



# “Bandhan Bank Limited Q4 FY22 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Q4 FY22 Earnings Conference Call of Bandhan Bank Limited.

As a reminder, all participants' 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hiren Shah. Thank you and over to you, Sir.

**Hiren Shah:** Thank you Margaret. Good evening, everyone and thanks for joining this call. It's our pleasure to welcome you all to discuss Bandhan Bank's Business and Financial Performance for the quarter ending March 2022.

We will take this opportunity to update you on the recent developments in the industry and Bandhan Bank during this quarter.

To discuss all this in detail, I have got with me, our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh, our Chief Financial Officer – Mr. Sunil Samdani, Head (Assets), Mr. Kamal Batra – Housing Finance Head, Mr. Suresh Iyer 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 Bank's operational and financial performance along with developments for the quarter ending March 2022. Over to you, Sir.

**Chandra Shekhar Ghosh:** Good evening to all of my friends. Thank you for your time to join this call. I already said earlier, the fear of pandemic is over. The third wave has been much milder. It has not infused to my any of the confidence.

Our Result of Q4 Financial Year 2022 also clearly reflects all of these trends. Q4 for any is the most active period for the banking industry and financial year 2021-2022 was no different from that. I have been meeting my customers at the ground level and the sense of revival are for all to see. Credit demand is back. Many of our customers who had postponed their loans have taken fresh credit from us in the quarter.

**Let me start with a broad overview of the year:**

We reached the milestone of around Rs. 1 lakh crore advances in the quarter gone by. Advances stood at Rs. 99,338 crores which is year-on-year basis up the growth 14%.

Deposit growth has come 24%, which is the amount was Rs. 96,331 crores. CASA written in the 42% and retail deposits 77%.

Net interest income has been grown 42.6% from the preceding quarter Rs. 3,500 crores. Operating profit grown 53.5% from the preceding quarter, which is the highest growth in the Bank life. The Bank reported net profit for this quarter is a Rs. 1,902 crores. NIM has increased 190 basis point higher from the preceding quarter.

The last financial year, the Bank provided is resilience yet again. We are now well on the revival path and the operating environment as well as ongoing reality is in favor of a strong resurgent of business in future.

**Now let me drive referred into the few key aspects of the success of this, the parameters:**

The first point is collection efficiency. 2 tier collection efficiency has come in the quarter, which is called the March 22 has come 99%. Collection efficiency in the month of March in EEB has come 99%, which is increased from the 97% of the last quarter, excluding NPA and Arrears. This means the collection efficiency has come is the normal. Collection efficiency in West Bengal also in 99% and Assam 1% lower, which is 98%. Total India is the 99%. Another part, 89% of my NPA customers are paying in the March 2022, 59% of my restructured customers are paying in March 22. The improvement in collection efficiency is thanks to our customer, going back to their livelihood in full swing and the commitment that the customers have towards the Bank. The improvement in collection efficiency has resulted in lowering our NPA. The Bank gross NPA stands now 6.46%, which shows that the 4.35% lower than the last quarter, Net NPA has reached 1.66%, DPD across the vertical of Microcredit because of the large portfolio, which has come nearly half from the last quarter.

The EEB, emerging entrepreneur business has three verticals – One is a group-based lending, which is called Microcredit. Another vertical called that the small business and agri loan, which are called individual, which is graduated from Microcredit to individual. Another vertical we said that the micro home loan, which are also individual loans and some another one half, which is the 2-wheeler loan. The EEB saw a robust growth in this quarter. As expected, because this the portfolio has come good in the last quarter of the year. In financial year, 22, we have added 22.88 lakhs new customers in financial year, 22. Disbursement in the Q4, they are raised on that Rs. 22,968 crores which is a 15% higher than the pre-pandemic years' last quarter, which is the 2020. That means that it shows that the business has come to this normalcy, The Bank as a policy and the strategic policy, the migrated, or graduated the group loan to the individual. As on March 2022 Bank migrated 24.32% of the group loan to the individual loan.

