



“Bandhan Bank Limited Q4 FY19 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Bandhan Bank Limited Q4 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hiren Shah. Thank you and over to you, Sir!

Hiren Shah: Thank you Rahman. Good evening everyone and thanks for joining this conference call. We are here to discuss Bandhan Bank's business and financial performance for the 4th quarter and financial year ending March 2019. Along with that, we will also take the opportunity to update on the recent merger announcement of Gruh Finance Limited with Bandhan Bank. To discuss these in detail, I have got with me our Founder, Managing Director and CEO Mr. Chandra Shekhar Ghosh, our Chief Financial Officer Mr. Sunil Samdani and myself Hiren Shah, Head of Investor Relations. Now I would like to request our founder, MD and CEO Mr. Chandra Shekhar Ghosh to brief you all about the recent developments in the company. Over to you, Sir!

Chandra Shekhar Ghosh: Thank you Hiren. Welcome to all of you. After complete of the one year listing of the Bank and we have now completed 3.5 years journey as a Bank. So we welcome to all of you to listen to our performance in 2018-2019. Bank performed in 2018-19 is a good. So financial year though it is a little bit challenging year, 2018-2019, but in the Bandhan Bank performance, the positive note with visibility of growth and improvement in asset quality and liabilities profile. Asset growth if we see that in the quarter-on-quarter basis, growth has come to 25.78% or if we say that the year-on-year basis it is coming to 38.46%. The amountwise the advance in our Bank as on March 2019 is at Rs. 44,676 crores which was the last year Rs. 32,339 crores. So year-on-year growth has come 38.46%. And of course, in these the loan book we know that we have the large amount of loan book in the micro credit. So, micro credit loan book is in 86% and other than micro credit is in 14% which was in the last year in the same way we are doing all that. Coming to the deposit part, the deposit as on March 2019, Rs. 43,232 crores, if we compare with the quarter-on-quarter, last quarter we closed it Rs. 34,639 crores which is quarter-on-quarter basis is our 24.81% and year-on-year basis it is coming on that the 27.64%. So these are the deposits. But deposit part I highlighted in here, our retail deposit is 77% and CASA has come 40.75%. So, the deposit is very much the good way it is growing and also diversified the retail deposit growth. In this year, we see that the retail deposit growth in the Central India is a 45% growth, West India 41% growth, East India 39% growth, North India is 31%, South is a 30% and North East 22%. I like to highlight it in here, so our focus always in a retail, so retail deposit is now diversified across the country, not only concentrated in East and North East India on that. The next point I am talking about the Net Interest Income, so that this the quarter, if I say that the fourth quarter, Rs. 1258 crores and which was at Rs. 864 crores in the last year on that quarter and it has been come the quarter-on-quarter growth 11.92%. But if I say about the year-on-year basis in Net Interest Income Rs. 4496 crores as on March, 2019 which was in last year at Rs. 3032 crores, that means year-on-year basis 48.28% growth has come in the Net Interest Income. Non-interest income which is the quarter-on-quarter basis in the 4th quarter of this year has come Rs. 388 crores and the last quarter has come Rs. 234 crores, that means we are seeing that

