"Bandhan Bank Limited

Q1 FY '26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Bandhan Bank Limited Q1 FY '26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundra, Head IR at Bandhan Bank. Thank you, and over to Mr. Mundra.

Vikash Mundra: Thank you, Neerav. Good evening, everyone, and a warm welcome to all the participants. It's a pleasure to have you with us today as we discuss Bandhan Bank's business and financial performance for the quarter ending June 2025. We sincerely appreciate your time and participation.

Today, we will take this opportunity to provide insights into our operational activities, significant achievements and challenges as well as offer perspectives on market conditions, strategic initiatives and any notable changes in our business environment. To walk you through these details, we are joined by Mr. Partha Pratim Sengupta, Managing Director and CEO; Mr. Ratan Kumar Kesh, Executive Director and Chief Operating Officer; Mr. Rajinder Kumar Babbar, Executive Director and Chief Business Officer; Mr. Rajeev Mantri, Chief Financial Officer; myself, Vikash Mundra, Head of Investor Relations; and our senior management team at Bandhan Bank.

We are happy to answer any questions or provide additional clarity on the current quarter's performance and our outlook moving forward. Now I would like to invite our Managing Director and CEO, Partha Pratim Sengupta sir, to brief you all on the bank's performance. Over to you, sir.

Partha Pratim Sengupta: Thank you, Vikash. Good evening and thank you all for joining us today. On behalf of Bandhan Bank, I extend a warm welcome to all of you attending our earnings call for the first quarter of FY26. We are pleased to have this opportunity to share our performance and insights for the quarter.

Let me begin with the macro - despite ongoing global uncertainties, the Indian economy continues to exhibit robust resilience, underpinned by strong fundamentals and supportive policy measures. For fiscal year 2025-26 the Reserve Bank of India has projected a real GDP growth rate of 6.5% alongside a moderate average CPI inflation of 3.7%, reflecting a balanced and stable economic outlook. In line with its commitment to fostering growth, the RBI has implemented significant monetary easing, including a 50-basis point reduction in the repo rate in June 2025. The cumulative cut since early February 2025 has been 100 basis points. Furthermore, the RBI has announced a phased reduction in the CRR by 100 basis points to be implemented between September and November 2025, aimed at sustaining liquidity within the banking system. This sizeable liquidity, coupled with focused efforts on the transmission of monetary policy to the real economy, is expected to further stimulate economic activity of the country.

The combination of moderating inflation, a generally favourable monsoon forecast, and the introduction of the new income tax regime is expected to collectively foster a positive business environment and bolster confidence in a broad-based recovery across sectors.

Taken together, these factors create a strong foundation for stability in the Indian economy and is expected to stimulate economic growth by making borrowing more affordable, and encouraging investment, particularly in sectors such as housing and micro, small, and medium enterprises.

I now move to the performance of Bandhan Bank for Q1FY26 – Before we begin the quarterly performance review, I'd like to highlight that Q1FY26 is not aptly comparable to Q1FY25, primarily due to the challenges we encountered in the EEB segment following changes in the guardrails at the industry level. Despite these headwinds, we are performing reasonably well when benchmarked against industry peers & competitors with sequential improvement in our financial performance.

Further, as highlighted in our previous communications, we anticipate challenges in the EEB segment to persist until the second quarter of FY26, albeit on an improving trajectory. In line with this outlook, our EEB portfolio has had a bearing on both our overall growth and profitability in Q1FY26. That said, we remain cautiously optimistic. Recent regulatory and monetary interventions such as reduction in RWA for lending to MFI and NBFC-MFI as well as PSL related relaxations, have been constructive for the sector, and we expect to witness a gradual and steady recovery in the EEB segment over the coming months, with a positive bias emerging in the second half of the fiscal year.

During the quarter, loan growth remained relatively subdued, largely due to the muted performance of the EEB book. However, non-EEB book continued to be witnessed strong growth momentum. Profitability showed moderate improvement, and we remain encouraged by the sustained strength in our key operating metrics. We observed further increase in the proportion of secured loans in our overall portfolio, alongside a healthy rise in retail term deposits. These developments are contributing to a more diversified asset base and enhancing the stability and resilience of our Balance Sheet.

In line with our guidance, we saw marginal improvement in slippages compared to the previous quarter, reflecting our continued emphasis on prudent asset quality management. Furthermore, our strong capital adequacy and comfortable liquidity position provide a robust foundation for sustained growth and improved financial performance in the quarters ahead.

While my colleague and Chief Financial Officer, Mr. Rajeev Mantri, will provide a comprehensive overview of the financials, I would like to take this opportunity to highlight a few key developments and performance indicators from the first quarter of FY26.

As of June 30, 2025, the Bank's gross advances stood at INR 1.34 lakh crores, registering a year-on-year growth of 6%. On the liabilities side, total deposits reached INR 1.55 lakh crores, reflecting a robust YoY growth of 16%, significantly outpacing the growth in advances. This reflects our strategic focus on strengthening our granular liability franchise and ensuring a healthy balance sheet composition.

Retail term deposits demonstrated strong momentum, growing by 34% YoY. This performance underscores the increasing trust and engagement of individual customers and highlights the effectiveness of our distribution network. CASA deposits now account for 27% of our total deposit base. The overall share of retail deposits (CASA + Retail Term Deposits) remains steady at 68%, indicating a marked improvement in both the granularity and stability of our deposit base.

We continue to execute our diversification strategy with steady progress. During the quarter, our secured book recorded a YoY growth of 29%, resulting in an improvement in the secured portfolio mix to 52%, compared to 43% a year ago.

Maintaining asset quality remains a top priority. Credit costs saw a moderate improvement sequentially and we are committed to bringing them further down over the course of the year. During the quarter, we undertook technical write-offs amounting to INR 1,047 crores. Gross NPA stood at 5% and Net NPA at 1.4%, while the Provision Coverage Ratio (including technical write-offs) improved to 87.3%, compared to 86.5% in the previous quarter.

For Q1FY26, Net Total Income stood at INR 3,483 crores, with an operating profit of INR 1,668 crores. The Bank reported a PAT of INR 372 crores for the quarter. On an annualised basis, ROA stood at 0.8%, while ROE was at 6% which witnessed a marginal improvement on a sequential basis.

Our capital position remains strong, including Q1FY26 profit the Capital Adequacy Ratio stands at 19.4% and Tier I capital at 18.6%, providing adequate headroom to support future growth. Our branch network expanded to 1,750 branches with the addition of 35 new branches during the quarter.

As the microfinance environment continues to stabilize, we are confident in our ability to leverage emerging opportunities. We will remain focused on prudent risk management, identifying new avenues for growth, and further enhancing operational efficiency to drive sustained performance.

