

**BUY**

TP: Rs 245 | ▲ 27%

**BANDHAN BANK**

| Banking

| 29 July 2024

## Strong business growth across segments aided PAT growth

- Strong business growth despite seasonality led healthy NII growth, while lower provision on high base aided PAT growth of 47% YoY
- Sustainability of NIM (guidance of 7.0%-7.5%), improvement in asset quality and smooth transition of top management will be key
- PAT increased on revised performance but recent price correction factored into major negatives; retain BUY with TP of Rs 245 (vs. Rs 222)

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**Healthy business growth:** Despite seasonality, BANDHAN witnessed strong business growth in Q1, wherein credit/deposit grew 24%/23% YoY leading to NII growth of 24.5%. Loan book growth was driven by Retail which grew 85% YoY, while Commercial Banking grew 30% YoY and the EEB division 21% YoY. On the liability side, deposit was mainly driven by term deposits (28% YoY), while CASA grew 14% YoY leading to 372bps QoQ decline in CASA ratio to 33.4%. The bank continued to guide for business growth of 18%, with deposit outpacing loan.

**NIM guidance maintained:** Despite a rise in deposits cost, bank reported NIM of 7.6% (flat QoQ) aided by lower slippages, and expects to maintain this at 7.0%-7.5% in FY25. Other income declined 24% QoQ, leading to flat (-1% QoQ) total income. However, opex declined 8% QoQ in Q1 as Q4 had one-off expenses of Rs 1.1bn leading to PPOP growth of 24% YoY (6% QoQ). Management indicated that recent investments in technology and branch expansion would bring volume leverage to support bottomline growth.

**Asset quality key:** Slippages improved in Q1 to Rs 8.9bn vs. Rs 10.2bn in Q4, and provision in 1QFY25 fell on higher base (Q4 included higher provision due to the bank's strategic decision to write off Rs 38.5bn of stressed assets) and supported PAT growth (up 48% YoY). Credit cost stood at 1.6% vs. 5.8%, excluding one-off of 2.3% in Q4, and continued to guide for 1.8%-2% over FY25. Overall asset quality remained stable with GNPA/NNPA of 4.2%/1.1% vs. 3.8%/1.1% in Q4. Overall SMA book stood at Rs 14.4bn from Rs 12.6bn in Q4 with collection efficiencies at 98.7%.

**Maintain BUY:** Considering ongoing business dynamics, we increase deposit estimates by 2%/3% over FY25/26 while lowering our provision estimates by 13%/5% leading to rise in PAT estimates by 15% each for the same period. Baking in gradual improvement in asset quality and potential for improvement in operational costs and stable margins, we expect the overall return ratios to improve and further price correction factored into the major negatives. A smooth management transition would be key to watch. We roll forward our valuation to 1.3x FY26E (Jun'26) ABV, and revise our TP to Rs 245 (Rs 222 earlier). Retain BUY.

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BANDHAN IN/Rs 193
Market cap	US\$ 3.7bn
Free float	60%
3M ADV	US\$ 32.9mn
52wk high/low	Rs 263/Rs 169
Promoter/FPI/DII	40%/28%/15%

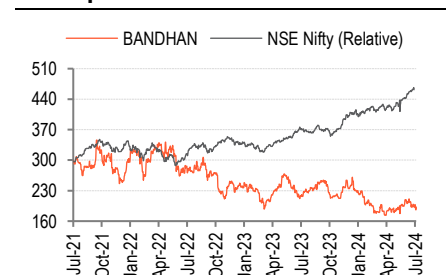
Source: NSE | Price as of 26 Jul 2024

### Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NII (Rs mn)	103,256	126,106	150,185
NII growth (%)	11.5	22.1	19.1
Adj. net profit (Rs mn)	22,296	42,723	51,822
EPS (Rs)	13.8	26.5	32.2
Consensus EPS (Rs)	13.8	22.5	31.0
P/E (x)	13.9	7.3	6.0
P/BV (x)	1.4	1.2	1.0
ROA (%)	1.3	2.2	2.3
ROE (%)	10.8	18.0	18.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

