



“Bandhan Bank Q1 FY-23 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Bandhan Bank Q1 FY 2023 Earnings Conference Call. 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. Ritesh Mehta from Bandhan Bank. Thank you and over to you sir.

Ritesh Mehta: Thank you Renju. Good evening, everyone and thanks for joining this call. It is a pleasure to welcome you all to discuss Bandhan Bank's business and financial performance for the quarter ending June 2022. We will take this opportunity to update you on the recent development in the industry and Bandhan Bank during the quarter.

To discuss all this in detail, we have with us our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh and Chief Financial Officer (CFO) – Mr. Sunil Samdani, our Head Assets – Mr. Kamal Batra, our Housing Finance Head – Mr. Suresh Iyer.

Now, I would like to request our MD and CEO – Mr. Chandra Shekhar Ghosh to brief you all about Bank operational and financial performance along with the developments for the quarter ending June 2022. Over to you, sir.

Chandra Shekhar Ghosh: Thank you, Ritesh. Good afternoon and Namaskar to all of you and thank you for your time to joining today. I hope all of you and your loved ones are safe and healthy. I am pleased to state that the April to June 2022 quarter has been a balanced quarter for the Bank. I will take you through the key figures.

Quarter 1 of the financial year is the lean period for the financial services industry and therefore the quarter-to-quarter comparison shows a minor dip. It is no different for us, for that I am trying to keep this the figure compared to the days of the first quarter of the last year to this year first quarter. The overall advances have shown 20.28% growth year-on-year and a marginal decline in the 2.71% percent quarter-on-quarter why is it a decline, primarily due to the quarter-on-quarter decline because of microcredit book decline is at 6.8% which is the seasonality of the Bank and second point on that there is a flood in Assam, these are the two cause and third cause has coming on that because of the RBI have the new regulation has come and impacted on that effected from April 1st 2022, so that one and half months delay. So that is the three points have been given based decline of based to quarter-on-quarter growth of micro funds.

So, if we look at loan growth other than micro credit it will be the 4.3% growth on quarter-on-quarter basis. The very good point I have been mentioned in here the 27% percent of the year-on-year growth has come to our housing vertical. This is a very big achievement have been done and then you have seen at the last three quarters based the vertical have been growing very good

and it has been big help asked to increase the secured loan of the Bank and with this the vertical 4.5% growth have been given this quarter-on-quarter basis. Even in a muted quarter, we have managed to show good growth in the housing finance book. We are planning to grow with a more than that growth in this financial year and future.

The retail loan book other than housing finance book consisting of personal loan, gold loan, two-wheeler loan and auto loan has grown 61% year-on-year and 9.1% quarter-on-quarter, that is also the second focus of the Bank to grow in future.

The commercial Banking vertical consisting mainly NBFC, SEL and the SMA loan with 81% year-on-year growth with is the quarter-on-quarter growth has come 3.2%. So, these are the other than microcredit these are three verticals have the future growth will come to the Bank which can be diversified the Bank portfolio across all verticals which we are projected strategically. The growth of this segment is welcome sign for the Bank as this is in line with the Bank's portfolio diversification agenda.

The first quarter of the current financial year saw economy growth revived strongly as many businesses returned to normalcy given the significant increase in the confident among the population of managing COVID. We are happy to see signs of strong demand for credit in the most of the business in the first quarter due to the implementation of the new regulation, growth in microcredit little bit this muted.

Coming to this, the liabilities' part, our deposit has grown 20.33% year-on-year and CASA also have been grown 21% year-on-year. The CASA ratio has come 43.2% which is 160 basis point higher than the last quarter. The retail deposit is our focus, which is a 78.4% in this quarter which was in earlier quarter 77.23%. So liabilities growth also has come very good, strong and given a focus on that will be continue our retail deposit and CASA deposit in future to manage our advance growth.

Along with the business growth in advance and deposits, we have also seen very encouraging collection efficiency trend during the quarter. The overall collection efficiency of the Bank has come 97% in quarter 1, if I come to this the microcredit excluding NPA and restructuring overall EEB collection efficiency is at 98% which is very normal collection efficiency. West Bengal is at 98%, Assam is at 95% and rest of India 98%. If I go to this including restructuring loan excluding NPA, overall EEB collection efficiency 94%, West Bengal 94%, rest of India 96%, Assam 78%, which means from that the flood is little bit impact has come to the collection efficiency. Microcredit loan that has been dispersed after the second wave of COVID, till June 2022, 99% of our customer are paying back.

Our NPA is just less than 2% in that portfolio which shows that the loans given after the COVID second wave are mostly standard and are as per our usual Pre- COVID experience that is there when given the strength of the Bank, the future our growth of this microcredit will not like to

again any of this, the critical position on that. With the people's livelihood coming on track, we have observed eagerness amongst our customer to standardize their accounts in order to continue to enjoy the benefit of formal credit by maintaining a healthy credit record. We have seen strong collection efficiency despite the flood in Assam.

For the first quarter, our growth NPA ratio stood at 7.25% which was in the last year, first quarter 8.18%, net NPA has come 1.92% which was in last year first quarter was at 3.29%. We will see that in the business growth customer confidence, credit demand and we have the confidence on that, we would like to continue our net NPA less than this amount which is 1.92. We are more than covered in terms of our provision, total provision of the Bank as on cumulatively as on quarter 1 financial year 2023, is Rs.8847 crores compared to Rs.8197 crores in the last quarter. This makes our PCR at 75% but if it is a PCR with proforma includes it is in 101%.

