

**BUY**

TP: Rs 187 | ▲ 24%

**BANDHAN BANK**

| Banking

| 01 February 2025

### Other income aids PPOP; MFI stress persists

- PPOP aided by one-offs in other income, payouts under CGFMU and Assam Microfinance relief scheme
- Going forward, NIMs to moderate, BANDHAN to focus on calibrating its book towards secured book, aims for 2% RoA
- We assume coverage on BANDHAN with a BUY rating and TP of Rs 187, assigning 1.2x Dec'26 ABV

Vijiya Rao

research@bobcaps.in

**PPOP aided by one-offs in other income:** In Q3FY25 BANDHAN received Rs 5.4bn as claim payout under the credit guarantee fund for micro units (CGFMU) scheme and Rs 520mn against microfinance loans under the Assam Microfinance relief scheme. This resulted in rise in the PPOP by 22% YoY (9% QoQ).

**PAT lower owing to higher provisioning:** However, PAT fell 42% YoY (55% QoQ) to Rs 4.3bn vs. our estimate of Rs 8.3bn. Provisions were higher due to elevated stress in the MFI segment indicating persistent stress which remains a concern. The bank made incremental provisions of Rs 3.4bn towards its Emerging Entrepreneurs Business (EEB) portfolio (~2% of the provisions). Credit cost stood at 4% vs. 2% in Q2FY25 vs. 2.5% in Q3FY24. The bank opined that as the MFI book starts to stabilise, the credit cost is likely to fall to 2% in the near term and expects the credit cost to be in the range of 1.5-1.6% in FY27E as the book shifts to a secured book.

**Bandhan 2 strategy:** With Partha Pratim Sengupta joining the bank as MD and CEO effective 1 November 2024, the new management formulated a slew of strategic decisions. This included the formation of a transformation management team, digital and transaction excellence unit, market intelligence team and a credit administration department. The bank intends to enhance operational efficiency through these transformation strategies.

**Asset quality:** Gross slippages was at Rs 16.2bn vs. Rs 11.1bn in Q2FY25 vs. Rs 13.9bn in Q3FY24. This increase was primarily on account of EEB portfolio (Rs 12bn vs. Rs 7.5bn in Q2FY25, ~74% of the slippages). Management expects slippages to be elevated at ~Rs 10bn going forward.

**Assume coverage on BANDHAN with a BUY:** It reported a moderate Q3 with higher other income growth and elevated provisioning. The new management has formulated a strategy focused on improving operational efficiency. Asset quality was stable with management guiding for credit cost to be at 1.5-1.6% in FY27 with book moving towards secured book being positive for the bank. We assume coverage with a BUY rating and TP of Rs 187 (from Rs 245) valuing the bank at 1.2x Dec'26 ABV.

### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	BANDHAN IN/Rs 151
Market cap	US\$ 3.2bn
Free float	60%
3M ADV	US\$ 14.1mn
52wk high/low	Rs 233/Rs 138
Promoter/FPI/DII	40%/28%/15%

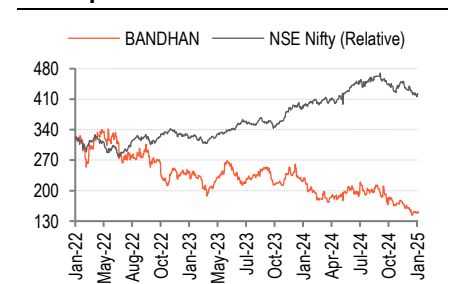
Source: NSE | Price as of 31 Jan 2025

### Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	1,03,256	1,22,095	1,38,864
NII growth (%)	11.5	18.2	13.7
Adj. net profit (Rs mn)	22,296	35,990	44,579
EPS (Rs)	13.8	20.9	24.2
Consensus EPS (Rs)	13.8	22.5	31.0
P/E (x)	10.9	7.3	6.2
P/BV (x)	1.1	1.1	1.0
ROA (%)	1.3	1.9	2.0
ROE (%)	10.8	15.4	16.5