### Stock performance



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	39,057	38,882	40,829	46,293	48,695	24.7	5.2
Income on investments	5,158	5,311	4,923	4,744	5,324	3.2	12.2
Int. on bal. with RBI & inter-bank funds & Others	1,014	726	902	857	1,339	32.1	56.3
Interest income	45,229	44,919	46,654	51,893	55,358	22.4	6.7
Interest expense	20,323	20,486	21,401	23,231	25,308	24.5	8.9
<b>Net interest income</b>	<b>24,906</b>	<b>24,434</b>	<b>25,254</b>	<b>28,663</b>	<b>30,050</b>	<b>20.7</b>	<b>4.8</b>
Growth YoY (%)	(0.9)	11.4	21.4	16.0	20.7	2,160bps	469bps
<b>Non-interest income</b>	<b>3,851</b>	<b>5,403</b>	<b>5,452</b>	<b>6,941</b>	<b>5,275</b>	<b>37.0</b>	<b>(24.0)</b>
Growth YoY (%)	16.8	13.4	(47.2)	10.3	37.0	2,019bps	2,665bps
<b>Total income</b>	<b>28,757</b>	<b>29,836</b>	<b>30,705</b>	<b>35,604</b>	<b>35,326</b>	<b>22.8</b>	<b>(0.8)</b>
Growth YoY (%)	1.1	11.8	(1.4)	14.8	22.8	2,173bps	802bps
Staff expenses	8,117	8,623	8,987	9,702	10,054	23.9	3.6
Other operating expenses	5,017	5,379	5,165	7,517	5,863	16.9	(22.0)
<b>Operating expenses</b>	<b>13,134</b>	<b>14,002</b>	<b>14,152</b>	<b>17,219</b>	<b>15,917</b>	<b>21.2</b>	<b>(7.6)</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>15,623</b>	<b>15,834</b>	<b>16,553</b>	<b>18,385</b>	<b>19,409</b>	<b>24.23</b>	<b>5.6</b>
Growth YoY (%)	(14.2)	2.0	(13.9)	2.4	24.2	3,842bps	2,185bps
Provisions	6,021	6,362	6,840	17,743	5,230	(13.1)	(70.5)
Growth YoY (%)	(6.3)	(50.3)	(55.6)	141.5	(13.1)	8,655bps	(10,446bps)
Exceptional Item	-	-	-	-	-	-	-
<b>PBT</b>	<b>9,602</b>	<b>9,472</b>	<b>9,713</b>	<b>642</b>	<b>14,179</b>	<b>47.7</b>	<b>2,110.1</b>
Tax	2,392	2,261	2,386	95	3,544	48.2	3,619.7
<b>PAT</b>	<b>7,211</b>	<b>7,212</b>	<b>7,327</b>	<b>546</b>	<b>10,635</b>	<b>47.5</b>	<b>1,846.8</b>
Growth YoY (%)	(18.7)	244.6	152.2	(93.2)	47.5	6,615bps	14,073bps
<b>Per Share</b>							
FV (Rs)	10.0	10.0	10.0	10.0	10.0	0.0	0.0
EPS (Rs)	4.5	4.5	4.6	0.3	6.6	47.3	1841.2
Book Value (Rs)	136	139	144	144	153	12.3	6.0

Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Key balance sheet & other metrics**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Deposits	1,084,800	1,120,792	1,174,200	1,352,020	1,332,100	22.8	(1.5)
Growth YoY (%)	16.6	12.8	14.8	25.1	22.8	622bps	(231bps)
Advances	981,970	1,020,277	1,101,800	1,211,368	1,215,900	23.8	0.4
Growth YoY (%)	8.0	13.1	19.6	15.6	23.8	1,577bps	819bps
Investment	354,330	318,391	293,100	292,876	332,400	(6.2)	13.5
Equity	219,190	224,056	231,418	232,206	246,219	12.3	6.0
Assets	1,507,860	1,524,379	1,569,200	1,778,417	1,733,000	14.9	(2.6)
Growth YoY (%)	6.8	9.7	10.3	14.2	14.9	817bps	76bps
<b>Yield (%)</b>							
Yield on Funds	12.62	12.66	12.91	13.26	13.48	85bps	22bps
Cost of Funds	6.25	6.41	6.59	6.57	6.81	57bps	25bps
Spread	6.38	6.25	6.31	6.69	6.66	29bps	(3bps)
Net Interest Margin (calc.)	6.95	6.88	6.99	7.32	7.32	36bps	(1bps)
<b>Ratios (%)</b>							
Other Income / Net Income	13.4	18.1	17.8	19.5	14.9	154bps	(456bps)
Cost to Income ratio	45.7	46.9	46.1	48.4	45.1	(62bps)	(331bps)
CASA ratio	36.0	38.5	36.1	37.1	33.4	(264bps)	(372bps)
C/D ratio	90.5	91.0	93.8	89.6	91.3	76bps	168bps
Investment to Assets	23.5	20.9	18.7	16.5	19.2	(432bps)	271bps
<b>Assets Quality</b>							
GNPA	69,604	78,738	81,355	47,849	53,044	(23.8)	10.86
NNPA	21,407	23,652	24,396	13,476	13,964	(34.8)	3.6
Provision	48,197	55,086	56,960	34,373	39,079	(18.9)	13.7
GNPA (%)	6.76	7.32	7.02	3.84	4.23	(253bps)	39bps
NNPA (%)	2.18	2.32	2.21	1.11	1.15	(103bps)	4bps
PCR (%)	69.2	70.0	70.0	71.8	73.7	443bps	184bps
<b>Others (nos)</b>							
Branches	1,542	1,621	1,647	1,700	1,700	158	-
ATMs	438	438	438	438	438	-	-
Employees	72,121	74,391	75,072	75,748	77,530	5,409	1,782