Bank has not taken any restructuring in this quarter and we have also not feel that it is needed in the future and there is no write-off, we have done this quarter. During the quarter 1 the Bank has seen improvement in the gross net and the net NPA level compared to the quarter 1 of the last year but on a sequential basis, we have seen some increase in the NPA figure mainly due to three causes one is restructure loan, though the restructure customer 57% are paying and if I roll because of the delay disbursement and the Assam flood. Bank has seen total phase slippage Rs.1125 crores which was lower than the last quarter which was the Rs.1365 crores.

Within our fresh slippage in the EEB segment was Rs.908 crores in the quarter 1 versus Rs.1181 crores in the last quarter. Most of the fresh NPA which we are seeing in this quarter are the ones to whom we have lent during the COVID period. Many of our customer have been paying regularly and have nearly regularized their overdue account but until the entire overdue amount is not recorded, they cannot be categorized as a non-NPA customer.

Finally, in the first quarter, we have seen that 73% of our NPA customer are paying and 57% of our restructured customer are paying which given that the confidence to us the gross and net NPA future will be come down, no fresh slippage happened very big way on that. It is only the matter of time because customers are paying, these two types of customers, they are paying not in full all, they are paying the partial installment so that there is a swing on that some of the bucket of their rate but their interaction with us, we have seen that they have given the confidence to us, they will take some time but repay the full amount on that.

With the business growth and improvement in the collection, we have seen our profit growth has come 138% year-on-year which in this quarter has come Rs.887 crores against the net profit of the last year in the same quarter Rs.373 crores.

Our net interest income has shown a growth of 19% year-on-year. It has increased the Rs.2514 crores in Q1 FY23 from Rs. 2114 in Q1 FY22. Our net interest margin for the current quarter is 8% which is the range of our expectation.

Total credit cost for the quarter financial year 2023 is 2.7% compared to the last year first quarter 7.2%. I like to mention in here the credit cost and NPA percentage has given the confidence to ask the will be like to continue in this the record in this financial year.

Coming to this outlook for the rest of the year, as you all know, we are seeing the economic activity picking up and business coming back to normal across the country. The Bank has a focus is on that the business growth in this financial year which is after the pre-pandemic situation and credit cost and NPA has stabilized and diversification is our core area we are like to continue to do it so that housing, retail other than housing and SME we also like to continue to grow on that. All these together, we see that this quarter, we have added 6 lakhs new customer. So, Bank is growing not only that the existing portfolio growing, that is also new customer adding and then our liability and asset both are making growth on that.

I wish you and your family all the very best. Please take care and stay safe. Thank you for all of you to listen me and you have the question, you can. Thank you.

Moderator: Thank you sir. Now we will have an opening remark from our CFO, Mr. Sunil Samdani, over to you sir.

Sunil Samdani: Thank you Ritesh. Good evening ladies and gentlemen, I will take this opportunity to run you through few slides of our presentation.

Starting with Slide no 5 we talked EEB collection efficiency. Here, we are talking about collection efficiency excluding the restructured portfolio to make is like-to-like and comparable it with the previous quarter. As it is visible for the month and for the quarter, West Bengal and rest of India, the collection efficiency stands at 98% and Assam for the quarter is 95% but for the month of June is 93%. Assam has been impacted by floods in the month of June and hence the June collection efficiency is lower. We are seeing an improvement there starting July and we hope that by September, we will reach to pre-flood level as far as the Assam collection efficiency growth. If we talk about the share, the paying customer, the customer paying profile 94% of our customer paid their full installment, 1% are not paying and 5% are paying part installments. The similar numbers including restructuring is available it is on the same logic.

I will not read the same. I will go to the Slide #7, here we talk about NPA customers and restructured customers' payment pattern, how are they behaving. As far as NPA customers go 73% of the customers continue to pay, either in part or in full and 27% of the customers do not pay, those who are already in the NPA bucket, which is a healthy sign which makes the recovery from NPA will continue happen, the recovery and upgrades. Now coming to the restructure customer's paying pattern about 57% of the customers have paid part installments in the quarter and about 43% of the customer have not paid their installments.

Slide #8, we talk about the DPD movement, here you will see the increase in DPD that is largely because of the restructured customers demand getting generated from April onwards and the impact of Assam floods in the earlier bucket. Other than the restructuring impact, the DPD movement has been less than 0.3 to 0.4 basis point in each of these buckets.

Now coming to Slide #9, here we talk about the stress pool and the coverage analysis, what we have seen is the total stress pool which the way we calculate here which is the restructured NPA, SMA1 and SMA2 for which EEB portfolio stands at 121 billion and against that we have provision.

Now before we get into the coverage, let me explain this pool of 121 billion, you will see the restructured amount at 21.4 that is because half of the restructured customer's the demand has started and those customer are either in current or SMA buckets or the NPA buckets. Accordingly, what we show here as restructuring is only those customers which will come out of restructuring in the current quarter. Those who have already come out their positioning is on the respective SMA buckets or the current buckets. Now as against this 121 billion, we have a provision of 76 billion so the coverage on the provision has improved by 3% quarter-on-quarter, we have taken the extra provision of Rs.335 crores this quarter which is over and above required provision to improve the coverage. So, of the total provisioning line item of Rs. 640 crores that we have for the quarter. Rs.335 crores is the additional provision over and above the required provision that we take.

The CGFMU recovery stands at Rs.25 crores, the first claim we will make in the first week of October and that claim will be roughly in the range of Rs.1150 crores to Rs.1200 crores and the estimated recovery, we expect going forward to be 25 billion. Recoveries as you all know, for us, the second half is more focused on the recovery. The recoveries in the second half is much higher than the first half. So, we are confident of this recovery going forward as well. And of course, the diversification side which Mr. Ghosh had already spoken about so I will not take much of your time.