In our previous communication, we highlighted the transformative initiatives undertaken by the Bank, focusing on various aspects to ensure a seamless, integrated customer journey and an enhanced omnichannel experience. During this quarter we have successfully enabled all 4,400 banking units to offer retail term deposits. I am pleased to share that over 2,000 banking units have been activated and have begun raising retail deposits. This achievement followed a comprehensive capability-building exercise, which involved 8,300 employees across 3,200 locations, delivered through a combination of physical and virtual outreach. This initiative has expanded our retail liability sourcing capabilities, allowing us to tap into new catchments and strengthen our approach toward granular deposit mobilization and liability resilience.

In the first quarter of FY26, the Bank undertook strategic measures to reduce the cost of deposits by lowering interest rates on both savings and term deposit accounts. The introduction of the

ONE BANDHAN initiative has fostered greater synergy across departments, culminating in the successful execution of the "Grow Deposit, Grow Together" campaign across verticals, which helped generate nearly INR 4,200 crores in incremental retail term deposits.

Furthermore, we launched specialized products tailored to targeted customer segments, including the **Elite and Elite Plus Savings Account** for the HNI segment. Looking ahead, our focus will continue to be on driving granular retail growth, advancing product innovation, and broadening our geographic footprint.

On the **collections front**, we have pioneered the use of WhatsApp and Rich Communication Services channels in real-time to bolster our recovery efforts for missed instalments. Following a successful pilot, which yielded outstanding results—88% of messages were successfully delivered, and 80% of these led to recoveries—we have now rolled out this initiative across all banking units nationwide.

The Bank has made significant strides in enhancing its **government and financial services.** The Bank is now live for collecting both Direct and Indirect Taxes through multiple channels. We have integrated with the Income Tax portal for refund processing and enabled Central Civil Pension & Railway Pension disbursements across all branches. Additionally, we have partnered with the Jeevan Pramaan Portal for Digital Life Certificates and expanded our services for defence pensioners via the SPARSH platform. The Bank has also signed key MoUs, including one with the Indian Air Force for "Shaurya Salary Accounts" and is empanelled with the Haryana and Madhya Pradesh Governments for conducting business and managing state investments. During the quarter, we have further strengthened our position by integrating with the Odisha and Rajasthan government systems for account validation and reporting, and executed a MoU with EPFO for centralized collection of employer contributions.

In the **Wholesale banking segment**, beyond the strong growth in the secured loan book, the Bank successfully closed its first debt syndication mandate for an existing client. The syndication fee marks a strategic step toward building a steady "Other Income" stream and positions Bandhan Bank among more sophisticated lenders. Our non-fund trade book reached INR 2,100 crore as of June 2025, which is expected to boost fee income further. We have also executed Import LCs enhancing forex flows and current account balances. Cross-border remittance volumes are increasing which is further strengthening our FX income potential.

Our Bank is strategically diversifying its portfolio, with a **strong focus on retail lending**, particularly in secured loan segments like Housing Loans, Gold Loans, Auto Loans, and CV & CE Loans. Leveraging its extensive branch network and large customer base, the Bank is enhancing existing customer relationships while expanding through new partnerships. Emphasizing risk management, the Bank integrates advanced analytics at every stage of the customer lifecycle to ensure asset quality. Investments in digital platforms, CRM, and data analytics are improving customer experience and operational efficiency.

Overall, we remain committed to building long-term value through disciplined growth, strong risk management, and continued investment in our core capabilities. These strategic pillars continue to guide our actions as we navigate the current market environment. With that, I now hand over to Rajeev Mantri, our CFO, to take you through the details of our financial performance.

Rajeev Mantri: Thank you, Sengupta sir, and welcome, everyone, to the earnings call. We'll now move on to the business performance for the quarter. I will walk you through the key financial highlights and provide an overview of how the bank has performed.

We'll start with the advances. As of June 2025, the gross advances stood at INR1.34 lakh crores, reflecting a growth of 6.4% YoY and on a sequential basis, the gross advances declined by 2.5%, primarily due to a 7% contraction in our EEB portfolio. The EEB portfolio declined by about 15% YoY, reaching INR52,812 crores. This decline was mainly driven by the strategic controls we have implemented in response to the elevated sectoral risks.

On the other hand, the non-EEB portfolio, which now accounts for nearly 60% of total advances, up from 59% in the previous quarter and 51% a year back, registered a robust growth of 27% YoY. This strong performance was driven by continued momentum across our retail assets, wholesale banking and housing segments. Specifically, retail assets grew by 78% YoY. Wholesale Banking for an increase of 32% YoY and housing grew by 15% on a YoY basis. The growth in retail assets was mainly supported by secure products such as commercial vehicle and equipment loans, auto loans and gold loans.

Aligned with our strategic focus on product diversification and asset quality, we continue to strengthen our secured loan portfolio across housing, wholesale banking and retail assets. The secured book grew by 29% YoY and now constitutes 52% of total advances, underscoring the shift towards a more secure and diversified asset base. From a business mix standpoint, our advances remain well diversified across the various segments. The EEB group lending represented 25% of total advances, SBAL at 14%, Wholesale Banking - 28%, Housing - 25% and the Retail assets stood at 8%, respectively.

In terms of regional concentration in our top 5 states, West Bengal, Maharashtra, Gujarat, Madhya Pradesh and Bihar collectively accounted for 58% of total gross advances compared to 59% a year back. Notably, West Bengal remains the largest contributor at 22.8%, a slight decline from 24.1% in Q1FY25.

Moving to liabilities. As of June 30, 2025, the total deposits stood at INR1.55 lakh crores compared to INR1.33 lakh crores in the previous year, reflecting a healthy growth of 16% YoY. This healthy growth in deposits continued to outpace the growth in our advances, reflecting our strategic focus on balance sheet resilience and funding stability.

We remain committed to building a granular and stable deposit base with a continued emphasis on retail deposits. Our total retail deposits, which comprised both CASA and retail term deposits, grew by 15% YoY. Within this, the retail term deposits demonstrated particularly strong momentum, growing by 34% YoY. The proportion of bulk deposits to total term deposits also reduced to approximately 43.6% compared to 46.3% a year ago and 45.3% in the previous quarter. This downward trend underscores our continued focus on building a more stable and granular funding base.

CASA deposits stood at INR41,858 crores, marking a 12% QoQ decline. This decline was primarily driven by typical Q1 seasonality as well as industry trends. Further, the CASA deposits were also impacted due to reduction in the savings interest rate implemented in April 2025, which led to reduction of some savings deposits and migration of a few balances into retail term deposits. The bank continues to place a strong emphasis on deepening customer relationships and expanding its customer base. Strategic initiatives are underway to enhance our product suite, refine our value proposition across segments and improve the engagement to drive sustained growth in deposits.

Our top 5 states for deposits, which is West Bengal, Maharashtra, Uttar Pradesh, Orissa and the NCT of Delhi now accounts for 66% of total deposits. West Bengal continues to be the largest contributor, representing nearly 40% of the deposit base.