**Come to this the next growth vertical, which is the housing loan:**

We are two and half years ago we have been merged this vertical from the group and last quarter, it has come very good growth, but this year they are given this very tremendous growth. Portfolio grown 11% year-on-year; portfolio stands now Rs. 23,726 crores. CAGR in the last two years has been healthy 9.29%, despite the challenges prior to policy. In financial year, 2022, the total disbursement have done this vertical Rs. 4,340 crores, both up 105% over the previous year and

95% from the last quarter. In Q4 86% are housing and 13% are left. And these are the housing loan portfolio 61% salary based, 39% is self-employed, portfolio quality continues in the same growth. Next to point is that this loan ticket size has also increased from the previous year, Nearly Rs. 1,10,000 average ticket size.

**Coming to our next two verticals:**

Another vertical is in commercial banking. Commercial banking had been grown 60.8% year-on-year and quarter-on-quarter have been grown 40%, which is a portfolio Rs. 11,720 crores. The retail credit, other than housing loan, our gold loan, personal loan, 2-wheeler and auto loan together stands this portfolio Rs. 1,645 crores which is the growth has come yearly, 39%, This and the total performance has come from the business point of view.

**I am coming now the strategy of the Bank:**

We are decided that the 2020 we have prepared a 5-year plan, which is 21 to 25. During this period two years, we have been in that there is a pandemic situation has come business growth is not coming as a normal. For that reason, the last February, we are again, revised our plan and we find out on that we can reach that plan with another one year needed instead of 2025, it will be reached 2026. Major other couple of points strategically we have been decided, which on that track, we like to mention. The Bank has the strategic first point, how we can be like to strategically diversify the microfinance loan with the other portfolio. Group loan, which one is the last year, the 60% has come down to 47% in this year. Housing loan has increased from 23% to 24%.

Commercial banking has increased from 16% to 28%, including individual loan, which has graduated from group loan and retail loan 1.3% of the total portfolio to 1.6% the portfolio. We like to continue in this way to graduate and also expand with the other business. Accordingly, by 2025 we can be reached to microcredit portfolio, which is called the group loan 26% from today 47%. We are diversifying geographically. Bank has hit on that geographically expand the branches across the country other than East, this year, we have also decided 530 branches will open, which is the 80% above will be other than East. That also helped us to diversify. You know that housing loan vertical, we are already working on that the West and South, they're also expanding more of those branches in South and North, which also helped us to geographically diversification of the portfolio.

Third point Bank is focusing on the retail business mode, not as a corporate business. Retail business more or less other than housing because of microcredit is the unsecured loan is more. Bank has decided on that, how we can be like to strategically balance the secured and unsecured loan. As of today, is secured loan is in 39%. So, Bank has been decided by '25 it can be 46% of the secured loan. and 54% is in unsecured loan and '26, we can be like to reach on that 50-50 secured and unsecured loans. Bank have been open in this year 329 new branches means in the last year.

Next point on that bank as per earlier I mentioned also, we are investing for their transformation of IT system, including CBS, and also, we are developing in the digital banking. Focusing on that, how we can provide the digital in the rural and semi-urban people with all respect of liabilities and assets so that we are primarily we are working on that. All of our loan, including microcredit will process, sanction, disburse system digitally, and whoever the customer is possible they are like to repay the installment by digital they will be like to give also digital and finally graduation from the microcredit group to the individual. That is also separately we are like to develop time to time.

This is an overall, all these, the performance has come because it's our Bank team are working very well and they are very much committed, customer intention to return back the money is very good. Altogether I hope that they are coming to normal and next couple of years, business will be also come to normal.

Thank you to all of you. I pass on this, the next clarification to our CFO – Sunil Samdani, then we will go to question and answer.

**Sunil Samdani:**

Thank you, sir. Good evening, everyone. I just want to take five minutes of yours to run through couple of slides, which I think is important.