Source: Company, BOBCAPS Research

**Fig 3 – Loan book trend**

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
<b>Group Based</b>	337,700	357,800	387,700	407,500	405,100	20.0	(0.6)
Growth YoY (%)	(21.3)	(6.3)	8.0	7.1	20.0	4,128bps	1,289bps
Growth QoQ (%)	(11.3)	6.0	8.4	5.1	(0.6)	1,068bps	(570bps)
<b>Individual</b>	175,300	182,100	188,300	215,000	214,000	22.1	(0.5)
Growth YoY (%)	15.3	15.8	11.8	16.7	22.1	682bps	542bps
Growth QoQ (%)	(4.9)	3.9	3.4	14.2	(0.5)	442bps	(1,464bps)
<b>Emerging Entrepreneurs Business (EEB)</b>	<b>513,000</b>	<b>539,900</b>	<b>576,000</b>	<b>622,500</b>	<b>619,100</b>	<b>20.7</b>	<b>(0.5)</b>
Growth YoY (%)	(11.7)	0.1	9.2	10.2	20.7	3,243bps	1,049bps
Growth QoQ (%)	(9.2)	5.2	6.7	8.1	(0.5)	864bps	(862bps)
<b>Housing</b>	<b>269,500</b>	<b>267,500</b>	<b>288,500</b>	<b>299,200</b>	<b>294,100</b>	<b>9.1</b>	<b>(1.7)</b>
Growth YoY (%)	9.5	3.7	7.9	11.2	9.1	(34bps)	(210bps)
Growth QoQ (%)	0.2	(0.7)	7.9	3.7	(1.7)	(189bps)	(541bps)
<b>Retail</b>	<b>33,700</b>	<b>39,000</b>	<b>44,900</b>	<b>55,800</b>	<b>62,300</b>	<b>84.9</b>	<b>11.6</b>
Growth YoY (%)	86.2	80.6	70.7	0.7	84.9	(132bps)	8,414bps
Growth QoQ (%)	(39.2)	15.7	15.1	24.3	11.6	5,082bps	(1,263bps)
<b>Commercial Business</b>	<b>215,500</b>	<b>229,900</b>	<b>250,000</b>	<b>269,800</b>	<b>280,700</b>	<b>30.3</b>	<b>4.0</b>
Growth YoY (%)	78.2	64.8	59.5	33.6	30.3	(4,799bps)	(331bps)
Growth QoQ (%)	6.7	6.7	8.7	7.9	4.0	(264bps)	(388bps)
<b>Total AUM</b>	<b>1,031,700</b>	<b>1,076,301</b>	<b>1,159,401</b>	<b>1,247,301</b>	<b>1,256,201</b>	<b>21.8</b>	<b>0.7</b>
Growth YoY (%)	6.7	12.3	18.6	14.3	21.8	1,501bps	747bps
Growth QoQ (%)	(5.5)	4.3	7.7	7.6	0.7	618bps	(687bps)

Source: Company, BOBCAPS Research

**Fig 4 – Loan book distribution**

Segment (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Emerging Entrepreneurs Business (EEB)	49.7	50.2	49.7	49.9	49.3	(44bps)	(62bps)
Housing	26.1	24.9	24.9	24.0	23.4	(271bps)	(58bps)
Retail	3.3	3.6	3.9	4.5	5.0	169bps	49bps
Commercial Business	20.9	21.4	21.6	21.6	22.3	146bps	71bps
<b>Total AUM</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

Source: Company, BOBCAPS Research

**Fig 5 – Deposit trend**

Segment (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
<b>CA (Rs mn)</b>	<b>52,000</b>	<b>62,900</b>	<b>66,600</b>	<b>96,600</b>	<b>61,500</b>	<b>18.3</b>	<b>(36.3)</b>
Growth YoY	19.0	24.6	40.5	50.5	18.3	(72bps)	(3,220bps)
Growth QoQ	(19.0)	21.0	5.9	45.0	(36.3)	(1,733bps)	(8,138bps)
<b>SA (Rs mn)</b>	<b>338,700</b>	<b>369,100</b>	<b>357,500</b>	<b>404,900</b>	<b>383,100</b>	<b>13.1</b>	<b>(5.4)</b>
Growth YoY	(5.4)	4.1	10.1	12.3	13.1	1,855bps	76bps
Growth QoQ	(6.0)	9.0	(3.1)	13.3	(5.4)	64bps	(1,864bps)
<b>CASA Deposits (Rs mn)</b>	<b>390,700</b>	<b>432,000</b>	<b>424,100</b>	<b>501,500</b>	<b>444,600</b>	<b>13.8</b>	<b>(11.3)</b>
Growth YoY	(2.8)	6.6	14.0	18.1	13.8	1,658bps	(432bps)
Growth QoQ	(8.0)	10.6	(1.8)	18.3	(11.3)	(336bps)	(2,960bps)
<b>Term Deposits</b>	<b>694,100</b>	<b>688,792</b>	<b>750,100</b>	<b>850,520</b>	<b>887,500</b>	<b>27.9</b>	<b>4.3</b>
Growth YoY	31.3	17.1	15.3	29.6	27.9	(343bps)	(177bps)
Growth QoQ	5.8	(0.8)	8.9	13.4	4.3	(144bps)	(904bps)
<b>Total Deposits (Rs mn)</b>	<b>1,084,800</b>	<b>1,120,792</b>	<b>1,174,200</b>	<b>1,352,020</b>	<b>1,332,100</b>	<b>22.8</b>	<b>(1.5)</b>
Growth YoY	16.6	12.8	14.8	25.1	22.8	622bps	(231bps)
Growth QoQ	0.4	3.3	4.8	15.1	(1.5)	(185bps)	(1,662bps)

