"Bandhan Bank Limited
Q4FY25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Bandhan Bank Q4FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikash Mundhra, Head, Investor Relations. Thank you, and over to you, sir.

Vikash Mundhra: Thank you, Sejal. 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 and the full year ending March 2025. We sincerely appreciate your time and participation.

Today, we will take this opportunity to provide insight into our operational activities, significant achievements and challenges, as well as offer perspective on market conditions, strategic initiatives and any notable changes in our business environment.

To walk you through all 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 Mundhra, 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, Mr. Partha sir, to brief you all on bank's performance. Over to you, sir.

Partha Pratim Sengupta: Thank you, Vikash. A very good evening to you all. At the outset let me welcome you to the Q4 earnings call of Bandhan Bank. While my colleague and CFO, Rajeev Mantri, will walk you through the detailed Q4 financials, I would like to highlight a few key points from our recent performance, and then I'll share our strategic vision for the next 2 to 3 years.

As we've discussed in previous quarters, the microfinance sector has faced significant stress, and the overall liquidity tightness in the system has impacted both growth and profitability at an industry level. However, I'd like to note that recent regulatory and monetary actions have been positive, and we expect to see gradual steady improvement in the MFI segment in the coming few months.

With the ongoing challenges in the microfinance sector, our team has worked well to manage the situation. During the quarter, while, loan growth and profitability showed moderate progress vs. our guidance, we remain encouraged by the continued resilience across key operational metrics. Notably, we observed (a) a consistent increase in the share of the secured loan book; (b) robust growth in retail term deposits; and (c) a reduced reliance on bulk deposits - which contribute to a more diversified book and a stable & sustainable funding profile.

Even with elevated slippages, headline GNPA and NNPA ratios remained broadly stable on a sequential basis, underscoring effective asset quality management. Additionally, our strong capital adequacy position provides a solid foundation for sustained growth and improved performance in the coming quarters.

Despite heightened stress in the MFI segment during the second half of the year—resulting in elevated credit costs and moderate growth - the Bank navigated these challenges with resilience and focus. I am pleased to report that for the full year FY25, we delivered a reasonably strong performance. A snapshot of the same is (a) Net Interest Income was INR 11,491 crore a growth of 11%; (b) Net Total Income was INR 14,458 crore a growth of 16%; (c) Operating profit was at INR 7,389 crore a growth of 11%; (d) Profit after tax was at INR 2,745 crore a growth of 23% YoY; and (e) RoA of 1.5% and RoE of 11.6% for the full year.

Now, let's turn to the broad numbers for Q4. As of March 31, 2025, our advances book stood at INR 1.37 lakh crore, reflecting a year-on-year growth of 10%. On the deposits side, deposits have reached INR 1.51 lakh crore, showing a YoY growth of 12%, which outpaces the growth in advances. We remain focused on strengthening our granular liability franchise, and our deposit growth continues to outstrip the growth in advances. We continue to make steady progress on our diversification strategy. In this quarter, our secured book grew by 32% YoY, improving the secured mix to 50.5%, compared to 42% in FY24.

Retail term deposits grew strongly at 30% YoY, highlighting the growing trust and engagement from individual customers. CASA deposits now represent 31% of the total deposit base, bringing the total share of Retail Deposits (CASA + Retail Term Deposits) to 69%. This marks a significant improvement in the granularity and stability of our deposit base. Additionally, we've effectively managed our funding mix by containing bulk deposits to 31% of total deposits, further reducing concentration risk and enhancing balance sheet resilience.

We remain firmly committed to maintaining asset quality. While credit costs remain elevated at present, we are focused on bringing them down over the couple of quarters. During the quarter, we have technically written off INR 1,136 crore. Despite an increase in slippages and higher upgrades & recoveries, our headline asset quality remains largely stable with Gross NPA at 4.7% and Net NPA at 1.3%. PCR (incl. the technical write-off portfolio), was higher at 86.5%.

For Q4 the Net Total Income in Q4FY25 was INR 3,456 crore and operating profit was at INR 1,571 crore. The bank reported PAT of INR 318 crore for the quarter. This, if you compared to the last year, it was very negligible at INR 55 crores because of the onetime write-off taken in the last quarter of the previous financial year.

As previously communicated, in Q1FY25, the Bank adopted a conservative approach by increasing the risk weight on the EEB (Emerging Enterprise Business) portfolio from 75% to 125%, which led to a 362-basis point reduction in our overall capital adequacy ratio. However, in February 2025, the RBI clarified the risk weight norms, reducing them to 100% or 75% for MFI loans based on certain eligibility criterion. This regulatory clarification has had a favourable impact on our capital ratios with CAR at 18.7% and Tier I at 17.9%, further strengthening our capital position and providing additional headroom for growth.

Furthermore, I am pleased to inform you that the Board of Directors has recommended a dividend of INR 1.50 per share, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Looking forward, as the MFI environment stabilizes, we are confident that we are well-positioned to take advantage of the emerging opportunities. Our focus will remain on sound risk management, exploring new growth avenues, and continuing to enhance operational efficiency.

Moving ahead from the Q4 financials, as you may recall from our last quarterly call, I had mentioned about a few strategic initiatives like the formation of the Transformation Management Team, the Digital & Transaction Excellence Unit, the Market Intelligence Team, and the Credit Administration Department — all aimed at further strengthening the bank's franchisee. I would like to take a few minutes to update you on the progress we've made in these areas.

The Transformation Management Team has embarked on a forward-looking transformation journey driving innovation in the bank, through focus on modernizing our technology, optimizing processes, evolving capabilities, and innovating our business and operating models. Key initiatives include expanding retail liability sourcing through our Banking Units, modernizing credit underwriting with business rule engines and analytical tool driven scorecards to enable seamless digital processing.