First starting with the DPD status of our EEB, which we've been tracking and monitoring ever since the pandemic hit us, we are glad to say that we have come close very closely to the pre-pandemic levels in terms of delinquent goals, our 1-to-30-day DPD which was 5.3% in December 2021 has come down to 3% in March of 2022. 31-to-60-day DPD from 2% to 1.6%. 61-to-90-day DPD from 2.9% to 1.9% and NPA from 13.7% to 7.8% in the EEB vertical. What is important here is when we saw the turnaround in the third quarter, we saw the early delinquency bucket showed the bigger improvement and in the fourth quarter we are seeing that improvement across all buckets, whether it's 0 to 30 days, 31 plus 60, 61 to 90 or NPA bucket. So that's heartening and that gives us the confidence that future is good for us.

The other slide that I want to run through is the Slide #8 of our presentation which talks about the stress pool and the coverage that we have against the stress pool. In December 2021, we had a Rs. 170 billion of stress pool, and we had estimated that we could recover in the quarters about Rs. 50 billion in addition to the provisions and the CGFMU recovery.

We are glad to inform you that we have reached this Rs. 50 billion recovery instead of two quarters in one quarter itself. So, that again is a good sign, and it gives confidence that our customer businesses are back to normal. And the coverage that we estimate as on March 2022, that stress pool which was Rs. 170 billion has come down Rs. 119 billion. And against that, we used to have a 54% coverage by way of provision, has gone up to 58.5% as of March 2022. The estimated recovery, though we have done phenomenally in the Q4, conservatively we are budgeting for Rs. 30 billion for the next two quarters. The CGFMU recovery remains constant and as always, we don't want to put a guess on what will be the quantum of Assam Relief Fund.

But what is important here is despite not considering Assam, we feel that we have enough coverage to cover our entire stress pool.

So, these are the two important points that I wanted to mention here. Happy to take questions. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

**Kunal Shah:** Firstly, you had highlighted that with respect to this credit guarantee, will start applying from 1<sup>st</sup> of April. So, if you can let us know in terms of what is the status and this entire CGFMU recovery of Rs. 2,500 crores, when do we expect it to come through?

**Sunil Samdani:** To come in this financial year because we interacted and engaged with the CGFMU. So, the process that they have is the institutions can claim only once a year. So, with that being the case, this should come in two installments, close to 50% around Rs. 1200 odd crores in this financial year and the balance in the next financial year.

**Kunal Shah:** But we have not started, in terms of like, we will do it towards the end of the fiscal or when should we expect this Rs. 1200 odd crores to come in this particular year? Sorry, I missed the earlier part.

**Sunil Samdani:** As I said, we can do it once a year, so we should do it by the end of this quarter and we should expect in the first half this entire money to come in, the 50% piece of it.

**Kunal Shah:** Secondly, when we look at overall the growth was primarily coming in from the bulk deposits, retail was more or less flattened, SA for flattened, not that much of a growth relative to the loan book growth. So, how should we look at the overall deposit mobilization given the rising interest rate scenario and what would be our stance in terms of increasing the rates over a period?

**Sunil Samdani:** Clearly, we are not worried about the deposits. The growth that you see in the bulk deposits is largely to do with the seasonality. You will always see Q4 the bulk ratio at the highest level because our advances grow at a much faster pace than a pace at which a retail deposit can grow. And that is one of the reasons. The other reason is if you see our rates today, we are as competitive as any other Bank on the deposit rates side. And typically, the first quarter is relatively muted vis-à-vis the Q4 of the previous year. So, we are confident on our deposits. Interest rates, it's a market driven factor. If deposit cost goes up, the lending rates also goes up. In fact, on the fixed rate loan, which is largely microfinance for us, we have already taken an increase of almost 150 basis points last September. So, the full benefit of that should accrue in this financial year and the rest portfolio is any way linked to the variable rate flow. So, we don't see a challenge there, one on the deposit mobilization side and two pricing our deposits competitively in line with the market.