quarter-on-quarter growth has come 65.81% and if we see that the year non-interest income has come and March'19 is Rs. 1063 crores and which was the last year Rs. 706 crores which is growth has come Rs. 50.57 crores. And coming to this the profit, overall in that this quarter profit has come Rs. 651 crores which was in the last quarter was at Rs. 331 crores, that means the quarter-on-quarter basis if we see that, that is 96.68% growth, the profit after tax has come. But if I go to this year-on-year basis, so as on March 2019 our profit has come Rs. 1952 crores after the tax which was the last year Rs. 1346 crores which is 45.02% profit growth has come in the Bank. So these are the total matters I say that how the bank is doing good. So I like to mention some point is now, NIM is coming on that in the March 2019 is at 10.43%. And we are seeing that the Cost to Income Ratio which was in the last year 35%, it has come down 32.58% and the ROA which was in the last time 4.06%, it has come 4.23% and ROE which was in the last year 25.98% it has come down 19%, we know that the last March we have been listed and we have been infusion some new equity. And the retail deposit in our Bank has come 77.36% as of today out of total deposit which was earlier year 71.93% that means the retail deposit amount was also increase is more. And Capital Adequacy Ratio of the Bank is now at 29.20% which was in the last year at 31.48%. Cost of Funds, if we see that, the Cost of Funds without our capital and we see that 6.30% as on March 2019 which was in the last year 6.65% that means the 0.35% our Cost of Funds has come down. But if we consider, but if we not consider as in capital which we raised by March'19, so that is my cost of fund will come in March 2019, 4.84% which last year it was in 5.52%. So in that context also we see that cost of fund has come down. But OPEX ratio remains, last year it was in 3.6%, this year also has come 3.6%. So coming to this the portfolio quality, so portfolio quality it is two factors in here, one factor including IL&FS and excluding IL&FS. So we say that the overall together with IL&FS our Gross NPA is at 2.04% which was last quarter it was in a 2.41%. But if we not count IL&FS we see that the real the portfolio quality on that, the gross NPA 1.08% which was last quarter it was 1.30%. I like to notice in here there is a 0.22% of Gross NPA has been reduced in this quarter. And coming to the Net NPA which was the last quarter is our 0.70% it has come down 0.58%. That means we arrested the default rate and we are always focused on that, how our customer will like to become a disciplined way return back the money to the bank, so they are return back the money on the same day that percentage is 99.30% which was in one year before 98.70%. So when the 99.30% of people regularly repay their installment that means our NPA reduced, default rate reduced, Portfolio at Risk reduced. So it is a very fantastic result I can say that. So this helps ourselves to return increase and also helped us to grow more.

Coming to the branch, we have 986 branches as of March 2019 which was one year before 936, that means 50 new branches we opened. We opened 250 new DSCs(door step service center) which was in the last year 2764, now it is in 3014. So our total banking outlets is at 4000 which was the last year 3700, it was in there. ATM we opened the 20 ATMs. As of now we have the 480 ATMs. Whatever we have the branch and all branch together we see that 75% of our branch are in unbanked district, so that we are focusing the retail customer to get the good liabilities and providing them credit and it is very good opportunities coming to the bank. Coming to the customer point of view, we have done now 1.66 crores customer which was the last 1.30 crores

customer. That means the 36 lakhs new customers added in this year and the growth has come 28%. Very interestingly I saw that our 986 branches they are added 10.52 lakhs new customers and there now customers is 34,59,000 and their growth of the customer increase has come to 44% , which is higher than total bank growth of the customer. And micro finance we have the 1.31 crore customers which was earlier 1.06 crores customer, so which means the 25 lakhs new customer added which is 24% growth on that. So we see that the point of liabilities part and the banking outlet which helped us that to attract the more people add in the bank and add in the deposit on that. So on the basis of that of course we are increasing number of borrower in the bank, so that our advanced growth also increases that much. So I see that whatever after last the two years, I see that after the Demonetization and GST some issue has come and NPA increased. Now it is in totally I got the confidence in my team. They have built up their capacity in such a way to handle in any types of challenge in the field level. So I see that this is very good and future growth on the basis of that is coming very good on that. Whatever I see, the business model of Bandhan Bank is very unique. We are trying to continue on that. Liabilities after 3 and half years a lot of discussion is there, we are confident now that liability is coming and a very good trend and we are not feeling any discomfort the liabilities which we challenged on that. And third point, Cost to Income Ratio is coming lowest in the industry. NPA also coming to the lowest in the industry. Average cost of the bank has also remained the same. It will be not increased on that. So which have been helped to our team to work in a growth manner and to provide the financial services in the country, not only the eastern region. So thank you to all of you. But finally I also share on that, you know that we are in the way to go to the merger of the Gruh Finance. So that we have received the RBI approval, received the SEBI approval. We also received the CCI approval and now we already applied to NCLT. So that NCLT process already been started. We see that very good smooth way it is been progressing and whenever they are given the final their approval and we are also simultaneously making our plan, so after that the approval how quick we can be like to merge and work together on that. So thank you to all of you. I hope you have some question. Myself and my team will like to share our thoughts. Thank you.