I'll now move on to collections and the asset quality. The bank's overall collection efficiency, excluding NPA stood at 97.7% for Q1FY26 compared to 97.9% in Q4FY25. Within the EEB portfolio, collection efficiency for the month of June was at 97.7%. And for the full quarter of Q1FY26, it was 97.6%. The marginal decline in collection efficiency is primarily attributable to a procedural change related to the raising of installment demand on holidays. We have given additional information on collection efficiency in our investor deck (Slide 19).

On the asset quality front, we have seen improvement with gross slippages at the overall bank level, declining to INR1,553 crores in Q1FY26 compared to INR1,748 crores in the last quarter. This improvement was primarily driven by the EEB segment, whereby the slippages in the EEB portfolio moderate to INR1,089 crores during the quarter, down from INR1,349 crores in the previous quarter. Recoveries and upgrades during the quarter stood at INR319 crores, slightly lower than the INR355 crores recorded in Q4FY25 at the overall bank level.

Additionally, the bank has undertaken technical write-offs amounting to INR1,047 crores during the quarter, of which write-off in the EEB portfolio was INR952 crores. As a result, Gross NPA and the Net NPA ratios were at 5.0% and 1.4%, respectively, slightly higher than the previous quarter, mainly on account of degrowth in the overall gross advances that contributed to this increase. The PCR remained stable at 73.7%, excluding the write-offs. As guided in the last quarter's call, credit cost showed an improvement on a sequential basis. Credit cost, including the standard asset provision for the quarter stood at 3.5% of advances, which was lower than 3.9% in the previous quarter.

As of Q1FY26, the overall DPD pool for the EEB portfolio, comprising of SMA-0, SMA-1 and SMA-2, stood at INR2,026 crores, representing 3.8% of the EEB losses compared to 3.4% in Q4FY25. The increase in percentage terms was primarily due to the sequential degrowth in the EEB portfolio. On an absolute basis, the overall EEB SMA book grew by INR131 crores QoQ, driven largely by an increase of INR145 crores in the SMA-0 category. SMA-1 remained largely stable, while SMA-2 witnessed a sequential improvement. The increase in the EEB SMA-0 book is primarily attributable to a procedural change relating to the raising of installment demand on holidays. We continue to focus on strengthening our collection infrastructure and processes with dedicated efforts to improve the overall asset quality of the EEB portfolio.

I'll now move on to the quarterly profit and loss statement. The net interest income for the Q1FY26 stood at INR2,757 crores, reflecting a YoY decline of 8%. NIM for the quarter stood at 6.4%, a decline from 6.7% in Q4FY25. This moderation was primarily driven by an increased proportion of secured loans in the overall portfolio reduction in the CD ratio, the impact of the recent repo rate cut and the continued stretch from the elevated slippages. However, the decline in NIM was partially offset by an improvement in the cost of funds, which reduced by 19 basis points on a sequential basis in this quarter. This improvement was supported by rate reduction on savings deposit during the quarter, which led to this improvement.

During the first quarter of FY26, the non-interest income grew by 33% YoY. This was contributed by higher treasury income of approximately INR250 crores from the sale of investments and income from third-party products, which grew by 73% YoY compared to the same period last year, reflecting our continued focus on diversifying revenue streams.

As a result, our net total income for Q1FY26 stood at INR3,483 crores, representing a YoY decline of 1%. Operating expenses for Q1FY26 increased by 14% YoY to INR1,815 crores. This rise primarily reflects our continued strategic investments in talent, technology and infrastructure as well as the impact of higher business volumes in our non-EEB segments. The operating expenses to average assets ratio for the quarter stood at 3.9%, marking a sequential decline of 23 basis points. Operating profit for the quarter was INR1,668 crores, nearly 6% increase sequentially.

The bank reported a net profit of INR372 crores for the quarter as compared to INR1063 crores in Q1FY25 and INR318 crores in Q4FY25. The YoY decline in profitability was primarily driven by a change in advances mix to entire secured elevated provisioning, reflecting stress in the EEB portfolio, along with the impact of taking the write-offs undertaken during this quarter. On an annualized basis, the return on assets stood at 0.8% while the return on equity was at 6% with slight improvement compared to the previous quarter.

Thank you for your patient hearing. On behalf of management team, I once again, thank you for participating in this call. We will now open up the call for questions.

Moderator: The first question is from the line of Kunal Shah from Citigroup.

Kunal Shah: Yes. So firstly, with respect to disbursements, maybe of almost like INR10,000-odd crores, which is down. If you can highlight in terms of how much is on account of implementation of Guardrail 2.0 and how the rejection rates have moved? And any particular geographical trends, if you can just indicate that? And how much was because of maybe the conservative approach towards growing the EEB portfolio? So that's the first question.

And second question, when we look at it in terms of the vintage analysis, which you provide on the disbursements, which is on Slide 21. So when we look at it, like even say, disbursements of Q1FY25 and Q2FY25, that's rising compared to what we have disclosed maybe over a period that's now crossing almost like 4-odd percent.

So in fact, it seems like after maybe 12 months kind of a vintage, we still see 4% slipping into NPA across the pools, okay, right, from 3Q to maybe almost like Q1 of 3QFY24 to Q1 FY25.

So is that like this is like the general nature wherein we will keep seeing like 4%, 5% of NPAs even from the recently written pools or maybe there was anything specific to read into this year?

Vishal Wadhwa: This is Vishal here. I'll take your question. The first part of your question spoke about in terms of the EEB disbursals coming down. First quarter every year, there is a seasonality which gets the disbursal down. So this particular year, if we have to compare it to the previous year, which we had in year FY25, our disbursals in Q1FY26 stood at 10,708 crores in EEB, and that number corresponding in Q1FY25 was 13,721.

So obviously, the disbursals moderated because of the guardrails, which got implemented and these guardrails are good in nature from a long-term perspective. But obviously, there has been some impact on the short term, there has been a moderated growth in disbursement because of the lender norms and in terms of the rejection, which has gone up - Primarily due to 3 lender norms and also that nobody is onboarding more than 60 DPD in their books at total and secured exposure of 2 lakhs. On the second point or question on the vintage, if you see...

Kunal Shah: Sorry, just on this part -- sorry, on just this part, if you can highlight rejection rate trends as well that would really help.

Vishal Wadhwa: Sure. So 16% to 18% of our rejections are also coming in where there has been an overall industry default. So nobody is able to lend in 16% to 18% of the customers, they are not being given loans by anyone now considering that everybody of this 16% - 18% population has moved towards 60 DPD. And if we spoke about the geography, for us because we are more recent in compared to some of the established players in Tamil Nadu and Karnataka, our disbursals with Tamil Nadu, Karnataka though it's a small base is also not growing out there.

And some parts where we are trying to go further is also a little bit of an impediment specifically in the growth parts of UP and Gujarat. Clear geographies which are really not growing for us, and it's also true of the industry if you'll see.

