



“Bandhan Bank Limited Q3 FY ‘19 Earnings  
Conference Call”

**January 10, 2019**



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**Moderator:** Good Day, Ladies and Gentlemen and a very warm Welcome to the Bandhan Bank Limited Q3 FY '19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 am now glad to hand the conference over to Mr. Hiren Shah from Bandhan Bank. Thank you and over to you, Mr. Shah.

**Hiren Shah:** Thank you, Ali. Good Evening everyone and thanks for joining this conference call. We are here to discuss Bandhan Bank's performance for the third quarter ending December 2018. Along with that, we will also take the opportunity to discuss and take questions for the recent merger announcement of the GRUH Finance Limited with Bandhan Bank. To discuss the same in detail, I have got with me, our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh; our CFO – Mr. Sunil Samdani, and myself, Hiren Shah, Head of Investor Relations. Now, I would like to request our MD and CEO – Mr. Chandra Shekhar Ghosh, to brief you about the recent developments in the company. Over to you, Sir.

**Chandra Shekhar Ghosh:** Thank you, Hiren. Happy New Year to all of you. Thank you for giving valuable time to listen to us, and we know that you already have been informed that we have acquired the GRUH Finance and in that point I would like to first share to all of you, the beginning, if you see the history of Bandhan as a microfinance and NBFC then formed the bank, so when we begin on that, that time we have been strategically decided, we like in future to grow the business in bank in two manners, one is in organic and other is in inorganic, both. Also, we have decided which segment we will work. We had decided that the three vertical our core business will be - the microfinance, MSME and we also like to work in affordable housing, so three verticals we like to grow the bank in future. On that basis, microcredit after three years it is very good way we are growing and established on that way on that. Then we are also set up in a small affordable housing team in our bank and we are in last two years doing it in a small way and thinking and learning on that and we are trying on that. Appropriately, we like to take one of the affordable housing company, on the basis of that platform, we can grow the future of the bank, so we got that opportunity and GRUH Finance have been selected, we see that their culture and values is very much good way matching with us and their course of portfolio quality is also aligned with us and they are working in West and South and some of the Central, we are in East, Central and also in South, so it is matching, on that, the geographical concentration we would like to balance. Their full loan is secured and long-term. Our microfinance loan, it is in short-term and unsecured, that will also balance the book for us. So on that basis, we saw that there is good opportunity for us, so that we have taken in this. Finally, I said that because of the geographical difference and we are going to each other's geography and both the business we will like to grow. For that reason, we are getting very good comfort on that and both have very good governance, good brand, and people know and set-up, on that, I feel that it is the business opportunities for us, for future in the same segment of the customer and it is very good for us, so that we have been taken on that.

Next, coming on the Quarter-3 result, and informing, you know that we have one of the big infrastructure account which was of Rs. 384.95 crores balance. We have declared it today that we would like 100% provision on that. After this 100% provision, our third-quarter profit has come 331 crores, which is the 10% year-on-year growth. If we not count this provision, our profit growth is 93%. Net interest income is 1,124 crores which was in the third quarter of the last year of 732 crores, which is 53.5% growth has come. Non-interest income 234 crores, which is 48% year-on-year growth. Coming to the advance, we have now 35,599 crores which is year-on-year we grow 46% aligned with the last history on that. Deposit has come now at 34,639 crores, which is 37% year-on-year growth. Out of that deposit, 85% is the retail deposit which we focus more on that how retail deposit we like to take, because it is a very stable and not fluctuate more on that. Our CASA has come now 14,342 crores, which is CASA percentage of 41.4%. It has been growing year-on-year of 70.72%, so CASA growth has also come very good, so it will help us to grow more in the other business on that.