Moderator: Sure. Thank you very much. We will now begin with the question and answer session. The first question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Sir, I wanted to get a little bit more color from you in terms of the customer profile on the micro finance business. So how much of it would be exclusive customer base and how much of it would have overlapped with the other lenders?

Chandra Shekhar Ghosh: That is a good point on that. We saw that our customer who are only with Bandhan that was in the last year we saw in the 72%, now it has come 60%. And we are trying to find out on that the cause, the cause is there if you see that our loan is a one single loan until this loan will not close they cannot be get the loan next one. So when the loan size has increased so they have a need in the very last moment, last 3-4 months they have need of a small amount of the loan and they are getting from the other MFI. So this has been coming now, it is little bit lower number is only from Bandhan.

Sri Karthik: And sir in terms of a customer growth, 21%-22% active borrower growth, could you give some color in terms of the state wise whether it is uniform across East and non-East or is it primarily again still coming from Eastern states?

Chandra Shekhar Ghosh: Yes. I will give to you on that. That is this earlier we saw that because of our main base of this type of customer in East means in that the basically 4 states, West Bengal, Bihar, Tripura and Assam. Now, it has been expanded in the other states, so that our customer growth has come that means in the borrower, East and North East together it is a 16% in this year and other than East and North East has come 37%, so that is in other than East and North East, it is coming up, especially in UP, MP, their growth has come 45%, so even someone is coming at 48%, so I feel that is this is now diversifying the number of borrower in the different other states.

Sriarthik: And the 60% exclusive borrower mix would also fall outside East?

Chandra Shekhar Ghosh: Yes.

Sriarthik: My second question is if you could share a little bit of breakup of our fee income line items?

Chandra Shekhar Ghosh: I'll suggest on that Sunil can you mention on that point.

Sunil Samdani: On non-interest income side, our largest component is processing fee followed by PSLC income. In Q4, out of Rs. 388 crores of total fee income, Rs. 197 crores have come from processing fee, Rs. 105 crores from PSLC income and rest are others.

Sriarthik: And on a full-year basis, sir?

Sunil Samdani: About Rs. 523 crores on processing fee and Rs. 309 crores on PSLC income.

Moderator: Thank you. The next question is from the line of Adarsh P from Nomura. Please go ahead.

Adarsh P: Question on the MFI disbursement, can you just give the number of what was the average disbursement ticket size in the fourth quarter versus third quarter or maybe you can give that the trend?

Chandra Shekhar Ghosh: No, if you see that what is the disbursement has come on that Rs. 59,007 per customer, which was in the last year, it was Rs. 51,771 that means in the 14% increase on the disbursement side on that but we will also like to mention in here where you have 4 plus loan cycle customer with more than 55% in our bank and also 60% of our customer which is a single loan from us, so that it is the little bit and talking on that the 14% to 15% increase year-on-year.

Sunil Samdani: So quarter-on-quarter, our disbursement has remained flat from around Rs. 58,000 to ~Rs. 59,000.

Adarsh P: And the second question is just wanted to understand from a branch opening and DSC perspective, after the restriction came in, how many episodes of permissions have you all sort and how many have you got for branch opening?

Sunil Samdani: We got permission twice, we applied twice, we got twice. In the first stage, we applied for 40, we got 40. In the second stage, we applied for 25 and we got 25, so out of the 65 branches we opened 50 branches during the year but 48 out of these 65 we opened and the rest we will open during the next 1 or 2 months.

Adarsh P: And does any of these permissions are required for DSCs as well since you have added DSCs or that still open to your discretion?

Sunil Samdani: We do apply for DSCs as well.

Adarsh P: So, what I wanted to understand is you are still not complying with the shareholding structure that they want and you obviously gone one big step that GRUH, so whenever you have applied you have got the permission, so I don't sense any restriction, whatsoever, in terms of DSC or branch opening from the RBI till you comply fully with that norm?

Sunil Samdani: So given our last two applications, we are quite confident that we will continue to get, but the only difference here is it is a process which takes time, so earlier with board approval, we could open the branch, now we have to apply to RBI, so that process takes couple of months.

Adarsh P: And last question is the 72% exclusive customer going to 60%, how much of that like if you have checked in the bureau, what is the kind of ticket size of that incremental loan your customer is taking from somebody else because initially our disbursement size was supposed to be 60 because it was supposed to be mutually exclusive, now the percentage of mutually exclusive customer seems to be going down a little bit, so maybe at the customer end, the leverage may be increasing, so if you could give some sense on that?