- Kunal Shah:** And now with many of the MFIs, they are raising the rates given that margin cap is not there. So, does that also provide us with more flexibility? Any which ways we were much lower than that, but still would that provide the flexibility, and would we also have funds to increase it, or it will be based on our pricing, our deposits, how would we take that stance?
- Sunil Samdani:** Clearly, it will depend on our deposits, our funds and our credit cost. So, with credit cost stabilizing, the factor here is only the cost of deposits today. So, depending upon how that moves, we will take that decision.
- Moderator:** The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** On your point of Rs. 5,000 crores of recoveries for the quarter, if we see the stress book is down by about Rs. 5,100 crores from 170 to 119. And there is a write-off of 20. So, shouldn't the recovery Rs. 30 billion for the quarter?
- Sunil Samdani:** Comparing like to like. When we are comparing 170 as of December, there as well we had a Rs. 12 billion write-off and post that it was 170, comparing like to like. And in any which ways, if there is a write-off it has a corresponding effect on my provisioning, the provisioning balance also comes down. If you look at holistically, whether the provisioning coverage, the PCR ratio, the credit cost and the coverage on the whole it is a positive move.
- Saurabh Kumar:** It is a positive, I am just trying to understand the collection from this EEB stress pool would have been 30 instead of 50.
- Sunil Samdani:** Yes.
- Saurabh Kumar:** Understood. The second is on this provisioning you could have chosen to make some more standard asset provision during the quarter. So, what is your view on the buffer provision which you want to keep?
- Sunil Samdani:** If you see, during the quarter we have taken additional asset provisioning, because if you look at our NPAs, they have come down substantially. So, if we have not taken the additional standard set provisioning, there would have been a negative credit cost in the quarter. So, we have buffered our balance sheet, our ratios across have improved whether we call it PCR or we call it coverage against the stress pool, whichever way we will look at it. So, that is absolutely what we look at and we have taken the adequate provision.
- Saurabh Kumar:** Lastly, from a next year perspective, your historically normalized number used to be 1.7-1.8. So, how should we think about, would you now buffer up that number going ahead or how should we think about the normalized provisions around?
- Sunil Samdani:** We had given that guidance even in the earlier quarters, that on a steady state basis we look at 200 to 225 basis points. So about 2% to 2.25% is what we say, 2% plus or minus 25 basis point

are these regular credit costs going forward. Having said that we would continue to add buffers. So, that can add to that. On the whole with buffer, it could be slightly higher.

- Saurabh Kumar:** Just one last question, what is the PSLC income for the full year?
- Sunil Samdani:** For the full-year PSLC was Rs. 658 crores.
- Moderator:** The next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.
- Rahul Jain:** Just a couple of questions. First on the slippages during the quarter. So, the math suggests that it was about Rs. 1,900 odd crores. Is that a correct number?
- Sunil Samdani:** No. If you look at Bank as a whole, the gross slippages number Rs. 1,365 crores of which the EEB gross slippages is Rs. 1,181 crores. The gross recovery and upgrades is Rs. 2,395 crores. In the EEB, the recovery and upgrades is Rs. 2,204 crores.
- Rahul Jain:** And on the slippages bit generally through the year, the individual book where you are sort of increasingly focused, how the asset quality trends are playing out there? Can you give us some sense?
- Sunil Samdani:** The individual book clearly is much better than the group loans. So, there the asset quality is much lower than the guided credit cost that we are doing. It is in fact, half of it. There we don't see an NPA beyond 1%-1.5%.
- Rahul Jain:** You mean NPA or the loan losses?
- Sunil Samdani:** The NPAs.
- Chandra Shekhar Ghosh:** Rahul, quality of the individual loan because of the very graduate customer from the growth and they are very good, better than the group.
- Rahul Jain:** Understood, sir. If you look at the total EEB portfolio, what percentage over time can potentially move to individual and when you look at basis the new RBI norms on MFI, what percent of the book will be comfortable with Rs. 1 lakh of ticket size assuming 50% of the loan to income ratio?
- Chandra Shekhar Ghosh:** You know that the process wise, we have started two years before graduate from the group to individual because of their family income has increased. And we assessed the family income two years before, we checked the status from the credit bureau, not only microfinance, non-microfinance, which is now RBI has come for micro to introduce it. So, practice point of view, we are on the very speed way we are making on that, and we need it is needed on that. Because if I go to this, the lending to these people, and also see that not only women and also the husband check will be needed. So, that is a good way to grow the last mile connectivity by the industry and Bandhan is also the part of that to grow it. Second point on that because of income level



now RBI have been suggested, but two years before we had talked to all of you on that, how long I can say that this customer will be the micro credit customer. Is it 20 years, 10 years? If they have not income increase, then I have been not contributing to anything their life. So, if their income increased, why not they will be graduate to the MSME, they will graduate to the agri-business. They will come back on that. For that reason, we started it. Now, if you see 24% of our group loan are converted it in an individual loan which is last two years, but majorly last two quarters. So, I hope that it will be like to make it gradually in this way, 50% we are likely to make another two years.

