



“Bandhan Bank Limited Q1 FY ‘19 Earnings Conference
Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Bandhan Bank Limited Q1 FY '19 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. Hiren Shah. Thank you and over to you, Sir.

Hiren Shah: Thank you. Hello and Welcome to everyone to the first quarter earnings conference call for Financial Year 2018-19. I am Hiren Shah, Head of Investor Relations at Bandhan Bank. I have got with me our Managing Director and CEO – Mr. Chandra Shekhar Ghosh, and Mr. Sunil Samdani – our Chief Financial Officer of the company.

May I now request, Mr. Chandra Shekhar Ghosh to brief us all about the first quarter performance of the bank. Over to you, Sir.

Chandra Shekhar Ghosh: Thank you to all of my shareholders and well wishers to help us to share the first quarter 2018-19 financial performance of the bank. We know that in the last financial year, we had very good quarter in March 2018, that is January to March, a very good credit growth has come, but in the first quarter 2017-18 that means in the April to June 2017, that is the first quarter of last year, our credit growth has come down that means in the 2000 crores have been down the loan portfolio from March 2017. On the basis of that if you see that this year, the bank and the teams have been given their best effort on that, so that it has come now this quarter that is means in 2019, April to June the quarter. There is 250 crores that has been increased advance from March, that means the credit growth year-on-year from the last quarter June 2017 to 2018 have come that is 52.37%, which itself is **awesome** that to make a profit of the Bank 482 crores in the first quarter of 2018-19 compared to the 2017-18 of 327 crores, which is profit growth has come 47.58%. Our advances, the last quarter means in the March 2018, it was in microcredit the best Bank you know, so 86% was microcredit loan and 14% non-microcredit. In this quarter, it has come 85% microcredit and 15% non-microcredit, that means 1% non-microcredit portfolio increased in this quarter, so that means in both the size, microcredit loan and non-microcredit loan simultaneously has been increased on that.

Coming to the liabilities part, the deposit there is 30,703 crores deposit compared to last year the first quarter, 22,439 crores which is 36.83% of our deposit growth. Out of that, the retail deposit is 80% compared to the last year is 75% and this is also very good on that and the retail deposit is increasing and CASA has come 35.46% compared to the 26.33% from the last year. Current account 6.75%, savings account 28.71%, and these are the point is here. We saw that there is NIM little bit increase, which has come 10.27% compared to the nearly 10% from March 2018. Cost-to-income ratio has come down to 34.25% compared to the 35.65%, and ROA has come 4.49 compared to the 4.40. ROE has come to 19.92 which was earlier 28.10, we know that March 27th in the last week of the March Bank has been listed, so capital has been infused, so that it has been little bit affected on that 19.92 ROE has come, we like to further increase because the fund capital has increased my advance book size will increase on that. Net NPA has come to 0.64% compared to the last quarter, i.e. March 2018 of 0.58%, so NPA has been arrested, no further

increase on that. We are controlling the OTR, One Time Repayment, rate on a daily basis, 98.89% that is regularly repayment is coming in this percentage, so these are the total Bank has been performed.

We are now 937 branches, one branch increase in the last quarter, seven lakh new customers added. Out of that in the microcredit channel, they have increased the four lakh new customers which have been helped us to increase our advance and they are borrowers and the Bank branch has given three lakh new customers, average one lakh per customer per month which also has been helped us to increase our retail deposit more, so these are the total position of the Bank as of now, so I give the thank you again to all of you to given this opportunity to grow in the Bank, so I hope that you have some questions, you can ask and accordingly I would like to share my others any point is missing.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Sir, three questions from me, first any update from the RBI on the promoter stake sale issue, have they given you a guide path, some extension, any update on that? Second on the growth, we have seen some robust growth, could you give some more granular details on this like what geographies we have grown, that particularly would be really helpful? Third question is on the seasonality, so in 4Q we are really seeing tremendous disbursement growth and falling quite sharply in 1Q, so what explains that seasonality in microfinance, I do not think it is that Stark in other companies, so what is different with our company any comments here? Thanks.