On the part of your vintage analysis, if you see Slide 21, we peaked at 5.2% for Q4FY24. I think this trajectory is because of the over leverage issue we saw in the industry everywhere, everybody else also had worser numbers compared to these of ours. And I think this will keep on coming down because the recent book, which is coming out to be much better off of Q4FY24 and Q1FY25. So I foresee that this will -- some of will be in the range of 3% NPA, not in the range of 4.5%, 5%, in times to come.

Kunal Shah: Okay. So this still seems to be because of the guardrails.

Partha Pratim Sengupta: Exactly. And I would like to further add that if you see last year, Q1 was an exception. It was an exceptional performance for Bandhan Bank. So almost, post Q1FY25, we could not also foresee that suddenly, the EEB segment would reverse and it will cause worry for us from a risk perspective. So it is where this year, if you look, -- the slippages were almost 5.2% and from there, we are actually coming down mainly because EEB slippages have been in double-digit in last few quarters. So there, we are actually coming down. So sequentially, you'll see there has been some improvement. But compared to a year-on-year basis, it would not be an apt comparison because last year, it was completely an exceptional period. I think the best Q1 the bank has ever had.

Moderator: Next question is from the line of Anand Dama from Emkay Global.

Anand Dama: Sir, first question is on your SMA-0, where I think you said that you started billing on the holidays and that's the reason the SMA portfolio has gone up. Can you explain like how is that happening and what is the industry practice? Secondly, your SMA-1 and 2 portfolio has actually gone up now. So what explains that market moment? Is it specifically states likes West Bengal or Assam or there is something more to it? Number one.

Number two question is that when do you see your 5% of the Bandhan Plus 3 portfolio unwinding, whether it will take another about 6 months for that portfolio to unwind, whether ultimately, theoretically, it has to go down to 0, right? Also when that unwinding will happen?

Vishal Wadhwa: Okay. I'll take this question again. In terms of our SMA going higher, this number has primarily happened because like what Rajeev was speaking about raising instalment demands on the holidays, which was a requirement to maintain the consistency amongst the products - demand on holiday was being raised from 31st of March. And then we had 4 days in the month of April, where we started raising demand on holidays. And that's why you see there is an elevation on SMA-0, which, however, is pretty much recoverable.

That is not something which is so much for us to worry upon. If you see SMA-1 and 2 largely, they have been stable. SMA-1 has been stable, and SMA-2 is, in fact, improved and in terms of the overall number, percentage-wise, is the same, simply because that's for the EEB segment - which degrew in Q1FY26. And overall, our book of SMA-2 has come down, in fact. It's been INR480 crores compared to INR510 crores last quarter. And SMA-0, like I explained for those 4 weekly holidays in the month of April as well as in May, which had got billed for the first time, and that impact was mainly in West Bengal and to some extent in Assam, that is something, which we'll have to live with for one more quarter.

And every month, we have been improving on that estimate number, which also had moved further up, but we are trying to control it and that number in times of period to come will also come down from the current level.

Rajeev Mantri: I think just to supplement on that, it has continued to remain within the SMA-0. It has not moved on to SMA-1 and SMA-2. And as Vishal said, there are efforts in terms of how that can be recovered.

Partha Pratim Sengupta: So that culture is now changing in the ground also. So we have also now started collecting the installments in advance. And number two is that, yes, we just want to tell all the investors who are there next quarter September also, the Eastern part will be celebrating the festivals and there will be a block holidays on account of Durga Puja and others so we may see a little bit more rise in the SMA-0. But that's not a concern because these are all recoverable. And as Rajeev has said, it remains within the SMA-0 book.

Anand Dama: My second question was about when do you see 5% of your Bandhan Plus 3 portfolio unwinding?

Vishal Wadhwa: You were speaking about Bandhan Plus 3, that is 5%. Now over the period of, I believe, next 2 quarters, these numbers will come down to sub 2%-3% because now we have restricted the guardrails from April. So whatever is remaining over the next 2 to 3 quarters as we have an actualization of 18-month loan either 1 year or 2 years. So I think between the next 2 to 3 quarters, it will come down to below 3% because we are not getting any onboarding new with Bandhan Plus 3, so only disbursement is max to Bandhan Plus 2.

Partha Pratim Sengupta: So only at best 1 and Plus 2.

Vishal Wadhwa: And already, I just want to emphasize that today, 90% of our portfolio is Bandhan Plus 2 and 60% is only Bandhan and Bandhan Plus 1 is another 21%. So 81% is Bandhan Plus 1 and 90% is Bandhan Plus 2.

Anand Dama: Sir, and even in your retail portfolio, there is some increase in the NPA that we have seen on a quarter-on-quarter basis, obviously, Y-o-Y it is far more higher, INR2.7 bn going up to about INR3.3 bn. Your housing also we have seen the NPA is moving up from INR7.2 bn in March '25 to about INR8.1 bn. So what explains the increase in the housing and the retail portfolio NPAs?

Hirak Joshi: Here on this side, on the retail portfolio, the old book, which is like mostly in the unsecured side, that is showing little stress, and we have never written off anything on those unsecured. We continue our efforts to get some collection from there. So the recent upside which is seen, it is only the unsecured book, which we have done a lot of course correction during the last 1-1.5 years and recent book, which is a vintage analysis is showing a better performance there. So this is only the book, which is FY22 and beyond.

Anand Dama: That's the Card book, right?

Rajeev Mantri: I think just to supplement on that, a large portion of the retail assets is really secured. There is only a small portion, which is in PL, which is the unsecured piece, and I think that's where there is some bit of an increase in the delinquency that you have seen, which are the old cases.

Subhash Samant: Yes, from the housing. In housing too, we have witnessed certain old portfolios, which have trickled down over there, certain geography specifics also which are -- which saw the trends, but now the trends are lowering.

Moderator: Next question is from the line of Mahrukh Adajania from Nuvama Wealth.

Mahrukh Adajania: Good evening. I had a couple of questions. Firstly, again, on the SMA-0. So given that these are very low income groups, there is a lot of certainty that it does not roll forward. Is that the right way to put it? Because they are low income, right? So -- I mean, usually, it's a difficult guess on whether they do roll forward or not. So that's my first question. And my -- should I -- okay, you can answer that later on...

Ratan Kumar Kesh: So we have got on the EEB segment where our data proves that our SMA-1 and 2 remains stable for us, while SMA-0 got slightly elevated in the same month itself, getting recovered. so collection efficiency has inched up you can see. So basically the holiday impact, actually the increase is that..

Partha Pratim Sengupta: I'll just say that we have started these things, collecting also on the holidays where we cannot make any collection, but the demands are made. So obviously, in any geography, if you see there is a holiday and if my people are not there for collection, almost 1/6 of the portfolio in that particular geography will become SMA-0 as we work on a weekly collection model. So this has an impact. And when -- because states like West Bengal and Northeast where we have a larger presence. So there are some certain festival holidays or other local festivals or something there that obviously leads to the increase in SMA-0, and it looks quite large. But there's nothing concerning. So that is what I said, that there is no concern because these are recoverable and these are getting recovered.

