

Bandhan Bank profit zooms 121% on Gruh merger impact, lower provisions

FE BUREAU

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PRIVATE SECTOR LENDER Bandhan Bank on Tuesday reported a net profit of ₹731 crore for the quarter ended December, up 121% from the corresponding figure in the same quarter last year.

The jump comes on the back of a 62% year-on-year (y-o-y) rise in total income to ₹3,075 crore as the benefits of the bank's acquisition of Gruh Finance came into play. The lender also benefited from a 61.5% drop in provisions to ₹295 crore.

The bank's net interest income (NII) rose 36% y-o-y to ₹1,541 crore. Net interest margin (NIM), a key indicator of profitability, fell 29 basis points (bps) to 7.91% from 10.45% at the end of June as the presence of secured and low-margin housing loans in the book played out.

The bank said it has made additional provisions of ₹200 crore on standard advances in its microfinance portfolio after evaluating risks observed in certain areas of a Northeastern state.

MD and CEO Chandra Shekhar Ghosh said the unrest in Assam does not pose an exceptional challenge to the bank. "We have seen such issues before in 2010, 2016 and 2017. Whenever such incidents happen, they continue for a maximum of three months," Ghosh said, adding that while the on-time repayment (OTR) ratio for the

From the books

Particular (₹ crore)	Q3 FY19	Q3 FY20	Chg (%)	Q2 FY20	Chg (%)
Total income	1,883.7	3,075.34	61.9	3,050.55	-38.3
Net interest income	1,124.0	1,541	36.0	1,529	-26.5
Other income	234.1	357.71	53.9	360.27	-35.0
NIM (%)	10.5	7.91	∇ 259 bps	8.2	∇ 29 bps
Provisions	377.7	294.88	-61.5	145.55	159.5
Net profit	331.3	731.03	120.8	971.8	-65.9
Gross NPA (%)	2.41	1.93	∇ 48 bps	1.76	∧ 20 bps
Net NPA (%)	0.7	0.81	∧ 11 bps	0.56	∧ 25 bps

Source: BSE

bank's entire microfinance portfolio is 98.1%, the OTR for Assam is 93.6%.

Bandhan's microfinance exposure is ₹6,500 crore, which constitutes 16% of its microfinance portfolio and 10% of its total loan book. Asset quality at the bank deteriorated from the previous quarter, with the gross non-performing asset (NPA) ratio rising to 1.93% from 1.76% at the end of September. The net NPA ratio rose 25 bps sequentially to 0.56%.

Total advances as on September 30, 2019, stood at ₹65,456 crore, up 41.4% from the previous year, while total deposits rose 58.5% y-o-y to ₹54,908 crore. The current account savings account (Casa) ratio dropped to 34.31% from 41.4% at

the end of December 2018. Retail deposits accounted for 76% of all deposits.

Microfinance loans accounted for 61% of Bandhan Bank's loan book, home loans made up for 29%, while 10% of the book was constituted of small and medium enterprises (SME) and personal loans.

Analysts said the events in the North-East have clearly had a bearing on the bank's operations and revenue growth. "Operationally, (the quarter was) a bit weak, given that the second half usually tends to be stronger on business momentum. It is quite likely that the impact of the issues in North-East India has had an impact on performance," analysts at Kotak Securities said in a note to its clients.