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



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

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	40,829	46,293	48,695	48,820	48,524	18.8	(0.6)
Income on investments	4,923	4,744	5,324	5,189	5,484	11.4	5.7
Int. on bal. with RBI & inter-bank funds & Others	902	857	1,339	989	780	(13.5)	(21.1)
<b>Interest income</b>	<b>46,654</b>	<b>51,893</b>	<b>55,358</b>	<b>54,998</b>	<b>54,787</b>	<b>17.4</b>	<b>(0.4)</b>
Interest expense	21,401	23,231	25,308	25,516	26,484	23.8	3.8
<b>Net interest income</b>	<b>25,254</b>	<b>28,663</b>	<b>30,050</b>	<b>29,483</b>	<b>28,303</b>	<b>12.1</b>	<b>(4.0)</b>
Growth YoY (%)	21.4	16.0	20.7	20.7	12.1		
<b>Non-interest income</b>	<b>5,452</b>	<b>6,941</b>	<b>5,275</b>	<b>5,947</b>	<b>10,959</b>	<b>101.0</b>	<b>84.3</b>
Growth YoY (%)	(47.2)	10.3	37.0	10.1	101.0		
<b>Total income</b>	<b>30,705</b>	<b>35,604</b>	<b>35,326</b>	<b>35,430</b>	<b>39,261</b>	<b>27.9</b>	<b>10.8</b>
Growth YoY (%)	(1.4)	14.8	22.8	18.7	27.9		
Staff expenses	8,987	9,702	10,054	10,440	12,274	36.6	17.6
Other operating expenses	5,165	7,517	5,863	6,438	6,774	31.2	5.2
Operating expenses	14,152	17,219	15,917	16,879	19,048	34.6	12.8
<b>Pre-Provisioning Profit (PPoP)</b>	<b>16,553</b>	<b>18,385</b>	<b>19,409</b>	<b>18,551</b>	<b>20,214</b>	<b>22.11</b>	<b>9.0</b>
Growth YoY (%)	(13.9)	2.4	24.2	17.2	22.1		
<b>Provisions</b>	<b>6,840</b>	<b>17,743</b>	<b>5,230</b>	<b>6,062</b>	<b>13,760</b>	<b>101.2</b>	<b>127.0</b>
Growth YoY (%)	(55.6)	141.5	(13.1)	(4.7)	101.2		
Exceptional Item							
<b>PBT</b>	<b>9,713</b>	<b>642</b>	<b>14,179</b>	<b>12,489</b>	<b>6,453</b>	<b>(33.6)</b>	<b>(48.3)</b>
Tax	2,386	95	3,544	3,114	2,189	(8.3)	(29.7)
<b>PAT</b>	<b>7,327</b>	<b>546</b>	<b>10,635</b>	<b>9,374</b>	<b>4,265</b>	<b>(41.8)</b>	<b>(54.5)</b>
Growth YoY (%)	152.2	(93.2)	47.5	30.0	(41.8)		
<b>Per Share</b>							
FV (Rs)	10.0	10.0	10.0	10.0	10.0	0.0	0.0
EPS (Rs)	4.6	0.3	6.6	5.8	2.7	(41.8)	(54.5)
Book Value (Rs)	144	141	149	152	142	(1.3)	(6.4)