We're upgrading all digital platforms to align services, channels, and customer needs for a smoother journey. Additionally, we're rolling out state-of-the-art Digital Banking Units and integrating emerging technologies like QR codes, WhatsApp banking, and facial recognition to boost customer convenience, operational efficiency, and risk management.

At the core of this transformation is a culture of agility and continuous improvement, reflected in our internal workplace digitization efforts and the strategic use of technologies like AEPS. Altogether, these efforts are setting the stage for a smarter, faster, and more customer-centric organization.

The Digital & Transaction Excellence Unit is driving digitization efforts and has successfully completed a closed user group rollout of QR code-based collections for our micro banking customers, enhancing field-level collections. We are now set to gradually scale this initiative across our network. In parallel, we are making steady progress on key digital liability onboarding journeys, including savings and current account openings. In the government payments ecosystem, we have expanded our capabilities beyond GST and CBDT integrations. Notably, we have gone live with our partnership with SBI ePay, which has enabled us to gain access to the West Bengal GRIPS platform, further strengthening our presence in this space.

Now I will spell out the strategic priorities for the next 2 to 3 years. Over the next couple of years, our strategic priorities will centre on achieving deposit growth that outpaces advances growth, with a strong emphasis on stable, granular retail deposits. We aim to expand our asset book with an improved secured mix, enhance asset quality, and continue investing in technology to elevate both customer experience and operational efficiency. Guided by a clear roadmap that embeds risk management and compliance into every facet of our operations, we remain optimistic about unlocking greater value for all our stakeholders.

Given the current macro-economic environment, we are targeting an advances growth of 15–17% CAGR over the next three years, with a strategic focus on increasing the secured mix. We expect secured advances to constitute over 55%+ of the total advances by FY27. While both the secured portfolio and the EEB book are expected to grow, the secured book will grow at a relatively higher pace. The growth trajectory of the EEB portfolio will be aligned with prevailing economic conditions.

Liability growth is expected to outpace advances growth, as building a strong, granular and stable liability franchise remains a key strategic priority. We will continue to drive growth in both CASA and retail term deposits, while actively working to reduce reliance on bulk deposits. Leveraging the capabilities of our 1,715 branches and nearly 4,594 BUs, we aim to deepen our reach and mobilize more granular deposits. These initiatives will play a crucial role in lowering our overall Cost of Funds and enhancing balance sheet resilience.

Cross-sell is a key initiative that we are driving with a unified approach under the philosophy of "One Bandhan". As part of the same, Asset teams are actively supporting in garnering Liabilities, and likewise the Liabilities team are contributing towards Asset generation through activation of our distribution network in Branch Banking and other segments. This collaborative effort strengthens our overall business growth and customer engagement and is being steered by a central Cross Sell enabling team.

The planned increase in the share of our secured loan book is expected to have an impact on NIM. As a result, we anticipate some moderation in margins over the coming years on a risk adjusted basis.

On operating expenses, we will continue to invest in our people, technology, and capabilities that support the Bank's strategic growth objectives. As a result of these investments, we expect the operating expenses to assets ratio to increase by 10–20 bps from current levels over the next two years. However, as operating leverage begins to take effect thereafter, we anticipate a gradual improvement in this ratio, reflecting enhanced efficiency and scalability of our operations

Asset quality remains a top priority, and I am confident that the guardrails we have implemented, combined with improving trends within the sector, will lead to a meaningful improvement in asset quality over the strategic horizon. While credit costs are expected to remain elevated in H1FY26, we are targeting to reach 1.5–1.6% of credit cost over the next 2-3 years, based on our relentless focus on improving portfolio quality through robust risk management and aided by improving MFI cycle

Our focus remains on a steady and sustainable improvement in profitability, with a clear glide path toward improving RoA to 1.8–1.9% over the next 2-3 years, driven by better asset quality, improvement in other income and operating leverage

To summarize, we remain committed to building long-term value through disciplined growth, strong risk management, and continued investment in our core capabilities. With that, I now hand over to Rajeev Mantri, CFO to take you through the details of the Financials. Thank you.

Rajeev Mantri: Thank you, Sengupta sir, and welcome again, everyone, to the earnings call. Now let's move on to the business performance for the quarter. I'll walk you all through the key financial highlights and provide an overview of how we have performed. Let's start with the advances.

As of March 2025, **gross advances** stood at INR1.37 lakh crores, reflecting a growth of 10% year-on-year and 4% quarter-on-quarter. In line with our strategic plan of product diversification, we are focused on growing the share of our secured book across housing, wholesale banking and retail assets. The secured book grew by 32% year-on-year and now represents 50.5% of the total advances, marking a significant shift towards a more secure and diversified portfolio.

The EEB portfolio saw a decline of 9% year-on-year, although there was a marginal increase of 1% quarter-on-quarter, reaching INR56,544 crores. This decline is primarily due to portfolio controls we implemented in response to the elevated risk in the microfinance industry. On the other hand, growth in the non-EEB book, which now represents 59% of our total advances, was strong at 29% year-on-year and 6% quarter-on-quarter. This growth was largely driven by robust performance across retail, wholesale banking and housing segments. Specifically, retail assets grew by 98% year-on-year, wholesale banking assets saw an increase of 35% year-on-year, and housing loans grew by 18% year-on-year, excluding IBPC. The impressive growth in retail assets was mainly supported by commercial vehicles and equipment loans, auto loans as well as gold loans, which are the secured products within retail.