Chandra Shekhar Ghosh: Thank you. First point is the RBI perspective on that, you know that after the listing of the bank, there is a lead of that one year lock to all shares not to sell who are in promoter category, so that we are getting that time is one year and other than this, we are now discussing with RBI, it is already been done, so we will be like under process on that how RBI will guide, accordingly we like to further take steps. The second question is the growth is high, actually if you go through our growth of the bank or microfinance, if you see that earlier I also shared with all of you, this is year-on-year growth is 51%, so this is the normal nature, we say that sometimes it is going down. Last year it has been go down, this is one point, you know that this is in 2016-17 issue, it has been affected '17-18, so we are very conservatively grow in that and choose some of the customers, increase the loan amount to the customer, and very scared in that time, so that in the first quarter if you see that our advance book have been come down from March figure of 2000 crores, so when it has been gradually it is coming on that the position is good and the NPA is arrested, the payment is coming, people have come normally and people business growth has also come, GST is now formalizing on that. Now, credit growth, credit demand is normal nature, so in that sense if you see that our June figure of the advance, March figure is only 250 crores thereabout. Second point that is the last quarter, we have not any that much of the if you say that microcredit loan is 90% and 10% was in the non-microcredit loan, but now it has come non-microcredit loan 15% and the microcredit loan is 85% that means non-microcredit loan also increasing on that, so that impact has come on that basis. Final point, I will say that because of

the denominator is little bit reduced from the March figure, so that percentage wise has come 52% from that.

Nishant Shah: Sir, my question was more on the geographic mix, like are we growing more in the same in our Eastern markets or are we taking, so anecdotally we know some other geographies you are pushing the pedal on growth, so is that actually happening just wanted to confirm?

Chandra Shekhar Ghosh: If we see that in the seven lakh new customers added and four lakh customers added in microcredit, which is net of if you see our borrower, our borrower is now 80.80 lakhs borrowers, out of that 80.80 lakhs borrowers it was in the last quarter 78.26 lakhs, so if you see that the 2.5 lakhs borrower have been net increase, so that means some customer have closed their loans, they may take the loan next, but that day that is three lakhs received the loan and that net customer, new customer has large amount is coming from the other than East region, because you see that our Eastern region more of the microcredit office or DSC, our average borrower part of the DSC and near to our standard, but other states the number of borrowers of those DSE are low because they are new DSC, so that growth has come from the new borrower growth has come from the other than East, which has been gradually there portfolio is increasing.

Nishant Shah: Just the last question was on seasonality, so this sharpness of seasonality are not seen in other microfinance companies, so could you just explain that like 40% dip in your disbursement sequentially, so what explains that, is it something structurally there with our company because we are different or something else?

Chandra Shekhar Ghosh: Seasonal, if you see the disbursement depends on demand of the customer and the second point is how many new customers I have been adding on that. I will give you one example of that, when we become a Bank, so we have closed all Saturday, group have been closed and transport to the other on that but newly, we have developed in the last year in the last quarter or before of that, the Saturday group they are forming and fortnightly installment collection system, so if any month there were four Saturday, first Saturday will be collection, second Saturday off, third Saturday collection, that means fortnightly customer will keep the installment and so that it has increased very good number of new customers, even existing DSC also which helped on that to come on that. Hard point is there we are very much concerned about maintain the discipline with attendance and physical meet with the group my staff on that, so that have been hit on that gradually, it is a good sense on that people behavior will not be disturbed and they are regularly repaying and when the loan is complete and their portfolio is like demand of businesses is growing, GST disturbance is coming down and demonetization is not the issue, I hope that also helps to us to improvise on that, if you calculate on that in total sector in microcredit, 60% growth, 100% growth is seen across the country on that.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Sir, I am referring to the Slide 10 of your investor presentation, so basically the volume growth we have had is 18%, but the value growth is almost 45, so there is a pretty big increase which is

happening in terms of ticket size of the loan and that has happened over the last two years, so Sir, is there how much more leeway do you think you have to increase the ticket size of the loan from here?

Chandra Shekhar Ghosh: If you see the ticket size of the loan in the disbursement point of view, it depends on how many of my customers are matured customers. If you see that our overall total customers, they have 72% customer who has only single loan and because of now as a Bank and now customer are getting that our interest rate is a little bit better than other any MFI or SFB or Bank because it is 4% below in our range, so sometimes they are also closing other bank loans or other MFI loans, coming to us I cannot stop this, it is good for that because we are also analyzing the cash flow perfectly, this is one cause, but if other cause if you see, there is an outstanding basis of the average loan size. In the last March, it was 35,965 per borrower of microcredit, it has come June 35,275 that means if in that sense in 700 average per customer loan outstanding has come down. We are very much tracking on that, it is not anything adverse on that.