Sunil Samdani: Adarsh here as Mr. Ghosh explained in response to the earlier question that we have a policy of one loan per customer, so till that loan gets complete, we don't extend further loan to that customer, so let us assume a customer has a Rs. 70,000 loan and he has already paid Rs. 40,000 to Rs. 50,000 out of that Rs. 70,000 but we will still not give him fresh loan unless earlier loan is closed. The customer without increasing the leverage because his business requires Rs. 70,000, she will go to other MFI/Bank and take loan This is one big reason why exclusive customer number has come down.**Adarsh P:** And is it also true that post demonetization, your states held up so well that you have seen inflow of many large, if you look at your states in the MFINDATA, it suggests that a lot of new MFIs have come in into your states, so the comparative intensity has also increased?

Chandra Shekhar Ghosh: No, if you see that is of course you cannot be stopped to other will come or not, but how the customer service we provide, that is the point on that who we saw in the market in our data. Last

year, our retention rate that means in the dropout rate of the customer was 12%+ and this year I saw that it has come to 9%, so 3% of my customer retention rate has come good, so that is also meaning on that whoever is coming, it is not impacting to our business point of view on that.

Adarsh P: And my last question is on cost ratios, you had a pretty sharp moderation in cost ratios over the last couple of years, where does this go because it is in branch opening is dependent upon RBI approval, but then there is a potential beyond which you need to open more, so I am just trying to understand have we come to the optimum point in cost income or cost assets or how should one look at it?

Chandra Shekhar Ghosh: If you look at our Opex ratio, year-on-year it has remained flat at 3.6%, so we believe that is where it should be on a steady state basis, now cost to income is a factor of income as well, so since we improved our NIMs this year vis-à-vis last year, the cost to income has reduced.

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

Sameer Bhise: This is Sameer. Just had a quick question on what is the thought process on provisioning, I mean we have had very strong quarter, strong profitability, is there any thought on whether we should make some contingent or floating provisions just to keep us buffer in probably tougher times?

Sunil Samdani: Sameer, as a bank we provide higher Standard Asset Provisioning for microfinance business, the required provision as per RBI for Standard Asset Provisioning is 0.25% against that we provide 1%, so in a way on almost Rs. 38,000 crores of book and we have 0.75% excess. Thus as against standard asset, if we to provide contingency provision, our net NPA would have been 0.

Sameer Bhise: And secondly what is the thought process on the holding company stake and is there any further discussion with the regulator which probably you have had?

Chandra Shekhar Ghosh: No, if you see that after the merger, it will come 61% and the balance we also mentioned earlier also, so that amount will be like to process on that. We are very strategically working on this and hopefully we will be very shortly like to make a compliance issue with that keep in mind and accordingly we would like to process.

Moderator: Thank you. The next question is from the line of Aseem Pant from HSBC. Please go ahead.

Aseem Pant: My question is relating to your small enterprise loans, just wanted some colour in terms of what is your average ticket size, the book has gone down a bit year over year, so what is the reason behind that and what kind of customer overlap it has incomes off? How many customers in this segment are your ex-MFI customers?

Sunil Samdani: Small Enterprise Loan we had developed to target a segment which is slightly above microfinance, so here we catered to a loan ticket size of between Rs. 1 lakh to Rs. 10 lakhs. The

average ticket size here is about 1,84,000 and typically of the total book, above 30% of the customers will be the customers migrated from MFI to SEL (small enterprise).

Adarsh P: And the reason behind the decline year over year?

Chandra Shekhar Ghosh: This was the segment which impacted the most during demon and the GST particularly and we also as a lender changed our policies because this was the product which was purely based on assessed income program and when we saw the environment changing to GST, if you thought it was the best surrogate to assess the customer, so we also remold ourselves to assess the customer based with GST return, so this entire exercise took us about 6 months and that is how the business slowed down during that period.

Adarsh P: And sir, what would be the average ticket size of your SME book?