**Rahul Jain:** Sunil, one or two last questions. The previous question from Saurabh on the standard asset provision, you said you have taken it in this quarter. Can you quantify what that number is? And next year fiscal 2023 do you plan to build anything over and above this 200 basis point of guided credit costs that you have given?

**Sunil Samdani:** I will give you the exact number during the call. I just got that number, its about Rs. 225 crores.

**Rahul Jain:** That's the standard asset provision that you have taken.

**Sunil Samdani:** Additional. Over and above required.

**Rahul Jain:** And just last bit on diversification point which sir talked about. Of the MFI book individual plus non-individual, can we get the latest figures of east and the bifurcation between east, west, south, etc.?

**Sunil Samdani:** This you want to know for EEB or the Bank as a whole?

**Rahul Jain:** EEB.

**Sunil Samdani:** So, West Bengal, if I have to give you the top three states, my total EEB book is Rs. 62,400 crores, West Bengal is Rs. 25,315 crores, Assam is Rs. 5,812 crores, Bihar is third at Rs. 6,957 crores and UP is fourth at Rs. 5,320 crores.

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

**Karthik Chellappa:** Sunil, I just want to confirm some numbers that you gave. So, you said Rs. 1,365 crores is the gross slippages and upgrades is Rs. 2,395 crores?

**Sunil Samdani:** Yes. And this does not include write-off. These are upgrades and recoveries.

**Karthik Chellappa:** So, the net reduction is possibly about 1,000 odd crores and the technical write-off separately is about another Rs. 2,000 crores?

**Sunil Samdani:** Yes.

- Karthik Chellappa:** On the EEB book of Rs. 66,000 crores, how much is West Bengal?
- Sunil Samdani:** We just discussed that number. The total EEB book post write-off is Rs. 62,400 crores of which West Bengal is Rs. 25,315 crores.
- Karthik Chellappa:** Two questions from my side. The first one is for FY23, what is the kind of loan growth that you are expecting for the Bank and specifically if you could talk about the group loan and the housing loan. What is the kind of loan growth you are expecting for the Bank as well as these two segments?
- Sunil Samdani:** So, we are looking at 20% to 25% at a Bank level and housing is also expected to grow. In fact, our internal target is to grow faster than the overall Bank average.
- Karthik Chellappa:** And the group?
- Sunil Samdani:** That put together will be growing in line with the pan Bank average.
- Karthik Chellappa:** My last question is that can I get the restructured book for the housing segment and what was the yield for the housing segment this quarter excluding the IBPC book.
- Sunil Samdani:** It's about 10%; 9.99%, the yield on housing.
- Karthik Chellappa:** This excludes the IBPC this one right, because that is much lower yield.
- Sunil Samdani:** Yes.
- Karthik Chellappa:** And the restructured book for housing?
- Sunil Samdani:** So, excluding the book which has come out of restructuring, it now stands at Rs. 528 crores. So, there is about Rs. 475 crores where the restructuring...in fact, if we talk today everything is out of moratorium, but as of 31st March, Rs. 528 crores was still in moratorium while Rs. 475 crores came out six months back. So, as of today everything is out from moratorium or restructuring.
- Karthik Chellappa:** By that we mean it is still part of the restructured book, but they have to start paying, the payment moratorium has expired, but it is still like restructured?
- Sunil Samdani:** Because that is the regulatory requirement that once you do a restructured loan, till the time the loan remains in your book has to be classified as restructured standard or otherwise if the classification changes.
- Karthik Chellappa:** Just one clarification Sunil to a comment that you made earlier. So, on the micro book you said you have taken about 150 basis points of hike and the housing book is anyway on floating rate. So, your underlying observation is that even if rates were to rise on the funding side, you should be able to hold onto your NIMs, all other things being equal?

