



“Bandhan Bank Q3 FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY21 Earnings Conference Call of Bandhan Bank Limited. 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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Hiren Shah, Head of Investor Relations, Bandhan Bank Limited. Thank you and over to you, sir.

Hiren Shah: Thank you, Janice. Good evening everyone and thanks for joining this conference call. We are glad to welcome you all to discuss Bandhan Bank's business and financial performance for the quarter ending December 2020. We will take this opportunity to update you on the recent developments in the industry and Bandhan Bank during this quarter. To discuss all this in detail, I have got with me, our Founder, Managing Director and CEO – Mr. Chandra Shekhar Ghosh; our Housing Finance Head – Mr. Sudhin Choksey and our Chief Financial Officer – Mr. Sunil Samdani.

Now, I would like to request, our Founder, Managing Director and CEO, Mr. Chandra Shekhar Ghosh to brief you all about bank's financial performance and development for the quarter ending December 2020. Over to you, sir.

Chandra Shekhar Ghosh: Good evening and Happy New Year to all of the investors and analysts. This is the third quarter completed in the time of COVID. Though it is a period is in very much pandemic, but the vaccination has been started, it has given that hope to ask if the future coming to the normalcy on that. If I go to the ground level, couple of things we have been learned, if I like to share with you, the people's movement have been started fully. There is no restriction to enter the village, so that is now group meeting we organized to starting on that. This is a very good improvement we have been seeing after the COVID situation. Second thing, we see that there is new to credit also has been picked up in the normal time also before the COVID and the same situation has come and the loan demand also returning back.

The Bandhan Bank are working for a long time with the people and because of the bank, our deposit program we started on 23rd August 2015 and gradually we have continued performance on that deposit growth and greater deposit and CASA is very strong in this time, this quarter also we have seen that. The strong new vertical, we often called the third-party product sale, this is a very good non-interest income, which is fee-based income has come highest in any of the quarters on that.

In this quarter, the balance sheet has been crossed 1 lakh crore, we have been achieved on that. This is the achievement of the team of Bandhan and Total business has been crossed 1,50,000 crores. During this time in the COVID situation, we are a little bit conservative to make the balance sheet and to account for some of the provision.

Within all this the situation, Bandhan always assess their asset risk and it has been in advance we have provision may come back little bit higher which is not may be a bit higher than totally actual thing on that. In this time also, we have been a little bit conservatively assess that and seen that the we have provision in our balance sheet, 1000 crores extra in this quarter and which is the total covering extra provision will come now 3119 crores.

Coming to the more performance point of view, the bank performance in this quarter, net interest income growth has come 34.46% and quarter-on-quarter growth has come 8%, which is a total NII we have been on in this quarter 272 crores, which is very good amount in the bank. 38% of the total income growth has come in this quarter which is 2625 crores. 51% of our operational profit has been done in bank in this quarter and which is 1914 crores and which is 18% growth in quarter-on-quarter basis in the operational profit.

Our NIM is 8.3% which is also better than the last quarter, it was an 8%, gross NPA 1.1% which was in earlier quarter 1.2% and net NPA 0.3% which one in the earlier quarter is 0.4%. As I come into the advance growth, advance growth has come 22.60% which is year-on-year basis, quarter-on-quarter basis it is 4.75% and total advances as per the 31st of December has reached to 80,255 crores and out of that the microcredit loan which is the group loan is 59%. Though we have been done extra provision of 1000 crores, but our ROA, return on asset has come 2.4% this quarter and ROE, 14.6%. Overall profit if we have not done the provision extra 1000 crores that will be 1374 crores which is 88% from the year-on-year basis and 22% on quarter-on-quarter basis, so because of 1000 crores extra provision done, so net profit has come 633 crores.

Our collection efficiency which we will see that in this quarter, especially if it is say that microcredit, it has come to the customer collection efficiency 94% and if it is a value term, it is 92% and deposit growth has come 40% which is year-on-year basis and quarter-on-quarter basis deposit growth has come 8% and total deposit has come 71,188 crores and as a historical, Bandhan is focusing on CASA and retail deposit. In this time, we have also seen that very good achievement has come by the team, 43% CASA, 81% retail deposit and we will see that 66% of the CASA growth has come as year-on-year basis which is the highest in the bank life.

Our bank has the banking outlet 5190, last quarter we have been opened 490 banking outlet. Customer have reached the 2 crore 25 lakhs which is last quarter we have been added the 17 lakhs new customer. I like to mention here whatever the new customer added in the bank if I say that in a microcredit level, it has been come nearly 3 lakh in the month of December 20 compared to the December 19 it was in a 2 lakhs. So it means to say that the new customer acquisition or new customer demand for credit is coming such a way which is more than normal situation on that. Bank have the staff of 47,260.

So I hope that you have some question, I would like to explain on that, but overall my views on that this quarter performance has come very good and gradually improved the collection efficiency also. We have the confidence on my team and my customer and the future, this means this quarter, it will come very near to normal on that because always the fourth quarter, business

growth is highest than any of the quarter. When the business growth will come highest, automatically NPA or risk in the portfolio will come down on that. Thank you to all of you for your patient and time, please.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Jai Mundra from B&K Securities. Please go ahead.