Chandra Shekhar Ghosh: On the SME book, the average ticket size is about ~Rs. 28,70,000

Moderator: Thank you. The next question is from the line of Hiten Jain from Invesco Asset Management. Please go ahead.

Hiten Jain: In the past, you have explained that seasonality on loan growth side, so what explains the seasonality on liability sides on the deposit?

Sunil Samdani: If you see on the liability side, it clearly follows the asset requirement. In Q4, our asset business goes up faster, that is when you will see the uptick in bulk deposit.

Hiten Jain: So may be this 77% is your total retail deposits?

Sunil Samdani: Right, so if you see this ratio in Q3, it was 84%, the retail deposit to total deposit, But if you see that in the last year, it was in 72%.

Chandra Shekhar Ghosh: And I also mentioned some of the analyst I saw that before they are saying that the Bandhan is amongst the highest percentage of the retail deposit for a bank in the country.

Moderator: Thank you. The next question is from the line of M B Mahesh from Kotak Securities. Please go ahead.

M B Mahesh: I have a few questions from my side. Just let me know if you could take all of it. First question is on the slippages side. If you could just one tell us what was the slippage for the quarter or year and given the fact that you made about 150 crores of provisions, I just wanted to understand why has the Gross NPAs remain more or less stable for the quarter? Second question on the Yield on Loans, just wanted to understand directionally do you offer differential interest rates in different regions on the MFI book? And the third question is PSLC certificate, why does it see a very strong performance in 4Q because validity is only for that particular financial year?

- Sunil Samdani:** PSLC since the Q4 is where we book the maximum loans, so that is when we get the opportunity also to down sale maximum.
- M B Mahesh:** But this validity is only for one quarter because it closes at the end of the financial year?
- Sunil Samdani:** Yes.
- M B Mahesh:** So can I annualize this number for next year saying that on the existing loan book which is disbursed today since it is valid only for this quarter and again reinitiated for the next year and that will be applicable for the next 4 quarters, the number of PSLC income will be much stronger next year? Just wanted to know how does it work there?
- Sunil Samdani:** It is the factor of premium also and premium is dependent on market, at what rate you are able to sell PSLC, so it is not a pure play volume but also a rate factor there.
- M B Mahesh:** Any idea on what was the rate at which it goes in the market on PSLC that you are running on MFI book, is it 0.5%, 1%?
- Sunil Samdani:** The year again, there are 4 categories in PSLC which is more marginal, agri, micro and others, so rate for each of these categories vary, not only product wise but also which part of the year we are selling, so in Q1 you get the maximum, in Q4 you get the least because someone who is buying in Q1 gets the benefit for 4 quarter again someone who buys in Q4, so it is the factor of when do you sell, what PSLC you sell, so that combination derives. In our case, it was a little over 1% on a blended basis.
- M B Mahesh:** For the quarter, is it?
- Sunil Samdani:** For the full year.
- M B Mahesh:** And the first question on the slippages because we started over with Rs. 830 crores and we ended it with Rs. 820 and yet we have made Rs. 150 crores of provisions, so just trying to understand how does the math's kind of work on this?
- Sunil Samdani:** Slippages during the year was Rs. 763 crores which included IL&FS of Rs. 385 crores.
- M B Mahesh:** For the quarter?
- Sunil Samdani:** I have the numbers for the year, I don't have the number with handy for the quarter.
- M B Mahesh:** Because if you had made this Rs. 150 crores of provisions, shouldn't your net, I am just trying to understand how much of the slippage is for the quarter because if it is not too much given the fact that the collection efficiency was running at close to 100%, why has the Net NPL not come down by a reasonably good amount?