From a business mix perspective, our advances are well diversified across various segments. EEB group lending represents 26% of the advances, SBAL at 15%, wholesale banking 27%, housing 24%, and retail loans have reached to 8%, respectively. The bank has also made significant progress in geographical diversification. Over the past few years, share of advances from the East and Northeast regions have decreased by 14% from 53% in FY '22 to 39% in FY '25. Conversely, we have seen an increase in advances from the North, West and South with growth in share by 3%, 5% and 8%, respectively.

In terms of regional concentration, our top 5 states, West Bengal, Maharashtra, Bihar, Gujarat and Madhya Pradesh now contribute 59% of our total gross advances versus 60% a year back, especially West Bengal remains the largest contributor at 23%, slightly down from 24% in the last year.

Liabilities: As of March 31, 2025, total deposits stood at INR1.51 lakh crores compared to INR1.35 lakh crores in the previous year, reflecting a healthy growth of 12% Strategically, this growth remains higher than the growth in our advances, which we have continuously done in every quarter over the last 1 year.

The bank continues to prioritize granular and stable retail deposits. Our total retail deposits, which include CASA and retail term deposits, grew by 11% year-on-year. Within this, retail term deposits showed a robust growth of 30% year-on-year. Retail deposits, CASA plus retail TD to total deposit ratio was around 69%, largely same as in the previous quarter, reflecting the strong focus on mobilizing stable deposits.

Our reliance on bulk deposits remained lower with the share of bulk deposits to total deposits marginally reduced quarter-on-quarter at 31%. CASA deposits stood at INR47,437 crores, reflecting a 5% year-on-year decline, but an increase of 6% quarter-on-quarter. While the growth has been on softer side, it aligns with broader industry trends. It is important to note that while CASA deposits have shown a year-on-year decline on a period-end basis, on an average basis, CASA deposits have experienced a marginal growth on a year-on-year basis.

The bank continues to focus on strengthening relationships across our customer base. It is actively working on enhancing our value proposition for different customer segments and expanding our customer base to drive growth in this area.

From a geographical perspective, our top 5 states, West Bengal, Maharashtra, Uttar Pradesh, Odisha and National Capital Territory of Delhi now account for around 65% of the total deposits. Notably, West Bengal continues to be the largest contributor, representing 40% of total deposits, which is consistent with the previous year.

Moving on to collections and asset quality. The bank's overall collection efficiency, excluding NPA, in Q4FY25 improved slightly to 97.9% compared to 97.7% in Q3FY25, a 20 basis points improvement. For the EEB book, collection efficiency, excluding NPAs in March, improved to 98.2%, up from 97.5% in December 2024. And for the quarter, collection efficiency also showed an improvement, reaching 97.8% compared to 97.4% in Q3FY25, reflecting some improvement in the collection efficiency for EEB. For further details on collection efficiency, you can refer to Slide 19 of our investor deck, which has more details. The collection efficiency for our PAR book, which excludes the DPD book, was at nearly 99.5% for the month of March '25.

On asset quality, the gross slippages rose to INR1,748 crores versus INR1,621 crores in Q3, with the primary contributor being the EEB segment. Slippages in the EEB book increased to INR1,349 crores, up from INR1,196 crores in Q3 FY '25. Recoveries and upgrades improved slightly during the quarter, reaching INR355 crores compared to INR282 crores in Q3FY25 at the bank level. Additionally, the bank undertook write-offs amounting to INR1,136 crores during the quarter. As a result, the gross NPA and the net NPA ratios remained stable on a sequential basis at 4.7% and 1.3%, respectively. The provision coverage ratio increased marginally to 73.7%, excluding the write-offs and including the write-off, as Partha sir talked about earlier, was higher at about 86.5%.

The overall EEB DPD pool, SMA-0, 1, and 2, stood at INR1,895 crores, representing 3.4% of EEB advances in Q4 compared to 3.8% in Q3 FY '25, representing a 40 basis points improvement. This reflects an absolute quarter-on-quarter reduction of INR223 crores and reflects as an early indication of successful containment in the DPD book, which still is being monitored on an active basis.

We continue to strengthen our collection mechanism with focused efforts to further enhance the overall portfolio quality of the EEB book. Details of the EEB DPD pool are covered in Slide 20 of the investor deck.

Credit costs, though remained elevated, showed improvement both quarterly and annually. Credit costs, including the standard assets, for the quarter stood at 3.9% of advances, down from 4.1% in the previous quarter. For FY '25, the credit cost declined to 2.9%, representing nearly 50 basis points year-on-year reduction.

Coming to the quarterly profit and loss: The net interest income for Q4FY25 stood at INR2,756 crores, marking a 4% year-on-year decline. The sequential and year-on-year drop in NII was primarily driven by a shift in the advances mix towards secured products and the impact of elevated slippages as well as the risk in the microfinance segment, as a result of which the microfinance segment growth was lesser compared to the last year.

Net interest margin for Q4FY25 came in at 6.7%, down from 6.9% in Q3FY25, reflecting similar pressures from the secured loan mix and higher slippages. However, on a full year basis, the NIM remained resilient at 7.1%, just 28 basis points lower year-on-year and within the guided range of 7% to 7.5%.

Net total income for Q4 FY '25 stood at INR3,456 crores, registering a 3% year-on-year decline. Sequential drop was primarily due to onetime gains recorded in the last quarter, including the claim payout from CGFMU and recoveries under the Assam Relief Scheme in the MFI portfolio.

Operating expenses rose 10% year-on-year to INR1,884 crores in Q4FY25, reflecting continued investments in people, technology and infrastructure and based on growth in non-EEB business volumes. As a result, the operating expenses to average assets ratio stood at 4.1% for the quarter, declined by 6 basis points quarter-on-quarter and 4% on a full year FY25 basis. It was up 17 basis points year-on-year.

