



# “Bandhan Bank Limited Q4 FY23 Earnings Conference Call”

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MANAGING DIRECTOR AND CEO, BANDHAN BANK  
LIMITED  
MR. RATAN KUMAR KESH – EXECUTIVE DIRECTOR,  
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MR. SUNIL SAMDANI – CHIEF FINANCIAL OFFICER,  
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MR. SHANTANU SENGUPTA – HEAD RETAIL BANKING  
MR. VIKASH MUNDHRA – HEAD OF INVESTOR  
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**Moderator:** Ladies and gentlemen, Good day and welcome to Bandhan Bank Limited Q4 FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundhra – Head (Investor Relations), Bandhan Bank. Thank you and over to you, Sir.

**Vikash Mundhra:** Thank you Tanvi. Good evening everyone and a warm welcome to all the participants. It is our pleasure to welcome you all to discuss Bandhan Bank business and financial performance for the Quarter and Year Ending March. 23.

We will take this opportunity to update you on the recent developments in the industry as well as on Bandhan Bank during the Quarter.

To discuss all this in detail, we have with our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh, Executive Director – Mr. Ratan Kumar Kesh, Chief Financial Officer – Mr. Sunil Samdani, Head Retail Banking – Mr. Shantanu Sengupta myself Vikash Mundhra – Head of Investor Relations along with other senior management team of the Bank. We will be happy to provide you with any clarity if required from the current quarter numbers and way forward.

Now I would like to request our founder MD& CEO – Mr. Chandra Shekhar Ghosh to brief you all about our Bank's "Operational and Financial Performance" along with the development for the Quarter and Year Ending FY23 Strategies going ahead and way forward for FY24. Over to you, Sir.

**Chandra Shekhar Ghosh:** Thank you, Vikash, Namaskar. Welcome to all of you to the Result announced for the 4th Quarter of the Financial Year '22-23.

Firstly, please allow me to introduce to Ratan Kumar Kesh who has joined the Bank as an Executive Director with nearly three decades of stellar experience. Ratan has a track record of leadership in operations including some complex ones like the transformation, automation, customer experiences, quality improvement and other related functions.

Coming to the Result:

I am pleased to state that the January to March quarter of this financial year was a good quarter for the Bank. It was actually better than our expectation and we have seen growth across all parameters.

On this quarter basis, if I analyze the full year I see that it has been ended very strong financial year. All the asset quality has coming back, within these circumstances deposit growth has come very strong and I feel that from '23-24 very strong and sustainable growth will come to the future. In Quarter 4, of the '22-23, the Bank has reached the 3 crores customer out of that 37-lakh new customer added in the Financial Year '22-23 which is shown that the future growth is very potential for the Bank.

Coming to the advances:

Advances the first point that I would like to highlight to all of you is that our secured book has increased from 36% in FY22 to more than 42% in FY23 and we expect by FY26 the share of secured book will be nearly 50%. Quarter 4 we have been seen that advances recorded the 10% year-on-year growth and asset quality has also improved. Next point is, with this growth bank has also maintained the diversification strategy. So, we see that the personal loan, gold loan, two-wheeler loan and auto loan which consist as a Retail loan other than housing loan has grown 233% year-on-year and 110% quarter-on-quarter.

The Commercial Bank vertical, SME and NBFC, lending has been seen that 72% year-on-year growth and 29% quarter-on-quarter growth. The housing finance book has registered a growth of 13% year-on-year. This quarter we had faced some challenges as we shifted our LoS on Housing loans from erstwhile Gruh to our new LoS which is linked to our new CBS. So, there were challenges for two months leading to little bit hit on growth of the housing loan. However, I would like to clarify that it is a one-off thing and we are back on track in terms of our growth in housing loans. We are planning to ride the demand wave in housing to grow our housing book by 22- 25% YoY.

Now to deposit, we have seen that deposits grew 12% year-on-year to 1,08,000 crore and the total business of Bandhan Bank is more than 2,00,000 crores. I would like to specially highlight that MFI customers contribute to less than 4% of the total deposit. Due to our focus on deposits, our CASA deposits have seen a growth of 6% YoY to Rs. 42,455 crores, and sequentially the CASA ratio has improved from 36.4% in Q3 FY23 to a healthy level of 39.3%. The retail-to-total deposits ratio has also improved sequentially from 69% to 71%. CASA deposit has been increased by 6% YoY contributed by 35% YoY increase in CA deposits.