Jai Mundra: Sir, first question is on asset quality, so if I look at the MFI book, the collection efficiency is around 90 or 92 and we also have the pro forma slippages, so just wanted to understand what is the par portfolio at risk in MFI book which is outside of the pro forma slippages?

Chandra Shekhar Ghosh: If I little bit clarify to on that, whatever the pro forma we have given the 7.1%, so on the beginning of my statement, I have been given that we are very conservatively taken on that because whatever the total collection efficiency has come, other than microcredit all are in 98%. This is the first point. And next point on that, we will see that at the microcredit, out of 92% customers, who are partially given the installment we are taking them as a waive, though it is not near to risk because these are the people because of the microcredit, when they started the partial repayment, only once upon a time, they will be come to the full repayment and they will be come to the normal, because in today we are calculating on that. For that reason, we are taken as a partial installment paid customer as a portfolio as risk in it, so that it has come to the 7.1%.

Jai Mundra: No sir, actually I was asking that there would be some, when you calculate collection efficiency, you would have people who have not paid and hence they have been tagged as pro forma slippages, so that would have reduced your collection efficiency, so if I were to bifurcate that as of December end, this much is pro forma slippages and outside of this, how much is the portfolio at risk par?

Sunil Samdani: If you see, my current customer that we have is about 73% in value which is the non-delinquent customer and then we have different bucketing of 30 plus, 50 plus and 90 plus.

Jai Mundra: And if you can quantify the zero-day par in the state of West Bengal and Assam if it is possible?

Sunil Samdani: That breakup we don't have, we have given the zero-day par at an overall level for EEB and West Bengal and Assam anyway is about 60% plus of our entire portfolio.

Moderator: Thank you. The next question is from the line of Amanjeet Singh from S Caliber Advisors. Please go ahead.

Amanjeet Singh: Sir, I just wanted to understand, the collection efficiency that we have reported, there has been a slight dip in the first 15 days of January, so could you let us know like what has changed and what is your outlook on the coming quarter?

Chandra Shekhar Ghosh: If you see that we are clearly trying to address to you on that. The Assam there the government have been declared a bill and also after that there have been microcredit loan waive promise. It was in the first week of January, so when this news has come in the first January at that moment, there is a confusion about the customer, the borrower and what are the criteria government will be set up for the waive of the loan, so there is reason on that. For that reason, it has been a little bit come down on that which was in a 88% by collection efficiency was in December in Assam has come down 78%, but if I say that in the today, 16th of January, today it is not any further declining, now it has stopped the declining, it has come improving onwards on that.

Amanjeet Singh: Sir, I might have missed this point, but what is the absolute 0 DPD for the entire book?

Sunil Samdani: For the entire micro banking portfolio, the current book is 76%. (Up to 8 days DPD is considered as current) I am talking about the current portfolio which is not overdue.

Amanjeet Singh: Sir, on the collection efficiency excluding arrears, so how would that play out sir on the arrears? Is that because of the morat?

Sunil Samdani: There are two things, one is the repayment rate and one is collection efficiency without arrears. So repayment rate includes the advance and overdues of earlier month. If we consider that also in our calculation, then it is 100% plus. When we say excluding arrears, it means that we are only considering the current demand against current collection.

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

Karthik Chellappa: I have three questions, firstly we had earlier guided for a credit cost of about 300 to 350 basis points for the full year, but now in view of the situation in Assam and the impending elections, we have taken about 560 basis points in 3Q, so how do you see your credit costs and NPL ratio playing out, let us say, for the rest of the year in the fourth quarter?

Sunil Samdani: We had guided for 3.5% at an overall level for the credit cost. Now with new developing situation in Assam, what we have presented in the first 16 days impact, Accordingly, credit cost should go upto 5%.

Karthik Chellappa: And sir, last quarter, you had shared that 7.6% of your EEB loans by value and 12.3% of the loans by number were top-up loans, can I get the corresponding figures for this quarter, both by value and number of customers?

Sunil Samdani: For this quarter, the top-up loan number has been very low. The absolute amount is 920 crores of top-up disbursement.

Chandra Shekhar Ghosh: Which was in the last quarter 2370 crores.

Sunil Samdani: So in percentage terms, last quarter about 25% of my disbursements were in top-up. In the current quarter, it is about less than 6%.

Karthik Chellappa: So less than 6% of the disbursements have been in top-ups this quarter compared to 25% or so last quarter?

Sunil Samdani: Yes.

Karthik Chellappa: And my last question sir is, in January, you have actually undertaken a revision of your fixed deposit rates and if I look at various buckets, you FD rates right now are almost at 6% or below 6%, but your savings bank account rates for 10 lakhs and above continues at 6%, I mean if it goes into 10 crores or so, it is probably even 6.55, so in such a situation it is natural for you to see some movement of funds from your FD to your savings account, but I am just wondering why you have not reduced your savings rate as well because right now, the arbitrage in the rates seem to be quite obvious?

Chandra Shekhar Ghosh: You see that this is very right way you have been addressed and I have taken this call as consciously because when any FD make any bank, that is in cost is higher than the savings because they have need to attend the customer and they may keep with the printing of the fixed deposit receipt and again when he will come on that and withdraw for that and that is also needed, one of the time will be spend on that. It is better on that they give the freedom to the customer if it is even the 6% which is near to FD rate and they will like to enjoy it on that easily and senior citizen is more happy on that way. So that is the logic behind on that we are making it.