Saurabh Kumar: Sir, the NBFC MFIs have relaxed their norms for this year from 60,000 to 80,000 of lending, will that kind of help you for growth this year or?

Chandra Shekhar Ghosh: It is as per RBI norms one lakh. They internally set up 60,000 then come 80,000, so it is not impact on that to the bank to us.

Saurabh Kumar: Sir, just one last question on your deposit, so basically looking at the break up of deposit, savings has actually seen a very sharp increase, but not so much on the term deposit retail, I mean retail TDs so why would that happen?

Chandra Shekhar Ghosh: If you see that in our deposit, now total deposit has come 30,703, which is you will see that the March figure because our capital has come, the cash flow is good, so why we like to keep my bank deposit continually, we are not renew the bank deposit so that has been come down on that. In other sense if you see that my retail deposit in percentage wise is 80% compared to the 75% of the last year, and if I go to my retail deposit, it was in Quarter-4 that means in the last year, 24,361 it has come 24,556 and if we come to this in the first quarter of 2017-18, it was 16,996 that mean 17,000. Now, increase is 24,000, that means the 7500 is increase the retail deposit compared to the year-on-year, we are on track on this.

Sunil Samdani: Year-on-year the retail deposit growth is 44%, the overall deposit growth is 37%, so actually year-on-year, our retail deposit has done well. It is the wholesale deposit which we brought down.

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

Rahul Jain: I have got a few questions, number one is, is it possible to kind of know what exactly is driving the strong growth in our client base especially on the microfinance side and in that context can

we know how much of the incremental addition is happening outside of our home market, which is East and North-East?

Chandra Shekhar Ghosh: Thank you. I also mentioned about it again I am saying on that, there is four lakh new microcredit customers we have added in the last quarter, that is there two to three meanings on that, one thing is that those are the area our DSC are not in full standard of the 3500 borrowers is there, they are adding the new customers, this is one. Second point is there is Saturday, the earlier Saturday was a holiday, now also holiday but second and fourth Saturday. Now, we have developed the new way the product of fortnightly installment, so that only for the Saturday first and third Saturday, my staff is going to the village and organizing the group meeting and given the loan for fortnightly repayment, so that number of clients have been increased now and I saw that is the help on to increase the number of clients in microcredit.

Rahul Jain: Sir, is it possible to know the new to credit customer that we would have, of these four lakh customers that we have added, how many would be new to credit customers, i.e., do not have any other loan from any other microfinance company or a bank and has come to us, can we know the breakup if we have it handy?

Chandra Shekhar Ghosh: We do not have that breakup in my hand, but I know that is 72% of our total customers have single loan only from Bandhan, but as the new customer we are strategically educating our staff on that, they are trying to reach more people who have not any loan, so I do not have that data in my hand to share with you.

Rahul Jain: The other question is on we have got two microfinance products on which we charge different IRR, Sir, is it possible to get the mix of that in our microfinance book, for example, I think we have got Suchana and Srishti as one product where the IRR are 18% or thereabouts and the other product Suraksha and Sushiksha where the IRRs are lower, so can we know the mix of these two in the microfinance book?

Chandra Shekhar Ghosh: These are all our book in the microcredit on that mix, so you see that the Suraksha and others are very much social product on that, what has happened those customers are only within two years successfully continuing with us and they have a need on that some small amount of the loan for education for their children, need for health purpose for the loan, because otherwise they will lost their capital of the business and immediately stop my installment, it is better on that we can give this, it will be like Rs. 10,000 they can take loan for family treatment if it is in case they require on that and that have been hit also more to control of NPA and default on that. Other point also this is also given on that they can use it for set up a centrally active and that will be also on that we are doing on that.

Sunil Samdani: This is strictly well-monitored, this is a very small percentage of our total book about 0.5%, it is on the genuine need and we take the documentary proof of the family.