Operating profit for Q4 FY '25 came in at INR1,571 crores. Provisions for Q4FY25 stood at INR1,260 crores, down 29% year-on-year. Despite the year-on-year decline as well as the quarter-on-quarter decline, provisions remained elevated during the quarter due to the continued stress in the microfinance segment, which is being seen across the industry.

Provision line item also benefited from one-off gains of INR123 crores from a claim on the ECLGS portfolio that the bank has received. We have also been prudent in making provisions on the EEB portfolio in view of the uncertainty and stress we are seeing in the MFI sector reflected in the PCR levels that we have maintained.

The bank reported a net profit of INR318 crores in the quarter compared to INR55 crores in Q4 FY 2024.

Thank you all for your patience hearing. And on behalf of the management team, I once again thank you for participating in the call. We'll now open up for questions.

Moderator: The first question is from the line of Vatsal Parag Shah from Knightstone Capital Management.

Vatsal Shah: A couple of bookkeeping questions. So what will be our proportion in Karnataka and Tamil Nadu as a percentage of advances?

Partha Pratim Sengupta: So Tamil Nadu, we have a share of only less than 1% of advances and Karnataka is 1.1%. So both are very negligible. And the DPD book is also very low. And I would say the collection efficiency is also around 97% in these 2 states. So we are not that much impacted into whatever is happening in both the states.

Rajeev Mantri: And these are the percentages of total EEB advances.

Partha Pratim Sengupta: Yes. And number two is that you have seen that in both the states, the regulations have excluded the banks. The banks are not a part of the regulation. So of course, this will have some, I would say, impact on the people or the borrowers there, but in general, the other regulatory measures are not applicable for us (banks).

Vatsal Shah: Got it. And secondly, what will be our fixed book percentage?

Rajeev Mantri: Are you talking about fixed rate book?

Vatsal Shah: Yes, fixed rate.

Partha Pratim Sengupta: It's around 55%. 55% of our loan book is around fixed rate.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Congrats on the quarter in these turbulent times. Just a few questions. Firstly, on interest reversal, what was the interest reversal this quarter versus a similar number in 4QFY24?

Rajeev Mantri: Sorry, could you repeat that question?

Partha Pratim Sengupta: Interest reversal.

Piran Engineer: Interest reversal, Rajeev, for the quarter.

Rajeev Mantri: Yes. Give us a couple of minutes. We'll come back on this question.

Piran Engineer: Okay, sure. And secondly, what sort of impact do we expect on our deposit cost after this rate cut we've done on SA. As well as, overall, we are seeing term deposit rates for the system, wholesale and retail, going down. Can you guide us to some sort of cost of deposits for FY26?

Partha Pratim Sengupta: Yes. So we have also reduced our interest rates on both savings bank and term deposits. So the rationalization has already been taken place. It will come effect from 1st May onwards. So we are expecting that around 30 basis points where we were giving on the highest term deposit bracket, so 8.05%, it has come down to 7.75%.

But of course, the transmission in the deposit will not take place immediately. It will just take place as and when this deposit matures and renews. But in the advances section for that year, almost close to 40% of our books, which are on the EBLR Repo-linked, the transmission has already been passed. So definitely, I can say some effect will be there for the first 2 quarters. But going forward, it will be well managed.

Rajeev Mantri: Yes, Piran, we don't have a specific guidance on the exact cost of deposits reduction. But as sir said, there are actions being done both on the savings and term deposit to see in certain buckets where we can actually reduce the cost. And I think the results of that will come through the year.

Piran Engineer: Okay. And I think I heard sir say 40% is EBLR-linked Repo loans?

Partha Pratim Sengupta: So I'll clarify that. The fixed rate loans, which means that there is no change due to any change in the market rate, is close to 55% of the portfolio.

Piran Engineer: And EBLR?

Partha Pratim Sengupta: Nearly 5% is only MCLR linked and all the rest are EBLR Repo linked

Rajeev Mantri: Piran, on your previous question on interest reversal. During the quarter, we had INR69 crores as interest reversal.

Piran Engineer: And what was it on Y-o-Y comparison?

Rajeev Mantri: We'll get back to you, Piran, on that. Actually, we don't have the asked details on hand

Piran Engineer: Sure, sure. And also just this MCLR, EBLR, I think there was some -- you all were having a discussion. Can you just clarify, out of that 45% floating rate, how much is MCLR, how much is EBLR?

Partha Pratim Sengupta: So to give you, 55% is fixed. And of the balance 45%, our EBLR linked Repo is 41% and MCLR linked loans is just 4%-5%.

Piran Engineer: Got it. Got it. And just my last question on your MFI customers, now around 8% of them are GNPAs. What percent of them would be actually paying some amount of EMI?

Partha Pratim Sengupta: Vikash, can you help?

Piran Engineer: So in simple words, collection efficiency from the GNPA book.

Partha Pratim Sengupta: Yes. So in March, we collected around INR80 crores from this collection which has been there. But I think....

Vishal Wadhwa: This is Vishal here. Overall, from our 8% number, close to 25% of the 8% is paying us some amount. Some amount comes through 1 EMI or less than that, but some amount keeps on coming from our GNPA.

Piran Engineer: Okay. 25% of the 8% number?

Vishal Wadhwa: Yes.

Moderator: The next question is from the line of Mohit Jain from Tara Capital Partners.

Mohit Jain: Sir, my first question is with regard to the SMA book for the EEB portfolio. If I'm looking at West Bengal, this quarter, we are seeing a slight increase there in the SMA-0 bucket. So what can be the particular reason behind that?

And also considering the fact, in the month of April, there have been some disturbances in some districts of West Bengal. So how adversely has it further been affected by it?

Partha Pratim Sengupta: One is because of the holidays. The last 3 days were holidays in West Bengal, as you all know. So whatever the demand raised during this period, the borrowers could not pay. But this has been eventually corrected. Most of the accounts have been eventually corrected.