So what we are now trying is that we are trying to collect in advance, but it will require us, I would say, a cultural change, not only for our staff, but also for the borrowers. Because till now, they have been habituated to pay only on the due date or at the end of the period. That is to extend the 48 months to 52 months. So now this change is actually happening. It will take some time to stabilize. But nothing as a matter of concern as far the SMA-0 is concerned. And SMA-2 has come down and SMA-1 also, it is stable more or less.

Mahrukh Adajania: Okay. And my other question is that what is your general feedback on industry discipline? Of course, guardrails have been implemented, but some players are again complaining about aggressive behaviour of some other lenders. So what is your take on industry discipline? And in that environment, of course, you partly answered, so when do you see your microfinance -- EEB disbursal scaling up?

Partha Pratim Sengupta: One thing I'd just say, while Vishal will tell about the industry perspective, that we are disciplined and we will continue to be disciplined. So the guardrails we are following it very meticulously and we will continue. Industry-wise also, it has affected the performance of all because more or less the major players, are implementing the guardrails, but yes. Mostly.

Rajinder Kumar Babbar: Rajinder Kumar Babbar here. Most of the players are implementing the guardrails. So only means the plus or minus only few ones, but all the larger players are aligned with the objective and they are making the changes.

Mahrukh Adajania: No. I mean aggression in relending is what I'm getting at, not in terms of guardrails?

Vishal Wadhwa: Okay. So let me take this one, and I'll just supplement what Partha sir and Rajinder spoke about. So for us, like what we spoke, we have been disciplined from 2nd April, guardrails 2.0 got implemented. We have been following very religiously and diligently. Now somebody is trying to play aggressively in the long run, this may not be great for that particular entity. So as a rule, what I've seen is as SRO association is working in terms of ensuring that guardrails, which have been designed are followed on the ground by all the 82 regulated entities who have signed up for this. So there is also a report, which is being published every quarter, whoever has not been following the guardrails appropriately. So, it will all come up into light once this report is rolled out by the SRO. But having said all of this, whatever I get to hear from now, whatever entities have signed up, everybody is following through the discipline pretty much the way guardrails have got designed.

Mahrukh Adajania: So then when do you see your disbursal scaling up? I know that your growth will be slower than other segments, but still?

Vishal Wadhwa: So I think it will still take a quarter more for everybody to stabilize the guardrail like I spoke earlier as well, 16% to 18% of the customers who are above 60 DPD, nobody will be able to lend in to them as all of us have signed up to that guardrail. So 16% to 18% customers, obviously, which are existing are no longer eligible for loans.

However, having said this, considering the new borrowers which are coming up because everybody now is trying to make the portfolio quality better. The focus has been there from the all industry players. However, by quarter 2 end, I believe where the monsoon season gets over and the festive season kicks in, the momentum also shift towards more disbursal and sustainable disbursement.

So my guess is maybe one -- this quarter more with more time frame for us to be more cautious and then quarter 3 onwards, the disbursal will step up. It may not step up to the way it was stepped up before like 30% - 40% compounded annual growth. It will be in the region of 10% to 15% growth from quarter 3 onwards.

Moderator: Next question is from line of Piran Engineer from CLSA India.

Piran Engineer: Just a few follow-ups on MFI. Firstly, have you all or the industry hike MFI yields, yields and processing fees?

Partha Pratim Sengupta: No. We have not hiked.

Rajeev Mantri: No yield hike, no processing fee hike.

Piran Engineer: And no cut either?

Partha Pratim Sengupta: No cuts there, and we have not hiked anything.

Piran Engineer: Understood. And then secondly, on this holiday thing, can you just once again explain it, so let's say, there was a holiday on 10th April and she had to pay, but she couldn't pay, then what happens, say, on 11th don't you all go and collect it?

Partha Pratim Sengupta: So let me tell that earlier what was happening on a holiday, the instalment demand was not being raised. But as you know, that we need to -- we, now being a bank, we need to comply with the consistency across the products. So the thing is that even on a holiday like in other segments also, we now raise the instalment demand.

So demand is raised, but my people are not available for collection because that day is the holiday. So earlier this loan was getting balloon at the end of the period. So a 48-weeks loans would have become a 52-weeks, but now we have to pay within a 52-weeks we have designed and we have to pay on all the time.

So what was happening initially the borrowers or even my people also on the ground, they were also not in the habit or culture of taking the payment in advance or at the end, so it was obviously becoming an SMA-0 because it was getting collected on the next day. So now we are trying to get it collected a week advance for that day. That is our effort. It will take some time to stabilize.

Also, we are exploring of course -- we have not decided that whether we can do something similar to the bond market that a holiday on a particular day, the next working day becomes collecting day for that year, but that is, of course, a little bit difficult because this segment, as you know, the works on the practice, the systems, the culture built over the years for that year.

So we are now majorly aiming that if we can collect a substantial portion in advance of the instalment, then bring down the SMA-0. So that's why I said that whenever block holidays do appear, like in September, we are expecting that my SMA-0 will shoot up because of the Durga Puja festival celebrations at block of holidays in almost all the Eastern states. But ultimately, this does not pose to be very much concerned because collection efficiency is more than 99%. And this -- loans also get recovered.

Ratan Kumar Kesh: Piran, I'll just add -- Ratan here. I'll just add a little bit more to what Mr. Sengupta said. See, in a normal retail loan, if it is, let's say, housing finance loan, generally, the bank will raise an SI demand and it will go and hit the savings account and recover from the account.

In case of EEB loan, our group meetings, the loan officer will carry a tab on any day and then show that you have got INR1,000 instalment to be paid which means that if on a particular holiday, the loan officer is not landing into a group meeting or group meeting is not happening. The practice was that you don't raise the demand.

And the next week, you go and collect it. Now that we have now ensured that we are raising the demand every day. That's number one. But we have created two more practices. One is we have now launched our QR code capability, which means that the borrower can now pay online remotely as well; and other thing is that, we are also creating a practice of discipline that, can we collect the money in advance if it is Monday instalment, Monday being a holiday, can I collect it on a Saturday and request the borrower to keep the money in that savings account so that we can pull on a Monday. That is the second thing that we are doing.

And the overall amount, if you see on the INR53,000 crores book, the SMA-0 increase is just about INR150 crores. So these are all like collectible amounts. So that's the point about holiday. Have I clarified, Piran?

Piran Engineer: Partly. So okay, I understand that digitization will help it -- help collections. My question was simple, let's say, 3 months in a quarter, 12 weeks, okay, let's keep it simple. The borrower pays every Monday. Now on one Monday, it was a holiday. So you always to collect only 11 instalments? Is my understanding correct? Not 12 instalments? For those borrowers...

Ratan Kumar Kesh: Exactly. Correct.