Chandra Shekhar Ghosh: If they are not properly used on that, they will be paying us in a business mode interest.

- Rahul Jain:** The other question was just a data point, what is our average SA deposit cost last quarter?
- Chandra Shekhar Ghosh:** Our deposit cost if you see that it has been factor wise is two, one point is there if we like to exploit our capital, it is in 6.53.
- Rahul Jain:** Sir, sorry, I meant average savings deposit cost?
- Chandra Shekhar Ghosh:** Average savings deposit cost of 5.1%.
- Rahul Jain:** Has this gone up from the last quarter because I remember it used to be about some 5%?
- Chandra Shekhar Ghosh:** It has gone up because you know that we have the savings product which is we given that offer to the customer who have deposited the money more than one lakh to the savings account and they will get that as 6% interest, so that is more than one lakh contribute, 67% of our savings, so for that reason it has been going little bit upon that.
- Rahul Jain:** Sir, we are getting into an election period I think from third quarter of this year and there have been spate of farm loan waivers that were being announced by various state governments in the past, so if there is any repeat of any such announcements, you have seen multiple cycles, multiple such announcements, do you see any correlation of that on the performance of the loans by the microfinance borrowers, can you share some incidences with us in the past?
- Chandra Shekhar Ghosh:** If you see that in the past is very good experience from the customer point of view and from our point of view, so that now customer see that really, they are not captured, or they are not the qualified with the agriculture loan waiver because nobody has got that benefit, but only the rumor have been, sensitized by the some of the interested people from many lenders, some political leaders on that. Now, people understand about it, it is not their part so that I feel that in future it is not very big issue will come on that, we are already immunized.
- Moderator:** Thank you. The next question is from the line of Ravi Singh from Ambit Capital. Please go ahead.
- Ravi Singh:** Sir, you classify your non-micro-banking assets across retail, SME, and small enterprise loans, could you just explain how you categorize different loans across in Agri, what are the nature of these loans, ticket sizes, secured and unsecured?
- Chandra Shekhar Ghosh:** It is not very much classified on that, only I say that the microcredit we have that up to Rs. 1,50,000 loan we have treated it as microcredit, which is we have the amount of 27,933 crore. We have SEL product, which is very similar to MSME and which is 1724 crores and loan size is one lakhs to 10 lakhs, and SME there is 1800 crores and this is more than 10 lakhs and this amount is there and average is 40 lakhs of this loan. In retail, we have two types of loan here, one is in personal loan and second one is in housing and LAP, so these we are 1116 crores, so these are the three figures total 4658 crores is a non-microcredit.

- Ravi Singh:** Sir, other than housing loan and LAP in the non-micro-banking, what is the share of secured loan versus unsecured loans?
- Chandra Shekhar Ghosh:** I say that all non-microcredit are secured.
- Ravi Singh:** What is the typical security in these loans?
- Sunil Samdani:** For SEL, it is only primary security which is the stock, for all others, we will have collateral except personal loan, of course.
- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.
- Manish Ostwal:** Sir, my question first on spread increase quarter to quarter from 8.4% to 9.6%, can you explain the surplus behind it?
- Sunil Samdani:** Spread is at 8.9 for Q1 FY '19, this has gone up from...
- Manish Ostwal:** Sir, I am comparing Quarter-4 FY '18 to Quarter-1 FY '19?
- Sunil Samdani:** 8.4 has gone up to 8.9, so obviously our cost of funds has come down and further because of raising of equity, the benefit has come to spread as well as NIMs. We have raised equity only in the last week of March that benefit has come in this quarter.
- Manish Ostwal:** Second question on the, can you provide the breakdown of your non-interest income in terms of fee income and Treasury and others?
- Chandra Shekhar Ghosh:** If you see that our three category of mainly the two categories of the income is non-interest income. One category which is the processing fee, which is recharged from the loan, and second point is our PSLC certificate, which is called the Private Sector Lending Certificate, which is another income is coming because our 95% of the loan are priority sector qualified, so that we are selling it to the other bank, so that we earn some money that is in here. These are the two major that is coming on that.
- Manish Ostwal:** Can you quantify the number, Sir?
- Chandra Shekhar Ghosh:** Processing fee would be about 100 crores and balance is coming from PSLC.
- Sunil Samdani:** PSLC is about 65 crores and then there are other small charges like MDR Charges etc..
- Manish Ostwal:** This operating expenses growth which is at 38.49% YOY and close to 18% increase in quarter to quarter, so the pace of operating expenses will continue in FY '19 or we see some moderation, how do you see that thing?