- Sunil Samdani:** In fact, if you look at quarter-on-quarter, it has come down from 0.7 to 0.58, so 12 basis point reduction quarter-on-quarter is visible here.
- M B Mahesh:** Yes, but on a Q-o-Q basis because the collection efficiencies was very high, shouldn't this number be down very sharply because you have already made a provision of Rs. 150 crores?
- Sunil Samdani:** Provision coverage ratio has also improved. Last year, my provision coverage was only about 46/ 47%, this year I am at 72%.
- M B Mahesh:** No, Sunil I am just looking at it on a Q-o-Q basis? If you look at Rs. 230 crores, Rs. 235 crores of net NPLs and it is now at Rs. 228, so there is no change?
- Sunil Samdani:** I will give this number to you separately; I don't have it ready right now for the quarter.
- Chandra Shekhar Ghosh:** But you keep in mind on that the one quarter performance cannot be shown NPA is drastically coming down.
- M B Mahesh:** No, sir the question is more on the fact that.
- Chandra Shekhar Ghosh:** I am talking on that point. If you see that as a one customer, he has been may be the NPA in the second quarter, but the third quarter and fourth quarter, he is paying regular instalment every week. That not means my regular instalment means OTR has come off 99.3%, even may be the 100%, but this customer has not come out from NPA because of second quarter he was in the NPA.
- M B Mahesh:** If you go with that logic, then what should have happened is that the net NPL should have come down meaningfully because you still have made an additional provision and there was no fresh addition?
- Sunil Samdani:** We will check on that data and get back to you.
- Sunil Samdani:** Mahesh this Rs. 151 crores that you see also include Standard Asset Provisions.
- M B Mahesh:** Yes, and how much would that be?
- Sunil Samdani:** Our book growth is maximum in Q4.
- M B Mahesh:** So if you would look at the disbursement, so I think you made about Rs. 20,000 crores at 70 basis points, that is about Rs. 140 crores?
- Sunil Samdani:** No, but that is on the book growth, that is not on disbursement.
- Sunil Samdani:** So ~Rs. 50 crores is the Standard Asset Provisioning roughly.

- M B Mahesh:** And then you have Rs. 100 crores which you have made for NPLs which we explained with the movement of the gross NPLs?
- Chandra Shekhar Ghosh:** Yes.
- M B Mahesh:** And what would be the savings interest rate for the quarter?
- Sunil Samdani:** 5.14%.
- Moderator:** Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.
- Anand Dama:** Sir, I wanted to understand on this promoter stake dilution that you have already attempted to cut the promoter stake in the bank, is it a chance that you can apply to RBI for an extension in reduction in the promoter stake or is it that you don't see a chance and basically because of that either you would have to acquire some of the company or you will have to run down this stake primarily through capitals?
- Sunil Samdani:** See, we are evaluating all options. Our endeavor is to meet the requirement as early as possible in the best possible manner.
- Anand Dama:** So can that be about like say for instance you might opt for 2 years kind of a progressive reduction, is that fine, I mean will that be fine with RBI?
- Sunil Samdani:** No, we don't want to put a timeline to that.
- Anand Dama:** Secondly, about your microfinance customers that you have now about 1.3 crores kind of customers on the microfinance side, is it possible to keep breakup in terms of like how many of this customers would have completed about 1 cycle, 2 cycles or may be 3 and 4 cycles, break up into the cycles of the customers?
- Chandra Shekhar Ghosh:** We cannot have the data in my hand as of now and then, but I can say that the 4 cycle plus borrower is more than 55%.
- Anand Dama:** So ideally, we would have started at what kind of a ticket size, somewhere about Rs. 20,000?
- Chandra Shekhar Ghosh:** 25 and average is in 30,000.
- Anand Dama:** Average and now they would have reached a size of somewhere about Rs. 50-60,000?
- Chandra Shekhar Ghosh:** It depends on how long this customer with us and what type of business she is doing and how much is the credit need is there, so it is then very much the granular level and the customer wise will be decided by my ground level staff and the other level staff will check and then it will be like to decide.