Our NIM has come 10.5%, cost-to-income ratio, we try to maintain on that, that is coming of 33.7%, gross NPA of 1.3% if we not count that one account. If we count that account that will be 2.4%, and this is on quarter-on-quarter basis is similar other than this one account. Net NPA, it has remained the same of 0.7% and last quarter also it was 0.7%, and because of that we saw that in microcredit portfolio, there is 87% microcredit portfolio and 13% is in non-microcredit portfolio. Whatever the microcredit portfolio that we count, it is an OTR, One Time Repayment rate, which date due of the customer and which time and that time and that day they have given, that amount we will treat it as due and collection, that is called the OTR. That OTR we have now see that in this quarter 99.04%, that means earlier it was in 98.86%, that means a very good improvement has come to the microcredit portfolio which helped us to arrest to the NPA, so that net NPA has remained same in the last quarter and this quarter. Our capital adequacy ratio is 32.8%, Tier-1 of 31.7%. ROA, if we see that the ROA now has come in this quarter at 2.9%, but if we count it as a nine-month ROA, this is 3.9%. If we are not counting the one account then ROA will come on the 5.6%, so in that sense ROA is effect, but profit is in same line. ROE is same in the 12.5%, but if we not count this one account then it will be 21.2%, so business figures is more or less what we have targeted, what we have expected or budgeted, we are on the same line, some of the figures have exceeded the target.

Microcredit advance is 87% and non-microcredit is 13%, and microcredit customers deposited 6.8% of the total deposit that was same earlier also was there. You know that our PSL is 96%. Branch, we have been grown. As of now, we have 978 branches and last year in the same quarter of 887, which is a 10.26% year-on-year have been grown. We have DSC - Doorstep Service Centre, as of now of 3014. Last year, this moment was 2633, that means in one year we have increased 381 Doorstep Service Centre, which **helped us** to give the more credit business here.

Employee, we have 31,115, which is also 13% growth and customer we have now 1.51 crores that means the 33 lakh customers added year-on-year basis, but last quarter we added 9.22 lakhs customers last quarter. I saw that there is good help for us in the business and the last quarter we are that means in Quarter-3, we have disbursed in the 13,000 crores to 21.86 lakhs account, so

altogether we feel that very good business has come and always in the last quarter it is better than other three quarters, always it is a trend we saw that. We hope that this quarter also becomes very good and thank you all of you on that.

**Moderator:** Thank you very much for the insightful presentation, Sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Manish Oswal from Nirmal Bang. Please go ahead.

**Manish Oswal:** Sir, first question on the infrastructure account which we have recognized as NPA, so on that account, how much interest reversal during the quarter?

**Sunil Samdani:** The interest reversal in this quarter was a very small amount of about 3 crores because at the beginning of the quarter we stopped accruing the interest and accordingly we provided.

**Manish Oswal:** The second question on the few states announced the agricultural loan waiver, so does that affect the customer behavior of the microfinance customer, and secondly, how do you see the portfolio quality in the election year given these kind of pressure coming in different states?

**Chandra Shekhar Ghosh:** I mentioned on that, we have not seen any change what we saw earlier sometimes on some states' declaration. I feel that the two matters we found out on that. One matter on that is in this loan is really not eligible by our customer, because this is in farm loan, they are not farm loan borrower. Second is that the loan criteria is there who have the default in March 2018 and they are not in that, so in that sense they are not in that point, but some people always like to know, educate them not to pay sometimes happen on that, but this time we saw that not that much impact is coming into the PIL. One cause may be earlier also they have been talked, but they have not got benefit. Now, people resistance has grown in themselves and in future feel that it is not for us, I hope that is on one side. Election year sometimes it will be disturbed in some villages or that, but politically we have not seen anywhere they have imposed something which have been done in the last year, but as of now we have not seen, I feel that this time is a little bit different on this.

**Manish Oswal:** Sir, have we recognized NPA on daily basis or monthly basis?

**Chandra Shekhar Ghosh:** NPA is calculated on the basis of monthly, which is they are, you can divide two things on that. One thing is there, the microcredit portfolio which we hold in that good amount, we are practicing on that one installment is not coming today is my risk. In that way, we are addressing OTR and automatically we saw that the quality of the portfolio increased. Whatever you are saying that NPA, it is a regulatory point of view, so when the balance sheet prepares, they are system given that figure and are showing on that, so we are not that NPA figure counting it to drive for collecting the money. We are collecting the money drive, if one installment is not given, go there.

**Manish Oswal:** Sir, last small data point, can you give us the movement of NPA during the quarter?

**Chandra Shekhar Ghosh:** We will get back on that.

**Moderator:** Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

**Amit Premchandani:** Sir, I just had a question on Slide 30, if you could elaborate who are the beneficial owners of Financial Inclusion Trust and North-East Financial Inclusion Trust and Bandhan Employee Welfare Trust and Caladium, who owns the Bandhan Financial Services?