Piran Engineer: So, I thought on the next month, you would collect double, but with...

Partha Pratim Sengupta: No. We were not raising demand. So obviously, demand rate is 11 times a quarter, we were collecting 11 instalments. Now we are raising 12 demand in a quarter and we are collecting either in advance, a week before or on that particular day, we are not able to collect, we have to go to the following week to collect. And that's why that zero to six days comes into play.

And that is what we -- please understand, on a INR53,000 cover book INR140 crores - INR150 crores addition means 0.27% or 0.28% addition. And that was also -- if you see the SMA-1 and 2 has not -- who have not paid us, that 0.28%, which is there have been paying us every time. What they have not paid is a backlog of 1 week or 2 weeks. Whenever the holiday...

Rajeev Mantri: When we collect a week in advance, it doesn't become SMA-0. If we paid the next week, then it's SMA-0, but gets collected, but it's only the initial fees when this holiday is happening, there is a backlog to clear out, right, which is exactly why it's continuing in the SMA-0. But it will take sometime because borrowers in the habit of paying only on the day of their week. Getting 2 weekly payments on the following week is also not easy and that's one of the reasons that it...

Partha Partim Sengupta: It will take some time to stabilize.

Vishal Wadhwa: And like what sir also spoke about in the month of September holiday period of 4, 5 days together in Eastern part will have another spike up.

Rajeev Mantri: Just one more point to clarify, whereas QR code is there as an incremental initiative, the center meetings will continue. So I think that discipline will continue...

Moderator: Piran. Sorry to interrupt you, can I request to come back for a follow-up question please?

Piran Engineer: One very quick question, take 30 seconds. Just what's your trajectory on NIMs, if you can guide us?

Partha Pratim Sengupta: So NIM will get moderated as we note that we have just passed with 25 basis points of repo rate cut. And now this quarter, we are passing another 75 basis points. But two good things out there. My only 50% of the advances will get affected because 50% - 52% of my books are still in the fixed rate. So that's advantage I'm getting positive. Number two is that my cost of fund, as I've told you, Rajeev has already told that sequentially because of the cut in the deposit rates, we have got a benefit of 19 basis point decrease in the cost of funds. And as and when the fixed deposits would be matured, this will be increasing because the immediate effect is only on the saving's bank, not on the fixed deposits. So that can, a little bit will be compensated. But let me give a clear picture. NIM would be moderated, and we have to put it with additional business so that the quantum of profit increases.

Rajeev Mantri: So four factors to think about, which will impact the NIMs. One is clearly the repo effect. So I think 45% of our book is repo linked and there, there could be some bit of impact. However, we have reduced our savings rate and we've seen the benefit of that come from this quarter already, 19 basis points improvement in the cost of deposits. And as the term deposits come for renewal, we will see benefit of that coming through in quarter 3, quarter 4.

The third is on slippages. As slippages continue to come down, we should see a benefit or an offset happening on that particular front. And the fourth is as we are growing secured books faster than the EEB book, I think that mix change will have an impact. So I think these four factors. We don't have a specific guidance, but I think these four factors what needs to be monitored.

Moderator: Next question is from the Harsh Modi from JPMorgan.

Harsh Modi: Two questions. First on margins, as you just explained, if I look at the mix change on the asset side with more of secured and less of EEB, even in third and fourth quarter with the FD effect coming in, do we still get sequential reduction in margin? So second quarter, definitely margin goes down, if I understand you correctly. Does that continue in third and fourth quarter as well sequentially, that's first?

Second, this increased competition of some of the players kind of gaining the gentlemen's code and competing a bit aggressively, which segments, which states do we see this behavior? Is there -- is it behavior in terms of credit underwriting standards? Is it in terms of ticket size, is it in terms of pricing? If you could give a bit more clarity around how the competitive landscape is evolving despite the guardrails 2.0?

Rajeev Mantri: Maybe I'll take the first one on the NIM. I think I've already talked about the key factors which are there. Look, I think you're right, we should -- we will be able to see, I think, some bit of a compression further in the next quarter. However, we should be able to see some level of stabilization in the second half of this year because of the offsets that we expect, especially in the slippages that should try to improve.

So I think that is about trajectory that we are looking at from a NIMs perspective. But at the same time, there are other levers that we're looking at on how do we actually increase our other income, which you've already seen a 33% YoY growth in this particular quarter that we have done and any further opportunities that we see in terms of improving our cost of funds, right, which will help because we are doing a lot of targeted push towards increasing our CASA mix as well. So there will be a multiple factors and levers that we'll be using in terms of how do we offset any further compression that comes to. On the second question...

Harsh Modi: I want to understand that Rajeev slightly more, because the gap between your secured yield and your EEB is quite large. And yes, we've got rate cuts, and all of that has happened and hence, your cost of fund will improve. But is it enough? Or as you said, you need a structural shift in much higher CASA balances and so on and so forth for you to even have a stabilization of NIM in second half or knowing at least what we know and where the state of play is a fair assumption is to expect further NIM compression in second half from second quarter levels?

Rajeev Mantri: No. So maybe -- yes, I can take that. So firstly, I think on the EEB, what we had guided the market is that we will be looking at growth on albeit on a moderate basis and secured book will grow on a faster basis. The first quarter, actually, we've seen a decline on a year-on-year basis in the EEB book. We expect that to start reversing out marginally the next quarter and then a bit more significantly, they are henceforth.

So as the EEB book continues to improve, we'll definitely get some benefit of that to happen. While we are clearly aligned towards improving our secured share and the secured mix over the next couple of years, we've already made good headway. We've already got 52% of our book has secured already. So I think we're running a little ahead of time on that particular front. I think trajectory is quite good. So we have a lever and we have some headroom to be able to start growing our EEB book and the opportunities provided.

Partha Pratim Sengupta: To add to Rajeev, so what you have said is also correct that we are also focusing in the mix of deposits. So more focus will be given from this quarter to garner CASA deposits. Yes, this is right, we have tried within the last quarter for fixed deposits because we wanted some stability in our books and that we have been successful in just 40 days, we could garner INR4,200 crores of incremental deposits positive. This quarter, the focus is on CASA. We need to make a mix change in the mix of funds. So as when this CASA will be increased for the year, definitely, it will further reduce our cost of funds.

Partha Pratim Sengupta: So it's 2 points on the other side of -- just to add. One, clearly, is that 3/4th of our banking outlets, which are distributing this EEB loan. We largely see they're out of the problem in the larger sense, which means they will be going forward doing business as usual. Of course, not grow at the pace considering that we have the guardrails to follow. Second, clearly, the second half of the year is generally good for the industry. And therefore, we expect to see a significant uptick from here on.

Now as far as the guardrail is concerned, our belief is that what we hear from the industry SRO is that most of the players, the significant and the large and medium players have implemented, given that the last cycle overheating really impacted the entire industry in a big way. Our belief is that people will follow the discipline. And therefore, we don't see that at least a reasonably larger medium players will derail, I mean, going forward soon. So to that extent, that's our belief. That's what we get to hear from the SRO as well.