Source: Company, BOBCAPS Research

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

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Deposits	11,74,200	13,52,020	13,32,100	14,25,095	14,10,000	20.1	(1.1)
Growth YoY (%)	14.8	25.1	22.8	27.2	20.1		
Advances	11,01,800	12,11,368	12,15,900	12,60,557	12,73,800	15.6	1.1
Growth YoY (%)	19.6	15.6	23.8	23.6	15.6		
Investment	2,93,100	2,92,876	3,32,400	3,08,466	3,63,100	23.9	17.7
Equity	2,31,418	2,32,648	2,46,700	2,53,896	2,61,000	12.8	2.8
Assets	15,69,200	17,78,417	17,33,000	17,97,677	18,39,100	17.2	2.3
Growth YoY (%)	10.3	14.2	14.9	17.9	17.2		
<b>Yield (%)</b>							
Yield on Funds	12.91	13.26	13.48	13.32	12.89	(1bps)	(43bps)
Cost of Funds	6.59	6.57	6.81	6.89	6.94	35bps	5bps
Spread	6.31	6.69	6.66	6.44	5.95	(36bps)	(48bps)
<b>Net Interest Margin (calc.)</b>	<b>6.99</b>	<b>7.32</b>	<b>7.32</b>	<b>7.14</b>	<b>6.66</b>	<b>(33bps)</b>	<b>(48bps)</b>
<b>Ratios (%)</b>							
Other Income / Net Income	17.8	19.5	14.9	16.8	27.9	1016bps	1113bps
Cost to Income ratio	46.1	48.4	45.1	47.6	48.5	242bps	88bps
CASA ratio	36.1	37.1	33.4	33.2	31.7	(439bps)	(145bps)
C/D ratio	93.8	89.6	91.3	88.5	90.3	(349bps)	189bps
Investment to Assets	18.7	16.5	19.2	17.2	19.7	107bps	258bps
<b>Assets Quality</b>							
<b>GNPA</b>	<b>81,355</b>	<b>47,849</b>	<b>53,044</b>	<b>61,053</b>	<b>61,785</b>	<b>(24.1)</b>	<b>1.20</b>
<b>NNPA</b>	<b>24,396</b>	<b>13,476</b>	<b>13,964</b>	<b>16,202</b>	<b>16,367</b>	<b>(32.9)</b>	<b>1.0</b>
Provision	56,960	34,373	39,079	44,851	45,418	(20.3)	1.3
GNPA (%)	7.02	3.84	4.23	4.68	4.68	(234bps)	0bps
NNPA (%)	2.21	1.11	1.15	1.29	1.28	(93bps)	(1bps)
PCR (%)	70.0	71.8	73.7	73.5	73.5	350bps	5bps
<b>Others (nos)</b>							
Branches	1,647	1,700	1,700	1,703	1,703	56	-
ATMs	438	438	438	438	438	-	-
Employees	75,072	75,748	77,530	79,925	78,414	3,342	(1,511)

Source: Company, BOBCAPS Research

**Fig 3 – Loan book trend**

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
<b>Group Based</b>	3,87,700	4,07,500	4,05,100	3,81,300	3,59,900	(7.2)	(5.6)
Growth YoY (%)	8.0	7.1	20.0	6.6	(7.2)		
Growth QoQ (%)	8.4	5.1	(0.6)	(5.9)	(5.6)		
<b>Individual</b>	1,88,300	2,15,000	2,14,000	2,11,600	2,01,300	6.9	(4.9)
Growth YoY (%)	11.8	16.7	22.1	16.2	6.9		
Growth QoQ (%)	3.4	14.2	(0.5)	(1.1)	(4.9)		
<b>Emerging Entrepreneurs Business (EEB)</b>	<b>5,76,000</b>	<b>6,22,500</b>	<b>6,19,100</b>	<b>5,92,900</b>	<b>5,61,200</b>	<b>(2.6)</b>	<b>(5.3)</b>
Growth YoY (%)	9.2	10.2	20.7	9.8	(2.6)		
Growth QoQ (%)	6.7	8.1	(0.5)	(4.2)	(5.3)		
<b>Housing</b>	<b>2,88,500</b>	<b>2,99,200</b>	<b>2,94,100</b>	<b>3,16,300</b>	<b>3,26,400</b>	<b>13.1</b>	<b>3.2</b>
Growth YoY (%)	7.9	11.2	9.1	18.2	13.1		
Growth QoQ (%)	7.9	3.7	(1.7)	7.5	3.2		
<b>Retail</b>	<b>44,900</b>	<b>55,800</b>	<b>62,300</b>	<b>75,100</b>	<b>87,600</b>	<b>95.1</b>	<b>16.6</b>
Growth YoY (%)	70.7	0.7	84.9	92.6	95.1		
Growth QoQ (%)	15.1	24.3	11.6	20.5	16.6		
<b>Commercial Business</b>	<b>2,50,000</b>	<b>2,69,800</b>	<b>2,80,700</b>	<b>3,22,200</b>	<b>3,45,000</b>	<b>38.0</b>	<b>7.1</b>
Growth YoY (%)	59.5	33.6	30.3	40.1	38.0		
Growth QoQ (%)	8.7	7.9	4.0	14.8	7.1		
<b>Total AUM</b>	<b>11,59,401</b>	<b>12,47,301</b>	<b>12,56,201</b>	<b>13,06,501</b>	<b>13,20,201</b>	<b>13.9</b>	<b>1.0</b>
Growth YoY (%)	18.6	14.3	21.8	21.4	13.9		
Growth QoQ (%)	7.7	7.6	0.7	4.0	1.0		