**Sunil Samdani:** The two trust Financial Inclusion Trust and North-East Financial Inclusion Trust are the Public charitable trust, so the general public of the India are the beneficiaries. Bandhan Employee Welfare Trust, there are about 3000 employees of Bandhan who are the beneficiaries and it does not include the top management of Bandhan. Then there is Caladium which is the GIC arm, Government of Singapore and then there is IFC and SIDBI.

**Amit Premchandani:** If there is any dividend which is being paid and it is moving up to the Financial Inclusion Trust, so that amount is basically distributed through various CSR activities or how is that money used?

**Sunil Samdani:** These two trust alongwith the society does a lot of developmental activities in the field of education, healthcare, and poverty alleviation. They run about 3000 schools, there are over a million families which got benefited every year on the healthcare programs. In “targeting hardcore poor”, about 20,000 beggars get uplifted every year from poverty to a small entrepreneurship, so these are the few activities these trust run from these funds.

**Amit Premchandani:** When you said they are owner of the trust, how exactly legally they are the owners I am just trying to understand?

**Sunil Samdani:** The beneficiaries of these trusts are the general public of India. The trustees are the independent eminent personalities who are not related to the bank or the senior management or founders, so they are independent personalities who run this charitable trust. We have an ex-Chairman of NABARD who is one of the trustee and the ex-High Court Judge of Tripura is one of the trustee, so these are the trustees who run the trust.

**Amit Premchandani:** Sir, what are the plans for the rest 20% dilution which is required as per the RBI requirement?

**Sunil Samdani:** We are working on that, it is always work in progress for such issues, so we will continue our discussion with RBI.

**Amit Premchandani:** Sir, can we rule out another M&A to dilute?

**Chandra Shekhar Ghosh:** There is nothing on the cards.

**Moderator:** Thank you. The next question is from the line of Adarsh Parasrampurua from Nomura. Please go ahead.

**Adarsh Parasrampuria:** Sir, one question was on your merger with GRUH, it has like 650 employees and you are probably merging it and also at a relatively high valuation for the systems processes and all that they bring in, so what are the ways in which you make sure that people stay when the merger is there after two to three years, there is no poaching either by HDFC Group or possibly they leave, I think people have made that business, so how do you ensure that the team will stick for the next three to five years?

**Sunil Samdani:** The team on both the sides are excited and all of these things obviously, when you do the documentation these are taken care of. We are very clear that we want to do this business with the existing team and they are also equally excited, so we do not see a challenge on this side.

**Adarsh Parasrampuria:** The second question is more in terms of your growth, the YOY numbers look great. Obviously, it comes on back of good growth you do in fourth quarter which you did also in FY '18, but when I try and look at the trends, generally there seems to be a slowdown if I try and look at the sequential trends versus what you had, specifically looking at the portfolio which is the non-MFI portfolio, so what is happening, are there some products which you try to do which you are scaling back or what is the outlook there?

**Sunil Samdani:** On the non-MFI piece, there was this one big loan last year which is obviously not there anymore, so that also gives us an impact and it is all about building the expertise. We are not gunning for number, we believe that once we have built the required skill sets, growth will automatically come. We have been showing a consistent growth, we do not see this as a challenge, we hope to continue this in the future as well.

**Chandra Shekhar Ghosh:** The other point that I will add on that if you see that the microcredit portfolio growth coming from the third quarter and then fourth quarter, this is normal nature historically, so that when the first quarter and second quarter not that much growth has come that time have been non-microcredit portfolio showing a normal nature in their growth, so in the third quarter their growth little bit has come up, so then automatically this is the portfolio because of the small base, so they cannot compete on that one. If you go to the March last quarter figures in the last year and we can see that how it has come on that, so in that sense, otherwise, the growth in non-microcredit is not the degrowth, growth is the same steady way is coming, but problem is there because microcredit growth is little bit higher, so that in the percentage it is showing little bit low.

**Adarsh Parasrampuria:** Sir, the only point is, when I look at the MFI book obviously it is unsecure, you have in the last after becoming a bank a lot of the growth has also been driven by disbursement ticket size, so I am just trying to understand where does the 13% number, which is the non-MFI share of your book really go in the next say two to three years' time, is there any outlook there, will that like grow to 20% North of that or?