Thank you very much for your patient hearing, happy to take questions.

Ritesh:

Thank you sir, we will now take question and answer. Over to Renju.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question is from the line of Sameer Bhise from JM Financials. Please go ahead, sir.

Sameer Bhise:

Hi, thank you for the opportunity, just a few questions primarily on the other income bit, is there any NPA mangled to lower other income during this quarter?

Sunil Samdani:

The other income is lower primarily because of two reasons, one is on the treasury portfolio in the previous year same quarter I am comparing it with Q1 of FY 2022 because Q4 clearly is not

comparable because disbursement in Q4 is almost four times of Q1. So, the processing fee is very high in Q4. So, the better comparison is Q1 of FY 2022. So, there is in Q1, we had booked a profit on sale of investment of Rs.174 crores. This is the movement from HTM to AFS that we do once in a year. So that change has not happened this financial year due to adverse wheel curve movement and secondly the mark to market provision that we do in Q1 of FY 2022, there was a reversal of mark to market provision of Rs.86 crores. So effectively in Q1 there was a Rs.270 crores income on the treasury book, whether it is on sale of investments or mark to market against that there is mark to market provision or loss that we have done of Rs.79 crores, this quarter. So, that is effectively Rs.330 crores movement if we compare last year same quarter to this quarter. The second piece is on the PSLC income, this quarter our PSLC income is lower by almost Rs.130 crores compared to last year same quarter that is because we have not sold PSLC this quarter particularly on the Agri portfolio, where we are awaiting a clearance from the regulator. The moment we get that in the second half probably, you will see an uptick in the PSLC portfolio as well. So, these are the two main reasons.

Sameer Bhise: Okay, by just talking about PSLC, in the annual report also mentions that there is change in the recognition of priorities sector loans. Could you please elaborate because the outstanding PSL eligible loans have come down on a year-on-year basis, so that will be helpful.

Sunil Samdani: This pertains to you know in FY 2019-2020, the RBI had an observation that we do not have the land records for our Agri portfolio. So clearly bulk of our Agri portfolio comes from microfinance customers which are landless labors. So, in such a scenario, there is no question, of having a land record. So accordingly, we had represented to RBI, explaining the positions as to why we cannot have the land record here. But since this was an observation in the 2019-2020 report for which there was a demand raised to deposit the funds in RIDF in Q4 of last financial year. So accordingly, we had deposited the RIDF there. In 2021 and 2022, there is no such requirements.

Sameer Bhise: But the assessment is complete for 2022?

Sunil Samdani: We are yet to receive, the final report but the assessment is complete and we do not expect that to come in for FY 2022.

Sameer Bhise: Okay and just one final thing, if we look at the DPD movement in this, 61 to 90 buckets, West Bengal shows a quite a bit of a jump, is it primarily the restructured book of that state or is there something else to it.

Sunil Samdani: No, in the restructured book, excluding restructured book, the movement is less than 20 basis point.

Sameer Bhise: Okay and just one final thing. Do you think there is a case for revisiting the credit cost expectations that you had put out in previous quarter around 200-225 basis points?

- Sunil Samdani:** We have kept it at 2.5% and we continue to keep it at 2.5%.
- Sameer Bhise:** Okay. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Adarsh Parasrampurua from CLSA. Please go ahead, sir.
- Adarsh Parasrampurua:** Hi, thanks. Sunil, just dwelling a little in the PSL part when we go through the annual report it is the FY 2022 PSL loans which seem to have compliant loan seem to have dropped from 88% to 58% or some percentage. Just wanted to understand, does this have a barring on how the Banks PSL income would be because your stock of PSL compliant loans as marked for FY 2022 is down. So just trying to understand if this can be an issue for our PLSC income.
- Sunil Samdani:** There are two things here, we have conservatively not considered the piece of Agri tool which is the non-allied Agri part as it is. Based on the RBI observation of 2019-2020, once we have the clarity on that and if it is on the positive line which we expect then this pool can go up and accordingly, we can look at PSLC income. But at this stage, we will not be able to confirm from either these.
- Adarsh Parasrampurua:** And just to clarify, your FY 2021 and 2022 PSLC income was how much?
- Sunil Samdani:** For my FY 2022 PSLC income was about Rs.650 crores.
- Adarsh Parasrampurua:** Got it and if it is adverse, like large part of this goes away or how does it work or you can still get a material part of this?
- Sunil Samdani:** So, about Rs.150-200 crores is what we can look at.
- Adarsh Parasrampurua:** Okay. Your income, so you might lose about Rs. 400 crores to Rs.500 crores, is it?
- Sunil Samdani:** Yes, that is the worst-case scenario.
- Adarsh Parasrampurua:** Got it Sunil. And now coming to the DPD movement the Rs.2100 crores of restructured book that is something that starts to service the debt in this quarter or how is it?
- Sunil Samdani:** Yes, that will start this quarter.
- Adarsh Parasrampurua:** So, it seemingly, when you look through the numbers majority of restructured books found its way into the DPD buckets and there is restructured book which still is not servicing. Two questions here, one is that going by the same experience most of it could be DPD and some of this DPD is late state, so your NPAs will likely risen to Q1 and Q2 as some of this goes along. So, I just wanted to understand if we should have ideally provided more, you seem comfortable because you will get those guarantee related recoveries that are expected.