- Sunil Samdani:** If you see during the last financial year, we have increased our distribution footprint and we are also launching the non-microfinance products, that is where the investments are made. , so as a cost to income, we are working on maintaining it at last year's level which is about 35%, we will continue to keep investing in business when the times are good.
- Manish Ostwal:** Last on the microfinance business side, Sir, can you provide some insight about compared to your last quarter collection efficiency in microfinance business versus Quarter-1 FY '19, can you talk about some numbers and the overall geographical, any weakness in particular geography, it will be great?
- Chandra Shekhar Ghosh:** Number is not in my hand, because this number is dependent on that how much of my disbursement client is there on the basis of that amount will depend on that, but what we saw that is this is an OTR we are calculating on that, on-time repayment rate. It has been gradually it is increasing on that, so now it has come to the 98.89%, so which was earlier it is little bit above of 98% so that it is growing more means OTR today how many customers are due to give the minimum one installment, how many they have given minimum one single installment and what is the ratio, so we see that it is increasing that has been helped us to maintain the portfolio quality of the book.
- Manish Ostwal:** For the full year what is our credit cost guidance, Sir?
- Sunil Samdani:** Typically, we have budgeted for 1% credit cost.
- Moderator:** Thank you. The next question is from the line of Anusha Raheja from LKP Securities. Please go ahead.
- Anusha Raheja:** Sir, what was the quantum of sell down of assets that you would have done in this quarter?
- Sunil Samdani:** This quarter we have not done any additional IBPC, we have done mostly through PSLC route where the portfolio does not get sold, it is only the rights of priority which is sold. We generated a premium or fee income of 256 crores which we will be amortized over four quarters.
- Anusha Raheja:** Why is the income getting amortized over four quarters?
- Sunil Samdani:** Because PSLC typically the way it works is on first of April, whatever you do PSLC sell down remains with the buyer till March 31st and on April 1st it comes back, so in the first quarter you have the entire book available to you for down sell, which is essentially for the entire year, so since this is the book available for the entire year which I am doing it in the first quarter, it is a prudent practice to amortize it over the four quarters.
- Chandra Shekhar Ghosh:** This is our opportunity, because 96% of book are priority sector qualified, I have need in only 40%, so the 56% I can like to sell.

- Anusha Raheja:** Sir, just one thing on this sell down, the net gains that you receive in IBPC and the net gains that you receive in PSLC, in the later case the net gains realized are lesser as compared to IBPC, is that correct?
- Chandra Shekhar Ghosh:** It is market driven because the market is asking PSLC mood in this time compared to the IBPC, this is one. Second point, the last quarter PSLC was not introduced in that time, so that in that time we did only IBPC.
- Anusha Raheja:** That part is understood it is more of market driven, but I just want to understand is the net gains realized?
- Sunil Samdani:** In a perfect environment it should be same, but obviously the environment is never perfect and compulsions are different. Today, most public sector banks struggle to meet their capital adequacy, so they prefer PSLC route rather than taking assets on their book.
- Chandra Shekhar Ghosh:** When the credit growth will come, automatically this market will again increase.
- Anusha Raheja:** But is it fair to assume that probably you will receive 1% of the amount of sell down?
- Sunil Samdani:** It depends upon category to category, you know there are four categories, small marginal farmers, Agri, Micro and others, they all have different premiums based on demand and supply, during this quarter we have been able to generate a premium of about 1.5% with the mix of all.
- Anusha Raheja:** What was the spread and the margins that you had in the last quarter?
- Sunil Samdani:** You are talking about spread and NIMs?
- Anusha Raheja:** Yes.
- Chandra Shekhar Ghosh:** 10.27% is the NIMs.
- Anusha Raheja:** Basically, just want to understand why the yields have come off in this quarter from if you just look at from 16.7 to 15.4, like what has been the reason for the fall in the yields?
- Sunil Samdani:** As the mix of Micro to non-Micro changes and as the non-Micro book increases, which is comparatively at lower yield, the overall yield will also change. In Q1 FY 18, the non-Micro book was less than 10%, today it is 15%.
- Anusha Raheja:** So that is that the only reason or you have tinkered with the micro- lending rate as well in this quarter?
- Chandra Shekhar Ghosh:** There is an increase.
- Anusha Raheja:** Basically, I just want to understand even if the spread or the margins, is there upwards or the downwards movement should be linear?