**Chandra Shekhar Ghosh:** The other point, if you see the first year when we opened the bank that time we had not expected that in non-microcredit portfolio we can grow. We had not started at that time the go-to-pay lend,

the only point is there because we feel that the people are asking me where you will get the deposit, so if I not get the deposit, how can I go on that, so there is lot of concern at that time, but when I say that the deposit growth has stabilized it is coming then I started to build up a team and more people and accordingly we are going on that, so this is one side I see that not coming to the non-microcredit portfolio in that much growth.

**Adarsh Parasrampuria:** Sir, last question from my side is you did indicate that your deposit from MFI customer is like 6% of your deposit, that is only the SA number or that is the total SA plus term deposit number?

**Chandra Shekhar Ghosh:** 90% is SA.

**Adarsh Parasrampuria:** The MFI deposit from MFIs is 90% SA?

**Chandra Shekhar Ghosh:** What has happened there, we are principally from beginning decided on that this is the credit, this is focused only the credit not the deposit. The bank branch deposit has not that much credit because if I give the focus target of the deposit, this people will like to change their mind and my credit quality will come down, so they are focused on the credit and not the deposit. Whatever the habit they have weekly giving of Rs. 10 or Rs. 20 or Rs. 50 above their installment that will come as a balance of the deposit, so for that reason it is there, no target we have given. Otherwise, sometimes they will be disbursed the loan and put in the account and not given the chance to withdraw then the deposit will come high, so we are very careful about that point so that we are happy this 7% or 8% of the total deposit, even 10% will come maximum.

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

**Nishant Shah:** Sir, first of all just a question on average ticket sizes, so we have seen like roughly about 18% increase at least like the AUM per customer, what would be our incremental ticket sizes and could you give some geographic split like your core market, what kind of ticket sizes would it be and in the new market how much could it be?

**Chandra Shekhar Ghosh:** Which ticket size you are talking about?

**Nishant Shah:** If I just divide the microfinance portfolio by the number of active microfinance customers that seemed roughly about an 18% kind of a growth year-on-year versus 44% growth in the AUM, so 18% is ticket size growth, remaining can be the new customer additions?

**Sunil Samdani:** That is in line with our strategy, with 8% GDP and 5% inflation about 15% ticket size growth for good customers with good track record, which in our case is 99% plus, is reasonable and on the other side, our customer growth year-on-year has been 22%.

**Nishant Shah:** Could you just quantify a little bit on the incremental disbursement ticket sizes or something?

**Chandra Shekhar Ghosh:** It will depend on other side also. If you see that the new customer adding 18%, so in that sense this new customer average loan size will come to 25,000. When the old customer will come who has already been of Rs. 80,000 of loan, if he is asking 20,000 we are giving on that. We have a restriction on the Rs. 20,000 per customer can increase, even Rs. 10,000 to 30,000 maximum, so they are coming to 10,000 to 15,000 incremental on that, but it depends on which cycle of the customer and what type of business he is doing and that business permit to this cash flow or not.

**Nishant Shah:** Did I hear that correctly like the new geography customers, the first cycle customers you will lend up to Rs. 25,000?

**Chandra Shekhar Ghosh:** Not up to, average 25, not more than 35,000.

**Nishant Shah:** A question on the merger, fair enough we appreciate that GRUH is an excellent franchise and everything else, but such an expensive acquisition was this really the only way to go, could we not have like done something else or waited for something to come at a more reasonable price? 13 times forward price to book, it is a little difficult to digest!

**Chandra Shekhar Ghosh:** If you see that business always we are looking at the future, what will be the possibility in future on that. If I see that today is GRUH or last three years GRUH growth of the business and what I am looking in the future, I need that platform based that resource person, their branch, their IT, and their process of that. You can see in that way sometime also investment on that. If I like anyone to starting to the new business, he would like to start first the investment, so you look at that, the future is huge and what is the growth I cannot quantify because I am restricted, but I know that because I have buildup this institution as a Bandhan, I saw that what is the growth in my eye and that eye, I also re-looked the GRUH and I feel that this is not only the price decision, this is opportunities of the future growth.