Source: Company, BOBCAPS Research

**Fig 4 – Loan book distribution**

Segment (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Emerging Entrepreneurs Business (EEB)	49.7	49.9	49.3	45.4	42.5	(717bps)	(287bps)
Housing	24.9	24.0	23.4	24.2	24.7	(16bps)	51bps
Retail	3.9	4.5	5.0	5.7	6.6	276bps	89bps
Commercial Business	21.6	21.6	22.3	24.7	26.1	457bps	147bps
<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**

Segments	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
<b>CA (Rs mn)</b>	<b>66,600</b>	<b>96,600</b>	<b>61,500</b>	<b>64,300</b>	<b>61,200</b>	<b>(8.1)</b>	<b>(4.8)</b>
Growth YoY	40.5	50.5	18.3	2.2	(8.1)		
Growth QoQ	5.9	45.0	(36.3)	4.6	(4.8)		
<b>SA (Rs mn)</b>	<b>3,57,500</b>	<b>4,04,900</b>	<b>3,83,100</b>	<b>4,08,500</b>	<b>3,86,200</b>	<b>8.0</b>	<b>(5.5)</b>
Growth YoY	10.1	12.3	13.1	10.7	8.0		
Growth QoQ	(3.1)	13.3	(5.4)	6.6	(5.5)		
<b>CASA Deposits (Rs mn)</b>	<b>4,24,100</b>	<b>5,01,500</b>	<b>4,44,600</b>	<b>4,72,800</b>	<b>4,47,400</b>	<b>5.5</b>	<b>(5.4)</b>
Growth YoY	14.0	18.1	13.8	9.4	5.5		
Growth QoQ	(1.8)	18.3	(11.3)	6.3	(5.4)		
<b>Term Deposits</b>	<b>7,50,100</b>	<b>8,50,520</b>	<b>8,87,500</b>	<b>9,52,295</b>	<b>9,62,600</b>	<b>28.3</b>	<b>1.1</b>
Growth YoY	15.3	29.6	27.9	38.3	28.3		
Growth QoQ	8.9	13.4	4.3	7.3	1.1		
<b>Total Deposits (Rs mn)</b>	<b>11,74,200</b>	<b>13,52,020</b>	<b>13,32,100</b>	<b>14,25,095</b>	<b>14,10,000</b>	<b>20.1</b>	<b>(1.1)</b>
Growth YoY	14.8	25.1	22.8	27.2	20.1		
Growth QoQ	4.8	15.1	(1.5)	7.0	(1.1)		

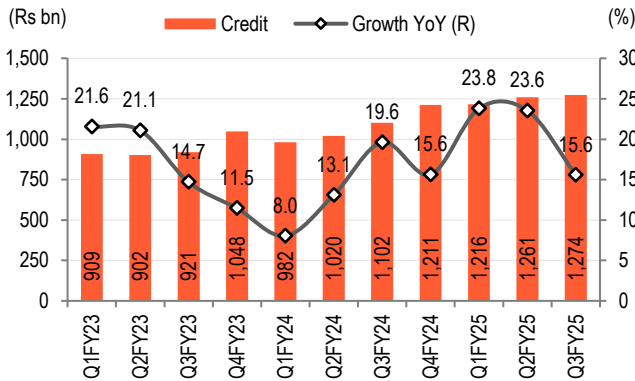
Source: Company, BOBCAPS Research

**Fig 6 – Deposit distribution**

Segment (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
CASA Deposits	36.1	37.1	33.4	33.2	31.7	(12.1)	(4.4)
Term Deposits	63.9	62.9	66.6	66.8	68.3	6.9	2.2
<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>