Chandra Shekhar Ghosh: Something also is there, when any default customer is coming to repay the amount, automatically our yield on loan and advances will little bit increase.

Sunil Samdani: In this first quarter, we got the benefit of equity that we raised in the last week of March, so that also helped us increase.

Anusha Raheja: Going ahead for this current fiscal, what will be the broader call on the margins one can take, how do we look at the margins going forward?

Chandra Shekhar Ghosh: We are trying to really maintain on that.

Moderator: Thank you. The next question is from the line of Sameer from JM Financial. Please go ahead.

Sameer: Just wanted to know what was the TD retail number for March '18?

Sunil Samdani: Our total retail on March which includes CASA was 24,631.

Sameer: How does one read the sequential decline in CASA as well as the overall deposit number?

Sunil Samdani: If you see the overall deposit number about 3000 crores we have reduced our bulk deposits, that is where the maximum reduction has happened. We raised equity of about 3600 crores and accordingly reduced high cost bulk deposits.

Sameer: CASA reduction I think you are fine with SA being primarily moved to some TDs, but even the CA part of it?

Chandra Shekhar Ghosh: CA will take some time on that because the CA basically has come from the current account, so we have not that much of the corporate credit or corporate business service, so that it is little bit is there, so we are gradually like to thinking about it how it can be provided some of the MSME segment of service which can give the CA balance to the bank and of course some of the salary account are now going as the new product to the corporate sector which can be also help us to come to some of the CA.

Sameer: Secondly on the retail bank, general banking asset product, have they been launched at all branches?

Chandra Shekhar Ghosh: No, it is a separate asset Centre and control from headquarters and separate department, but they are helping us with the source some of this the good proposal and sent it to the asset centre and asset centre independently process it and accordingly there will be disbursement through that branch.

Sameer: But all branches today are enabled to disburse or source these products or is that some of the branches are doing it and some branches are yet to roll it out?

Chandra Shekhar Ghosh: Not all branches are that much of the capacity, sometimes it is not that up to the mark. For new branch, we are not likely to give that responsibility, we like to more focus on that liability

customer, new account, so that it is there, but if something the proposal has come they will send it to the asset centre.

Sameer: One final thing, how does the loan book stand from an East plus North-East versus the rest of India, any percentages, has it materially changed from what it was three quarters back?

Chandra Shekhar Ghosh: Our East loan book size is 57% and balance is 43% is in non-East.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, couple of data points question, first if you can break down the gross NPA into MFI book and non-MFI book?

Chandra Shekhar Ghosh: If you see that the NPA we have now 1.26% as gross.

Sunil Samdani: Total gross NPA is 388 crores, Micro and SEL loan which is similar to MFI loans is about 370 crores and rest are other loans.

Jai Mundhra: Sir, have we also been disclosing portfolio at risk at least in MFI business?

Sunil Samdani: 30 plus is about 2.3%.

Jai Mundhra: Sir, we have given the retail disbursement number, but can you also give the non-Micro retail banking loan as on outstanding, if it is possible?

Chandra Shekhar Ghosh: 4365 crores.

Jai Mundhra: Sir, the retail SME and small enterprise loans wise in that fashion?

Chandra Shekhar Ghosh: 4658 total, so in that sense MSME we can say that 3500 crores and balance is the retail, retail means in the housing loan, personal loan, and loan against property.

Jai Mundhra: Would it be too much to ask, Sir, if you can provide this housing, LAP, and personal loan because I believe we had given that in last to last quarter?

Chandra Shekhar Ghosh: If I say that out of the retail loan, that is 46 crores, 600 crores on personal loan, and rest is mortgage and gold.

Moderator: Thank you. The next question is from the line of Seshadri Sen from Alchemy Capital. Please go ahead.