We have seen good improvement in the overall collection efficiency. For the Bank, overall collection efficiency (excluding NPA) stood at 98.5% in the month of March, up from 96% in the month of March of the preceding year and a minor improvement from 98% in December 2022. So, if I say that the December 22 we have been seen that the March 23 has been 0.5% increase which is we see that the microcredit industry it is in 98.5% to 99% is a normal collection efficiency. I want to particularly highlight that traditionally, WB and Assam have been our largest markets for Banking units but now markets like UP and Bihar 65 have got significant prominence and are seen in top 3 markets. (WB – 36%, Bihar – 14%, UP – 10%, Assam -7.6%)

So, in the microcredit portfolio, of the loan disbursement in the last two years our one-time repayment rate is more than 97% and for the loan disbursed in the the last one year it is more than 99%. I am saying that the 2021-22 and '22-23 whatever the loan we disbursed to the microcredit one-time repayment rate (same day they are paying the full installment) is a little more than 97%, but on the other side for all the loans disbursed to the customer in last one year i.e. in FY23, one-time repayment rate is 99% plus. This OTR indicates that the pandemic is over and incremental credit growth is coming with good quality.

Bank has registered a net profit of 808 crores for the Quarter 4 financial year 23 against the net profit of the last quarter 291 crore. For the full year of the financial year 23 Bank has registered a profit 2,195 crores compared to the last year which is 126 crore. Our net interest income has shown an increased 19% quarter-on-quarter which seen that in the 4th Quarter it was in a 2,472 crore, but 3rd Quarter 2,080 crores.

Our net interest margin has increased 80 basis points from the last quarter which is now 7.3% compared to the 6.5% is the Quarter 3. Total credit cost for the Q4FY23 was in a 2.9% compared to 6.4% in Q3FY23%. Our gross NPA in Quarter 4 stood at 4.9% and which is that the 7.2% in the last quarter and net NPA has come 1.2% last quarter it was in a 1.9%.

So, it shows that the gross NPA and net NPA both has come down from the last quarter. We have already seen significant improvement in our SME book which has come down across all buckets. We have seen 140 bps QoQ increase in our PCR at 76.8%, which was increased from 75.4% in the previous year. The Bank delivered ROA 2.2% and ROE 17% in this financial year Quarter 4. We have added about 14 lakh to the customer in this quarter.

Coming to the digital performance of the Bank, 94% of the total transaction of General Banking customers are taking placed on digital mediums compared to 90% last year. About 53 crore transaction took place on UPI through Bandhan bank. 31% of the retail deposits are coming from online channels. We have successfully launched Pilot of Neo Plus Digital Saving Bank account

We have the 30,000 tabs used to open the Bank account with biometrics. So, it has improved our account opening and customer on-boarding process of the bank and we are working on a digital sanctioning of the retail asset loans. Strategy we will continue to dominate our traditional basis in the East and the Bharat. While building greater momentum in high potential and premium Pam India markets through targeted geographic diversification, deeper market penetration, localized hiring and liberalizing of the Bandhan brand.

We will continue to dominate our traditional bases in the East and Bharat while building greater momentum in high-potential and premium Pan-India markets through targeted geographic diversification, deeper market penetration, localised hiring, and leveraging of the Bandhan brand. We are building new capabilities to unlock greater business impact. Our new business streams such as Commercial Vehicle Lending, Loans against Property for Business, Government Business Operations, among others, will start adding to the bottom line as well as the top line

over the next few quarters. We are taking multiple steps to drive cross-sell & branch-led sales to grow the retail assets & liabilities portfolio. We will fully utilize our branch presence to increase our liability and asset portfolio, and also increase productivity per employee supported by Digital & Analytics. Lastly, I would just like to end it by saying that this is a new era of banking. At Bandhan, we are young, hungry and ambitious. With the right strategy, initiatives and execution, we are confident of continued success.

Coming to the outlook for the next financial year that is FY24:

We expect to grow our advances by nearly 20% & a little higher rate for deposits growth through FY24 with our focus remaining strong on the retail segment & diversification. Our endeavour is to maintain the CASA ratio above 40% for the full year and margins in the range of 7.0% – 7.5%. We expect credit cost to remain around 2% with a variance of 20 basis points. Overall we expect a RoA of 2.6-2.8% with a RoE of 18-20%

Thank you to all of you for your patient listening.

**Vikash Mundhra:**

Thank you Sir, Now I would like to request our CFO – Mr. Sunil Samdani to give you some more details on the financial parameters during the quarter.

**Sunil Samdani:**

Good evening everyone. I will take a few minutes to take you through the highlights for the quarter, a few material events which I feel needs discussion.

Overall, I would say this was a good quarter for the Bank with asset growth and the deposit growth was at a year high. On the asset quality side particularly, the Bank did well on the collection efficiency side as Mr. Ghosh mentioned we cross 98 and half percent. The stress pool came down from 76 billion to 55 billion.