- Sunil Samdani:** In terms of loan outstanding, it is 67%, four cycle plus customers
- Anand Dama:** And you have earlier talked about the seasonality of the customer, so just wanted to understand that this fourth quarter growth that we see which is roughly about almost 26% quarter-on-quarter, so what is the seasonality that is there at the customer end, particularly the kind of customer that you cater to that you have such a kind of growth particularly in fourth quarter, I agree if it is corporate, but what is that actually for the microfinance customers to have this kind of seasonality?
- Chandra Shekhar Ghosh:** No, first essence is there, microfinance if you go to this, the trend of the microcredit customers, it is always in a fourth quarter is coming the customer growth and also the portfolio is there. The one point if you keep in mind on that this is always all banks are giving the funding in the last quarter. In that time, the bank priority sector beat up target was in a last quarter, not like this time is in quarter-on-quarter, so in that time, whatever they are need in Priority Sector Lending that much they have been disbursed to the MFI. MFI also taken that their customer more in the last quarter and these customer, more or less is a one-year loan, our next loan is 2 years, every time, now it has again come to this last quarter renew and taken on that, so that is the one side we see that it is which is happening.
- Anand Dama:** Any attempt on your side to actually bring down the seasonality, so you can actually spread it over fourth quarters?
- Sunil Samdani:** See, here our policy is to have one loan per customer, so till the customer repays the loan, we don't extend a fresh loan and the average is one year or two years, so all those customers which are taken in the fourth quarter as when we were NBFC, their loan gets closed only in the fourth quarter and we are able to give fresh loans only in the fourth quarter, so that is one big reason why the seasonality is here.
- Anand Dama:** Yes, now that you have become a bank, is there any way that you can actually bring down the seasonality?
- Chandra Shekhar Ghosh:** You are correct on that but we see that the 94 lakhs of my borrowers, 74 lakhs was a legacy, so a little bit tough time to do it on that but we are trying, but other point if you see that what we see in the eastern region on that the mainly this business also they are growing on the basis of link with the pooja and before the pooja started the process on that may be he would close the loan in the first quarter, but he is waiting when the pooja will come one month or one and a half months before, he will be taken the loan and that time he is not taking the loan to grow the business, so lot of things is there, so it is happening in that way.
- Anand Dama:** But I think somewhere you have to work it out sir?
- Chandra Shekhar Ghosh:** Yes.

- Anand Dama:** The other thing was what is the GNPA Ratio in the microfinance book one and related to that is that you have two events right now, one is the election going around and again very intense kind of election is going around in this stage that you deal with, and then the other is basically there is the cyclone which is around your region, so do you see that way some delinquencies coming up in the forthcoming quarter primarily because of this two events and if you can also help us with the current GNPA Ratio from the microfinance credits?
- Chandra Shekhar Ghosh:** It is 0.70%, it is more than 90 days.
- Anand Dama:** And how much for this in third quarter?
- Sunil Samdani:** 0.81%.
- Anand Dama:** So, it has come up?
- Sunil Samdani:** It has come down.
- Anand Dama:** And sir, these two events that I talked about, what is the impact that you see because of that?
- Sunil Samdani:** Not really, in Bay of Bengal, cyclones are common, that is not an issue.
- Anand Dama:** And sir, last question is about your corporate book, so you had IL&FS which was certainly one-off event which happened for us, do you have any other loan or an investment setting into any of these new NBFCs which are in problem of the large corporate as such which are currently into problem?
- Sunil Samdani:** None.
- Moderator:** Thank you. The next question is from Harsh Vijay Shah from Edelweiss. Please go ahead.
- Harsh Vijay Shah:** Just one question on the non-interest income, you mentioned processing fees of around Rs. 179 crores and PSLC fees of around Rs. 105 crores for this quarter? Can I get the same number for last year same quarter? That is Q4 FY18?
- Chandra Shekhar Ghosh:** Last year, same quarter again out of Rs. 197 crores of non interest income , processing fee we had done last year was Rs. 153 and PSLC income was Rs. 4 crores.
- Harsh Vijay Shah:** And second question is regarding the branch expansion, given the RBI gives the approval, what is the branch expansion plans that to focusing on East and North East and other parts of India?
- Sunil Samdani:** So our strategy even before the restriction was that once we crossed 1000 branches, we will try and consolidate and bring efficiency into those branches before we again start expansion, so we have the approval of 1000 plus branches today, so further branch expansion will not be as fast

as it was in the last two years as we have built enough capacity already to take care of our growth for next 2 to 3 years.

Harsh Vijay Shah: Do you have certain time adjustments you mentioned that you will make already your current branches are performing at a peak capacity before you go for any further expansion, so do we have any parameters that you have set for the branches to achieve before you move on to expansion?

Sunil Samdani: Typically, if you see the per branch customers today is close to 3000 customers, I think if you compare it with an established bank, it could be anywhere between 10-20,000 customers depending upon what kind of branch it is, so we believe there is enough capacity available that we have built for us to keep adding customers into our existing network.