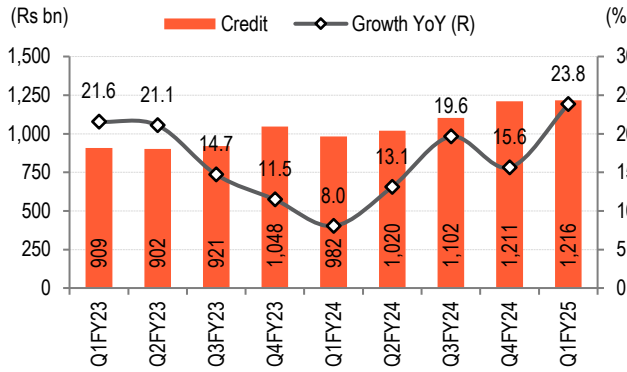
Source: Company, BOBCAPS Research

**Fig 6 – Deposit distribution**

Segment (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
CASA Deposits	36.0	38.5	36.1	37.1	33.4	(7.3)	(10.0)
Term Deposits	64.0	61.5	63.9	62.9	66.6	4.1	5.9
<b>Total Deposits</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>

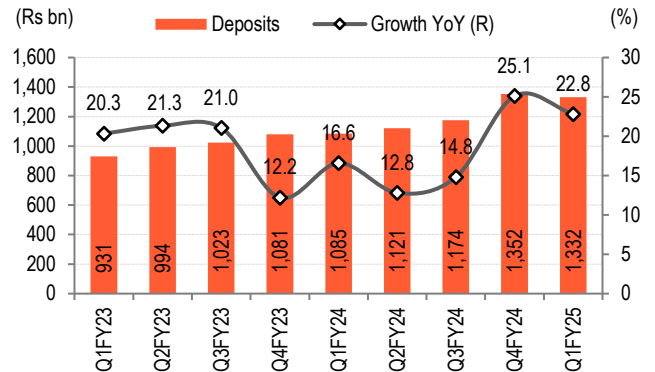
Source: Company, BOBCAPS Research

**Fig 7 – Credit growth remained strong despite seasonality impact**



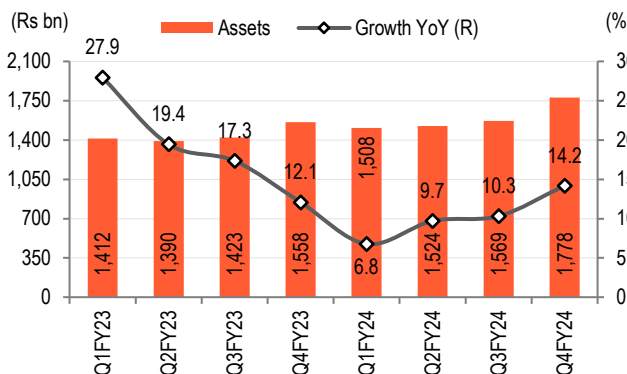
Source: Company, BOBCAPS Research

**Fig 8 – Deposit growth remained healthy driven by TDs**



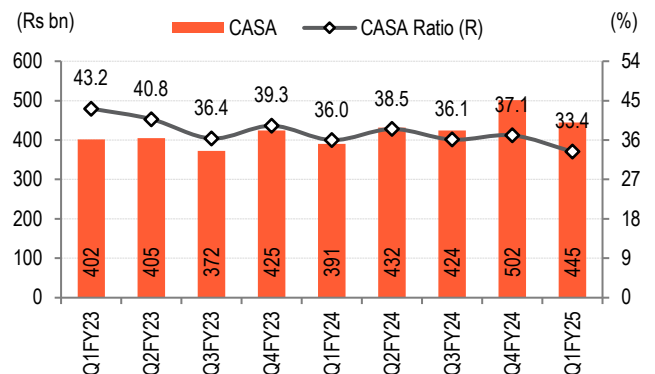
Source: Company, BOBCAPS Research | TD: Term deposits