On the DPD movement side, we have seen the overdue zero plus DPD in the EEB segment even without considering the ARC sale we have seen a reduction of 518 crores. So, the asset quality continues to improve. So, this is the second consecutive quarter where we have seen the reduction in the DPD over the previous quarters. So, I think we are happy to take the questions.

I am sure you will have a few happy to take them. Thank you.

**Moderator:**

Thank you. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

**Mahrukh Adajania:**

Sir, firstly what explains the flattish interest expense in the quarter that is my first question also if you could give the absolute number of slippage?

**Sunil Samdani:**

Two things one is our cost of funds has remained flat quarter-on-quarter so that is one and then while we have seen slightly increase quarter-on-quarter the interest expense largely we have

done well because our cost of fund has remained flat quarter-on-quarter. On the slippages side our total slippages for the quarter I am talking about the gross slippages is 1,118 crores, the recoveries and upgrades is 468 crores. So, the net slippages is 650 crores. This is at a Bank as a whole. If we look at the EEB vertical the gross slippages are 730 crores, recoveries and upgrades are 200 crores and the net addition is 530 crores.

**Mahrukh Adajania:** Just on cost of funds everyone seeing a lot of pressure on cost of funds, so what is a little different for you?

**Sunil Samdani:** So, our mix improve if you look at our growth in deposits the growth in CASA was higher than the growth in overall deposits and even the share of current account improve that helped maintaining the cost of funds.

**Moderator:** Thank you, The next question is from the line of Prakhar Agarwal from Elara Capital. Please go ahead.

**Prakhar Agarwal:** Two, three questions first you mentioned about your mortgage portfolio that there was some disruption on growth because of change in core system, is that activity planned for other portfolio as well and in that context could there be some disruption on growth that is my first question I will come with second question?

**Sunil Samdani:** As we discussed last previous few quarters the Bank is looking at an IT transformation. We are getting a new CBS including the loan LOS and the LMS system. As part of that transformation strategy, we first migrated our Housing Finance portfolio which was in a different system, the grid system which erstwhile Gruh was using and later on sometime in Q2 we would look at migrating the other businesses the entire other piece to the Flexcube. Now for us one reason why we did it in this two tranches is because we wanted to first have a feel of the transformation have that learning of transformation and with this learning of housing finance transformation we are confident that the larger transformation that will go through in Q2 will be relatively smoother.

**Prakhar Agarwal:** So, 20% growth that we spoke of includes of that particular disruptions if they are running?

**Sunil Samdani:** Yes, because these disruptions if any are not a perpetual disruptions. These are one month disruption. So, we can always cover that back, and given that now we have the learnings from the housing finance transformation we are that much more confident now.

**Ratan Kumar Kesh:** So, I will repeat little bit what Sunil said first of all we have a learning from the housing finance that we will utilize for the remaining migration. More importantly, there may be disruption for few months, but the transformation will more than offset that in the subsequent part of the year and therefore we do not see any disruption from the overall period of time for the whole financial year.

- Prakhar Agarwal:** Just on the EEB stress book that you probably said about 55 billion outstanding as of March'23 when you look at your SMA-2 number in there that number has not yet declined, any particular reason as to why that number continues to be sticky I am just particularly talking about SMA-2 number in that pool?
- Sunil Samdani:** No, it is 2.4% so it has come down so to speak, but yes you will always see some forward flows.
- Prakhar Agarwal:** The forward flows has declined or probably that intensity of that forward flows remained probably elevated number?
- Sunil Samdani:** No, when I say that SMA-0, 1, 2 and NPA put together we have seen a reduction of 518 crores without considering the ARC sales clearly shows that the asset quality is improving and the forward flows are coming down.
- Prakhar Agarwal:** Just one last question from my side when you talk about CGMFU recovery and you said that 11 billion is expected in Q1 and 6 billion in FY25, why is a timing difference and when you talk about credit cost of 2% does that include this 11 billion that you probably expect to recover?
- Sunil Samdani:** So, as you all aware that we can claim only once in a year, while the total eligibility for us stands at 17 billion it depends on the timing. If I claim this in October'23 month I can claim the entire 17 billion together, but if I need to claim it in the first quarter then the eligible pool is only 11 billion. So, that is how we are spreading it into the two tranches what was your next question.
- Prakhar Agarwal:** The credit cost guidance that you gave about 2% does that include this 11 billion recovery that is expected in Q1?
- Sunil Samdani:** No so which means I am not taking the benefit of this 11 billion.
- Moderator:** Thank you. The next question is from the line of Yuvraj Choudhary from Anand Rathi. Please go ahead.
- Yuvraj Choudhary:** Firstly, our Books saw a strong growth in disbursements during the quarter so were there any specific states, regions where the growth was strong or was it a broad based growth across regions. Would be helpful if you could throw some color on that and secondly if possible if we could provide average ticket sizes of our Book?
- Sunil Samdani:** So, yes the growth firstly has been broad based. Tactically, we have been slightly lower in terms of growth in the state of Assam, but other than that we have been growing across all states. We have identified a few states which are the growth areas for us. So, particularly growth in those states will be higher states like UP, Bihar, Telangana, Andhra, Madhya Pradesh, Gujarat. These are the states where we see huge potentials and we are opening branches in these states. So, the incremental addition to new customers are also increasing in these states and that is how their share. Mr. Ghosh in his opening speech mentioned that if we now look at the top five states its