Seshadri Sen: I have three broad questions, one is the share of deposits from Micro lending customers, which direction is it moving, is that growing, is it broadly the same?

Chandra Shekhar Ghosh: As of now it is in 6%, earlier it was 5.4% in the last quarter.

Sunil Samdani: A year back it was 5.4% in first quarter of last year, currently it is 6.

Seshadri Sen: This is a share of overall deposits, not share of CASA?

Chandra Shekhar Ghosh: Share of overall, 90% is CASA.

Seshadri Sen: Secondly, could you give some color on your branch expansion plan, I noted that during the quarter there was the branch network or the distribution network remained static, but over say two to three year period what are your plans for branch expansion and what does that mean for OPEX growth and overall ticket size growth as well?

Chandra Shekhar Ghosh: If we see that we cannot like give the two to three years' plan of branch growth, but we are saying that this year we like to reach the 1000 branch. As of now, we have 937, we like to reach 1000 branch which I got the approval from Board and we would like to set up another 250 microcredit office instead of 2764, that may come to the 3000 and this is the plan as of now on that, but on the basis of performance and everything in future, then next year we would like to go again to Board and according to their comfort and approval then we would like to go further next year.

Seshadri Sen: About 1000 Branch and 3000 DSC by the end of this year?

Chandra Shekhar Ghosh: Right, correct.

Seshadri Sen: Is that going to be back ended towards the second half or the expansion kicks off from the second quarter itself?

Chandra Shekhar Ghosh: What has happened is there, it always depends on the first quarter approval has come, the DSC maybe the this quarter can be like to open, but branch opening it will be taken more time on that because selection of the premises, negotiation of that, and infrastructure development, interior decoration, so all connectivity it take some time so that we are not in that position say that in the next quarter it will be like to open all branches, so according to that, we are ready for that anytime, but according to that all the infrastructure we would like to fulfill on-time and accordingly we would like to make it.

Seshadri Sen: What proportion of these incremental branches will come in the East and North-East?

Chandra Shekhar Ghosh: We are not much more coming to the Eastern. It depends on the, if you see that the Eastern region may say that if we did deduct Bengal and the North-East and other than these in Bihar also, but some other focus is not that much is coming to there, it is very selective area with more deposit-based more on that and second point is like to maintain the 25% unbanked rural, on the basis of that we are selecting.

- Seshadri Sen:** Final question is the IBPC, so if I have read the presentation right, it is about 1800 crores outstanding, how long does that take to run off?
- Sunil Samdani:** The maximum period for which you can do IBPC is 180 days, so we did these IBPC in March 2018., so maximum by September 2018 it will run off.
- Seshadri Sen:** Incrementally, you are unlikely to do any more IBPC, very small amount because the market is shifting towards PSLC if I read it right.
- Chandra Shekhar Ghosh:** Correct.
- Moderator:** Thank you. The next question is from the line of Saurabh Kabra from Reliance Mutual Fund. Please go ahead.
- Saurabh Kabra:** I just have one question regarding the operational parameters, so what we are observing that across various MFIs, the attendance ratio in the centre meeting are going quite low, it is like one or two people come and pay for the whole group, so how does the attendance ratio look at Bandhan?
- Chandra Shekhar Ghosh:** We feel that the 80% to 90%, our ground level we are trying to 90%, but we feel that centrally 80% if it is there, it is okay, we can be asset on that. If it is coming below the 50%, it is very much not good on that, it is danger for future also, so in that sense you can select some persons who are not coming, how he can like to motivate to attend or remove them from the system to not to trouble anyone.
- Saurabh Kabra:** Can you throw some light, how does the trend goes for this, now it is decreasing or is at the same level over last one year?
- Chandra Shekhar Ghosh:** Which one?
- Saurabh Kabra:** The trend in attendance over last one year in Bandhan?
- Chandra Shekhar Ghosh:** No, we are not compromising on that, we are continuing on that. We have not seen this happen, if it is not suddenly happened one area for some cause this year, otherwise it is not in Bandhan, from beginning we are very concerned about this attendance.
- Moderator:** Thank you. The next question is from the line of Supratim Basu from Americrop Capital. Please go ahead.
- Supratim Basu:** Just a couple of follow up questions, I did not understand why do you have such significant seasonality in your business with respect to your disbursements?
- Sunil Samdani:** There are couple of factors with regard to seasonality, one is the Festival season, typically just before the Festival season you see the demand going up, and two, has more to do with the status as an NBFC before converting into a Bank, because typically banks lend during the March end

to meet their target and that is the time NBFCs have money, so the cycle of that customer if it is a one-year loan gets closed and renewed again in the next March.