Mohit Jain: Sir, the trend we are seeing in the current month because of some -- there were some media reports that in some districts there were some kind of disturbances. So any effect it is having on our collection efficiency?

Partha Pratim Sengupta: Murshidabad district. So Murshidabad District, has 4% NPA. As of April, about 88% of accounts are regular. The SMA-0 accounts make up 6%, while SMA-1 and SMA-2 accounts are 1% each. Currently, the total outstanding is INR 2,151 crores, with only INR 91 crores classified as NPA. The total delinquency book is very small.

Mohit Jain: Okay. And sir the other question which I'm having is on the long-term guidance which we have given that we'll be looking at our credit cost of somewhere near 1.5% to 1.6% over the next 2 to 3 years. And I guess, you have earlier said that -- in the earlier conversations it has been said that for EEB book, our target is around 2% to 3% in terms of the credit cost. Sir, if I'm looking at Slide 21, it seems that the loans which we have disbursed over the last 1 year, the NPA in those books is coming at 4% -- 3.5%, 4%, which is, again, very much on a higher side in respect of even the recent originations. So now if this is the trend we are having in the recent origination, what gives us the confidence that over a longer period of time, the NPA of the credit -- NPA of the EEB book is going to come down to somewhere near 2% to 3%, sir?

Partha Pratim Sengupta: No. So if you look at those figures, you see it was 4% in financial year 24, Q3 and Q4. But if you look at the financial year '25 figures, it has come down from 2.8%, then Q2 is 1%. Q3 and Q4, just the Q3 is 0.1% and Q4 is 0. So gradually, there is an improvement also. And as what Rajeev has also said that in the overall DPD book also, we are finding that there is an improvement. Sequentially, it is coming down, almost INR223, it has already come down.

The quality of these advances, we are now imposing the guardrails. As you all know that for the day, we had our own guardrails. And apart from that, the MFIN guardrails have also been imposed. So this definitely is impacting for the 1, 2 quarters, where the business growth will get a little bit impacted.

But the stress level will also be contained to a large extent. So going forward, we believe that the loan loss provisions would be comparatively lesser, especially the incremental loan loss provisions. And there will be a growth in the business. We have also kept a guidance of around INR5,000 crores of incremental growth in this EEB segment.

So overall, with the growth in the business and also with the decrease in the incremental loan loss provision, the credit costs will improve.

Rajeev Mantri: And I think just to supplement a couple of other points. One is if you look at our number of lender criteria, we've already been sort of complying with to a large extent, 92% of our book is Bandhan + 2. So to the extent of that, the overleveraging situation in our portfolio is fairly limited.

And also, as you know that most of these loans are 1-year tenure, and therefore, I think the book that is of FY '25 is a more reflective book, which will basically result. Of course, the risk in the industry is elevated, and we do expect the next couple of quarters to be challenged. But thereafter, as the improvement comes through, I think we'll be in a good boat to be able to come out of that.

Partha Pratim Sengupta: Even if you look at our overall credit cost also, so 2.9% we could manage it for the entire year, while the Q4 credit cost is quite high. And the delinquency book, as you can see in the mentioned slide, that it is actually coming down. The loans which are given in financial year '25, their quality is much better.

Rajeev Mantri: So we expect the microfinance credit cost to come down from the current levels. And because of the change in the mix towards higher secured, we should also get further benefit, and that is why the guidance of 1.5% to 1.6% over the next 2 to 3 years.

Mohit Jain: Understood. Just sir, one clarification. You said about a figure of INR5,000 crores, that is the EEB disbursement we are looking for the current year, or the AUM growth for the current year, sir, FY '26?

Partha Pratim Sengupta: It's the net growth of the EEB portfolio what we are looking at.

Mohit Jain: Yes. So net AUM growth of INR5,000 crores in the EEB book for the current year FY '26, sir?

Partha Pratim Sengupta: Correct.

Moderator: The next question is from the line of Anand Swaminathan from Bank of America.

Anand Swaminathan: I have a couple of questions on the EEB book. So just circling back to Slide 19, where you have shown the West Bengal, Assam and rest of India collection efficiency. Just wanted to understand which are your worst performing states, which are dragging down your collection efficiency to 98.2%. So that's the number one question.

Number two, in terms of disbursal rates, I get the INR5,000 crore number. But in terms of month or quarter, when do we expect we getting back to a normalized disbursal level during the year? Those are my 2 questions.

Vishal Wadhwa: To answer your first question, our states which are not performing the way performance has happened in the Eastern part are Maharashtra, parts of Gujarat, and Tamil Nadu and Karnataka, which is small for us. These are 3-4 states which are not doing well; parts of Gujarat and Tamil Nadu and Karnataka.

On the second question, I think the first quarter is going to be a muted one. And I think quarter 2 onwards, the disbursal should pick up. But by the end of quarter 3, I think we will have, hopefully, a normal year -- quarter the way it was there prior to a couple of years, and that should stabilize over quarter 3 and quarter 4. But first 2 quarters, specifically the first one, will have a muted growth only.

Anand Swaminathan: Sure. Just to clarify, Maharashtra, Gujarat should be close to 96% collection efficiency even in March?

Vishal Wadhwa: March was slightly better, 96%, 96.5% on the collection efficiency front. Tamil Nadu was 96% and Karnataka similar 96.5%.

Anand Swaminathan: Okay. And is there anything localized, which is the problem, which is keeping these states a problem? Or it's just the overleverage issue which is extending?

Vishal Wadhwa: Primarily, at the pan-India level, it's a similar overleverage issue. And like Rajeev clarified also that Bandhan + 2 relationship, for us, it's much, much higher than the counterparts and it's at 92%. And there are small parts like Murshidabad has come up in the last 2 months only. So that has disrupted a bit for a couple of months.