West Bengal followed by Bihar with and then UP and then comes Assam two years back you all remember it used to be West Bengal followed by Assam. So, that is how this diversification to the new states are happening.

**Yuvraj Choudhary:** And sir you could also possibly provide average ticket sizes of our ebook?

**Sunil Samdani:** So, on the disbursement side our average ticket size is about 50,000 for the group loan and about 1,20,000 for the individual loan.

**Yuvraj Choudhary:** Last question a CD ratio is now almost at 97%, so is there a target CD ratio we have in our mind?

**Sunil Samdani:** Sorry you are talking about CD ratio?

**Yuvraj Choudhary:** CD ratio credit to deposit ration?

**Sunil Samdani:** See given our capital base and our portfolio which are eligible for refinance at an attractive rate and we get a longer tenure funds also from these refinance companies. We believe the CD ratios for us should be in this range of 95% to 97%.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.

**Rahul Jain:** Just to start with the slippages so Sunil EEB you said about 700 crores and the residual is 400 crores, so can you give me further split between within EEB what is the group slippages and what is the individual that is one and second is within the non EEB which segment would be contributing to the slippages?

**Sunil Samdani:** So, firstly the overall slippages in the EEB in Q4 was 730 crores split I will get it, but broadly it is in the proportion of the portfolio that we have. The non EEB slippages is 388 odd crores and if I have to break it into the four key components the SEL (small enterprise loan) which is part of our Commercial Banking here that stands at 66 crores as gross slippages and the recovery is 18 crores, so the net slippages is 48 crores. SME which is the BBG and the MMG together the gross slippages was 68 crores, recovery was 49 crores. This was more technical in nature that is why the slippages and recoveries both are higher. Housing finance because of the disruptions for one and a half months that we saw we had again a technical slippage of 231 crores and the recovery of 191 crores. So, because of that transformation we had one month of slippages, but it again came back to normalcy in the next month. The Retail is the balance small amount.

**Rahul Jain:** And this 191 is already part of upgradation and recoveries in this quarter within housing?

**Sunil Samdani:** Yes.

**Rahul Jain:** Second is on the provisioning strategies we talked about 2% you are not taking the benefit of 1,700 crores. So, that will be over and above 2% is what you are guiding for as in what I mean to say is the income comes in and you take it in the provisioning line on top of it you have got 2% provisions.

**Sunil Samdani:** There will not be any P&L impact for that. When the CGFMU money comes I have to necessarily allocate it as provisions of NPA. So, we will have to do that at the accounting base, but the idea here is to not utilize that money and keep it in the balance sheet. So, we will have to see how do we again re-provide it whether as the standard asset provision or as the contingent provision at that stage the board will take that call.

**Rahul Jain:** So, whatever 1,700 crores could be utilized towards building contingent provisions or standard asset provisions for future use, is that understanding right?

**Sunil Samdani:** Yes.

**Rahul Jain:** Just one more point I wanted to understand on what is the existing contingency provisions that we have right now apart from the specific provisions?

**Sunil Samdani:** So, if you see we have increased our PCR right it has gone up from 75.5% to 76.8%. It is essentially large part of these provisions we have allocated to the customer accounts. So, the additional provision other than the specific provisions will be a small amount of about 500 odd crores which is the additional standard asset provision over and above the RBI requirement.

**Rahul Jain:** Just one or two last questions these sell down I think which you have done about close to 5,000 crores where which buckets would those be from of course 2 and a half crores is I think write offs, but remaining 2 and a half crores would be from what buckets you can just help elaborate that?

**Sunil Samdani:** So, they were all NPAs. So, we did 2,614 crores from the technical write off bucket and 2,316 crores from the NPA bucket.