Chandra Shekhar Ghosh: If I say one point and then Sunil can be add on that, beginning on that our structured loan it is Rs. 7,400 crores and we are now balance has come Rs. 4,600 crores. So more or less it is Rs. 3,500 crores which, more than around 50% of the loan recovered and customer are paying on that. And second point on that, those are outstanding are pending. There is a 57% of that of the restructured customer are paying. And their payment in Assam are given as a because of they have given a partial amount, so that automatically they are going to movement to the different DPD need redone credit for running their business and it has been started the business from the second quarter which is before the festival and that is the hope on that they will be returned back. This is my confidence on my customer.

Sunil Samdani: Thank you sir. So, specifically to your point as sir mentioned, these are part paying customers, hence the DPD bucket. We can see them moving the DPD bucket. But on the provisioning side I think we are adequately provided. On my entire restructured book, I have an 80% coverage already provided for. And I have a position where 53% of the customers are paying and to top it up, we have the guarantee cover which is over and above this. So, on the whole I think we are adequately more than adequately provided. Hence, we are sticking to our credit cost guidelines.

Adarsh Parasrampuria: Got it sir, my last question is on the operational changes done to comply with RBI's norms right in terms of how you underwrite. Can you just walkthrough what all changes are required are we fully done and now it is back to disbursements as usual or what were the changes?

Sunil Samdani: Yes, the changes were broadly on the household income and you know identification and recording and calculation of FOIR. So, which we used to as part of individual lending customers. Which was roughly 20%-25% of our network. Now we have to do for 100% of our network. Which is the household income calculation and the FOIR calculation. So that training for the entire network has happened and that is why the first 30-40 days of the quarter, the disbursements were muted and now we are back to normal both on disbursement with the new guidelines.

Adarsh Parasrampuria: Got it Sunil, this has been helpful, thanks.

Moderator: Thank you. Ladies and gentlemen in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow up question, we would request you to rejoin the queue. And the next question is from the line of Kunal Shah from ICICI Securities. Please go ahead, sir.

Kunal Shah: Yes, first question on restructured pool, if you can just share the movement of this restructured pool. So Rs. 4,900 crores becoming Rs. 2,100 crores. So, this Rs. 2,700 crores how much is recovered, how much is flowing into say NPA, SMA2, SMA1. So, the question where I am coming from just wants to sense how much is the incremental stress into this entire pool because of Assam flood and how is because of restructure.

Sunil Samdani: So, let me first give you the numbers, my total restructured pool outstanding whether it is part of the DPD or scale part of restructuring is Rs. 4,661 crores. Of these Rs. 4,661 crores, so Rs. 4,900 crores have become Rs. 4,661 crores, which means we collected about 300 crores this quarter from the restructured pool. Of these Rs. 4,661 crores, we have Rs. 2,141 crores which is still in the moratorium and 2,520, we have customers which have moved buckets. They will be either part of SMA0, 1 or 2. So on the whole, if you see about 70% of the customers are part of SMA1, 2 or NPA. But that is because of the part paying nature, though 57% of the customers are paying, we will have these customers move buckets.

Kunal Shah: Sure, so fair to assume that overall stress pool is going up by Rs.200 odd crores and Rs.300 crores is something which we have recovered from or restructured. So, net-net the increase is only Rs.500 odd crores in the stress pool including the Assam impact.

Sunil Samdani: Yes, that is fair way to look at.

Kunal Shah: Okay, so maybe wherever Assam, we have seen delays that could be already pertaining to either the delinquent book or restructured pool that would have also got impacted to that extent. And again, Assam there would be flow through which will largely come in Q2 because it would have not maybe that DPD buckets would have not got over. So then again in Q2, we could actually see, the real pain coming from Assam. So would that be a fair assumption.

Sunil Samdani: No, we in fact expect things to normalize by the end of Q2 as far Assam goes. So, we are expecting collection efficiency of back to 97% mark, where we were by the end of Q4. So, it will not be fair to assume that the June month behavior or the July month, the one-month behavior because that was the month when we had floods. That behavior will continue throughout.

Chandra Shekhar Ghosh: If you see that Kunal, the Assam collection efficiency is 95% other than restructuring loan in June. So, in that sense if you see that the flood has been started in May and up to June so that is one side, we see that impact. But July onwards it will be again coming back on that.

Kunal Shah: Okay, and one last question on this CGFMU, I think last time, you highlighted that we will start the process in this fiscal end, we expected recovery in first half but I think now you said like you will be applying in October, so why this delay and maybe we should see some delayed recovery with respect to that of 25 or maybe Rs.2500 odd crores which we are expecting here.

Sunil Samdani: No, there is no delay, the process of CGFMU is a process claimed only once a year, and they process claim basis the NPA which has happened six months back, so if I claim, let's say, I could have done the claim in Q1 itself but then I would have got the NPA which was NPA as on September 31st or December and not as on March 31st. So my eligible amount to claim would have reduced, so put it shortly if I claim it on October 1st, right which is when I can claim the entire NPA of March 31st, 2022 I could claim as around Rs.1200 crores, Rs.1150 to Rs.1200

crores, but if I have to claim it today, the claim would have not been more than Rs.500 to Rs.550 crores, so that is why we took that call that we will make this claim in the first of October or the first week of October to have the full benefit of Rs.1100-Rs.1200 crores for the year because we can claim only once a year.

Kunal Shah: Sure, got it. Thanks, and all the best.

Moderator: Thank you. Next question is from the line of Sourav from JP Morgan. Please go ahead, sir.

Sourav: Sir did I get this right but on slide 9 that the overall collection is 300 crores and you are suggesting Rs.2500 crores for next two quarter?

Sunil Samdani: Yes, so we expect that because if you look at the seasonality and historical trends also with every quarter our collection in absolute amount as well as in percentage terms improve with the Q2 is better than Q1, Q3 is better than Q2 and Q4 of course is the best for us. So, as we move to the second half the collections should improve materially and that is why we say that we should be able to recover.