**Nishant Shah:** We remain open to further acquisitions or like is this enough for couple of years to just integrate this business and maybe after couple of years relook at mergers?

**Sunil Samdani:** There is nothing on the table as of now.

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

**Kunal Shah:** Sir, firstly in terms of the entire merger whatever would be the statutory requirement be it in terms of CRR or SLR and even in terms of the PSL portfolio which GRUH would need it, obviously it would fulfill from its own book as well, but how do we see it would we be building out over here in terms of or we will wait for the merger and everything will get through only on the day, so are we preparing ourselves in terms of balance sheet investing more into the treasury incrementally, how would that be?

**Chandra Shekhar Ghosh:** When I opened the bank before that I also sold my portfolio to the bank and that time I see that what will happen after I become a bank. At that time, one of the banker talked with me, she was



a bank Chairman and said “Mr. Ghosh, when you have become a bank and your portfolio will be treated as a bank portfolio and you will be eligible to sell it as an IBPC and your earning will come double” and I said, “What you are saying, Sir?” As a NBFC, you cannot do it, you are not getting that price and I saw that how much I have earned from my portfolio sale when I bank, but the same portfolio when I was in NBFC I have not sold, when GRUH will become as a bank, their portfolio of 75% is priority sector, there is an opportunity I have not need that much of the private sector lending, I can sell out more and earning will come more, so business in different ways is there, I would not like to detail everything on that.

**Sunil Samdani:** Kunal, coming to your point, cost of funds if we look at our numbers this quarter out of interest-bearing liability is at 6.3%, if you add the CRR and SLR of another 40 to 50 BPS. There is a cost advantage for us when we do the merger and we do not see raising deposits as a challenge to refinance the GRUH’s liability, so that is not the challenge for us.

**Kunal Shah:** In terms of building up of this CRR and SLR, it will be done only post the merger?

**Sunil Samdani:** Even today, if you look at my treasury assets, it is almost 28% of my total deposit as against required 19.5%, so we do not see that as a challenge.

**Kunal Shah:** Secondly, in terms of again touching up on this question on the say the GRUH’s team, so given that may be the CEO of GRUH once he comes onboard at Bandhan, so what is the kind of profile which he will be running and maybe in terms of the expansion as well, so since they will be moving out largely of say the Western and the Central region and getting towards the East, would it be entirely GRUH team which will be managing it or maybe we will try to more and more as we see the incremental requirement of the branches and people that will happen more from the Bandhan’s current management?

**Sunil Samdani:** As far as the affordable housing goes, GRUH team are the expert. They are the one who build this business and professionally run them. They have gone through all the cycle. We will provide the resource and distribution and customers base, so all that support will be given by us. Our initial interactions with the team, we observe that they are excited to get such large platform. Today, their branch network is about 194, against that we offer them 978 branches and 3014 DSCs, there is enough opportunity and that to in complementary geographies with similar segment of customers, so the synergies and opportunities is immense.

**Kunal Shah:** Would there be any non-compete agreement with the HDFC group as such in terms of they getting into the similar geographies or similar customer segment for a particular period post this entire merger?

**Sunil Samdani:** No, there is no such non-compete because they are in the same line of business.

**Kunal Shah:** There will be no non-compete with any of the entities?

- Sunil Samdani:** But geographies in which we work, I do not think HDFC have that large presence.
- Kunal Shah:** Even in the existing base when GRUH is already there, there also there will be no non-compete not only about the Eastern region, but when we look at the Western and Central wherein GRUH is strong, would there be any non-compete between HDFC and say the merged entity?
- Sunil Samdani:** No. There can be any non-compete, because both of them are in a similar line of business. Our focus is more on semi-urban and rural areas, which is our strength where we do not see a challenge from any other competition including HDFC. We are not worried about that.
- Moderator:** Thank you. The next question is from the line of Parag Jariwala from White Oak Capital. Please go ahead.
- Parag Jariwala:** If you look at GRUH, basically all of us feel that they are very, very conservative lender and which can be demonstrated if you look at the last three year growth for all housing finance companies versus GRUH, so basically my question is are you going to give a very free hand to the management which is coming on the Board in terms of growth, the margin or the kind of customers they want to look at to as well as my one more question is, is there any agreement with the GRUH or understanding by which you want the top management team to be there for certain couple of years?
- Sunil Samdani:** We do not have this line of business, so there is no overlap, so they are the one who have to run this business. We do not see that as a challenge.
- Parag Jariwala:** In terms of any understanding by which you want to retain top management team in terms of ESOP and etc.?
- Chandra Shekhar Ghosh:** We talked everything on that and they are very much comfort and excited. I met all the senior level and talked separately that process have been done, without that comfort we cannot go, so I got the comfort and then I started.
- Moderator:** Thank you. The next question is from the line of Rakhi Prasad from Alder Capital. Please go ahead.
- Rakhi Prasad:** I had a question regarding your micro-borrowers, so this quarter I think there are 8.67 million micro-borrowers, out of those many number of borrowers, how many actually have a savings account with Bandhan Bank?
- Chandra Shekhar Ghosh:** 100%.
- Rakhi Prasad:** What would be their minimum balance?
- Chandra Shekhar Ghosh:** No minimum balance.