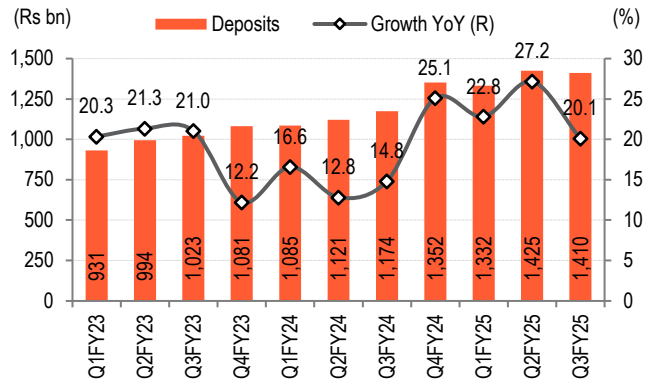
Source: Company, BOBCAPS Research

**Fig 7 – Credit growth moderated in Q3**



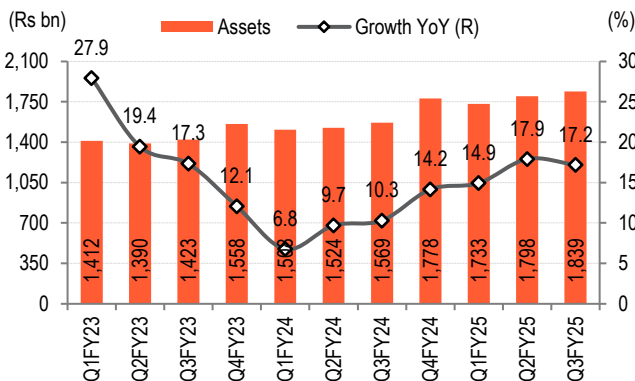
Source: Company, BOBCAPS Research

**Fig 8 – Deposit growth lower than expected on account of CASA decline**



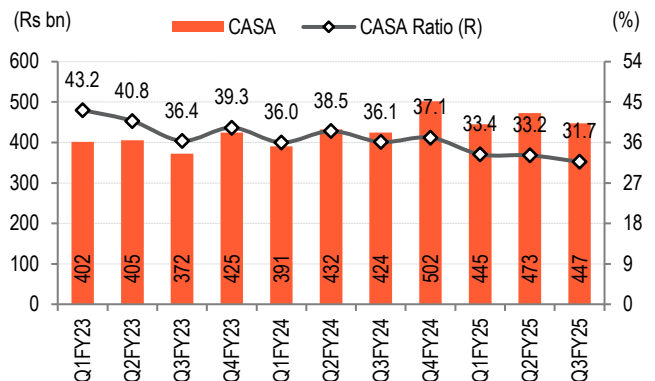
Source: Company, BOBCAPS Research | TD: Term deposits