**Rahul Jain:** And one last question small bit you talk about the EEB loan portfolio which now has the West Bengal, UP and Bihar being the top three contributing states, if you can also help us with the mix what is it as of today and what was it let us say a year back just to get some color around the diversification strategy within the MFI book?

**Sunil Samdani:** Yes, I will come to that. I will get that number, but in the interim I just want to extend the previous conversation on the ARC sale the portfolio we used to be done the ARC deal in two tranches. One, we did it in the December quarter and the other one in the March quarter. So, just to give you an update how the recoveries are planned out on that whole. Total recoveries that we have made the portfolio that we sold in the month of December stands at 342 crore. We had taken 414 crores from the ARC and the investor, we have already recovered from the customer

342 crores. The reason this is important is because once we repay the ARC and the investors along with the assured IRR the entire recovery comes to the Bank. So, that is an update on the ARC pool performance in terms of how are we recovering money from that pool.

So, let me tell you in March '22 my Bihar was 6,900 crore on a book of 62,400 crores which is now 7,900 crores on a book of 56,900 crores, UP was 5,320 crores on a book of 62,400 in FY22. Currently it is 5,729 on a book of 56,800 and West Bengal was 25,315 on a book of 62,400 in March '22 currently at 20,364 crores on a book 56,800. I do not have the percentage ready so instead of calculating it, in the interest of time provided you with actual no.

**Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sun Life. Please go ahead.

**Himanshu Taluja:** Just a couple of questions at my end. Firstly, sir few questions on the asset quality given you have highlighted that you are from the MFI Book EEB books we have seen a slippages of 700, so if you can just further give a breakup in terms of how much you are seeing from the incremental book and the existing stress book, how are we seeing those trends and secondly from your total stress book of 55 which has come down from 76 to 55, some bit of part from the ARC sale as well how we are going to see this incrementally in the coming quarters, so that is my first question?

**Sunil Samdani:** Coming to your first question 730 is the gross slippages in EEB about 99% is from the existing stress pool which is SMA-1 and 2.

**Himanshu Taluja:** So, hardly something is contributed from the new business from the recent business?

**Sunil Samdani:** Unless it is a nonstarter case you cannot have a situation where zero DPD customer becoming NPA in one quarter.

**Himanshu Taluja:** You just wanted to say how is the collection trends of the new business basically?

**Sunil Samdani:** So, that Mr. Ghosh told in his initial update

**Chandra Shekhar Ghosh:** So, in the microcredit portfolio, of the loan disbursement in the last two years our one-time repayment rate is more than 97% and for the loan disbursed in the the last one year it is more than 99%. I am saying that the 2021-22 and '22-23 whatever the loan we disbursed to the microcredit one-time repayment rate (same day they are paying the full installment) is a little more than 97%, but on the other side for all the loans disbursed to the customer in last one year i.e. in FY23, one-time repayment rate is 99% plus

**Himanshu Taluja:** And sir on this stress pool of 76 bn to 55 bn how one should expect this in the coming quarters?

- Sunil Samdani:** So, see directionally we have seen this stress pool coming down and that should continue. The good part is that there is no element of any doubt in terms of coverage there because of these 55 billion we have 38 billion of coverage and 17 billion of CGFMU. So, whatever we recover will help us reduce the pool. So, we are at a quite comfortable position here.
- Himanshu Taluja:** Sir second is on the growth when you are guiding for a 20% sort of a loan growth when we for FY24 where housing is expected to grow 20 to 25, but what is in your estimates for the MFI business and secondly how much you are seeing this growth of MFI business will be contributed from the new borrower base?
- Chandra Shekhar Ghosh:** If you see that the MFI growth will be expected in the 17% to 18% and this is one and second point on that always we have seen that the new customer is coming to this the MFI book is in 10% to 12%.
- Himanshu Taluja:** Sir, last question is around your deposit so how are you seeing the Retail deposit traction and how one should expect these trends probably the CASA ratio probably the Retail deposits, how you are seeing the trends for the coming year?
- Sunil Samdani:** So, we have Shantanu Sengupta I will request him to take this.
- Shantanu Sengupta:** Look our outlook for deposits for FY 24 looks quite robust because we have over the last many years seen consistent growth in our deposit book. We have done some specific interventions in the portfolio to make sure that our percentage of CASA goes up and therefore you can see that in our CASA ratio. So, our outlook for 2024 remains quite strong in terms of growth. We would focus on granular growth because of the fact that we have a network which we are expanding and we believe that we will get value from those incremental branches. We also have invested in specific segments that will help us bolster the growth on the savings and current account side. We also are looking at reinvesting into the business Banking proposition so that we can focus on current account. So, our outlook would be strong. We believe that the focus would be on CASA current account savings account group and that is what we are going to look forward in the coming year.
- Himanshu Taluja:** Sir anything that you want to highlight from a new initiatives that you have taken to improve your liability franchise that is my last question?
- Shantanu Sengupta:** So, there are two or three things that we have done. One we are coming up with new branches as we mentioned last time. So, that is coming up. We have already got up, we had a plan to open 551 branches over half of that is already done. We expect the balance to come in by the end of this quarter or maybe spill over to the next quarter, so that is one. Two, we are also invested in the digital platform and we believe that with investment of account onboarding being completely digital, we expect and anticipate the growth to come on those lines. We believe that with good customer journeys we will be able to get deeper into the customer wallet. So, those are some of