Karthik Chellappa: Just one follow-up sir, if I were to just look at the collection efficiency in West Bengal that also dipped a bit in the first 15 days of Jan relative to December, any disturbances or problems in collection efficiency that you are experiencing there at this point, that will be all?

Chandra Shekhar Ghosh: No, that is not anything has been disturbance here, it always happens, sometimes first week, second week and the fourth week, they cover it on that, so that has happened on the 0.5% or 1% fluctuate on that week on week basis. So because of the need of the amount, we have been making on that and a couple of holidays was there in the first week, so that little bit has come and again it will come up in the closing of the month.

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

Rahul Jain: Sunil, coming back to the collection efficiency, you said 76 is 0 DPD, can you give us further breakdown of the 24%, of course minus the NPL pro forma, NPL which is 5%, what buckets they would be in 0 to 30, 30 to 60, any further granular breakdown can you give us?

Sunil Samdani: 76.5% is the current customer (Upto 8 days overdue on proforma basis is considered as current). If you talk about the 9-30 days, it is 5.5%, between 30 to 60, it is around 5.5% and between 60 to 90 it is around 4.5%.

Rahul Jain: Sorry, I will just repeat, 30 to 60 is 6%, so that takes up to 82.5 and 60 to 90 you are saying is about?

Sunil Samdani: Sorry, some confusion there, so 9 to 60 is ~11%.

Rahul Jain: And 60 to 90 is?

Sunil Samdani: And 60 to 90 is 4.5%.

Rahul Jain: And that makes it up to 91% and then plus 7% NPL and then maybe that is 98%. Second is, have you taken any interest income reversal also because of this pro forma NPLs?

Sunil Samdani: No, that we have not taken so far, but that amount for us is relatively less because there we allocate the EMI in our micro banking business, we first adjust it against the interest, then the principal. So the 1 unrecovered interest which is standing in the receivables is about 349 crores.

Rahul Jain: The other question is on the restructuring and then related to that is pro forma, so let us say Supreme Court verdict let us say comes out hypothetically whenever, so these 7% will actually become NPA or you have the option of even restructuring these cases?

Sunil Samdani: So we always have the option of restructuring some of these case. We have not done any restructuring till date. Our focus is always to connect with the customer and do the collections upfront. We have time till 31st March to evaluate that option.

Rahul Jain: And the last question is on the Bengal part, sir, I guess last quarter, sir had mentioned that as the local transportation improves, opens up etc., this would specially get back up to 95-98%, now in the backdrop of election noise and of course in neighboring Assam is having this MFI loan waiver in episode going on, do you think Bengal is likely to remain around these levels which means no improvement despite opening up of local transportation or this could actually drop in the wake of the local politicians getting involved in MFI loan waiver etc., anything that can impact the Bengal collection efficiency is essentially the question?

Chandra Shekhar Ghosh: Rahul, it is not in a political issue or election issue. As you can see now, it is an issue of which is the people with the consumer demand has not come that much. If I give you one or two example on that, trains have been started, yes, but till now, if the person will like to go to Assam or come from Assam, there is a need of the COVID test and they cannot stay more than 24 hours. So this is the position is now surrounding states where Calcutta is a business hub. So this specially, if I say that the readymade garments and the jewelry work and also if you see that there is a Sari, there is a big hub of the surrounding of the city and all these in the hub, the people

have the manufacture, but the people in the other street are not coming even in the hub, even in the train open, but they cannot get the buyer. So if it is not it is coming to the normal, so that it is a little bit conservative has come on that thing. So I feel that and after the Puja whatever that is a like to picked up in that point and that has not happened. So after that what you see that by 15th of December that again it has been started little bit on that. So I hope that in the next couple of months, it will be like to very good position whatever I predict it earlier and you mention on that. So that is not the problem and election of course is there, but election is not the matter for this collection efficiency and the growth of the credit on that.

Rahul Jain: Fair point sir, I appreciate the clarification, but sir as we have seen in the case of Assam, there has been a sharp drop within like 15-day period and while I appreciate you said that it is stable, it has not gone back up to 88% either, so what are we trying to do to educate the customers and they should keep their balances current, because that is really the risk even for your neighboring state Bengal where we have a large exposure?

Chandra Shekhar Ghosh: If you say that Rahul, you are talking about the Assam issue on that. This is due to picking up on that because the people already started to talk on that, can you go again to the money lender to take the loan from money lenders, who will keep the money to me to run the business during this, even 6 months or 3 months. They understand really good way on that and second point they say that if I am not paying now, may be in another 1 month or 2 months, so my credit bureau record will be like to damage and whenever it will come to the waive the loan, that time may be I am not eligible, I do not know that which criteria is eligible for get this credit waive from the government, so that they are removing back on that from their side and next point on that, whoever running the business they are not joining on that point. So that they are coming on that because in the first rumor has come, immediately little bit it impacted and gradually it has been coming off on that. I have the confidence on that because we are in this time, yes, we are little bit conservative and very selective we are disbursing the credit in the Assam and our people are touching to every customer and that is the feedback I have been given very latest one on that, so that they are returning back to the normal. I hope that next month it will be the different scenario as per my experience at the earlier and also experience from the Assam, Bengal and others because it is not a very exceptional case, it is a normal case in the microcredit industry on that and it sometimes happened in the area of who is in corner, sometimes happened in the state level. If I say that is the very good example in the AP, whatever happened happens, we have now started the credit to the AP and customer in the time of COVID, 99%, they say that we lost once upon a time, but we cannot lose again. So that is the big realization also coming to this level of the customer.