Sourav: Okay and secondly on this interest rate hike as you know there are lot of microfinance companies have taken these hikes and I remember you also took one but has it started going through your EEB book now.

Sunil Samdani: As of now we have not decided on any further hikes we had taken one in September 21 so we will continuously monitor our cost of funds and if there is a need, we may look at it.

Sourav: Okay and this one last thing sir, on your borrowings have gone up sharply this quarter and deposits have gone down can you just explain what's happening there?

Sunil Samdani: So, see in this quarter we have the RIDF requirement which was there, that was partly done in Q4 and partly in Q1 of this year, in April of this year right and hence for meeting that RIDF requirement, we have taken the borrowings and borrowing for us is cheaper because it is refinance and it comes at a cheaper cost than the bulk deposits because there is no CRR and large requirements there.

Sourav: And sir, your outlook for loan growth this year should be in the 20% ballpark?

Sunil Samdani: Yes.

Sourav: Okay. Thank you, sir.

Moderator: Thank you, Next question is from the line of Sameer Bhise from JM Financial. Please go ahead, sir.

- Sameer Bhise:** Yes, thanks for the follow up opportunity just one question, Sunil sir can you provide the break-up of slippages across business lines?
- Sunil Samdani:** Yes, thanks for asking that question because that's the one big positive that we see in this quarter. The overall slippages for the quarter was Rs.1125 crores this number was Rs.1365 crores in Q4. So, the gross slippages have come down quarter-on-quarter and more importantly of these Rs.1125 crores the slippages from restructured customer is about Rs. 315 crores, so excluding restructured customers, my slippages quarter-on-quarter have reduced by half from Rs.1365 crores to about Rs.750 crores.
- Sourav:** Okay and this finally of the balanced restructured portfolio, when do you think the entire portfolio comes out of moratorium?
- Sunil Samdani:** By September everything will be out of moratorium.
- Sourav:** September, okay. Thank you. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Param Subramanian from Macquarie. Please go, ahead sir.
- Param Subramanian:** Yes, hi thank you for the opportunity. My first question, Sunil, we are budgeting for in terms of recoveries from this stress pool of 25 billion which was the same as what we were doing before but if I am looking at the collections including the arrears that seems to have come off, pretty sharply so any outlook, do you think this number as in there is scope for little reduction over here, your thoughts on that?
- Sunil Samdani:** No, not really because you know as I explained that recoveries for us is also seasonal in a sense the recovery amount is lowest in the first quarter it increases as the quarter progress. So historically if you see last 20 years Q4 has the highest recovery and Q1 is the lowest recovery. So, we are confident that this year will be no different and now that the pandemic is behind us, we do not see a challenge here.
- Param Subramanian:** Sure. Okay thanks for that and also on the new MFI norms has it impacted the ticket size of your disbursement, could you give some color on what your ticket size of disbursement is currently and has this norm of you know 50% EMI cap, you know 50% of household income has it impacted the ticket size of your disbursements in anyway.
- Chandra Shekhar Ghosh:** I will take that point, last two years, we are practicing on that those are very seasoned customer and very good business we are graduated them to this individual as MSME so bigger ticket size are shifted in there. So, in that sense we are not find out of that because of new role it has come to our help on that to reduce the ticket size. So, who are eligible for that loan as the graduated loan their income of the household is more than 3 lakhs. So, that would be like to more help us

from that to not making on that but after that if you see that my group loan which is that called the EEB other than that the individual loan their ticket size has come Rs. 39,819.

Param Subramanian: Okay sir and what would it be as in this Rs. 39,819 what was it if I can get a sense of what it was probably a year or so ago?

Sunil Samdani: It will not be a like-to-like comparison because now we have an individual loan or we call it small business and Agri loans which is separate and group loan is separate.

Param Subramanian: Okay the higher ticket customers have migrated to individual and that's why you are saying the income is more than 3 lakhs. Is that the right understanding?

Sunil Samdani: Correct.

Param Subramanian: Okay, got it and Sunil there is one last data point if you could just share the restructured portfolios played between West Bengal, Assam and rest of India since you have the SMA numbers, NPA numbers in that split between West Bengal, Assam, rest of India, you could share for the restructuring as well that is my last question, thank you.

Sunil Samdani: Just a minute. So, my total restructured book whether they are part of restructuring or part of SMA those who have moved out, those whose demands have started is Rs.4661 crores as I mentioned of which West Bengal, Rs.3123 crores and Assam is Rs.1502 crores.

Param Subramanian: Assam is?

Sunil Samdani: Rs.1502 crores

Param Subramanian: Okay. Thanks Sunil. Thank you, team and all the best.

Moderator: Thank you. Next question is from the line of Abhishek Murarka from HSBC. Please go ahead, sir.

Abhishek Murarka: Hi sir thanks for taking my question. Sir just one clarification, I required in this Assam Relief Scheme, I think the portfolio eligible for this was around 35 billion or so last year. What is the update here, is there any progress or any allocation that would have come to you?

Chandra Shekhar Ghosh: If you see that in the Assam government has given that Rs.1700 crores as on today with the customer are regular and so that it is not in an all customers are demand we have. Second point is that there is in category 2 and 3 which is overdue and NPA customers the government in the last budget has been allocated Rs.1500 crores now and they have said that if further need they will be again given on that. So that Rs.1500 crores that is in tentative time was in this quarter but because of the flood has come it has been deferred and maybe the next quarter it will be counted.