But we don't see this continuing for long, because then things stabilize. And then after 4, 5 weeks' cycle, it comes back to normalcy. So there have been localized disruptions up and running in some places, but not so rampant. The impact is more in Karnataka, Tamil Nadu over the last 3-4 months.

Anand Swaminathan: Sure. And lastly, in April, since the implementation of the new guardrail, has there been any change in collection efficiency?

Partha Pratim Sengupta: Just can't get you, please. Sorry, Anand, can you repeat that?

Anand Swaminathan: In April, after the implementation of the new guardrails, has there been any change in collection efficiency in any of the states?

Vishal Wadhwa: So collection efficiencies for the month of April have remained stable. However, like the impact of guardrails have been more so on the disbursal side with 3 lender norm, the maximum you could give, obviously, there are other companies who also grant loans to the same customer. So that has got -- but I think over a period of time, things will stabilize. Otherwise, we don't see any collection efficiencies really dipping down in the month of April apart from 1 or 2 places, which we spoke about earlier.

Rajeev Mantri: Also, Anand, I think April has had a number of holidays. So I think we'll have to see a more normal month like May to be able to get the full picture.

Partha Pratim Sengupta: Because these are mostly weekly repayments, so holidays actually sometimes temporarily affect the quality of the asset, but that normally gets repaid. And percentage-wise, while the delinquency is high in Tamil Nadu and Karnataka, but the overall book size is very, very low. It's only near to INR400 crores around in these 2 states.

Moderator: The next question is from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh: Sir, just a question on this West Bengal again. You kind of indicated, what is the current month performance as we speak? Your gave a number. I just wanted to clarify.

Rajeev Mantri: On the collection efficiency -- sorry, which parameter?

M.B. Mahesh: No. The SMA-0, 1, and 2. I think you had mentioned a number that the performance had improved in April. Just trying to check what was the comment on that?

Partha Pratim Sengupta: April number...

Vishal Wadhwa: Obviously, there is still a month to get closed. So we have still collections going on...

Partha Pratim Sengupta: But I can tell you, 2 days back, the slippages percentage has actually come down. So almost I am having a positive of around -- marginal positivity there compared to March.

Rajeev Mantri: But Mahesh, if you look at the SMA position as at March end compared to December end, definitely, I think there is an improvement. I think the overall SMA book for EEB, we are seeing some bit of a reduction.

M.B. Mahesh: Okay. Second question, sir, we are doing about 4% credit cost right now on an annualized basis for the last 4 quarters. In your assessment, how does that move over the next 2 quarters given the near-term numbers that you are looking at in the slippages on the EEB book?

Rajeev Mantri: So I don't think, Mahesh, we give specific guidance on a quarterly basis. But I think as we have said, due to the risk which is still there in the EEB segment in the industry, the MFI segment in the industry, and with further tightening of the existing criteria from 4 to 3, I think it's natural to expect the next 2 quarters that there will be some continued stress, albeit we do expect some marginal improvement quarter-on-quarter. But as Vishal earlier mentioned, by Q3 is when we expect, I think, some sort of turnaround to happen.

M.B. Mahesh: Okay. My last question, sir, you had given us a rough indicative ROE decomposition of how we should look at the franchise in the medium term. You have the margins today, which is about 7%. You are indicating that number will be down by about 20 basis points? Is that how we should read it?

Rajeev Mantri: So maybe, Mahesh, I can give you a broad indication on that. I think as our secured mix increases further, over the next 3 years, we should expect, I think, the NIMs to come down by, say, another 50 to 60 basis points over the next 2-3 years. But what we are doing to offset some of the impact is focus on other income, where we do expect, say, another 20 basis points or so increase to come through. I think the fee income will be also aided by newer initiatives such as transaction banking. We've recently got some trade products that we've launched. So those should start helping us as well

As I mentioned, I think our costs, we will have to invest further to grow our secured book. So over the next 2 years, I think we will invest further, another 10 to 20 basis points increase. But thereafter, I think the efficiencies of scale should start coming in. And then credit cost is where we should start seeing a big reduction, right?

And as a result of which -- all of these lines is where we are saying from the current level -- I mean, this financial year, we had 1.5% of ROA. The latest quarter is lower. But from there, on a glide path basis, we expect to reach around 1.8% to 1.9% of ROA by the end of the next 2 to 3 years.

Partha Pratim Sengupta: And most are containing the slippages. So we are not expecting the slippage -- because this year, Q4, the EEB segment slippages was almost 10%, which will substantially come down. That we are expecting.

M.B. Mahesh: So Rajeev sir, just my clarification is, based on your numbers, you seem to be projecting what looks like peak ROAs of about 1.8%, which means that the ROEs are about 14%. Even if you have some disturbances to the portfolio, the corridor of ROA seems to be much lower that you seem to be targeting. Just trying to understand if the assessment of the numbers are right.

Rajeev Mantri: Yes. So I think, look, it just depends upon the pace of the transformation. It is a material transformation we are doing to improve the secured mix, which takes time. And as we're saying, we are investing to be able to grow that. So the pace of the transformation and how exactly these businesses grow up, and at the same time, the pace of the reversal of the cycle in microfinance.

So it will really depend upon these 2 factors. But what we have not factored in this cycle is, let's say, further improvements to cost of funds. What we've not factored is further operational efficiencies that we can drive, because we are actually actively digitizing and bringing a lot of automation across our processes, both from a customer perspective and internally. So some of these factors should give some further augmentation.