Supratim Basu: You would expect this to get tamed as you go forward as a Bank?

Sunil Samdani: Yes, we expect that to improve as we go forward as a Bank.

Supratim Basu: This has been the case for you guys going backwards last three to four years like 1Q dips 40% compared to 4Q?

Chandra Shekhar Ghosh: If you see that in the practice already Sunil mentioned and I mentioned on that, all the MFI, the NBFC is the point on that, all funding has come to the March and huge money has been kept in March all MFI practice. First two quarters, no funding has come on that, so that any credit goes, they have been taken on that again on the basis of March figure, so that in the first quarter it is automatically it has been less number of customer acquisition, disbursement happened on that, so that cycle has been changed in coming to the every quarter is the same disbursement collection, it will take long time on that, so it is not very easy, otherwise, second point, if you see that any of the MFI or any of the bank is our side also, we plan to open the bank branch or DSC in first quarter and second quarter we open, and third and fourth quarter that DSC will become as a good number of customer acquisition on that, so in that sense if you go to the next cycle, it is automatically going after the second cycle, third and fourth cycle, so it is coming on that way also.

Supratim Basu: What you said that this seasonality is also linked to the volatility that I see in your spread number, the interest rate spread number?

Sunil Samdani: Not really on the spread number, spread has more to do with mix between the micro- and non-micro, and of course in the first quarter we got the benefit of equity which we raised in march 2018.

Supratim Basu: I actually do not have your 2Q, 3Q numbers for last year, but if you were to just look at 9.6 1Q of last year and then 8.4 for 4Q of last year and then 8.9 for first quarter this year, there is like a lot of bouncing around that is happening with the spread, so just curious about why this happens?

Sunil Samdani: As I said because of the seasonality in Q1 of last year, our micro-book came down sharply, that also impacted the spread. This year our micro-book did not come down, so that helped us maintain our spreads coupled with the equity infusion as well.

Chandra Shekhar Ghosh: Other point if you see that in the last year it is the normal year and last year all quarters, first quarter, second quarter, third quarter if you see that, so there is not any normal quarter because the NPA has been increased in that time, so while NPA increased that means the collection has come down then my interest income has come down, then automatically it will be also effect on that.

Supratim Basu: Do you have a target spread for the year?

Chandra Shekhar Ghosh: We cannot be spread target is there. We like to grow the business with appropriate rate compared to the market and you know that the micro-credit rate is very sensitive, so it cannot be drastically like to come up and increase, it is everything is market, regulators come forward, people come forward, we would like to maintain something on that, and it can only be maintained on that decision, capacity increase, cost of fund increase, current account balance increase, automatically it will be maintained on that to spread, we see that it is possible.

Moderator: Thank you. The last question is from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Has there been any upward movement in the card rates on deposits, so advances are really outgrowing our deposits, so is there any liquidity pressure coming up?

Chandra Shekhar Ghosh: Till now we are not in that position. We saw that in the last month very good deposit has come to the bank, as of now we have not felt that but if market is like to come up, and the RBI has increased their monetary policy, the rate has been increased and other competitor that means the bank also increase them, you can like to see that in the last one to many of the private banks they are very renowned, they are also increased drastically their deposit rate, so on the basis of that in the ALCO we will decide on that with the liquidity position how we can be going to increase or not, but as of now today if you see that, we are very comfortable on that.

Sunil Samdani: We do not see a pressure on liquidity. We raised equity in last quarter, which led to reduction in bulk deposit.

Chandra Shekhar Ghosh: Other than this you see that every month we are adding one lakh new customers in bank branch, even the good amount of deposit is there now, first customer then they will, gradually they will come as a very good premium customer and automatically my deposit growth will come.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Sunil Samdani, CFO, for closing comments.

Sunil Samdani: Thank you Ladies and Gentlemen, thank you for taking time out.

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