- Chandra Shekhar Ghosh:** No, Microfinance is at fixed rate.
- Sunil Samdani:** Yes. So, we should be able to maintain our NIMs, but that depends on which NIMs are you looking at? Q4, because of the big recovery that we see on the NPA pool, it is higher but, yes, if you look at the full year, we should be better than that.
- Karthik Chellappa:** And as far as this inflation impact on your micro borrowers is concerned, especially in the non-agri segment, is there anything that you wish to highlight at least from their cash flow serviceability point of view?
- Sunil Samdani:** I don't think we have seen an impact of inflation so far on our customers. Historically also, we have never seen inflation as the major issue as far as microfinance customer goes and so far, we have not seen any impact.
- Moderator:** The next question is from the line of Roshan Chutkey from ICICI Prudential Mutual Fund. Please go ahead.
- Roshan Chutkey:** Firstly, this EEB book of Rs. 62,400 crores, now what is the tenor of this book? What proportion of the loans are one year and what proportion of the loans are two years, maturing loans?
- Chandra Shekhar Ghosh:** 60% loans are two years; 40% loans are one year.
- Roshan Chutkey:** Can you give the breakup of how many of them are first cycle, second cycle, so on and so forth?
- Sunil Samdani:** We don't have it handy because for last many quarters we have not been discussing these cycles. We will check that, and we will share it with you.
- Moderator:** The next question is from the line of Adarsh Parasrampurua from CLSA. Please go ahead.
- Adarsh Parasrampurua:** Sunil, just wanted to check. Could you just give the breakdown of the other income, all income excluding the NII? You did mention the PSLC income, but if you could just break out the Rs. 2,800 crores?
- Sunil Samdani:** Very difficult to give a line by, but I can give you the top three contributors which would anyway be 80%-90% of the total fee income. So, the highest of course is the processing fee, but that is linked to the disbursement. That for the full year was Rs. 848 odd crores and the third-party distribution income is the third largest which is at Rs. 347 crores. The next piece is the bad debts recovery. This quarter has been a good quarter for us. So, recovery from bad debts is Rs. 388 crores.
- Adarsh Parasrampurua:** Is this for the year?
- Sunil Samdani:** This is for the year.

- Adarsh Parasrampuria:** PSLC income of Rs. 660 crores was made on what kind of sell down the certificate like what is the underlying quantum?
- Sunil Samdani:** So, we didn't sell anything under the micro portfolio because of the Udyam Aadhaar. So, these were largely other PSLs and Agri.
- Adarsh Parasrampuria:** And would you now do a little bit more of PSLC sell down? You would have access?
- Sunil Samdani:** That clearly depends on what is my access and how we tend to use it because the option to us is IBPC or PSLC depending upon where we get the better yields.
- Adarsh Parasrampuria:** I was just asking this because there will be demand in one or two years from a large Bank merger. So, just wanted to check, if that you do have more scope in the P&L to do that. And my second question is, could you just give the slippages and recovery upgrade numbers for the full year?
- Sunil Samdani:** For the full year, if you look at Bank as a whole or should I talk about EEB?
- Adarsh Parasrampuria:** You could give both, Sunil.
- Sunil Samdani:** So, for the Bank as a whole the gross slippages were Rs. 9,430 crores, I am talking about Bank as a whole. Recoveries and upgrades was Rs. 5,561 crores and write-off was Rs. 3,247 crores.
- Adarsh Parasrampuria:** And the sale numbers on EEB?
- Sunil Samdani:** For the full year it is Rs. 8,134 crores, the gross slippages, the recoveries and upgrades were Rs. 4,487 crores. And the write-off was Rs. 3,244 crores.
- Adarsh Parasrampuria:** Last thing it was asked, but let's say that the fourth quarter was great. You do have momentum on collections now. If credit costs undershoot in the next 12 months in terms of the 2-2.2 number that you guide, would it be fair to say that a lot of it could be used to like just build up to buffer?
- Sunil Samdani:** Yes.
- Moderator:** The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.
- Kashyap Javeri:** One question from my side and a data point, in the recovery that you had during this quarter, what was the interest income that was recognized on those recoveries during the quarter? That's the only question I have.
- Sunil Samdani:** Mr. Javeri I am sorry, I don't have that number handy, I will have to come back. You can take from us offline.
- Moderator:** The next question is from the line of Param Subramanian from Macquarie. Please go ahead.