- Sunil Samdani:** These customers, the total deposit from micro-customers is about Rs. 1900 crores
- Chandra Shekhar Ghosh:** and divided by this number will come into the 1600 odd.
- Hiren Shah:** Rakhi, if you really look into it, we have approximately 1 crore 20 lakhs micro-banking customers which have liability account, out of which 84.8 lakh customers are having the credit business and credit relationship with us, so we have much more liability account with us then only the borrowings.
- Rakhi Prasad:** This has always been the case; I mean 100% of your borrowers have had?
- Hiren Shah:** Yes, it is the case.
- Moderator:** Thank you. The next question is from the line of Abhijeet Sakhare from Goldman Sachs. Please go ahead.
- Abhijeet Sakhare:** Sir, you talked about improvement in collections, but specifically if you could give us how the 30+ delinquencies have moved which states have done better, any states where you have seen delinquencies get worse?
- Chandra Shekhar Ghosh:** Again, I mentioned on that, it is totally regulatory, but my control we are trying on that how much my customers are paying on time that is 99%, so 1% always is behind and every month some given that NPA, so we will give the figure on that.
- Abhijeet Sakhare:** Sir, have you seen improvement across the board?
- Chandra Shekhar Ghosh:** Across the board. What has happened is that the earlier people who are the borrowers, it will take some time to come because it is a discipline issue, once upon a time discipline breaks, it will take some time to recover it and come to the system, so this is the learning on that.
- Abhijeet Sakhare:** Sir, what would be the average ticket size let us say in home markets such as West Bengal, Bihar, Assam, and how does that compare with rest of the country?
- Chandra Shekhar Ghosh:** We are not in that much of home loans, but we have started little bit on that, that is average loan size is in 8 lakhs on that.
- Abhijeet Sakhare:** This is with regard to the microfinance?
- Chandra Shekhar Ghosh:** Microfinance business depends on how senior is the customer and how long they are with us and they continue their loan, but average loan on disbursement, we have the total country Rs. 58,788 on disbursement and outstanding Rs. 36,115.
- Abhijeet Sakhare:** Sir, the par 30 number that you gave last quarter was 1.97%?

- Sunil Kumar Samdani:** Currently PAR 30 is 1.82.
- Moderator:** Thank you. The next question is from the line of Bharat Kumar from JP Morgan. Please go ahead.
- Bharat Kumar:** Sir, as regard to the stake dilution, after this do you plan to ask RBI for any timeline extension for bringing the stake down to 40% ?
- Chandra Shekhar Ghosh:** I feel that now is the time we are going to ask the RBI approval of this and indirectly they know that we are in the process and it is totally a regulatory point of view, so we cannot go to the extension of that.
- Bharat Kumar:** Secondly Sir, on the GRUH merger is there any overlap between let us say a GRUH's customer, their home loan size is 9.5 lakhs, our ATP is far lower at 35,000, but different asset classes but is there any overlap you see between your customers and what GRUH's customer profile would be?
- Chandra Shekhar Ghosh:** We have a very small number of customers in that segment, so that we have not that much feeling that our customer overlapping with them.
- Sunil Samdani:** We are talking about home loans, but if you look at even the GRUH bucket wise portfolio, 30% of their housing loan is up to Rs. 5 lakhs. These are the segments which are microfinance close to customers.
- Bharat Kumar:** And typically, what would be the annual income of microfinance, just trying to do top end?
- Chandra Shekhar Ghosh:** Very tough question because checking the customer's income proof is tough in that segment, I can give but this is
- Moderator:** Thank you. The next question is from the line of Hiten Jain from Invesco. Please go ahead.
- Hiten Jain:** Could there be any risk from regulator perspective on this merger?
- Chandra Shekhar Ghosh:** As of now, no. We explore everything.
- Sunil Samdani:** We have been advised by our lawyers, so we do not see that as a challenge.
- Hiten Jain:** You expect that even GRUH Finance could, the branches of GRUH could be converted into bank branches and those branches could also work like bank branches?
- Sunil Samdani:** Yes, that is up to us, whether we want to treat them or not, so that option is to us.
- Hiten Jain:** Okay, so you do not see any hurdle in that?