**Fig 9 – Healthy asset growth**



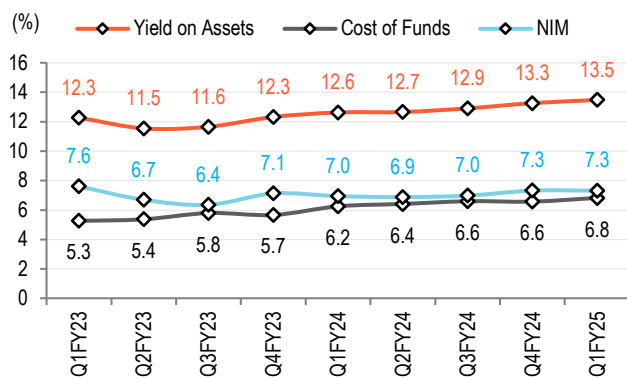
Source: Company, BOBCAPS Research

**Fig 10 – CASA ratio declined 372bps QoQ**



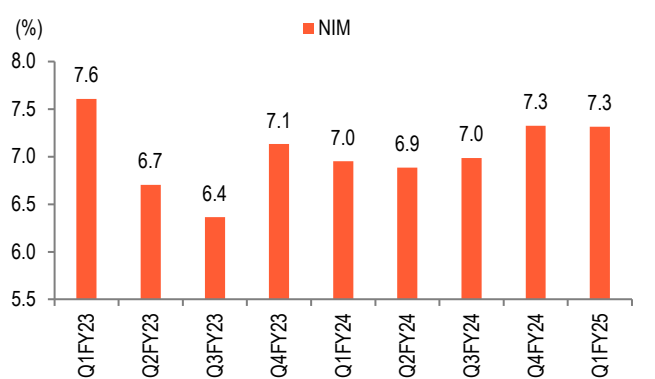
Source: Company, BOBCAPS Research

**Fig 11 – Cost of funds rising**



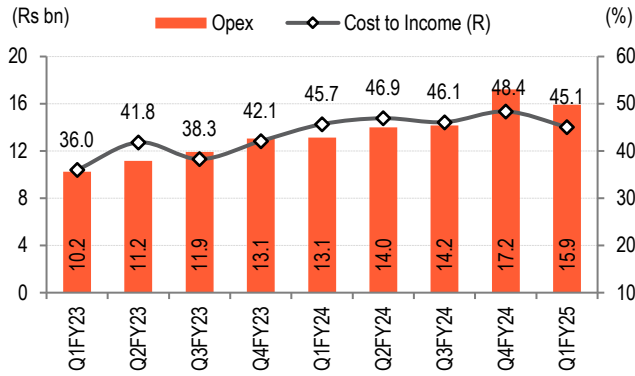
Source: Company, BOBCAPS Research

**Fig 12 – NIM (calc.) guided to remain stable**



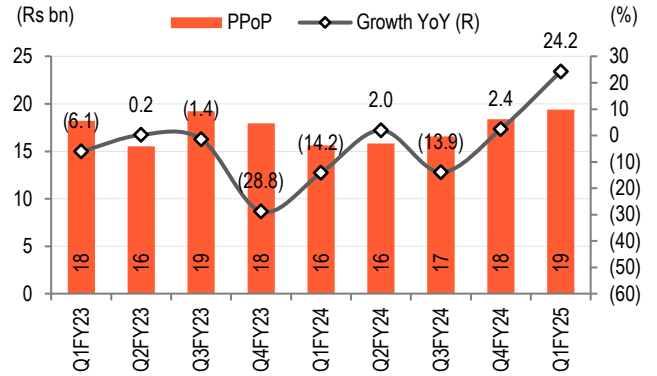
Source: Company, BOBCAPS Research | NIM: Net interest margin