the initiatives besides what I already spoke about which is on the new segments that you are looking at.

**Sunil Samdani:** I will add one just line with what Shantanu said. Given that we are going ahead with our technology transformation the new core Banking system will enable us to launch many more new products which will not only improve customer experience and transaction capability, but the new product lines will build more stickiness and more hooks for the customer to bring more deposits to us.

**Moderator:** The next question is from the line of Param Subramanian from Nomura. Please go ahead.

**Param Subramanian:** So, firstly again picking up from the last question Mr. Ghosh in your opening commentary you highlighted that the government business is going to be a key area of focus for the next year, so could you highlight is there something in the pipeline especially on the deposit side since you put out the guidance of 24% deposit growth for next year which is substantially higher than this year, some color on the government business that you are talking about that is my first question?

**Shantanu Sengupta:** Yes government segment will be an important segment of growth. We have invested in our people. So, we have created a separate vertical with expertise across the market. This is a specialized function and therefore we have the right skills right now available. We are investing in a platform to make sure that we can act as agency Banks for some of these government organizations. We have also seen some success coming in through empanelment with some of the government agencies across the country. So, I think we have this is a great choice that we have made because this is one area that we do believe has quite a few upside and I do think that this particular segment will add value to our overall deposit prices, but just to add one more thing to this. We obviously will have features and benefits for this particular segment. Some of that includes tax collections etcetera. So, the value-added proposition around this segment is something that we are also working on so that we get the right impetus as we go forward specifically for the segment.

**Param Subramanian:** My second question is on the MFI portfolio how much of this so we will took that rate hike around November of last year, so how much of the MFI portfolio has repriced upwards some rough color on that and how much more to go in terms of the lending yield picking up further on this book?

**Sunil Samdani:** So, we had taken a 300-basis point increase in the last financial year starting first April we further taken a 100 basis point increase to your point on what percentage of the portfolio is repriced. Typically given our portfolio of about 57,000 crores and the disbursement of the last two quarter I would say close to 60% is what which has got repriced.

**Param Subramanian:** And my last question perhaps so on slide 14 you called out this PD against FD or rather overdraft against FD, so what exactly is that sequential uptake if you could get some color on that?

- Sunil Samdani:** So, these pertain to few large deposit accounts where they had taken loan against fixed deposits at the end of the financial year. These are very short-term loans, so that is why we wanted to highlight that this is not something which is a focused area for us, but it comes with customer request and since this is a very short term in nature, we thought prudent to tell short term in nature.
- Param Subramanian:** Sunil are these chunky accounts?
- Sunil Samdani:** Yes. As I said these are a few accounts, but these have been with the Bank for the last two, three years.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Sir if you look at your SMA-0,1,2 we are at about 5.6% during the collection efficiency has been ranging between 97, 98, so is it fair to say that on a normalized basis this number needs to settle to 3%?
- Sunil Samdani:** Yes, but when do we reach that normalization is it Q3, Q4 is this something that we will have to debate, but you are right if my collection efficiency is 98% and all of this is full paying customers then ideally the delinquency should not be more than 3.
- Saurabh Kumar:** And you would be assuming this 3%, right?
- Sunil Samdani:** Yes.
- Saurabh Kumar:** And this last question sir how should we think about your non-interest income and if you can give some break up of non interest this year?
- Sunil Samdani:** So, noninterest income if you look at the key contributors. So, the highest for us is always the processing fee. Out of 629 crores of total other income in Q4, 300 crores were from the processing fee followed by third party products distribution of 134 crores. The third now that we have sold our portfolio to ARC the recoveries from bad debts or the written off account we cannot account for it. We have to park it in the liability account to repay it back to the ARC, but what we get is the collection charges on these portfolio. So, the third contributor is the collection fees on account of collections from ARC portfolio which is about 55 crores for the quarter.
- Saurabh Kumar:** And sir is there any chance of the PSLC income covers next year?
- Sunil Samdani:** We are not budgeting for it. There is always a possibility, but we are not budgeting for it.
- Moderator:** Thank you. The next question is from the line of Manish Aggarwal from PhillipCapital. Please go ahead.