Rahul Jain: Sir, just one last question, Sunil this 7% of pro forma NPL, are you receiving any amount of money from these customers and if yes, then what would that be as percentage of the loans as in how much are they paying, whatever due installment?

Sunil Samdani: As I said, this includes part payment customers, because for part payment customers, DPD keeps flowing. They have been regular in paying part payment, so this is the impact of that as well. If

I have to remove the part payment customer from this, then this number would fall to something like 3.5%

Chandra Shekhar Ghosh: And Rahul, next point adding on that who the part payment, they have actually returned back the discipline of the repayment. This is a very good sign on that. These people have the intention to not to repay, so this people will not come to this given this even the part installment. So very good sign of this people will be returned back, may be one month extra or two month extra is needed for them.

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

Sameer Bhise: Just wanted to ask, when we have taken the view on credit cost and the excess provision, does it reflect the state of affairs as on 31st December or you have kept some buffer for the worsening that has happened early January or what is expected to happen coming March or say it before the election? How does one take confidence there?

Sunil Samdani: Sameer, the provision that we have taken takes into account the situation as of today and that is precisely the reason we have accelerated the provisioning. So this takes into account the developing situation of Assam as well.

Chandra Shekhar Ghosh: Sameer, you have been mentioned some of the provision maybe we have been done for election, no, we have not done anything because of the election, because we have the best experience on the election. Election is not the matter for us.

Sameer Bhise: Secondly, when you say that 76% is the on-time repayment that you are getting currently, when you are looking that behavior of customers who are beyond 30 days, how do you differentiate in terms of what proportion of that is Assam driven and what would be West Bengal or other states driven?

Sunil Samdani: 77% in value terms is the current customer for DPD calculation purpose which takes into account earlier overdues or installment a customer would have missed. If we talk about for the month of December 20 our full payment customer is around 80%.

Sameer Bhise: So basically you mean to say that customers who are fully current and paying on time is close to 80% after the moratorium repayments started coming in?

Sunil Samdani: Yes, so, let us say, customers who started paying after 2 weeks installment, they would be overdue customers technically, but currently the 80% of customers are paying on-time and are regular, I mean the full installment, the rest are part installment.

Sameer Bhise: And finally, just wanted to get a sense on how do you look at the situation that Assam would kind of have a bearing on other states or may be West Bengal or some of the other larger states

in terms of leveraging customers with waivers, etc., what are your thoughts on the same? That should be from my side?

Sunil Samdani I think it is not fair to connect Assam with any other states. I mean there is no reason to think that it has happened in one state, it can happen in other state as well. every state has its own dynamics.

Chandra Shekhar Ghosh: If you recall Sameer, when the AP crisis has come in the 2010-11. So that time, no other states have been implemented, last 10 years, so it is not like to the replicable model of that.

Sameer Bhise: And just one data point, what would be the write-off amount for the quarter?

Sunil Samdani: zero.

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

Saurabh Kumar: Sir, this extra credit cost of 700 crores you have provided over and above your guidance, this equates to roughly about 8% of your Assam MFI portfolio, so where to say at this point your assessment will be 10% loss on that Assam business at this point of time?

Sunil Samdani: Yes, that is what we are seeing just today a drop in collection efficiency by 10% in first 15 days of Jan 21 over December 20.

Saurabh Kumar: So effectively you have provided for Assam or do you, I mean basis of if it, if your current expectations pan out, do you think you need to provide more in Q4 or is it 700 crore in your assessment will be more than enough?

Sunil Samdani: No, there will be some provisions in Q2, we will have to see how much it is, but we don't want to take it beyond this financial year.

Saurabh Kumar: And sir, the second question was essentially you gave your stage 2 assets, so effectively 14% in the stage 2 and on a normal basis, what percentage will be in stage 2?

Sunil Samdani: See, in normal basis, we used to have collection efficiency of 98-99%, where is the question of stage 1, 2, and 3, this is the COVID impact and the moratorium and the delay. When there is a stock for almost 3 to 4 months starting March to August, right and then you have to restart that exercise for the customers to come back to regular repayment, it takes couple of months, so by that time, the DPD flows.

Saurabh Kumar: The third one is essentially the your reading that the Assam MFI will applicable to you, so my question is effectively, number one, is this the Assam MFI bill issue or in your view it is the political moral hazard issue, last one on that?

Chandra Shekhar Ghosh: if you see that Assam bill whatever you say, it is not as per my knowledge whatever I saw in that, it is not applicable for bank.

Saurabh Kumar: I was saying sir, have you spoken to the government on this loan waiver issue because we were hearing that the microfinance industry, you are not part of it, the MFIN industry is going to speak again, but I was wondering if you have spoken to the government on this loan waiver issue?

Chandra Shekhar Ghosh: We cannot disclose publicly, sorry.

Saurabh Kumar: And sir, one final question, on this CASA sourcing which has gone up very substantially quarter-on-quarter, can you throw some light, what is driving that?