- Param Subramanian:** I wanted to ask on the restructuring book what proportion is still under moratorium because you had mentioned that some amount would start coming out of moratorium in 4<sup>th</sup> quarter and 1<sup>st</sup> quarter? And what is the accrued interest on the restructured book for the EEB vertical?
- Sunil Samdani:** So, 50%, roughly, plus or minus 1% or 2% it can be, but roughly 50% of my restructured book has come out of moratorium starting 1<sup>st</sup> of April and the rest will start from 1<sup>st</sup> of July.
- Param Subramanian:** What is the accrued interest on the restructured book?
- Sunil Samdani:** Accrued interest on the restructured book should be around the Rs. 800 odd crores.
- Param Subramanian:** One more question basically on the new MFI norms I wanted to ask, a number of the MFI entities we are talking about slowing down disbursements in the first half until the credit bureau that sets are aligned to the new norms basically on calculating household income. So, firstly how are we placed on these new norms if we are looking at it? Of course, applicability is a different thing for us, but are we looking to slow down disbursements and what proportion of our book would be in line with this 50% EMI to household income cap? That was my question.
- Chandra Shekhar Ghosh:** There are two factors in here. One factor, always after the March-April disbursements has come down. This is normal nature. First 15 days, there is no disbursement has come. This is a normal nature. Second part on that I mentioned earlier, we are really practicing this household income credit group checks in our graduation loan two years before and it is practicing that. So, in that sense, we have not much more time to transform to the new system. This is going on to us and we are not waiting for one month.
- Sunil Samdani:** So, essentially what we are saying is when we started this individual loan product, we were looking at family income, we were looking at family credit bureau. So, there is a process which is already running for an individual loan process. Of course, that book is smaller the size than a group loan. So, to that extent the volume will be much bigger. It took us two weeks to start that process on the ground and since then we have been doing it.
- Moderator:** The next question is from the line of Abhishek Murarka from HSBC. Please go ahead.
- Abhishek Murarka:** My question is again on these new norms. Now you said that you are already practicing this over the past two years, but what I understand is some part of it is also dependent on external agencies like credit bureaus being able to give you the information and some of the participants have called out that the bureau itself is not ready with that kind of information specific about the consumer and the household. So how are you bypassing that, you are able to get that information or have that information without the help of the bureau.
- Sunil Samdani:** You are right. How you read it is important. There is no one report for the consolidated family record both on the micro and on these sides. What we do and our arrangement with the credit bureau is they give us a separate report for the husband and then for the wife. But within that

they give us both the micro as well as the consumer. So, we take two reports instead of one and accordingly we proceed and that is what we have been doing it for our individual loans.

**Abhishek Murarka:** What kind of observation do you have on the FOIR? Is there enough headroom to give large ticket loans or do you have to increase the duration of the product to accommodate it? What has been the experience, because you seem to be ahead of the curve in practicing this.

**Chandra Shekhar Ghosh:** FOIR, we are also practicing in our individual loan 50%.

**Abhishek Murarka:** So, all the customers they have enough headroom in terms of that 50%.

**Chandra Shekhar Ghosh:** That cannot be like to comment now, need on that another quarter will be passed and then we can see that.

**Sunil Samdani:** Let me give you a data point. We used to be 50%-50% for two-year loan. That ratio is now 40%-60%. 40% is one year, 60% is two years. Earlier it used to be 50%-50%.

**Abhishek Murarka:** Are you also planning to introduce longer tenor loans, maybe three years or longer just to reduce the EMI?

**Sunil Samdani:** That we will have to see, it is just there. It is only a month. We will have to see whether we are able to fulfill the customer requirements or not and then we will have to take that call whether it is comfortable and then we will have to take that call.