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

Nishant Shah: Couple of questions. Sir, one, we have heard almost doubling of your corporate CDs this quarter, 86% growth from Rs. 52 to Rs. 97 billion and even the CASA ratios are like down a little bit, despite that we have seen a decrease in the cost of funds in this quarter, so I am trying to tie it in like how does this work like, what has been the movement in the interest rates?

Sunil Samdani: while the bulk deposits have increased, half of it has come through a CD route where the cost of funds have been competitive and secondly our CASA ratio improved in Q3, so the benefit of that full quarter came in Q4.

Nishant Shah: And could you quantify what kind of rates these were in the CD space?

Chandra Shekhar Ghosh: CDs, for a 6-month CD, it was around 7.5%.

Nishant Shah: Versus your general like long-term TD rates, bulk TD rates of close to?

Sunil Samdani: Bulk TD is all liquidity and market dependent. In Q4, the bulk TD rates went up as high as 9%.

Nishant Shah: And one question on this NPL ratio. You just mentioned that the microfinance NPL is about 0.7%, correct?

Chandra Shekhar Ghosh: Yes.

Nishant Shah: And if I back calculate that means the non-MFI portfolio as about an NPL ratio of 9%, is that right because the overall book is 2%?

Sunil Samdani: if you remove IL&FS, then the NPL is only 1.08%.

Nishant Shah: So that is what skewing the number?

Chandra Shekhar Ghosh: Yes.

Moderator: Thank you. Due to time constraints, we will be able to take the last few questions. We take the next question from the line of Himanshu Taulija from Motilal Oswal Securities. Please go ahead.

Himanshu Taulija: Sir, if I have heard correctly, you have said the average disbursement ticket size is Rs. 69,000. Can you just give like breakup in terms, what is the average disbursement in the East region and from the other region?

Chandra Shekhar Ghosh: This is then Rs. 59,000, but the East isn't, what I say one point on that, 77% of our borrower in East and North East who are yielding that 80% of the outstanding.

Himanshu Taulija: What is the disbursement in the last year? What is the average disbursement ticket size in FY18 versus this number is 59?

Chandra Shekhar Ghosh: Last year, it has been Rs. 51,771.

Himanshu Taulija: And just one, if you can just in your initial comments, you have given the breakup of deposit growth from the South, West, East and from the region, can you just provide the same? I just missed that?

Chandra Shekhar Ghosh: That is in Central India, we have the retail deposit growth has come 45% over previous year and West India, it is 41%, East India 39%, North India 31%, South 30%, North East 22%.

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

Sameer Bhise: I see that the IBPC portfolio has gone up for this quarter on a Q-o-Q basis, just wanted to know if you can share the interest income of that book?

Sunil Samdani: So the IBPC which we did this quarter was at an average rate of 5.8%. Essentially, it means we raised money at 5.8%.

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

Atul Mehra: From the AMC team, sir just one question in terms of if you to look at it from the next 3 to 5-year perspective, now that we have 2 major asset streams, MFI and housing finance, so other than these two lines of business, what are the lines of businesses that you are seriously considering getting into an expanding from a 3 to 5-year perspective and where do you see these in 5 years' time in terms of broad contribution as such?

Chandra Shekhar Ghosh: If you see that as a microfinance institution when it will become a bank, so first at that time, our main focus was in that of the stabilized the liabilities growth balancing with our credit capacity

how much we can be like to grow on that, but in that sense if you see that both the sides we have been matched, 3-1/2 years so what we are principally taking beginning of the bank, it need the 3-years' time to stabilize on that and we feel that it has now come on that and next on that this year, it is opportunities on that to come as a merger with GRUH, so we are now focusing on that after this the merger, the GRUH portfolio grow and streamlined matching with the liabilities on that. This may be the more focus on that. Of course, simultaneously some SME, some micro and small enterprise will come, but we are not very much focused on that, we focus on that they continue the microfinance growth, whatever we are doing on that and next that the new is coming that is the affordable housing that will also grow, so this may be next 2 to 3 years will be focused on that to grow in the business on that, huge market, no doubt.

Moderator:

Thank you very much. We will take that as the last question. On behalf of Bandhan Bank Limited that concludes this conference call. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.