Sunil Samdani: It is a mix of both, Saurabh, the new account acquisition which has gone back to pre-COVID level and also the existing customer base increasing their wallet share. So that is what we are seeing in our CASA.

Chandra Shekhar Ghosh: And gradually the customer in the middle level and high networth level customers also confidence has come to the bank, couple of quarters here after the listing they have been observed on that the bank strength, bank quality of the portfolio and then confidence has been built up on that, then deposit is done. It is a normal, I feel that.

Saurabh Kumar: Just one final question, sir, when that CAA NRC happened last year in Assam, the total write-off is you can confirm was 270 crores on the Assam book?

Sunil Samdani: Yes, around similar level.

Saurabh Kumar: And what was the bottom in terms of collection efficiency there?

Chandra Shekhar Ghosh: If I say just one point may be, full figure is not the recall, whatever we have been done in the less than 270 and this is the first time in Assam in the last 15 years of the Bandhan done this write-off, not a single written off done in the last 15 years in Assam. That is the confidence on that customer is very good, customer will be returned back again on that with the Bandhan.

Saurabh Kumar: So in 15 years, you have not written-off anything, the last year, you wrote of 270 crores, right?

Chandra Shekhar Ghosh: Yes.

Moderator: Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: So first one, in terms of the disbursement strategy out there in both the states given this immediate disruption which is there and there would be some disruption because of elections as well, so what would be end? Could that have the impact on the growth because we would have not seen till December, but I think now the collection efficiencies are not that great?

Sunil Samdani: No, firstly we will have to differentiate between this two states, we can't bucket them together. We presented West Bengal because it is our largest state and Assam we had given because of the developments happening, there is no reason for us to believe that both states are on similar lines, the answer is no. To the question on disbursement, Assam, clearly we are cautious and that has been our strategy in any challenge. When there is a challenge, the first reaction is to step back, connect with the customer, go slow on disbursement, improve that connect quotient with the customer and once we are confident then start doing normal disbursement. So the similar strategy will work here in Assam. West Bengal, we don't see any reason why we should think differently than what we were thinking a month back, so that strategy continues.

Kunal Shah: No because Assam also we thought that maybe we will be able to hold on to the collections, but bill really disrupted, so I don't know whether that cautious stand would be there and overall growth I think on the MFI we will still be continuing with similar kind of a momentum?

Sunil Samdani: Ultimately, it depends on the customer need, our assessment of customer and of course the overall position in the state, so for Assam, clearly the stance will be slightly cautious. For other states, we don't see any reason for those customers who are regular paying and meet our criteria to worry too much here.

Kunal Shah: And second, in terms of proforma collection efficiency on commercial banking and affordable housing, that has been also flat, it is not going up, so how would be the pro forma GNPL breakup across three segments, I think pro forma GNPL of 7.12 is for the overall book, so if you can just give it how much it is there in EEB, how much in commercial and how much in affordable?

Sunil Samdani: About 90% is EEB.

Kunal Shah: In absolute terms, if you have to look at it. And lastly, in terms of savings deposit, when we look at the balance, that has gone up by almost like 50% year-on-year, may be average savings balance and in fact it is up quarter-on-quarter as well, so what is the kind of profile? Is it more like a government account out there? How would this profile of the customers would be and secondly, if you can share the split between 3% what proportion of savings deposits are in 3% bucket and what is in more than 6% bucket?

Sunil Samdani: So to your first question, what is the profile of our saving bank customer, it is largely retail. The reason we have seen large pickup this quarter, clearly that is an incentive that we have offered to our customer to stick with us and not go to competition who are offering higher term deposit range. So here what we are telling to our customers that you get a similar rate like term deposit and get a flexibility of the saving bank which you can use whenever you want, right, the alternate was that they might go to competition who are offering much higher rate because retail customers do look for rate. So in the bargain, we have seen the improvement in our CASA balances as well.

- Kunal Shah:** So then, is it negotiable then may be the table which we get in terms of 1 lakh to 10 crores and may be 10 crores to 50 crores, so is the rate negotiable or this would be fixed and we negotiate in terms of the balances with them?
- Sunil Samdani:** Yes, it is all fixed.
- Kunal Shah:** So rates are fixed, maybe we would be graduating from may be the lower balances to more than 1 lakh balances. That is how it would be?
- Sunil Samdani:** Yes, so the current customers who are interested in FD on maturity instead of renewing it because here they get the same 6% and the flexibility to use it whenever they want, otherwise the option was they can go to competition who is offering higher rate.
- Kunal Shah:** And split between less than 1 lakh and more than 1 lakh or may be 3% and 6% of the overall savings pool?
- Sunil Samdani:** In value terms about 67-68% of SA balance is less than 1 lakh.
- Kunal Shah:** Okay, 67 to 68% of SA because average is any which weighs 60,000, so that is less than 1 lakh and 32-33 would be more than 1 lakh which would be 6%?
- Sunil Samdani:** Right.
- Moderator:** Thank you. The next question is from the line of Adarsh Parasrampururia from CLSA. Please go ahead.
- Adarsh Parasrampururia:** Sunil, I wanted to check, you did say majority of NPAs come from the MFI book, could you just tell by the top 2-3 states, like how much NPAs would that be in Assam and West Bengal, at least your two large states, just to put things in context?
- Sunil Samdani:** Largely, it would flow with the quantum of portfolio we have in states. So largely, yes, if you look at West Bengal, it is about 2500, so less than 50% which is what our share in the total book is, 47%, yes which is what the share is, so largely it reflects the overall portfolio with an exception of Assam which is slightly high.
- Adarsh Parasrampururia:** You are saying Assam higher than the 7% number, rest assume each state to be at similar level?
- Sunil Samdani:** No, I am not saying, it reflects the portfolio of that state, so whatever is my distribution of portfolio state wise, largely the NPAs are also distributed in a similar fashion with an exception of Assam which is slightly high.
- Adarsh Parasrampururia:** But would that be little counterintuitive because again at some point has to mirror collection to some extent and I would imagine that even like in Assam, obviously if higher NPA ratio, it should be something similar in West Bengal, right, given that collections have lagged, right, so