**Moderator:** The next question is from the line of Rahul Picha from Multi-Act Equity. Please go ahead.

**Rahul Picha:** My first question is on Assam collection efficiency. So, when I look at the collection efficiency in Assam for the month of December, it was 96% and for the month of March, it was 98%, while for Q4 average it was 93%. So, why there is a dip in the average number? I just wanted to understand that.

**Sunil Samdani:** So, it is not a dip. If you see the average has improved by 2%. Yes, you are right. If you assume that December was the base and then it has to improve then yes, you will find it as a dip. But if you see on a month-on-month basis, there has been an improvement.

**Rahul Picha:** For the quarter there is an improvement, but I was just thinking that from December onwards, our collection efficiency trends should have been on the upside. In Assam was January or February a bit challenging or any qualitative insights on that?

**Sunil Samdani:** Not really. You will always see the last quarter of the month will have the higher collection efficiency. So that has been in the trend.

**Rahul Picha:** But the average for the quarter being 93% it kind of also implies that probably January, February would have been even under 90%?

- Sunil Samdani:** There are two things here. One is the recoveries from NPA. So, as the quarter progresses the recoveries improve. Second is the write-offs that we take, that also gets impacted only the March number and not the full quarter number.
- Rahul Picha:** But these collection efficiencies don't include the recoveries from the NPA pool, the geographic collection efficiencies that you have given or is it included in it?
- Sunil Samdani:** The geographic is excluding NPA.
- Rahul Picha:** That would have been I think primarily impacted because of the write-offs.
- Sunil Samdani:** Yes.
- Rahul Picha:** Second question is on the restructured book like a part of the restructured book would be out of moratorium starting 1<sup>st</sup> April. So, how have the collection trends been in that book, if you can qualitatively give some color on that?
- Sunil Samdani:** We don't want to give a forward-looking number, but we have given the collection status on our restructured book as on 31<sup>st</sup> March. So, it can't be very different there.
- Rahul Picha:** But as of 31<sup>st</sup> March, it was still not in out of moratorium.
- Sunil Samdani:** So, that is what I am saying. It can only improve. It can't deteriorate.
- Rahul Picha:** My last question is on the steady state credit costs. I think a little while back in the call you said that you expect to 2%-2.5% kind of steady state credit cost going forward. So, was that on the total book or only for microfinance?
- Sunil Samdani:** That's on the total book.
- Moderator:** The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.
- Karthik Chellappa:** I just have two questions. The first one is for the housing book. Can you share what is the average ticket size?
- Chandra Shekhar Ghosh :** Rs. 8,15,000 on outstanding.
- Karthik Chellappa:** No, on disbursement.
- Sunil Samdani:** Suresh, do you have the number?
- Suresh Iyer:** It is of course. Good afternoon. The incremental disbursement is in the range of about Rs. 13.5 lakhs which is the average ticket size for the year.

- Karthik Chellappa:** And for the individual micro loans, what is the average ticket size and yield?
- Chandra Shekhar Ghosh :** What is the ticket size? 1,15,000 on a disbursement basis.
- Sunil Samdani:** Yield is same as group loan, 19.5
- Karthik Chellappa:** If the NPA on the individual book is only 1% to 1.5% and if I assume credit losses also in a similar range with a higher ticket size from a pure micro book perspective, this should be ROA accretive after mixed shift towards the individual loans.
- Sunil Samdani:** We don't expect micro group loans to have a similar credit cost like what we had last financial year. So, we expect credit cost there also to improve. But clearly it is a more ROA accretive...
- Karthik Chellappa:** Even if you assume that the credit cost to be about 225-250 basis points for the group loans and this is only 100 basis points lower with a lower cost income ratio and a higher ticket size, the ROA should actually be materially higher?
- Sunil Samdani:** Yes. It would be higher. I don't want to put the adjective to it, but yes, it is higher.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I now hand the conference over to Mr. Sunil Samdani, CFO for closing comments.
- Sunil Samdani:** Thank you ladies and gentlemen for your time and patience. Thank you very much.
- Moderator:** Thank you. On behalf of Bandhan Bank Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.