previous year same time was 659 crores.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities Pvt. Ltd. Please go ahead.

Manish Ostwal: I have one question on the Assam portfolio, we have 16% portfolio in Assam, against that we have provided 3% provisioning, so you said if the current situation prevails then there will be no incremental provisioning for this particular portfolio, but Sir our OTR rate in Assam portfolio is 93% and that is a 5% drop from the September 2019 rate, so basically we need to provide 2% more if the current situation prevails and that amount works out to 130 crore plus, so can you explain this to me?

Chandra Shekhar Ghosh: Only I said that you see my one month in total days on day basis my OTR. If you see that the 98% OTR has suddenly come for the 78%. Again, next day it has come up even 90% and again go down, so that means it is on the basis of environment it is coming down and up. It is not showing that my customer is not interested to repay, for that reason we are not counting in that way to this because this is the situation, if you see that 93.6%, that is also the situation, if you know that that is not that much of the growth, that means the customer is very good, they are trying to repaying regular but in that they cannot come to the group meeting, they cannot come to this office to repay for that reason is happening, so for that reason I am not accounting everything will be like to 5% to 10% to my MFI book, because my data is not showing on that. If you see the last two point also earlier and that two also if you see that the demonetization and we have been seeing that there is another GST impact and if you go to this UP and all impact has been coming on that, the one month to three months is the maximum it will be like and automatically again then customer return back and paying on this, so this is on the basis of that we are very conservatively we take some amount as a special provision.

Manish Ostwal: Second point on this based on your ground assessment of Assam market, what is the best case scenario of again the collection efficiency touching to the normal level, what is the timeframe one should expect given the current scenario?

Chandra Shekhar Ghosh: You see that some of the point of the environment I cannot like to say that from my side, but I see that day by day it is improving on that. Whenever the normal position people movement will be done then automatically all the position of collection and loan disbursement happen in regular basis and if you see that today, this type of some situation we saw that earlier also.

Moderator: Thank you very much. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sunil Samdani, CFO, for closing comments.

Sunil Samdani: Thank you Ladies and Gentlemen, thank you taking your time out and for your questions on the earnings call, thank you very much.

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