- Manish Aggarwal:** Just data keeping questions would you like to call out what is the outstanding standard asset provisioning apart from 500 crore which you mentioned?
- Sunil Samdani:** So 488 crores.
- Manish Aggarwal:** And apart from 488, 500 is the additional standard provision including standard structure, correct?
- Sunil Samdani:** No, so standard restructure is part of 488.
- Manish Aggarwal:** So, 488 and additional 500 is the contingent provision so called.
- Sunil Samdani:** Yes. So, what we do is provide 1% on the micro-banking portfolio or the EEB pool. The regulatory requirement is only 0.25. So, when we say our standard asset provision including the restructured is 488. We are considering only 0.25 which means 0.75 goes into the additional provisioning bucket which is where it becomes 500 crores.
- Manish Aggarwal:** And coming back to the short-term loan on TD, so in one quarter if I were to look at there is a huge jump almost 6%, 7% of your Retail TD equivalent to that I notice that you mentioned that is chunky account, so are these non-Retail account or this is a Retail accounts?
- Sunil Samdani:** No, these are not Retail accounts. So, the balance is here is more than 2 crores.
- Manish Aggarwal:** I would understand that not any amount of this will be part of our current deposit in any which way?
- Sunil Samdani:** No, not really. It is a loan which has moved out of the Bank.
- Moderator:** Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.
- Anand Dama:** So, basically your SMA-1, SMA-2 pool if you look at which was there in the 3rd Quarter versus what you look at now. So, for last quarter it was about 25 billion now it is about 21 billion, so there is a reduction of about 4 billion that we are seeing in SMA-1, SMA-2 pool so I believe it is 400 crores were actually slipping into NPA in the current process?
- Sunil Samdani:** See you cannot really pinpoint which customer has moved where, but if you look at overall positioning as we mentioned, the SMA-0, 1, 2 and NPA put together there is a reduction of 518 crores without considering the ARC sales.
- Anand Dama:** So, these slippages from the pool would have been higher and then basically there would be a fresh flow of new stress also which would likely to come in SMA-1 and SMA-2, is that right?

- Sunil Samdani:** No. So, the recoveries is also there. No, because there will always be a normalized slippage, but there will always be recoveries from this from a DPD pool to the current pool. So, the recovery from DPD pool to the current pool is higher than the slippages from current to DPD pool that is how one should look at.
- Anand Dama:** Sir, I was just asking the second question the Assam relief scheme we will be hoping for a recovery long now, so when is really going to come, is it going to come in 2024 or basically we do not expect that to come back anytime soon?
- Sunil Samdani:** Yes, it is very difficult to comment on anyone else behalf and since as a Bank we were very clear. This is not a right for us unlike CGFMU or ECLGS. This is kind of a grant. So, we have not budgeted for it, but we are positive that money will continue to flow from Assam Government, quantum and timing is very difficult to estimate.
- Anand Dama:** But is there any procedural difficulty from the bureau side that basically the government is giving the money or like right now they have not budgeted for this and that is the reason we are not changing?
- Sunil Samdani:** As I said I will not be able to comment that because I am not in a position to know that.
- Moderator:** Thank you. The next question is from the line of Jay Mundhra from ICICI Securities. Please go ahead.
- Jay Mundhra:** Sir, I just wanted to get that number of total provisions outstanding so we have a specific provisions of around 4,000 crore and we have given some numbers which includes restructured and some contingent, so I just wanted to check what is the total pool of specific I think we can calculate is 4,070 crores, but what is the number outside that?
- Sunil Samdani:** 5,080 crores is the total provision in the books.
- Jay Mundhra:** And sir if you can also specify we have the total net NPA at 1,228 crores how much of that would be EEB, just to understand that so what is more or less done and what is remaining?
- Sunil Samdani:** So, typically we have an 84% kind of a PCR ratio in EEB, but I will still check the exact number for you in terms of net NPA.
- Jay Mundhra:** And the last question is to Mr. Ghosh. sir we have added Mr. Kesh to the board I mean the Bank has added one executive director. I wanted to check if there is any plan to add more or if there is any so that is the question if in the near term do you envisage any more changes at the board level from a management executive perspective?
- Chandra Shekhar Ghosh:** You know that earlier also mentioned I will repeat on that that is in last year board have been decided the two executive director will be liked to take one for the non-business, one for the

total business. So, non-business already we had it is Ratan Kumar Kesh already joined on that and we are now processing for the next one which is the total business looking by one executive director which helps us to future growth of the Bank.