like if your rest of India portfolio is 94% collection and West Bengal is 89, your NPAs also should kind of reflect similar trajectory of higher NPA in our West Bengal portfolio?

Sunil Samdani: That is where when we say probable NPA, these includes part payment customers as well. So collection efficiency considers part payment customers regularly, so we have to differentiate between the two and then look at it what is, if you talk about number of customers paid that is not very different state wise.

Adarsh Parasrampuria: My second question is related to per account loans, right, because of COVID 6 months of moratorium, automatically there would have been 10-15% increase in the outstanding of each borrower. As we get into next year, that should normalize, right, so because customer addition this year has been less, but because there was moratorium and interest got added to the account, the AUMs have grown nicely in the MFI portfolio. That should normalize next year, is that a fair expectation to have?

Sunil Samdani: That depends on when the customer has started paying and also we have started collection from June 20 onwards and have not waited till the end of moratorium period.

Adarsh Parasrampuria: And my last question is on to Sudhin on mortgages. Where are we? We do not see the book accreting fast in terms of growth? Have we got to that inflection point? We have reached enough branches of where we can start growing the book fast. What are the constraints? Because it has been some period now since the books been more like consolidating.

Sudhin Choksey: That is the correct observation which you have noticed. I think we had completed the merger and consolidation, everything was through by March. Unfortunately, post COVID, in March, I think we in the first quarter almost blank, nothing major happened and month-on-month since April onwards, there has been an improvement in the disbursements and I think the last quarter we have seen quite a satisfactory growth in the disbursements. I think it is in excess of around 30% and other new branches also which we had mobilized from the Bandhan Bank, there also they have started contributing. I think approximately 15-16% contribution has started coming from the new branches which we have mobilized through the Bandhan Bank branches and if you look at it, we have been analyzing it. The states where we were not earlier present like the Northern states and the Eastern states, I think if I would compare the figures, we used to get approximately 700 cases. I think corresponding to that, this quarter we have got almost 3500 cases. So I think we have been seeing the improvement coming from all these new territories and the Bandhan branches. So I think going forward, I am optimistic that there should be the growth reflected in AUM. One of the reason AUM is not reflecting the growth corresponding to the disbursement is partly one is the prepayment which was there throughout this 9-month period whereas we had not much of the disbursements during the first and the second quarter. Besides, we keep receiving the credit linked subsidy from the government on the affordable housing customers who are eligible for the CLSS. So that crashes the outstanding loan amount. So AUM growth does not reflect that. I think these are the couple of factors which have not been showing the kind of AUM growth which should show. And if the disbursement trend as we had

experienced during the third quarter, if it continues, I think we will be able to see the growth in the loan assets.

Moderator: Thank you. The next question is from the line of V. Subramanian from Jefferies. Please go ahead.

V. Subramanian: I wanted to ask since you are saying a 92% collection and the pro forma GNPA on the EEB book is 10%, so is the remaining book which you not recognized, is that entirely paid?

Sunil Samdani: We need to delink between DPD and collection efficiency. The DPD customer does not mean that the customer is not paying today. These customers must have missed earlier installment.

V. Subramanian: So let me just explain. So you said 80% is entirely paying, 10% is pro forma GNPA and 10% is part paying. Is that a correct way of understanding?

Sunil Samdani: Again, we are mixing number of customers with pro forma which is a DPD position. What I am trying to say if a customer who did not start the payment in the first month or the second month or the customer who is paying part installments, in my collection efficiency calculation instead of 100% that customer will give me 50%. So my collection efficiency will to that extent show little bit higher, but in my DPD calculation, since it is a part payment customer, the DPD keeps moving. So we cannot say a pro forma 10% NPA means it is equivalent to my 90% collection efficiency.

V. Subramanian: So 80% is full paying and part payment would be 10%, is that correct based on what you said?

Sunil Samdani: So the part paying will be 13% odd.

V. Subramanian: I wanted to understand of the 3100 crores of provisions we hold, how much is specifically earmarked for Assam, if you can give out that number?

Sunil Samdani: This is based on the collection efficiency in value and numbers of the customers paid. we have already seen a drop in Assam collection efficiency. So accordingly, we have made the provisions in line with the collection efficiencies at the current rate.

Moderator: Thank you. The next question is from the line of Amit Kumar Premchandani from UTI Mutual Fund. Please go ahead.