**Fig 13 – Operating cost moderate on lower other operating exp.**



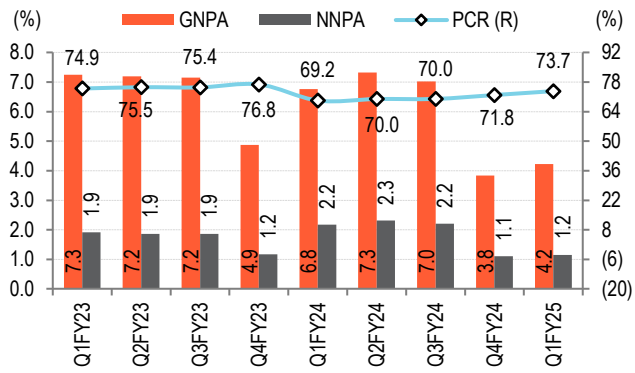
Source: Company, BOBCAPS Research

**Fig 14 – PPOP growth rises on healthy NII**



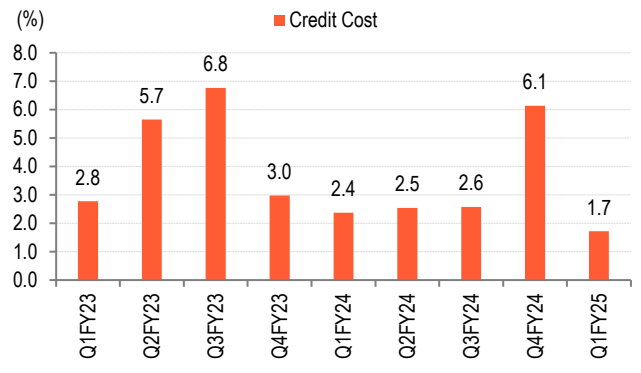
Source: Company, BOBCAPS Research

**Fig 15 – Asset quality likely to improve going ahead**



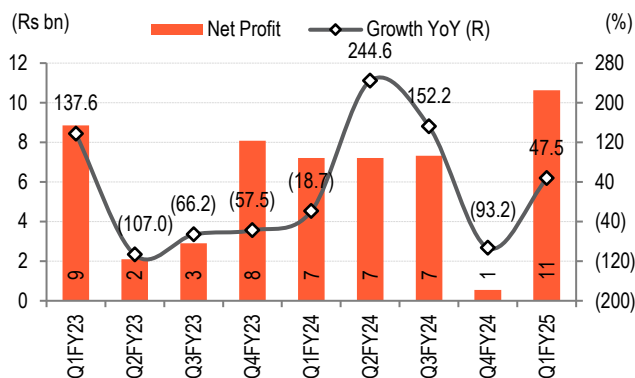
Source: Company, BOBCAPS Research

**Fig 16 – Credit cost guided at 1.8%-2.0% for FY25**



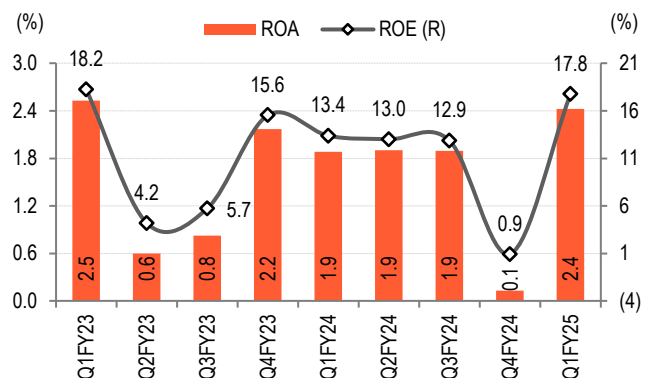
Source: Company, BOBCAPS Research

**Fig 17 – PAT aided by healthy NII and moderate opex**



Source: Company, BOBCAPS Research

**Fig 18 – Return ratios healthy on strong business performance**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Operational highlights

- NIM remained flat at 7.6% and improved 30bps YoY and BANDHAN aims to maintain it at 7.0%-7.5% in FY25.
- The C/I ratio declined 331bps QoQ to 45.1% in the absence of one-off expenses of Rs 1.1bn in Q4.
- The bank appointed an interim CEO for three months or until its new MD is appointed. Management did not comment on whether it had sent any names to the Reserve Bank of India for consideration.

### Loans and deposits

- Despite seasonality, advances grew 24% YoY (0.4% QoQ) supported by growth across business verticals and it will continue to focus on growing secured book.
- Management guided for loan growth of 18-20% for the next two to three years. Deposits growth will be higher than advances growth. Emerging entrepreneurs' business (EEB) book will grow 14-15% over the same period.
- As part of diversification, the company is aiming for product and geographic diversification, with the focus on growing the share of secure book such as housing, secure portion of commercial banking and secure retail products.
- Retail loans (ex-housing) grew 84% YoY and housing 13% over the same period, while the commercial banking segment was up 30% YoY. EEB grew 22% YoY contributing 32% of the total loan book.
- The top five states (West Bengal, Maharashtra, Bihar, Gujarat and Madhya Pradesh) constituted 59% of gross advances, of which West Bengal constituted 24% vs. 25% in Q4.
- The bank added 0.8mn (1mn in Q4) customers during the quarter for a total of 34.4mn (33.6mn in Q4), whereas the EEB segment had 25.8mn customers (25.3mn in Q4).
- Retail deposits formed 69% of the total deposits.
- CASA ratio for the quarter declined 372bps QoQ to 33.4%. The reduction was due to higher inflows in the last quarter which ran off during Q1FY25.

### Asset quality and capital adequacy

- Total slippages stood at Rs 8.9bn (Rs 10.2bn in Q4), with slippages from the EEB segment at Rs 5.4bn (Rs 6.3bn in Q4).
- Upgrades and recovery during the quarter declined to Rs 3.7bn (Rs 5.2bn in Q4), while there were no write offs in Q1FY25 vs. Rs 385bn in Q4FY24.
- Credit cost reported during Q1 was at 1.6% (2.3% excluding write-off in Q4 and 5.8% including write-off in Q4). The bank continued to guide for credit cost of 1.8%-2% for FY25, and expects a credit cost of 2.5% for the EEB portfolio.

- Collection efficiency was at 98.7% (99% in Q4). Geography-wise, collection efficiency in Assam was 99.1% and West Bengal 99.1%.
- SMA 0 stood at Rs 5.8bn, which equalled 0.9% (Rs 3.8bn in Q4). The increase in SMA 0 was mainly on account of some slowdown in collection due to the heat wave and floods in certain areas of the country. SMA1 at Rs 4.2bn equalled 0.7% of book (Rs 4bn in Q4) and SMA 2 at Rs 4.4bn equalled 0.7% (Rs 4.8bn equalled 0.8% in Q4).
- The EEB stress pool was at Rs 45bn vs. Rs 41bn in Q4 including NPA.
- The company's claims worth Rs 22bn under the Credit Guarantee Fund for Micro Units (CGFMU) are likely to be finalised soon, and management expects a positive outcome in this regard.



## Valuation methodology

Though business growth remained healthy, management's guidance for risk-calibrated growth has led us to broadly maintain our loan book estimates (raise 0.5% each for FY25/FY26). However, we bake in the bank's focus on outpacing deposit growth compared to advances and we raise our deposit estimate by 2%/3% for FY25/FY26. With improved topline and better operational efficiency, we increase our PPOP estimates by 4%/8% for the same period. Given the bank's confidence in managing its credit cost at 1.8%-2.0%, we cut our provision estimate by 13%/5% leading to our PAT estimate increasing by 15% each for FY25/FY26.

We expect margin to remain stable at the current level with the guidance range of 7.0%-7.5%. However, with improving asset quality credit cost would normalise for FY25 (management guidance of 1.8%-2% for FY25) vs. 3.4% in FY24. We conservatively factor in 1.9%-2.0% (2.2% earlier) for our forecast years – the upper end of the industry average. We expect an NII/PAT CAGR of 21%/52% for the bank over FY24-FY26, with profits rising off a lower base impacted by high credit costs.