**Jay Mundhra:** And it should be let us say it should be in this financial year let us say or is there any timeline for it?

**Chandra Shekhar Ghosh:** No, this is in this financial year.

**Moderator:** Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

**Pankaj Agarwal:** Sir, if I see your total stress pool in MSI definitely it has come down by around 400, 500 crores, but if I look at 0-to-90-day DPD it still seem there is a forward flow right. So, though there is a 500-crore reduction, there is a 500 crore of forward flow as well, given that now recoveries are picking up and we are saying lot of customers are saying partially easing only thing is this forward flow should have stopped?

**Sunil Samdani:** No, ideally we would have loved to have a zero-forward flow, but in any business there will be a steady state credit cost and as we have highlighted that the 2% would be a credit cost what we are looking at for this financial year. So, accordingly the slippages from the current pool to the delinquent pool is well within that guidance range.

**Pankaj Agarwal:** So, if I look at the reduction in this 0-to-90-day DPD I sincerely half is forward flowing and half is basically going out of the pool, so it is safe to assume that out of remaining 3,200 crores half of this could flow through NPA this year?

**Sunil Samdani:** No, it is not that straight calculation. It all depends on the environment, our ability to go convince the customers. We are focused we would want to and when we are seeing the environment improving customers coming back, we do not want to put that number today. We have given a number on a credit cost side so we will stick to that, but the endeavor is always to be closer to customers and collect as much as possible.

**Pankaj Agarwal:** Secondly on your OPEX if I see your OPEX ratio gone from 3% to 3 and a half percent over the last one year with cost to income going to roughly 42% now, do you think it is the peak or it has further scope to go up next year?

**Sunil Samdani:** So, I would say this is peak, but for it to come down it will take a year or so because we are still in investment mode whether it is transformation branch expansion, new business developments. We do not see it going beyond 42%, but to go back to that 35% will take a year or two.

**Pankaj Agarwal:** So, you think this business can be done below 40% cost to income ratio on a sustainable basis?

- Sunil Samdani:** Yes it can be.
- Moderator:** Thank you. The next question is from the line of Prakhar Agarwal from Elara Capital. Please go ahead.
- Prakhar Agarwal:** Two things one is in terms of when I look at what you said in terms of funding cost being steady on a QoQ basis on a last quarter when we saw a decline in size there was a rationale that probably lot of guys have moved from SA to Retail TD, so what has changed in terms of customer side here from Bank side that we saw such a large acquisition SA based essentially and second how do you look at funding cost moving from here on?
- Sunil Samdani:** So, let me start and Shantanu can add. Now firstly nothing materially changes in three months, but what has surely changed is the pace of conversion from SA to TD. Typically, when the interest rate environment turns those rate sensitive customers wants to move from saving Bank to the time deposits and once those rate sensitive customers move the incremental flow towards TD from SA reduces the pace of flow reduces and which is what we have seen in Q4. So, that is how I will look at it Shantanu if you want to.
- Shantanu Sengupta:** I think you have covered that.
- Prakhar Agarwal:** And the second part how do you see funding cost moving forward assuming that RBI does not make any changes to the system rate then how do you think your funding cost moves from here on?
- Sunil Samdani:** So, directionally it will go up in this financial year and we are looking at the end actually it is very difficult to put a number, but I would say directionally quarter-on-quarter till next two quarters the cost of funds should go up because the repricing of TDs if that happens will happen at a current rate which is a higher rate and from there on we will have to see how the interest rate environment goes and accordingly the cost of funds should move, but on the same side, our yield on funds will also go up. See the good part is we face the difficult time having 70% portfolio on a fixed rate. So, in a increasing interest rate cycle you tend to lose because the cost of funds go up faster and the yield on advances relatively remain flat. So, when the cycle turns we would be the beneficiary of it. So, let us see when the cycle turns and then that should help us.
- Prakhar Agarwal:** What is our rate on MFI after the rate hike that we have seen after April 1<sup>st</sup> also we have taken 100 basis points rate hike what is the sort of rate that we are offering on MFI?
- Sunil Samdani:** 22.95.
- Prakhar Agarwal:** Are we still the lowest because we will be playing that one point in time that we are the lowest in terms of that?

**Sunil Samdani:** Yes so these are the lowest.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now had the conference over to management for closing comments.

**Sunil Samdani:** Thank you. Ladies and gentlemen, thank you for your time. Good luck and good evening. Thank you.

**Chandra Shekhar Ghosh:** Thank you to all of. Thank you.

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