

Bandhan Bank's Q1 numbers look rosy, but provisions show wariness

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Bandhan Bank's first quarter results had a lot to cheer about, but the stock hardly showed any enthusiasm on Wednesday. True, the lender's net profit at ₹550 crore missed Street estimates by a wide margin. That is because the bank chose to provide ₹750 crore towards covid-19-related risks over and above its regular provisioning.

It had set aside ₹690 crore as provisions for covid in the previous quarter as well. This shows that Bandhan Bank is cautious on the asset quality front. This caution comes even as the bank's collection efficiencies surged as the government lifted restrictions across the country.

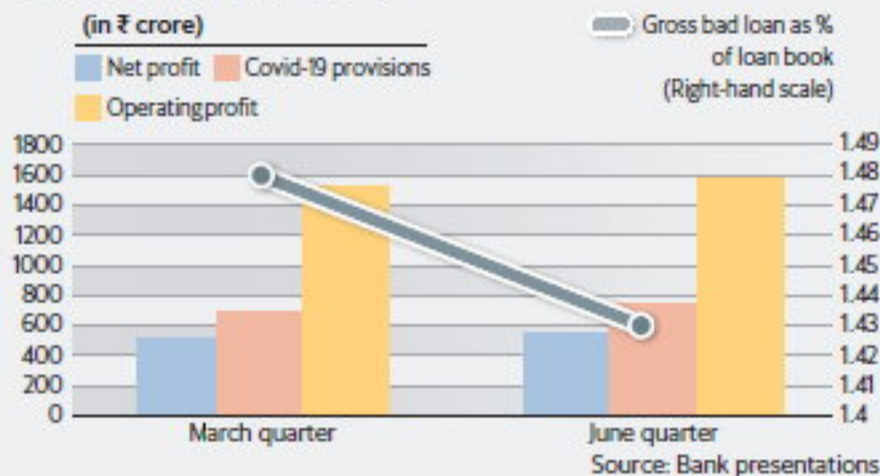
Collections rose from 29% in April to 76% in value terms by the end of June. In essence, the lender is getting its money back on time. What it also means is that a large number of borrowers are not opting for the moratorium.

Chandra Shekhar Ghosh, managing director and chief executive officer of Bandhan Bank, said collection effi-

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On the recovery road

Bandhan Bank's bad loan ratios and collections improved for the June quarter, but the lender increased provisioning towards covid-related risks.



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ciency would be back to levels seen before the pandemic by September. "Our collection efficiency has not been impacted more by lockdown but more by the natural disasters like floods in Assam and

Bihar and Amphan in West Bengal," he said in a telephonic interview. Ghosh said localised lockdowns were easier to deal with than a nationwide restriction. "We are able to navigate localised lockdowns, but the national lockdown was a very difficult period."

Even so, there is an underlying caution that Ghosh has both in terms of provisions and

disbursements. While disbursements showed 17% growth, Ghosh said the bank has been selective. More than 40% of its borrowers derive income from agriculture and allied activities. Another 30% are small shops and businesses that are largely localized in the east and north-east India. Ergo, the impact of a nationwide lockdown or even lockdowns in other states have not impacted Bandhan Bank's loan book much.

What this means is that the lender's asset quality outlook and even growth is better than its peers.

That said, the provisioning shows a wariness that the lender has. Investors, too, should wait for more clarity in the coming quarters.