Amit Premchandani: I just wanted to understand what are the key learning for the management given that last quarter you did not provide enough for the COVID related stress and kind of despite repeated kind of questions from my end is that why they have been under provision and kind of you kept on guiding for the similar credit cost and this quarter we have seen that many other banking and financial results have come and most of them actually have reduced their stress estimate as compared to what they were guiding last quarter while you are the one who actually have to

increase the stress estimate. So what are the key learnings and how will you guide going forward on these matters?

Sunil Samdani: See, there are 2 things there. One is still last quarter whatever we have targeted in terms of collection efficiency, we have been getting those numbers. We started to get 60% in June going up to 90% in September. So we were there till the time we had guided our collection number. What we have seen this quarter, the pickup which was to happen between September and December had slightly slowed down and it is taking longer. and secondly, hawse have zero restructuring in our books today. If we were to do restructuring of the part payment customers, our collection efficiency would have been in line. Then, I would have not required to take these kinds of provisions and also my pro forma number would have looked better.

Amit Premchandani: But I would still think that despite adjusting for restructuring, the numbers have been much worse than what the management had guided last quarter.

Sunil Samdani: That I explained. As a response to my first point that till September, we have been hitting those collection efficiency numbers. Between September and December, what we had guided is taking longer and that is where this gap has come. But the number of customers paying still continue, right. So what we see is yes, we would have wanted more collection efficiency, but it is more of a timing difference. Of course, Assam we have a different issue to deal with.

Amit Premchandani: Just to understand, will you be more conservative going forward on provisioning?

Sunil Samdani: We have always been, we have always taken any challenges and provide it upfront and we will continue.

Moderator: Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal Securities. Please go ahead.

Nitin Aggarwal: Couple of questions. How do you compare Bandhan's collection efficiency in Assam and West Bengal to the overall industry because honestly Bengal has always done better amidst so many crises that we have seen and when you say that trends are beginning to stabilize in Assam, are you witnessing the similar trends for the industry as well?

Sunil Samdani: See, very difficult to comment on the industries as we will be more comfortable talking about our numbers but historically we have always been better than the industry and there is no reason why we would not be this time.

Nitin Aggarwal: The mix of MFI loans in Assam, so how has that changed over past 2-3 years, some color around that?

Sunil Samdani: You mean the share of Assam?

- Nitin Aggarwal:** The share of Assam and the outstanding MFI loans, how the small versus?
- Sunil Samdani:** The peak share was 17% which has come down to 14 odd percent.
- Nitin Aggarwal:** And the other question that I have is on the deposit growth side. So just one clarification on the growth like as to how much of this is coming from the Army accounts as we won this mandate recently, and are we paying more than the average rates on these deposits?
- Chandra Shekhar Ghosh:** No, we have been not yet on that. We have been just if you find it on that. My team is working on this. Hope it will become very good.
- Sunil Samdani:** Here, the rate does not change, the rate will be the same. It is just the facility we will offer them more in terms of pickup facility, doorstep facility and so on.
- Nitin Aggarwal:** And what is the size of opportunities that we are looking at from these accounts?
- Sunil Samdani:** Too early to say, we will have to first click in the numbers before we talk about.
- Moderator:** Thank you. The next question is from the line of Nishant Shah from Macquarie. Please go ahead.
- Nishant Shah:** Couple of questions from my side. First on the MFI deposit growth, so this quarter there has been roughly a 20% kind of Q-on-Q growth in the average balances for MFI deposit or SA balance and there has also been roughly about 10% odd growth in the customer front. So this works out to a 30% odd growth in the overall deposits in the SA balances of MFI customers. So could you just talk about like how that comes to be in such a tough environment when collections are also dropped a little bit. And second question, what are your thoughts on the recent comments by the RBI Deputy Governor in November talking about looking at an overhaul of MFI regulations, looking at more activity based regulations rather than entity based. So clearly he is alluding to doing away with the differentiation between the regulations that exist with banks and MFIs or NBFC MFIs. So those two questions first if you could answer. Thank you so much.
- Sunil Samdani:** Thank you, Nishant. See first question, we will have to do the math's whether the 30% number is correct, but my reaction to the MFI customer deposits, as the business level of customers increase, clearly the balances with these customers also go up. The COVID environment, they used to dip into their savings to repay the installments that has reduced now. That could be one reason. The other reason of course the subsidy keeps coming into these accounts whether it is PM Kisan or Garib Kalyan. So that also helps in increasing the balance. So that is on the MFI deposits. On the regulation side, we read it too much at too many places, but I would not tend to read too much into the activity based and the entity based regulations as to what the regulator means. I would leave it to the regulator and their wisdom rather than judging it and speculating it, but clearly historically there have been differences between NBFCs and banks. Banks are in fact more regulated than NBFCs both in supervision as well as other regulations. So I am not

sure how to read this and whether it is positive one type of entity or negative other type of entity, too difficult to comment.

Nishant Shah: Now specifically because the comments included the fact that he acknowledges that only 30% of the industry is now in an NBFC MFI format to which the 2010 rules apply, be it on spread caps or on ticket size amounts or on anything. And the intent is to just understand like there are smaller probably NBFCs who abuse the system by not counting bank loans in the overall indebtedness cap. So whether a common cap could be introduced that was the way I was looking at it. Fair enough, thank you. So those are the only two things from me.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, I was saying that in case of Assam, so we have seen politicians talking about the loan waivers, so do you believe that the loan waivers will be only applicable to the SHG loans or it will be also for the microfinance and if a microfinance that our portfolio also will be eligible for that or do you think that there will be some cutoff in terms of ticket sizes or customer categories as such? Any color on that if you can provide?