Baking in gradual improvement in asset quality and potential for improvement in operational costs and stable margins, we expect overall return ratios to improve with further price correction factored into the major negatives. A smooth management transition would be key to watch for. We roll forward our valuation to 1.3x FY26E (Jun'26) ABV, and revise our TP to Rs 245 (Rs 222 earlier). Retain BUY.

**Fig 19 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Loan	1,436,682	1,695,285	1,429,414	1,686,709	0.5	0.5
Deposits	1,627,832	1,920,842	1,595,383	1,868,194	2.0	2.8
Assets	2,032,621	2,385,531	2,072,585	2,434,816	(1.9)	(2.0)
NII	126,106	150,185	121,892	145,373	3.5	3.3
PPOP	82,210	100,816	78,745	93,520	4.4	7.8
Provisions	24,786	31,163	28,652	32,719	(13.5)	(4.8)
PAT	42,723	51,822	37,269	45,236	14.6	14.6

Source: BOBCAPS Research

**Fig 20 – Key operational assumptions**

Parameter (%)	FY24P	FY25E	FY26E	FY27E
Advances Growth	15.6	18.6	18.0	18.0
NII Growth	11.5	22.1	19.1	16.7
PPoP Growth	(6.4)	23.8	22.6	17.3
PAT Growth	1.6	91.6	21.3	19.7
NIM	6.7	7.2	7.3	7.3
GNPA	3.8	3.9	3.7	3.6
CAR	18.2	15.5	16.2	16.3

Source: Company, BOBCAPS Research

**Fig 21 – Key valuation assumptions**

<b>Gordon growth model</b>	
Cost of equity (%)	14.0
Blended ROE (%)	15.3
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	30.0
Long-term growth (%)	6
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.3
Implied BVPS (Rs)	185
<b>Value per share (Rs)</b>	<b>245</b>

Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- The bank's inability to manage cost of funds, leading to margin compression, and
- inability to manage the credit cycle.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	43.5	1,177	1,222	HOLD
Bandhan Bank	BANDHAN IN	3.7	193	245	BUY
Canara Bank	CBK IN	12.3	114	140	BUY
DCB Bank	DCBB IN	0.5	125	172	BUY
Federal Bank	FB IN	5.8	198	242	BUY
HDFC Bank	HDFCB IN	145.7	1,618	1,872	BUY
ICICI Bank	ICICIB IN	101.5	1,207	1,352	HOLD
IDFC First Bank	IDFCBK IN	6.0	74	96	BUY
Indusind Bank	IIB IN	13.1	1,404	1,844	BUY
Kotak Mahindra Bank	KMB IN	43.1	1,814	2,040	BUY
RBL Bank	RBK IN	1.7	236	276	BUY
State Bank of India	SBIN IN	91.9	862	969	BUY

Source: BOBCAPS Research, NSE | Price as of 26 Jul 2024

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LAP</b>	Loans against Property
<b>ARC</b>	Asset Reconstruction Company	<b>LCR</b>	Liquidity Coverage Ratio
<b>BRDS</b>	Bills Rediscounting Scheme	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>CAR</b>	Capital Adequacy Ratio	<b>MFI</b>	Microfinance Institution
<b>CASA</b>	Current Account and Savings Account	<b>MTM</b>	Mark to Market
<b>CD</b>	Credit-Deposit Ratio	<b>NII</b>	Net Interest Income
<b>CET1</b>	Common Equity Tier 1	<b>NIM</b>	Net Interest Margin
<b>CGFMU</b>	Credit Guarantee Fund for Micro Units	<b>NNPA</b>	Net Non-Performing Assets
<b>C/I</b>	Cost-Income Ratio	<b>PCR</b>	Provision Coverage Ratio
<b>CRB</b>	Commercial and Rural Banking	<b>PPOP</b>	Pre-Provision Operating Profit
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>PSU</b>	Public Sector Unit
<b>ECL</b>	Expected Credit Loss	<b>RWA</b>	Risk-weighted Assets
<b>ECLGS</b>	Emergency Credit Line Guarantee Scheme	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
<b>Net interest income</b>	<b>92,596</b>	<b>103,256</b>	<b>126,106</b>	<b>150,185</b>	<b>175,303</b>
NilI growth (%)	6.3	11.5	22.1	19.1	16.7
Non-interest income	24,686	21,647	24,204	29,823	35,077
Total income	117,282	124,903	150,311	180,008	210,381
Operating expenses	46,368	58,508	68,101	79,192	92,096
PPOP	70,913	66,395	82,210	100,816	118,285
PPOP growth (%)	(11.5)	(6.4)	23.8	22.6	17.3
Provisions	41,984	36,966	24,786	31,163	34,925
PBT	28,930	29,429	57,424	69,653	83,360
Tax	6,983	7,133	14,700	17,831	21,340
<b>Reported net profit</b>	<b>21,946</b>	<b>22,296</b>	<b>42,723</b>	<b>51,822</b>	<b>62,020</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>21,946</b>	<b>22,296</b>	<b>42,723</b>	<b>51,822</b>	<b>62,020</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Equity capital	16,108	16,110	16,110	16,110	16,110
Reserves & surplus	179,733	199,987	242,594	288,715	343,913
Net worth	195,842	216,096	258,703	304,825	360,023
Deposits	1,080,693	1,352,020	1,627,832	1,920,842	2,247,385
Borrowings	247,108	163,715	134,246	154,383	177,541
Other liab. & provisions	34,057	46,585	11,839	5,481	26,179
<b>Total liab. &amp; equities</b>	<b>1,557,700</b>	<b>1,778,417</b>	<b>2,032,621</b>	<b>2,385,531</b>	<b>2,811,128</b>
Cash & bank balance	82,497	161,705	100,604	122,429	143,804
Investments	323,659	292,876	371,005	425,941	499,517
Advances	1,047,568	1,211,368	1,436,682	1,695,285	2,000,436
Fixed & Other assets	103,976	112,468	124,329	141,876	167,371
<b>Total assets</b>	<b>1,557,700</b>	<b>1,778,417</b>	<b>2,032,621</b>	<b>2,385,531</b>	<b>2,811,128</b>
Deposit growth (%)	12.2	25.1	20.4	18.0	17.0
Advances growth (%)	11.5	15.6	18.6	18.0	18.0