- Abhishek Murarka:** Okay, so the outstanding portfolio now there is about Rs.1700 crores, is it?
- Sunil Samdani:** This claim is as of March 21st, so it has nothing to do with current outstanding the eligibility is of the earlier day.
- Abhishek Murarka:** Okay and just a few data keeping questions so can you share the movement of NPAs as in the write-offs and recovery upgrade as well.
- Sunil Samdani:** Yes, so as I mentioned the slippages including slippages from restructured pool stands at Rs.1125 crores, the recovery and upgrade is Rs.538 crores. So, the net addition to NPA is Rs.588 crores, there is no write-off during the quarter.
- Abhishek Murarka:** Okay and finally just a state-wise break-up of the restructured MFI so you gave out overall restructured break up just the MFI Rs. 2140 crores if you can give a state-wise break-up.
- Sunil Samdani:** Rs.2140 crores is the restructured portfolio which will come out of restructuring in Q2. In addition to that what has already come out in Q1 those customers are part of DPD. So, the total restructured pool is one which is yet in restructuring as of June 30th and the one which has come out of restructuring as I mentioned was Rs.4661 crores and I have already shared the top two state which is 90% of it.
- Abhishek Murarka:** Okay. So, just the EEB you would not have West Bengal and Assam, how much that split would be?
- Sunil Samdani:** Yes, as I mentioned of this Rs.4661 crores of EEB structuring book, Rs.2140 crores
- Abhishek Murarka:** Okay. Got it. Sorry, clear now. Thanks those were my questions.
- Moderator:** Thank you. Next question is from the line of Anand Dama from Emkay Global. Please go ahead, sir.
- Anand Dama:** Yes, thank you sir. First of all, in case of Assam, we talked about the SMA pool but have we done 100% billing in Assam or the billing is still incomplete?
- Sunil Samdani:** When you see billing means, the demand, once we will come out of restructuring, the demand has been started again on April 1st now.
- Anand Dama:** No but for the standard pool would you have done basically the entire billing for this quarter or because of the floods and all, you would not have raised demand and because of which that may reflect even into SMA pool.
- Sunil Samdani:** We have not stopped any demand even for a day.

- Anand Dama:** Okay, we have not done that and what is the situation over there, the floods have receded, the meeting have again started or like how do you see no collection standing out over next 2-3 quarter.
- Sunil Samdani:** The meetings have started happening, the collection for July is better than June and we expect by December we should be back to normal.
- Anand Dama:** Okay and when you say normal means that there will be still some stress which will flow into the SMA pool barring what we had seen at this point of time or the current SMA pool is still to come down?
- Sunil Samdani:** No, it should come down because as those customers who have already flown once the repayment starts the impact of floods goes away, even the stress pool should reduce. Because if our collection efficiency improves from 93% to 96%-97%. The overall outstanding will also reduce.
- Anand Dama:** And sir, is there is any scope of because of this flood kind of natural disaster being there, as far as to the government or basically RBI could allow you to do further restructuring in Assam specifically.
- Sunil Samdani:** That is a possibility if they notify that is as a natural calamity then there is an option to Bank to avail the benefit
- Anand Dama:** Okay and that basically, state government has to notify that is a natural disaster or the central government.
- Sunil Samdani:** The state govt. has to recommend and then the SLBC will notify.
- Anand Dama:** Okay sir. And sir, lastly your staff cost is quarter-on-quarter higher. Is there any one-off over there or like this is a new normal that we are going to see?
- Sunil Samdani:** Quarter-on-quarter is higher because we continued to recruit people in our non-micro segment. We had increase people in our micro-segment previous year, as we had to do the door-door collection. We are strengthening our retail and commercial banking finance, where the growth coming in, that will be the next growth driver and also the impact of premix.
- Moderator:** Thank you. Next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead, sir.
- Karthik Chellappa:** Good evening, thank you very much for the opportunity, sir. Just two questions from my side. Firstly, if we look at the various buckets whether 1 to 30 and specifically 60 to 90 as well as NPL. West Bengal has seen a far higher increase than the rest of India. Although in your opening

comments you mentioned that it is because of the restructured pools spilling over. Are there any specific factors at play in West Bengal which is making the ratio inferior at least to rest of India.

Sunil Samdani: Not really, because the restructuring was more and we have already shared the number. So, with restructured portfolio is more in West Bengal and Assam and the flow to DPD will also be higher on those states. And the reason, they are part of DPD buckets because they are paying part installments.

Karthik Chellappa: Ok got it. The second question in on the housing portfolio despite the growth starting to revive, the NPA ratio still seems to be sticky at 3.4%- 3.5%, why do you think that is the case and can I also have the restructured number for the mortgage book separately.

Suresh Iyer: So, the housing book actually because the recovery efforts could particularly in terms of the SARFAESI have been initiated only for September 2021 when the Supreme Court embargo came out that you cannot take any coercive action. So, the impact is now getting visible and we should see some improvement going forward. So actually, we have seen some turnaround in the kind of books but as the restructured pool also keeps coming out and some more things keep getting added. So overall there is not much of an improvement which is seen right now but the impact of the recovery effort that are being initiated are kind of getting visible and we should see some improvement going forward. So that is in terms of the portfolio. Second question as regards to restructured pool so we have a total restructured pool in the housing portfolio which is about 1,171 the entire portfolio has come out of the moratorium period because the last pool actually got over in March. So now the entire pool is out of the moratorium and the EMI have started commencing and there again there has been a little bit of gap in terms of collection which again will be covered in the coming month because after 18 months' gap when you are again going back to the customer. There is slight difficult in coming back into the mode or habit of coming to a payment every month. So, that is what is the issue.