Vishal Wadhwa: I'll just supplement in terms of the number to get some flavor and color to this whole discussion. Yes, industry portfolio overall has come down by 13%-14% overall, if you have to compare year-on-year. From March '24 of 4,24,000 crores we are down to 3,67,000 crores in May. June figures of the industry are not published yet.

That means 13%-14% of the industry level has come down. In terms of active loans also, it's more than 16%-17%. So it's not that anyone which I have been hearing is aggressively going. The only thing that has come out recently is in terms of the qualification criteria of 60%-40% now, qualifying criteria, so 60 can be micro for even NBFC-MFI, and that is something which everybody has to watch out for.

Harsh Modi: Sorry, could you explain that a bit more? When you say watch out for the...

Vishal Wadhwa: So like I said, overall, the industry numbers have come down. I have not heard from any particular player or geography where we have grown. On the portion of 60% - 40% qualification criteria is mainly for NBFC-MFI who are now eligible to do non-MFI loans up to 40%. So we have to now watch out for individual loans, guardrails maybe coming into play rather than just picking into microfinance loans. Aggressively, there would be institutions who would like to provide the individual loans because there are no guardrails there, okay? We have guardrails only for microfinance loans. So that's something for those entities to really figure out in terms of how do they want to build their book of individual loans or non-microfinance loans. Is that clear or have you got the point?

Harsh Modi: Yes, I understood. Thank you so much.

Moderator: The next question is from the line of M.B. Mahesh from Kotak Securities. The line for the participants dropped, we move on to the next participant. Next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: First, a small clarification, Vishal. So you said that -- now that the qualifying criteria has been changed. So there may be further tightness on the individual loan side, right, not the group EEB, but I mean in your parlance, the individual MFI loans, is that the understanding?

Partha Pratim Sengupta: So what Vishal was just telling that, now NBFC-MFI can do 40% non-micro business. So there will be a little bit of aggression in the individual loans further like we have got a SBAL in our books. So similar to that such schemes are there. Now in this particular loan, there are no guardrails as of now. The industry would also like to see that it does not face the same experience as microfinance loan when due to leveraging a large part of the lenders, borrowers, we can engage. So that's somewhat was just indicating that maybe going forward, we may have certain guidelines for this segment too.

Jai Mundhra: Correct. So I mean, honestly, if I understand, if I look at our EEB book, while at the system level, at the aggregate level for Bandhan, the EEB book has been declining, but still the individual portion is still reasonably healthy, right? So I mean there is some moderation you may -- if there is a further tightness there, right, then there could be one outcome there.

Vishal Wadhwa: So I would like to say that the individual loan book is gearing better than the overall group loan book even in our side. My only contention here was there are now qualification criteria for other entities being like you spoke about aggressiveness, it could be aggressive on the other parts of non-micro book which other entities will try to go because there are no guardrails there currently...

Jai Mundhra: So are there means -- are there heads of -- a lot of other business sub-segment, including as well, right? That is how you are seeing this?

Partha Pratim Sengupta: So they can now do 40% of non-micro. So there may be some sort of aggressiveness to book the individual loans.

Jai Mundhra: Sure. And on the credit cost side, right? So has anything changed in the sense that while the slippages are lower, and I think in the opening commentary, you had mentioned that -- I mean the credit costs are slightly lower, but still on improving direction. So has there anything changed in your thought process wherein we had said that first half will have relatively higher credit costs and then it should start towards normalization going into the second half. Is there anything changes there? Or is it broadly the...

Partha Pratim Sengupta: What we have -- our guidance, what we have told earlier remains the same. So we said that credit cost will be remaining almost at the same thing in Q1. But thankfully, and we have a little bit lower credit cost compared to March quarter. So that is a good indication Q2 will be a little bit better. Q3, Q4, we are expecting so that overall credit cost of 2.5% as per the guidance we have given we will try to maintain that. And till now, that is our aim. We have not changed that kind.

Rajeev Mantri: Yes. I think just to supplement, we had mentioned that we will be able to see some marginal improvement in Q1 compared to Q4. That's exactly what we've seen as well. And that's the trajectory we expect marginal improvement in Q2 and with a more significant recovery by Q3, which is the second half.

Jai Mundhra: Correct. And that…

Moderator: Jai Mundhra. Sorry to interrupt you. I will please request to come back for a follow-up. Next question is from the line of Ankit Bihani from Nomura.

Ankit Bihani: I just wanted to understand that while our margins have declined 30 bps Q-o-Q, loan book has declined around 2.5% Q-o-Q. What explains the net interest income being flat on a Q-o-Q basis? That would be my first question.

Rajeev Mantri: Yes. I think as I mentioned earlier, we actually have some improvement in the cost of funds. So our actions relating to the reduction in the savings account rates have led to almost 19 basis points reduction in the cost of deposits. And I think that has been able to help us in terms of reducing the -- what we are seeing in the gross yield.

The second thing is also sequentially seen the slippages come down marginally from roughly INR1,700-odd crores to about INR1,540 crores the exact number. So from INR1,748 crores to INR1,553 crores and that lower slippages also translates into some benefit.

Partha Pratim Sengupta: It's basically the lower slippages that happened and the cost of funds here -- And the marginal due to the cost of funds.

Ankit Bihani: Okay. And another, I might have missed it earlier. So of the INR1,550 crores slippages, how much would be from the MFI segment?

Rajeev Mantri: INR1089 crores.

Ankit Bihani: From the EEB segment?

Rajeev Mantri: From the EEB is INR1089 crores.

Moderator: Next question is from the line of Punit from Macquarie Capital.

Punit: Just two questions on the EEB asset quality front. So when I was looking at your vintage book, I was surprised that in Q4FY25, I'm just seeing where you have given a disbursement of 151 billion. And it shows like an NPA of 0.1%. Now I know it's negligible 0.1% but I just don't understand that it's something that is disbursed in Q4FY25?

And if he is not paying three instalments, that just makes it like immediately NPA after disbursement. How -- I know 0.1% is negligible, but just one clarity on that. Is it a collection issue or what is that? Because it seems like just -- like it's disbursed Q4FY25 and it's been classified as NPA the next quarter. So any clarity on that?

Secondly, on -- yes. I wait for this, and then I'll move on to the second question, yes.

Rajeev Mantri: I think your point is that it. It's largely due to some cross linkage and the NPA becoming due to that which is what is causing this. It's a fairly marginal aspect, and that's the deal something that's they are focusing in terms of recurring as well.

Vishal Wadhwa: There are Jan loans also here because it is JFM, So Jan-, we have a 12-month tenure, loan for 50% of our loans. So 6 months have elapsed from Jan. So point one, some portion would also be from a January month loan could be. And like what Rajeev said, most of it is coming primarily from a cross-linkage loans.