- Sunil Samdani:** No.
- Moderator:** Thank you. The next question is from the line of Raj Mohan, an Individual Investor. Please go ahead.
- Raj Mohan:** There has been a staggering growth in CASA deposits, with the busy fourth quarter when the bulk of the business for the year happens, do you think the momentum in the CASA would continue to fund a substantial part of your incremental business, and where do you see CASA stabilizing for your kind of business in the medium term? Also two data points, what are the savings deposit rates and percentage of deposits over 1 lakh?
- Chandra Shekhar Ghosh:** If you see that the beginning I am facing this same question, we will give the deposit, how you get the CASA, but when I achieve then again coming on that what will be the future. I feel that the way Bandhan is strategically driven, that driving has helped us to give this type of deposit. If you see that not only the CASA, if you see that the retail deposit of 84%, very few banks have 84% retail deposit, it is not about this quarter, it is continuously coming on that. Last quarter, it was 82%, now it has come to 84%. So I say that we will not demoralize our team that cannot be achieved. I feel that they can be achieved on that, that is not the big challenge, because at one point if you see that our rural presence is very good compared to any private bank, and whatever we have taken the deposit from the public and this is the rate point of view, less than 1 lakh is 4% and more than incremental 1 lakh above, it is in 6% so that is many of the private bank also it has given the same way, so I feel that it is not very much big challenge for us to collect that deposit.
- Sunil Samdani:** As far as what percentage of saving bank deposit above 1 lakh is currently 68%.
- Raj Mohan:** The average current saving deposit rate?
- Sunil Samdani:** 5.2%.
- Raj Mohan:** In your non-East and North-East businesses, how much part of the business would you think you would have crossed over the initial settling phase and just ahead of J-curve for growth especially the MFI business?
- Sunil Samdani:** As far as East and North-East goes, that is our core area, that is our strength. In geographies outside East, there is still a long way to go in terms of market size and market share, but despite having a dominant market share in East and North-East, we still feel that we can double our book in about four to five years' time.
- Raj Mohan:** Do you feel that you have crossed over the initial settling phase in your non-East and non-North-East regions?

- Sunil Samdani:** The first time we went outside East India was in 2010, so it is about 10 years that we have been in the outside East India. It is just that because of our portfolio dominance, it is so high in East India, people tend to say that we are East-focused bank, but even outside East India our book is almost 30% of the total book, which is close to the next MFI in the country.
- Raj Mohan:** Now, coming to GRUH it has traditionally been growing at around 20% and we have discussed a lot in this call itself. With the expanse of your reach and capabilities catering to a wider market and your more aggressive execution track record, do you internally think there exist a strong possibility of growing that part of the affordable housing part of the business much faster than the 20%?
- Sunil Samdani:** That is obviously there, because currently they have a restriction in terms of distribution capability, the customer base they have. From 194 branches, they will have a platform which will have 3014 DSCs and 978 branches, the liability profile which is much more advantageous than an HFC, so we have every reason to believe that the growth has to be faster.
- Raj Mohan:** One final question, post the approval received recently from RBI, when would you next need to go to RBI from your current base of about 978 branches and the 3014 DSCs, how much is the potential to increase your capital customer base from the 15 million customers you currently have?
- Chandra Shekhar Ghosh:** If you see our branch of 978, this is a good number. If you see that in the last three years that whatever all the private bank has opened the branch, for every four branch opened by them one branch opened by Bandhan Bank, so it is a good way on that. Other way if you see that the last one year we have been opening more than 10% branches and I also mentioned 381 Doorstep Service Centres that is also we have opened this year, so that the branch growth is already there, we will not say no and we have asked 40 and they have given 40.
- Raj Mohan:** Based on your current base of around 4000 Centres, DSCs plus the branches, you feel you can extract lot more business and increase this 15 million customer base much more significantly?
- Chandra Shekhar Ghosh:** Every quarter we are getting 7 lakhs to 9 lakh customers, so that has also helped us to get new business.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Lion Rock Capital. Please go ahead.
- Rahul Jain:** I just had one question, when you decided to look at this inorganic opportunity, was it primarily after the RBI restrictions came in or it was always that the bank was looking at these opportunities and GRUH came in? Just to add on to that, the second question is that when did you really start to kind of depict the discussion with GRUH or HDFC group kind of started happen, has the deal been making in progress for the last few months or is it like something which was put together only recently, if you can share something on that?