Karthik Chellappa: So, the restructured balance per se is zero but it is either sitting in NPA or SMA1 or 2 bucket or they have started to pay, is it?

Suresh Iyer: Yes, they have started. So those who have started paying there are also huge amounts of regular customers also but yes there are some cases which continue to be in the SMA1, 2 and few in the NPA bucket also. But all of them, the EMI has commenced and the last second branch that had also been given which was for 12 months have also got over and have the EMIs have started commencing from April onwards.

Sunil Samdani: So, Karthik let me give you a sense of restructured book of housing. Everything is out of moratorium as of March 31st 2022 and of that it is less than 4% which has slipped to NPA of the total restructured pool. 80% is still in SMA0 or current and the balance 10% is in SMA1 or 2.

- Karthik Chellappa:** So strictly speaking out of the Rs.530 crores which was the fourth quarter balance in the housing book only 10% is either SMA1 or 2, the balance is either into NPA or has been collected, right?
- Sunil Samdani:** No which number are we looking at?
- Karthik Chellappa:** At the end of the fourth quarter last year. The restructured book under housing was it something like 5.3 billion?
- Sunil Samdani:** Correct.
- Karthik Chellappa:** And that you are saying right now 10% of that which is basically 530 million or so is still in SMA1 or 2 whereas the balance either is current or some of it has slipped into NPA, right?
- Sunil Samdani:** So, 5% has slipped into NPA, rest is current.
- Karthik, Chellappa:** Okay, rest is current and 10% is basically is still in SMA1 or 2, okay.
- Sunil Samdani:** Yes.
- Karthik Chellappa:** Okay, this is very clear. Thank you very much Sunil and wish you and team all the very best for the remaining quarters, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Mayank Gulgulia from SBI Life. Please go ahead, sir.
- Mayank Gulgulia:** Hi sir, just follow up question on CGTMSE. So, like we will be making the application in the month of October when they will be receiving the confirm there.
- Sunil Samdani:** Typically, in two months' time. So, in Q3, we should have it in place.
- Mayank Gulgulia:** Okay, and one follow up on Assam guarantee scheme, you share previously that Rs.1500 crores was supposed to come in this quarter which might have deferred from next quarter, this is for Rs.1500 crores for Bandhan Bank or for entire MFI vendor?
- Sunil Samdani:** So, what Assam government what we hear and this of course is from the media reports right so there it says that, Rs.1500 crores have already been allocated for the delinquent bucket. So, there are three categories zero DPD which is over, second is delinquent, third is NPA. So, this Rs.1500 crores is the for the delinquent bucket which they have culled out from their bucket and that is for the entire delinquent bucket and this was to start in Q2 but because of floods, we understand that they will do it in Q3 now.
- Mayank Gulgulia:** And what is our share in that Rs.1500 crores.

- Sunil Samdani:** It is about 60% should be our share, very difficult to quantify exactly but since our market share then was 60% and we should assume 60% here as well.
- Mayank Gulgulia:** Okay that was helpful. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Jai from B&K Securities. Please go ahead, sir.
- Jai:** Hi sir, thanks for the opportunity, most of the question have been answered, I just wanted to get the total restructuring number at Bank level if you can provide that.
- Sunil Samdani:** For the total restructuring outstanding today as on June 30th is Rs.5800 crores.
- Jai:** Which is broadly unchanged, right because the last quarter was also Rs.5890 crores something.
- Sunil Samdani:** No, unless we are comparing EEB to total because every quarter we recover 5% of the restructured pool.
- Jai:** Okay, because the number I have for the last quarter was Rs.5890 crores if you can share the last quarter if you have that, otherwise.
- Sunil Samdani:** About Rs.6150 crores.
- Jai:** The second question is sir on provisions, so total provisions at Bank level if I see from gross minus net NPA is around Rs.5200 crores and what is the over and above provisions which are not flowing into the PCR at Bank level.
- Sunil Samdani:** The overall provision that we carry is about Rs.8900 odd crores.
- Jai:** Okay but a part of this would be such provisions which are 100% provided. See you are given Rs.7600 crores provisions and EEB portfolio. This includes specific plus non-specific everything, right?
- Sunil Samdani:** Yes, other than the regular standard of provision.
- Jai:** Right and the total provision is Rs.18900 crores at the Bank level specific, non-specific. And last two things sir. Actually, one is if you have the ECLGS number handy for the Bank outstanding or disbursed whichever way and if you also have the write-offs for EEB for FY 2022, this quarter it was nil and the write number for 2022.
- Sunil Samdani:** For in 2022, we did Rs.3225 odd crores.
- Jai:** For EEB, right?

- Sunil Samdani:** Yes, Rs.3243 crores.
- Jai:** Sure.
- Sunil Samdani:** And what was your next question.
- Jai:** Sorry sir, ECLGS number outstanding
- Sunil Samdani:** I do not have it handy, I will check and come back.
- Jai:** And sir just to double check sir, the total provisions is Rs.8900 crores of which 52 billion is specific at Bank level. So, around Rs.3700 crores is non-specific provisions, Is this right?
- Sunil Samdani:** You can say that but I will have to check how whether we have allocated to a particular because we normally have allocated some provisions to restructure customers as well.
- Jai:** Right and what is the provisions against let's say Rs. 5800 crores. I think you mentioned some PCR on RSA also.
- Sunil Samdani:** Yes, so my restructured book of Rs.4661 which is the EEB which 90% of the restructured book against that I have a 75% coverage.
- Jai:** Sure, I think that tiles up then okay great. And last thing sir, on opex, there is a clear acceleration in the opex growth at a time when of course the revenue has been slowing down so how should one look at opex growth for the full year, let's say.
- Sunil Samdani:** No, we are looking at a full year growth of 20% so clearly, we do not see a scenario where the revenue is going down and the opex will go up. There is always a timing difference once you introduce the increment immediately next quarter gets impacted and for us the growth comes in the second half. Our opex to assets continues to be in that range of 2.8% that has not gone up.
- Jai:** And it should not go down it will go up also, right? This is what should happen.
- Sunil Samdani:** Yes, it will not directionally it will come down as my portfolio gets built which typically happens in the second half
- Jai:** Sure, understood sir. Yes, that is all from my side.
- Moderator:** Thank you. Next question is from the line of Manish Shukla from Axis Capital. Please go ahead.
- Manish Shukla:** Good evening and thank you for the opportunity, just taking for the opex question forward as the business mix evolve towards a target over the next three years, how do you see the opex to assets trending?