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
EPS	13.6	13.8	26.5	32.2	38.5
Dividend per share	1.5	1.5	2.9	3.5	4.2
Book value per share	121.6	134.1	160.6	189.2	223.5

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
P/E	14.1	13.9	7.3	6.0	5.0
P/BV	1.6	1.4	1.2	1.0	0.9
Dividend yield (%)	0.8	0.8	1.5	1.8	2.2

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Net interest income	6.3	6.2	6.6	6.8	6.7
Non-interest income	1.7	1.3	1.3	1.4	1.4
Operating expenses	3.1	3.5	3.6	3.6	3.5
Pre-provisioning profit	4.8	4.0	4.3	4.6	4.6
Provisions	2.8	2.2	1.3	1.4	1.3
PBT	2.0	1.8	3.0	3.2	3.2
Tax	0.5	0.4	0.8	0.8	0.8
ROA	1.5	1.3	2.2	2.3	2.4
Leverage (x)	8.0	8.1	8.0	7.8	7.8
ROE	11.9	10.8	18.0	18.4	18.7

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Net interest income	6.3	11.5	22.1	19.1	16.7
Pre-provisioning profit	(11.5)	(6.4)	23.8	22.6	17.3
EPS	1644.5	1.6	91.6	21.3	19.7
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	6.8	6.7	7.2	7.3	7.3
Fees / Avg. assets	0.2	0.0	0.2	0.2	0.2
Cost-Income	39.5	46.8	45.3	44.0	43.8
ROE	11.9	10.8	18.0	18.4	18.7
ROA	1.5	1.3	2.2	2.3	2.4
<b>Asset quality (%)</b>					
GNPA	4.8	3.8	3.9	3.7	3.6
NNPA	1.2	1.1	1.0	1.0	0.9
Slippage ratio	10.3	5.4	3.0	3.0	3.0
Credit cost	4.2	3.3	1.9	2.0	1.9
Provision coverage	76.8	71.8	75.0	75.0	75.0
<b>Ratios (%)</b>					
Credit-Deposit	96.9	89.6	88.3	88.3	89.0
Investment-Deposit	29.9	21.7	22.8	22.2	22.2
CAR	19.8	18.2	15.5	16.2	16.3
Tier-1	18.7	17.6	15.1	15.8	15.9

Source: Company, BOBCAPS Research

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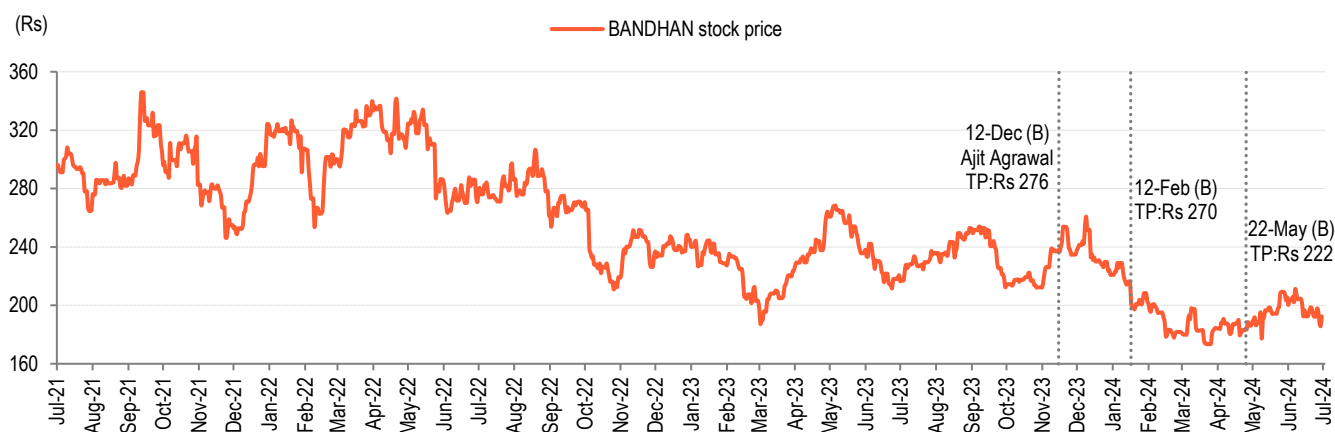
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