**Sunil Samdani:** We first discussed GRUH two years back. We were not listed then. We always like this platform, it did not materialize then until now.

**Rahul Jain:** Second is did you really start again looking up in organic after RBI restrictions came in or you were anyway exploring these opportunities?

**Sunil Samdani:** RBI regulation is not the prime motive. Our stated strategy for the bank is that we want to in Microfinance, MSME & Affordable Housing. This acquisition matched our strategy and that was the prime motive for this. Yes, it also helped us bring the promoter shareholding down, but that was not the prime reason.

**Moderator:** Thank you. We will take the last question from the line of Rohan Mandora from Equitas Securities. Please go ahead.

**Rohan Mandora:** Sir, again coming back to the GRUH Bandhan merger, so the way GRUH is currently operating in terms of say the sourcing mix and evaluation of proposals, do we intend to replicate it across branches or, because moving into East, sourcing through a DSA channel, currently we are working in Gujarat or in the Western geography, DSAs already have understanding of how GRUH looks at those proposals, so what is our strategy in terms of replicating this in the East, what kind of a timeframe are we expecting in terms of these branches, the current Bandhan branches being able to source loans as efficiently as GRUH is sourcing right now, so what is our expected timeline, that is first? Second is on the ILFS, we have made 100% provisioning, so are we not expecting any recoveries from that as of now, what is our assessment on the default on that?

**Chandra Shekhar Ghosh:** Coming to the GRUH point on that, first thing is we like to not change any model in the beginning what they are driving on that, which we learned from microcredit. When we were microcredit converted as a bank that time my customer says that, Sir, if you change the model I need to go to bank branch to deposit the installment, I will not go, please you continue this model, and I have not changed anything and some little bit change returned back to the earlier model on that, so it is better on that what is the model is established, we would like to continue that model. If geography wise the little bit change is there, then on the basis of that decision that time we like to take not in a major and core thing. Other point I say that the Eastern region, GRUH already been invest and they are working, so not that we but just have been started two years before on that and some portfolio is there that is small, so they have already tested on that this model is working or anything change is required or not, so I hope that the first point is they will not like to much more change in the geography wise then it will be destructive to the business and if it needs some state to state some variation, that we like to think about it how we like to do it.

**Sunil Samdani:** Coming to your next question on the ILFS side, on the prudent basis, we have provided for 100%, that does not mean we do not expect any recovery from these accounts. We do not have enough information about the company, so on the lack of information we provided for 100%.

**Rohan Mandora:** I think probably just a number you had given that per GRUH around 30% of the customers are below 5 lakhs, so from our pool of MFI customers if we were to say that what percentage of those customers would be easily mapable or maybe easily where we can do a cross sell in terms of home loan, so any estimate on that?

**Chandra Shekhar Ghosh:** That is something that the GRUH team is an expert, so when they come onboard, they will sit and analyze and do it.

**Moderator:** Thank you. I would like to hand the floor back to Mr. Sunil Samdani for closing comments.

**Sunil Samdani:** Thank you Ladies and Gentlemen, thank you for your time, appreciate.

**Moderator:** Thank you very much. Ladies and Gentlemen, on behalf of Bandhan Bank Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.