- Sunil Samdani:** No, if you talk about three years, we see opex to assets at 2.5% to 2.6%.
- Manish Shukla:** Okay, alright, the second question is on net interest margin now you have the dynamic of changing business mix as well rising cost of funds environment. So how should we think of our steady set on normalized margin for you.
- Sunil Samdani:** No, see net interest margin depends on the interest rate environment going forward. It depends on how the interest rate moves, how much the deposit cost moves and how much we are able to pass it on to the customer. But broadly, we are looking at in this range of 8% +/- 20 basis point.
- Manish Shukla:** Okay sir despite the rising rate environment and change in asset makes you think you can hold on to the current level of margins as the mix changes, we do not see margins trending downwards.
- Sunil Samdani:** If we talk about FY 2023, yes, longer term clearly the trajectory will be lower but FY 2023, yes.
- Manish Shukla:** Okay understood. Thank you. Those were my questions.
- Moderator:** Thank you. The next question is from the line of Praful Kumar from Dymon Asia. Please go ahead, sir.
- Praful Kumar:** Sir couple of basic questions, one Bandhan is known for its extremely loyal customer base. Over the last couple of years there was lot of turmoil. What has been the customer attrition at the Bank level in terms of customers that we lost over the last two years?
- Chandra Shekhar Ghosh:** Customer lost is a normally we are lost in year-on-year basis to 9% normal time and out of that in the 5% are, we have rejected, 4% they are rejected because of the age or they not like to take the loan further. So, this is a normal point of the customer curve.
- Praful Kumar:** That is a normal consideration but sir now you have a significant book that was under MORAT, there was a significant that is restructured and in that period these customers being now very high on cashflows would need more funds. So how does it happen then in terms of how they fulfill their needs in terms of money requirement.
- Sunil Samdani:** No, as far as we are concern, we have given them moratorium restructuring, that is the best we can do and our policy is one loan so unless the loan gets cleared, we do not offer further loans,
- Praful Kumar:** Correct that is what I was trying to understand. Since it is restructured it is an NPA and they will need more cashflow. So generally, there has to be customer attrition which logically has to be much higher in such scenario because they will go to somebody else to borrow and we cannot talk it up in terms of our loans because it is either NPA or moratorium or restructured.

- Sunil Samdani:** So that is one way to look at, the other way to look at, which is what, we are seeing is the customer takes more time to repay. They are under NPA, 73% of them pay which means they are paying part installments. Similarly, is the case for restructuring. So, they will take longer to repay their loan and once they clear their loans. They will be eligible for the new loan.
- Praful Kumar:** Sir, my question is once they start partly repayments can we give them more loans or they have to clear up certain threshold before we disburse them or top-up the loans, how it works?
- Sunil Samdani:** We do not do top-up loans and we have a policy of one loan. Unless they clear, the loans, we do not allow them fresh loans.
- Praful Kumar:** Got it. Alright sir. Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead, sir.
- Nitin Aggarwal:** Hi thanks for the opportunity, sir most of my questions has been answered but just one clarification around the credit cost which you talked about that you are keeping the estimated broadly unchanged for FY 2023. So how confident, we are on this because if we look at like our SMA numbers have doubled on a sequential basis. So, what gives you the confidence to keep the credit cost which is almost unchanged.
- Sunil Samdani:** No, as I mentioned my coverage on restructured and gross NPA is more than 75%. And on top of that I have the CGFMU guarantee and there is probability on the Assam Relief Scheme Funds as well. And the way to look, if 73% of my NPA, customers are paying, 57% of my restructuring customers are paying, we are confidence of recovery from these customers as well. So, with all of this. I think we are fairly confident that for the full financial year, we should be in that range.
- Moderator:** Thank you. Next question is from the line of Param Subramanian from Macquarie. Please go ahead.
- Param Subramanian:** Yes, hi thank you for the follow up, just one data query the RIDF bonds that you have outstanding, so in the annual report you are showing as Rs. 33,000 crores, what is it currently since you said in Q1 also you made incrementally some RIDF investments and what is the margin impact that we are seeing in this quarter because of that.
- Sunil Samdani:** So, the current outstanding is Rs.5632 crores, and the margin impact on NIMs because of RIDF is about 20-25 basis point.
- Param Subramanian:** 20-30 basis point okay got it.
- Sunil Samdani:** 20-25 bps.



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Param Subramanian: Got it. Okay. Thanks Sunil. Thanks for that.

Moderator: Thank you. The next question is from the line of Rushikesh Bhise from MoneyWorks4me. Please go head, sir.

Rushikesh Bhise: Well, thank you for giving me an opportunity for this but I think most of my questions have been answered.

Moderator: Thank you. As there are no further questions on behalf of Bandhan Bank that concludes this conference. Thank you for joining us and you may now disconnect your line.