Partha Pratim Sengupta: So I would put it very similar that if you look at the annual ROA annualized on a full year basis, it is 1.5%. Q1 and Q2 were good. Q3 and Q4 were bad. So the reverse will happen for this year. Q1 and Q2 will be comparatively a little more challenging, whereas Q3 and Q4 will be good. So going by the same philosophy, I think this 1.5%-1.6% can be maintained for this year.

Ratan Kumar Kesh: Overall, the larger transformation and the transition as MD pointed out, that will take a couple of years to come through. And obviously, at this point, we are targeting that kind of an ROA. And as it ramps out maybe over the next 4 to 6 quarters, we will relook at it and then come back to you with a fresh guidance.

Moderator: The next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: A few questions. First on capital, sir. So have we taken the full impact of RWA decline? Or is there some loan book where the lower risk weights are yet to be applied?

Rajeev Mantri: Yes. So maybe I'll take that, Jai. Rajeev here. So as you've seen the RBI clarification, the circular came through in February '25. And as part of which we have assessed and we have looked at -- and a large part of our EEB book, which is both across group lending and as well as SBAL sort of fulfils the criteria which I mentioned, and we have been able to take the benefit of that in the RWA calculation.

We are cognizant of the change that is coming from 1st April, which is for lending to NBFCs. And I think that should give some further benefit to the RWA calculation. That's not yet included in the March number, because that's applicable only from 1st of April. But the improvement on the total CRAR of 18.7%, which is the number now compared to the earlier numbers, is really based on the February clarification.

Partha Pratim Sengupta: New clarifications that has come.

Jai Mundhra: Sure. So the EEB proportion is taken care of, right? I mean the entire -- whatever the benefit was there on EEB on individual as well as...

Partha Pratim Sengupta: Definitely, significant improvement has happened only in the EEB. That is correct. Yes.

Jai Mundhra: Sure. And secondly, I mean, CGFMU, on incremental disbursement, are we taking CGFMU insurance or we have discontinued that thing?

Partha Pratim Sengupta: At present, we are not taking it. Yes, Ratan, you can give further details

Ratan Kumar Kesh: So you see, we have to do our own calculation of whether it is beneficial to the institution at this point going forward or not. We are not averse to it, but we are evaluating at what stage we would like to look at it, because there is a threshold value, beyond which if the quality goes bad, sort of it makes beneficial for us. So that's the stand as of now. We are evaluating very actively.

Jai Mundhra: Sure. And of the non-EEB slippages of INR3.5 billion, how much was from home loan and maybe the wholesale segment?

Partha Pratim Sengupta: So wholesale segment, the slippages ratio is very low. It is only 0.6% in the Q4. And housing finance, of course, slippages has been 2.3%, a major part from the legacy books, what we have acquired from GRUH Finance for that year. So that is the broader number.

Rajeev Mantri: I think just to clarify on housing, while the gross slippage comes to 2.3% during Q4, a large part of it gets collected during the month. And on a net basis, I think we end up at around 0.6%-0.8% on an annualized basis.

Jai Mundhra: Sir, would you have the rupees crore number? I mean the percentage is sometimes tricky, or I can just multiply.

Rajeev Mantri: The housing on a net basis was only INR70 crores of net addition on a gross slippage of INR180 crores.

Jai Mundhra: Okay. Sure. And lastly, sir, opex growth, while I take your -- I mean, the last quarter and last 2 quarters, we had said that the opex growth will be higher than loan growth. But this is primarily because new businesses, they are more opex heavy, right? That is how it should be. I mean, it is also a function of the loan mix change apart from investments that you are doing in maybe people and processes?

Rajeev Mantri: So I can take that. I think there are 2 or 3 key pieces. One is the newer businesses or the secured business, where we're dialling up the focus, require investments in people and technology, because we are making sure that we have the right talent, in the right areas, in the right geographies, in the right segments. And also, we are investing in the latest state-of-the-art technology.

As you know, last year, we had the core banking system upgrade, and now we are focusing on further systems like loan origination, which is going to -- with the state-of-the-art LOS providers such as Salesforce, and we are going to make sure that it has an enhanced customer experience that comes through.

So I think that is the focus in terms of both the talent as well as the technology that is being deployed. And at the same time, I think for the distribution network in terms of branches, to be able to drive our deposit growth.

Partha Pratim Sengupta: So actually, yes, basically, 3 things. One is that we have opened many branches in the last quarter of the previous financial year, not this year. And that expenses are adding up, but we will definitely get the benefit of business from these branches going forward.

The second is that the investment in IT. The depreciation cost is a major opex cost, but that's, as Rajeev has said that both were necessary and the business will also come once these are stabilized for the year.

And the third is the manpower cost, because we wanted to invest in people. So in many areas where we have yet to start business, we have taken people. Like in credit cards, we are going to launch soon, but we have already taken the resources, major skilled resources. Similarly, in the other areas also, there has been some people recruitment take place. But yes, the strength of this will be derived in the coming months to come.

Jai Mundhra: Lastly, sir, just a small clarification. I think in the SMA-0 -- increase in SMA-0 in West Bengal, you have mentioned that, that has also rolled back, right? So that would have come back to maybe -- let's say, 0.9% was the Q3 number. Has that come to that level? Or it is only -- I mean, you said that 2.3% rise -- rise from 0.9% to 2.3% is because of holidays and because of some localized turbulence. I mean, how does that stand? I mean, in percentage terms, if you have that number?

Vishal Wadhwa: So what we have done, see, 30th, 31st being a holiday and was a holiday demand date. That's why SMA0 has elevated from 0.9% to 2.3%. We collected 92.7% of the billed amount and out of 8.3% which got forward, we collected 95% of that in the next 7 days. So that 1 week collection has already come through. So we'll not see this kind of an elevation. It's a onetimer. And I think most of it has got collected thus far. But again, this month, we had 4, 5 holidays.