Punit: Sorry, cross-linkage, I didn't get that.

Rajeev Mantri: Cross-linkage. Some other loan would go default...

Ratan Kumar Kesh: If there is a multiple loans so -- one loan becomes NPA, the entire portfolio...

Punit: Okay. But I thought we had stopped -- that went on NPA later?

Ratan Kumar Kesh: It could be co-borrower as well. It could be co-borrower linkage or any other loan linkage.

Punit: Got it. Yes. I get that. Also, when I look at just -- this is just on the past 2 quarter behavior. When I look at the SMA-1 and 2 and when I track the flow, so say like this quarter, the GNPA has been constant and like 47.2% to 47.5% book. And SMA-1 and 2 last quarter was around 5.1 billion, 5.2 billion. That makes it an aggregate of 10 billion, 10.3 billion.

We have written off kind of 10.5 -- our technical write-offs are around 10.5 billion this quarter, which is assuming all EEB, right, from the EEB book. So is it true that the SMA-1, SMA-2, the entire flow is into the NPA and then we are writing it off? And this has been for the past 2 quarters. Am I getting that thing right or if you could correct me if something is wrong with that?

Rajeev Mantri: So I can explain that. So of the 10.5 bn, almost 9.5 bn is EEB. So a large portion is that. So typically for anything that we look at in terms of a technical write-off, it is for a significant level of vintage, which has been there. So we first have a lot of recovery efforts that we do. And only after a constable period has elapsed, there we look at what exactly needs to be written out, right? So it's not something we could...Nothing from here would have got written off. So it would be at least a longer vintage of portfolio that we look at.

Moderator: Punit, I'll request to come back for a follow-up question. The next question is from the line of Manish Agarwalla from PhillipCapital.

Manish Agarwalla: Your investment yields seem to have increased on a sequential basis. What explains that?

Rajeev Mantri: Sorry, Manish, could you repeat that question?

Manish Agarwalla: Your yield on investments have increased on a sequential basis. So despite your investment book declining on a sequential basis, there's a quite a bit of jump on investment income. So the calculated yield looks quite steep -- in a potentially declining interest rate environment. So can you please explain that?

Rajeev Mantri: Sure -- so you see the surplus is in deposits because these are advance growth has been muted. So obviously, the funds have been deployed in investments, but investments also, we are building up the trading book mostly so if you look this quarter also, we have made substantial fee income from the investment portfolio from the treasury portfolio. So that has come because...

Manish Agarwalla: Sorry to interrupt, sir, if I look out in outstanding investment book that have declined on a sequential basis. My question was pertaining to your yield on investment. So the calculated yield on investments have increased by almost 70 basis points on a sequential basis. So what explains that? I understand...

Rajeev Mantri: Yes, I can explain that. I think on a sequential basis, the yield actually has not increased. It has slightly reduced from about 6.6% to about 6.45%. On an average basis, our investment book has actually gone up. So I think period to period end, period end you might be seeing a reduction, but on an average basis, it has actually gone up.

Moderator: Manish, do you have any follow-up questions?

Manish Agarwalla: No. I'm done.

Moderator: Next question is from the line of Abhishek from HSBC.

Abhishek: So the first question is on the EEB disbursement that you are doing now, especially the group loan disbursements. Is it mostly to existing customers? Or are you looking for open market acquisition, new customer acquisition as well. So what is the strategy there?

Vishal Wadhwa: So we are doing both. It's not that only we are going to existing borrowers, 86%-87% is the existing borrowers and 13%-14% is coming from the new borrowers or whatever we have been disbursing. But like I said, guardrails are implemented for both set of borrowers.

Abhishek: Sure, of course. But this 86%-87% is it now higher than, say, last couple of quarters? Or will it be coming lower?

Vishal Wadhwa: We have been doing 85% of existing borrowers typically and garner 15% from the new borrowers. The numbers remain pretty much similar.

Abhishek: Okay. So -- and in the beginning of the call, I think you called out a few geographies where you are not growing and that for your growth is limited to just a few. Can you clarify where is it that you are comfortable to grow and where you're slowing down?

Vishal Wadhwa: It's not like that. Our stronghold have remained in East and West Bengal, Bihar, Assam, UP that still remains a strong hold for us. So we are not really able to grow in southern parts of India, specifically Tamilnadu, Karnataka because like with the guardrails of 3 lenders down, most of the players, they already have got 3 lender now going for themselves. Unlike for other competitions, for them to come to Bengal. So for us, growth is a little challenging in Karnataka, Tamilnadu with all those political interference as well. So that's a place where we want to grow, but we are finding it tough to go there.

Partha Pratim Sengupta: Rather than geography wise, I can say more -- pointing as a BU wise is that out of the 4,400 views, 3,100 are quite okay. So there, we are focusing the growth already. So it is across geographies on it. And more or less, because there the two states, they had issues in the recent past. Obviously, the growth is a little bit muted those two states.

Abhishek: So on a full year basis, this year, in FY26, what kind of disbursements or, let's say, AUM growth are you targeting? It would still be, I don't know, 10% YoY or -- what are you thinking? How do you see the trajectory?

Vishal Wadhwa: I think it will be somewhere between 5% to 8% of growth for us in this year FY26. And because the first quarter has been muted, and it is, in fact, has gone down. I think the second half of the year will be better. And you have to accommodate and compensate for the first half of de-growth.

Rajeev Mantri: Yes, what Vishal mentioned of 5% to 8% is for the EEB portfolio.

Abhishek: Yes, EEB portfolio. And overall, then we should be able to target a 10% kind of growth rate for everything put together?

Rajeev Mantri: More than that because our non-EEB is growing at a much faster pace of almost 26%, 27% as we said.

Vishal Wadhwa: Overall 15% to 17% target is the growth target.

Abhishek: Okay. And second question would be on cost of borrowing -- cost of deposits actually. Just on the term deposit re-pricing, can you give some sense of the duration of TD and how fast you expect the deposit rate cuts to start showing up in terms of your overall deposit cost drops.

Partha Pratim Sengupta: So I can say we have started -- we first cut down the cost in the month of April, of both savings and term deposits. The effect of savings is being seen. But some deposits as and when they get matured. But in our case, the maximum resides in the one year back end. So you can say max -- within next March, I think we will get the full benefit of this rate cut on this term deposit. Because the maximum almost 60% to 70% resides in the 1-year bucket…

Rajeev Mantri: So just to supplement what said, so savings rate was reduced by almost 30 to 80 basis points. And we saw the impact immediately in the first quarter itself, 19 basis points reduction overall on terms deposits -- overall, on the cost of deposits. On the term deposits, I think 20 to 30 basis point reduction has happened in multiple buckets. Some we did in April, and further more we did in June. And I think we should see the impact from Q3 onwards.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to the management for closing comments.

Management: Thank you. We would like to thank all of you to join for this call and would hope that you continue to place the trust with the bank. Thank you.

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