Sunil Samdani: That clarity will come only if this happens firstly and then the rules are framed under that, only then the clarity will come,

Anand Dama: But whenever these kinds of waivers have been announced in any other state or if you have any past records you talk about, whether it is applicable to the SHG loans only or to the microfinance loans?

Chandra Shekhar Ghosh: If we see that this is the first time one state has been declared only microfinance loan & agriculture. Earlier all the states have been declared about the agriculture loans only. And if you see that long back on that, the UP has been declared as a loan waiver, agricultural loan at that time and after that, a lot of this type of notice has come. But after that when the people say that they are not getting anything on that because there the criteria is different. So then again introduced it in Rajasthan and Madhya Pradesh. When it was introduced, but no one has been listened about it on that. So we are not sure about it what will happen after that.

Anand Dama: So basically sir in that case, so we are assuming that basically 10% of the portfolio could be addressed and possibly even more if the collection efficiency drop from hereon. And Sunil said that basically we will take up whatever has to be taken in the fourth quarter and then move on. So does that mean that we will take the write-off in the fourth quarter, move on because the loan waivers and all will clearly take time to be formalized once the government forms and all. Then is it the end or like?

Sunil Samdani: No, Anand, see firstly we are not suggesting that things will become worse from here, that is not what we suggesting. Two, whether this farm loan will get implemented. If so, in what fashion

because typically if the farm loan waiver gets implemented, it is the government who has to pay to the banks. So technically, there should not be the loss to the lending institution, that is how has been the case in case of a farm loan waiver. This is the first time we are seeing microfinance loan waiver being announced. So first we will have to see the applicability and two, how it works. We do not see any reason why it should be any different because they have announced both, microfinance and farm loan together. So technically, if they announce loan waiver, then they have to repay. The challenge in the microfinance industry used to take when the farm loan was announced, the local leaders used to influence the micro banking customer saying that your loan has been waived where they were not eligible because it was for farm loan waiver. So no one used to benefit. The customer used to lose it because their credit score has gone and lending institution does not get reimbursed from the government. In this case if it is a microfinance loan waiver, it has to be reimbursed by the government. But having said that, we will have to look at the modalities and then proceed.

Anand Dama: But what really, if it is for microfinance, why would just 10% customer would not pay or basically the portfolio does not pay..

Sunil Samdani: If you see initial reaction, when there is a newspaper headline, different people think differently. So these set of customers initially would have thought that I do not need to pay now. It is only when we meet, we make them understand there is some clarity on the ground with passage of time, things get normalized.

Anand Dama: And this 7.5% of pro forma NPAs that we have, it is nothing to do with Assam yet as of now, right because this is very new phenomena.

Sunil Samdani: Assam efficiency for last one year has been lower.

Anand Dama: Yes, historically it has been lower. So any stress formation primarily because of these waivers been announced will be in addition to what we have at this point of time, that is 7.5% right?

Sunil Samdani: Again Anand, we have been saying that the pro forma number does not mean this is the level of stress in the book because the pro forma number does not consider the part payments actually. So we are not seeing that this is the level of stress in the book. Pro forma number means these are 90 days overdue and once the customer pays, instead of 3 months they will take 6 months assuming the customer has paid 15%, this will again get upgraded to standard account.

Anand Dama: But what are the maximum reasons that you would attribute that why these customers have not bid for 90 DPD? Is it basically the willingness or customer is from a particular segment of business?

Sunil Samdani: That is what I am saying that if I have to remove part payment customers, then this number will drop to 3%. Since they are paying part installments, the DPD of those customers are flowing. So let say a customer has Rs. 100 installment, customer is paying Rs. 50 every week after week,

right. So essentially, these customers' DPD will keep increasing. In 6 months' time, they will become 3 months overdue. So that is what that number is looking higher.

Anand Dama: And any color on the customer segments, I mean that 3-3.5% who is not paying single, so they are basically 90 DPD and not even partly payment customers?

Sunil Samdani: Yes, so that is what we are saying, right. About 5 to 6% of our customers are not paying.

Anand Dama: Is it because of the willingness or what kind of business that they were into that they have got in?

Sunil Samdani: It is a mix of all. Some customers have lost their business. Some customers have been impacted by floods. The floods have been impacted in the districts of Bihar, Assam and the cyclone in West Bengal. You will always find 1%-1.5% of the customers use it for consumption, then there is no incentive for those customers to come back and repay. So it is a mix of all.

Anand Dama: And you intend to do some restructuring at least for the part paying customers by the 31st March. So any broad guidance as to like what would be that? I am sure that you would have done some kind of exercise in terms of what kind of restructuring that you might offer to the customer?

Sunil Samdani: See, that depends on how many customers of mine still remains in part payment. Some customers would have completed their tenure by then. So those will not be eligible. So that call we will take at that point of time.

Moderator: Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Sunil Samdani for closing comments. Over to you, sir.

Sunil Samdani: Thank you, ladies and gentlemen for your time and valuable input. Thank you very much.

Chandra Shekhar Ghosh: Thank you to all of you and keep confidence with us. We are in a business. Thank you.

Moderator: Thank you very much. On behalf of Bandhan Bank Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.