

Bandhan Bank Q4FY21

Financial Results & Highlights

Brief Company Introduction

Bandhan started in 2001 as a not-for-profit enterprise that stood for financial inclusion and women empowerment through sustainable livelihood creation. It turned into an NBFC a few years later but the core objective remained financial inclusion. When Bandhan Bank started operations on August 23, 2015, it was the first instance of a microfinance entity transforming into a universal bank in India. On the day of launch itself, Bandhan Bank started with 2,523 banking outlets. It offers world-class banking products and services to urban, semi urban and rural customers alike. In the last few years of operations, Bandhan Bank has spread its presence to 34 of the 36 states and union territories in India with 4,559 banking outlets serving 2.01 crore customers, as on March 31, 2020.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3788	3346	13.21%	3861	-1.89%	14633	12435	17.68%
PBT	135	693	-81%	845	-84.02%	2949	4053	-27%
PAT	103	517	-80%	633	-83.73%	2205	3024	-27.08%

Detailed Results:

1. The revenues for Q4 grew 13% YoY. PAT fell 80% YoY mainly due to higher provisions of Rs 1594 Cr vs Rs 827 Cr last year.
2. PPOp grew 13.7% YoY in Q4 & 26% YoY in FY21.
3. The deposit portfolio grew 36.6% YoY and 9.5% QoQ.
4. Loan portfolio (on book + off book + TLTRO) grew 21.2% YoY.
5. CASA grew 60.9% YoY.
6. CASA ratio at 43.4% against 36.8% last year.
7. Added 5 lakh customers during the quarter & 29 lakh in FY21 with a total customer base at 2.3 crore as of March 31, 2021.
8. Capital Adequacy Ratio (CRAR) at 23.5%; Tier I at 22.5%.
9. Net Interest Income (NII) for the quarter grew by 4.6% YoY in Q4.
10. Non-interest income grew by 57.4% in Q4.
11. Net Interest Margin (annualized) for the quarter stood at 6.8%.
12. Gross NPAs as of March 31, 2021, are at 6.8%.
13. Net NPAs as on March 31, 2021 is at 3.5%.
14. The cost to income ratio was at 32% in Q4 vs 30.3% last year.
15. Interest reversal of Rs 525 Cr on Q4FY21 on account of NPA recognition.
16. the Bank has restructured accounts carrying a value of Rs 617 Cr as on March 31, 2021 of housing finance vertical comprising of 0.71% of total portfolio of the Bank.
17. Collection efficiency is at 98%.
18. The cost of funds was at 5.7% in Q4.
19. 113 new locations opened in Q4.
20. The bank announced a final dividend of Rs 1 per share.

Investor Conference Call Details:

1. Collection efficiency in WB is at 98.3% while in Assam it is at 83%.
2. The bank did extra provisions of Rs 1503 Cr in Q4 bringing the total provisions for FY21 to Rs 3810 Cr.
3. The bank did a write-off of Rs 1929 Cr in Q4 of which Rs 772 Cr was from WB and Rs 671 Cr was from Assam.
4. The provisions taken due to the pandemic is around Rs 3200 Cr.
5. Segmental GNPA was 7.6% in EEB book, 3.1% in Housing Finance, 2.5% in Retail Portfolio, and 9.1% in commercial Banking portfolio.
6. Slippages for FY21 were at Rs. 6887 Cr implying a slippage ratio of 9.3%.PCR was down to 50% from 61% in FY20.
7. Total stressed asset pool including GNPA, Restructured book, and SMA1+2 book stood at ~15% of the portfolio.
8. The management has stated that around 72% of 90 DPD customers are back to repaying.
9. Collection efficiency is expected to remain under pressure in Assam due to uncertainty over the industry norms in the state.
10. 90dpd and NPA in West Bengal MFI portfolio is 10.2% (vs 8.9% in Dec'20) and in the Assam MFI portfolio, it is 14.2% (vs 13% in Dec'20).
11. The bank has stopped all top-up loans in Assam and has given out such loans to only 0.5% of customers in WB.
12. The bank has not made any additional ECLGS disbursements in Q4FY21.
13. NIM was down in Q4 mainly due to the interest reversal of Rs 538 Cr. Going forward NIM is expected to stay in the range of 8-8.2%.
14. The bank has transitioned 11% of the group loan customers with high vintage to the individual EEB loans. The management has stated that the collections in the individual EEB book are currently at ~99%.
15. Although the management has refrained from providing any guidance on credit cost in FY22, it is reasonably confident that credit cost should reduce from the FY21 level given the accelerated provisioning and write-offs undertaken by the bank.
16. The write-off of Rs 1929 Cr was for 410,000 customers in Q4.
17. 53% of ECLGS loans were to WB customers while 20% were to Assam customers.
18. Of the new locations opened in FY21, only 1 was opened in WB and none in Assam.

Analyst's View:

Bandhan Bank has aggressively grown its business over the last few years. The company had a mixed quarter with good YoY growth in deposits, but PAT declined a lot due to extra provisions. The company has taken out provisions of Rs 1503 Cr in Q4. The situation in Assam is proving to be a dampener in the company's collections in Assam which is still having collections of only 83%. The bank is seeing a good response in the conversion of high vintage group loan customers to individual EEB loans. It remains to be seen how the Assam story plays out in the medium term and how the 2nd wave of COVID-19 plays out in the key states of WB and Assam for Bandhan. Nonetheless, given its consistent growth momentum in recent years and its rapidly expanding customer set, Bandhan Bank remains an interesting company to keep track of the microfinance and small finance banking industry in India.



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