Partha Pratim Sengupta: If you see repayment period, you see in our EEB book. So for these group loans, we have a weekly repayment period, and that do get affected whenever there is a holiday, and more so if there are consecutive holidays. So every month -- this month also, we are having 3, 4 days like that holidays. So it will be there, the elevated portion, if you take the data on that particular date, it will be shown a little bit elevated. But overall, there is no stress because those things get collected.

Vishal Wadhwa: So you see SMA-1 and 2, those numbers have come down, and this 31st of March was one number. And if it happens again on the last day of the month, obviously, the last day billing gets impacted. Otherwise, over the period of the month, we collect. So this one, we specifically focused. In the next 1 week, we were able to collect 95% of the 7.3% which has gone through in SMA0 bucket. So then it became typically the same number of what typically goes through each cycle.

Moderator: The next question is from the line of Param Subramanian from Investec Capital.

Param Subramanian: So my question is mainly on looking at next year, right? So we've given guidance for the next 2 to 3 years. But if we look at next year specifically, would it be reasonable to say that ROA will be under pressure because of what I heard on basically that we are investing, so operating...

Partha Pratim Sengupta: I have told you very clearly, if you look into the current year, Q1, Q2 was good. Q3, Q4 was comparatively bad for the year. And overall ROA, we have maintained at 1.5%. So this year, it is just the reverse. Q1, Q2 will be a little bit bad, but Q3, Q4, we are expecting to be good.

Param Subramanian: Yes, sir. Sir, but at the same time, in the first 2 quarters, our operating profit profile was way higher. And it looks like it has reduced quite significantly, right? So is this...

Partha Pratim Sengupta: Q1, Q2 of this quarter was quite good. So operating profit, income, EEB loan book, everything was quite good for Q1, Q2. But Q3, Q4, suddenly, the situations have a little bit become, I would say, challenging. So this trend is continuing, but it is diminishing. So I think by Q2, all these problems will be more or less addressed. So Q3, Q4 will be a good year for doing business. So we are expecting the same way, the same trend will be there in the ROA.

Rajeev Mantri: And I think further to your question, Param, you're right that the secured mix percentage has gone up. So to that extent, right, the NIM -- margin pressure are there. But as sir mentioned earlier, there are actions being taken such as reducing the cost of funds, right, which should give some bit of an offset. So we'll actively look at the avenues available to us. But yes, structurally, we're moving towards a higher secured mix. So I think the impact of that will be there.

Param Subramanian: Okay. Got that. Just on this bit again on operating profit, right? So we are at about -- if we look at the last couple of quarters, if I look at operating profit as a percentage of assets, it's at about 3.3%, 3.4%. And that is lower than where we've generally operated.

And if I heard correctly, we're talking about mix shift bringing margins down and still investing in the business. So how does this number look, say, how is this going to evolve over the next year specifically and then beyond that?

Rajeev Mantri: Yes. So look, our full year ROA was 1.5%. Our Q3 was 0.9% and Q4 has been 0.7%, largely impacted because of the elevated slippages in micro. But let's say, as I mentioned, once the cycle starts to turn for microfinance, we should see some relief coming from there and the improvement and more normalcy.

And at the same time, as the capabilities that we talked about, which will give us higher other income and various other revenues start to kick in, we should get benefit of that. So it's sort of a glide path from the current levels to reach the 1.8% to 1.9% over the next 2 to 3 years, right?

Param Subramanian: Got it. One more question, if I may. For this year, the margin pressure on the margin line, how much would the pressure because of the interest reversals have been, say, broadly basis points? It's okay if I can get this offline as well.

Partha Pratim Sengupta: So as we have told that almost 41% of our loan book, we have already given the effect, which is under EBLR linked Repo. The fixed rate loans will largely be unimpacted until we decide a change in the interest rate. But yes, one thing is there that the effect of the benefit on account of reduction in interest rates and deposits, that will only come over a period of time. It will not be immediate.

Param Subramanian: I got that. Sir, I was asking on the interest reversals on the slippages that would have some margin pressure, so...

Rajeev Mantri: Yes, that's a small amount.

Moderator: The next question is from the line of Ankit Bihani from Nomura.

Ankit Bihani: I just wanted to know what is the yield on our microfinance portfolio and non-microfinance portfolio currently?

Rajeev Mantri: I think the differential between the two yields is roughly around 10%. So EEB is I think around or upwards of 20%.

Partha Pratim Sengupta: Yes, 20% and 10%.

Ankit Bihani: Okay. And the other part was that what has led to the negative tax in this quarter?

Rajeev Mantri: Yes, I can clarify that. So as part of the review of the tax, I think there are 2 aspects that we have accounted for. One is what we call as the deferred tax asset on the ESOP. So as you recollect, in the last quarter, we had an accounting impact on ESOP close to around INR166 crores.

And as part of the accounting review, I think the deferred tax asset on that got created in this particular quarter. So that is roughly around INR61 crores. And in addition to that, there is one of the old years' income tax provision, which has been released.

Vishal Wadhwa: Assessment has been completed.

Rajeev Mantri: Yes, linked to the assessment, which has been completed.

Partha Pratim Sengupta: The additional amount has been released.

Rajeev Mantri: So in total, about INR87 crores between these 2 items.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Partha Pratim Sengupta: Okay. We once again thank you all for attending this Q4 earnings report of Bandhan Bank. Just to conclude, I can say that if you look at the year's performance, the total financial year performance, so there has been a good increase in our net profit and also operating profit. And probably we are one of the very few financial institutions having sizable assets in microfinance to have been able to give these results for the year. That's one plus point I would just like to tell all the analysts. Thank you all.

Rajeev Mantri: Thank you all for joining in. Thank you very much.

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