**Fig 9 – Healthy asset growth**



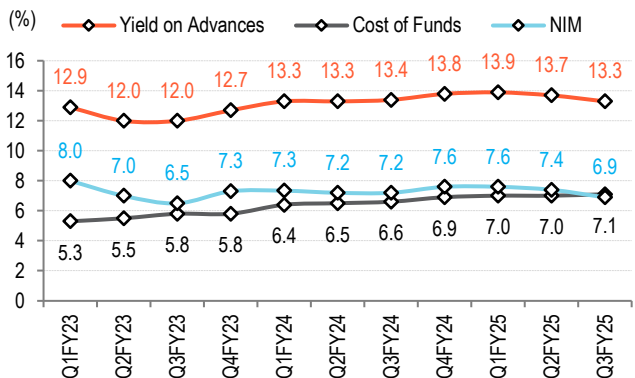
Source: Company, BOBCAPS Research

**Fig 10 – CASA ratio declined 145bps QoQ**



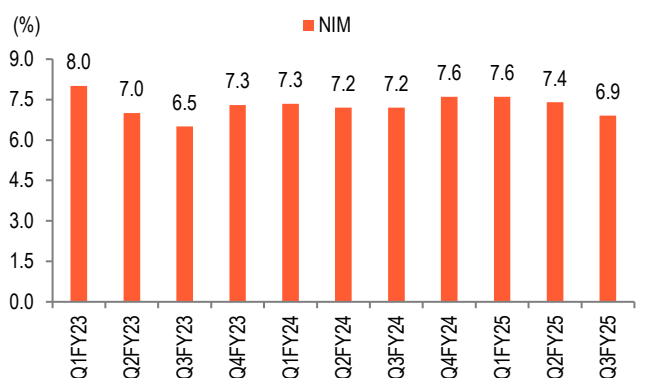
Source: Company, BOBCAPS Research

**Fig 11 – Yield compression led to dip in NIMs for the quarter**



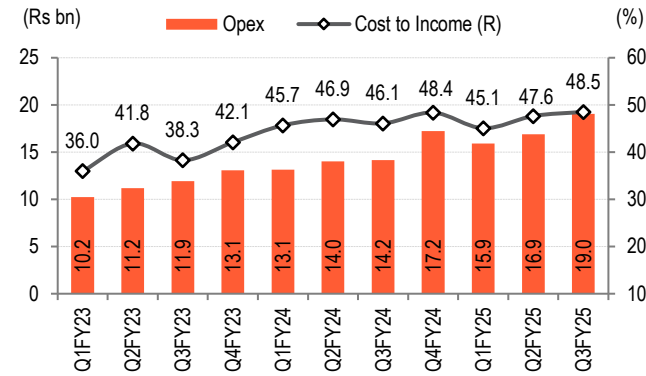
Source: Company, BOBCAPS Research

**Fig 12 – Reported NIM declined due to reducing dependency on unsecured high yield products**



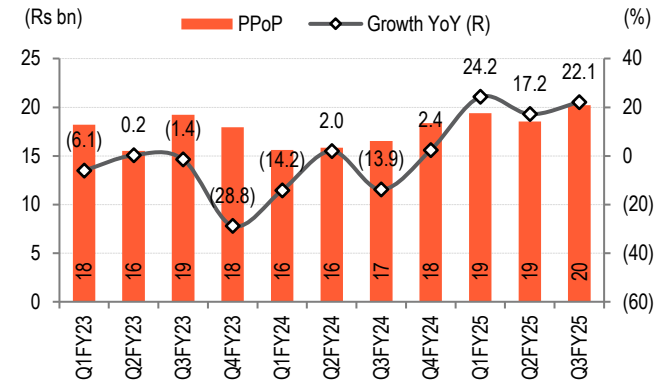
Source: Company, BOBCAPS Research | NIM: Net interest margin

**Fig 13 – Operating cost increased & C/I stands at 48.5%**



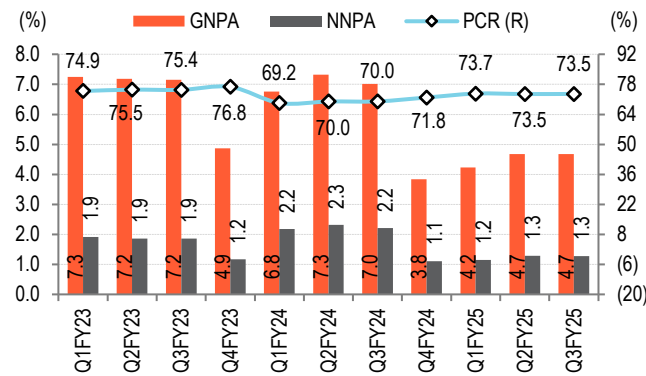
Source: Company, BOBCAPS Research

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



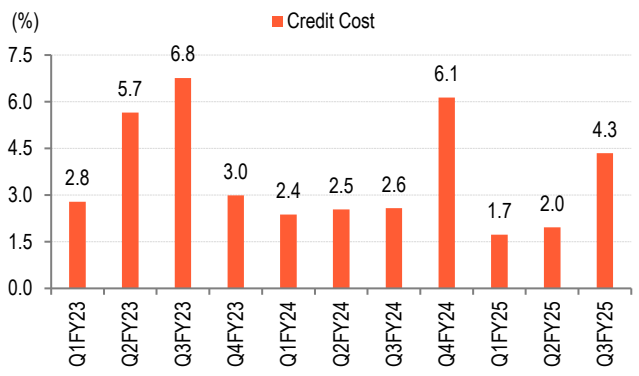
Source: Company, BOBCAPS Research

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



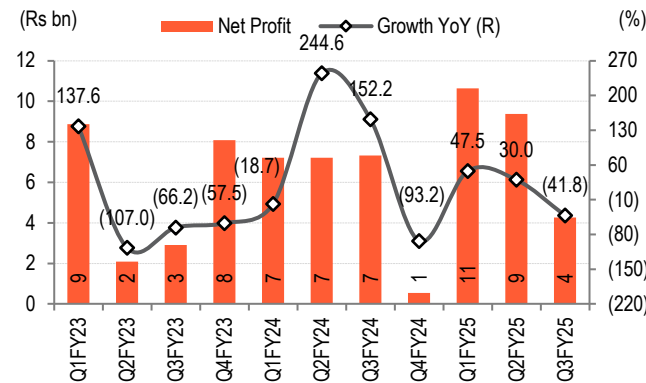
Source: Company, BOBCAPS Research

**Fig 16 – Credit cost guided at ~2% for FY26**



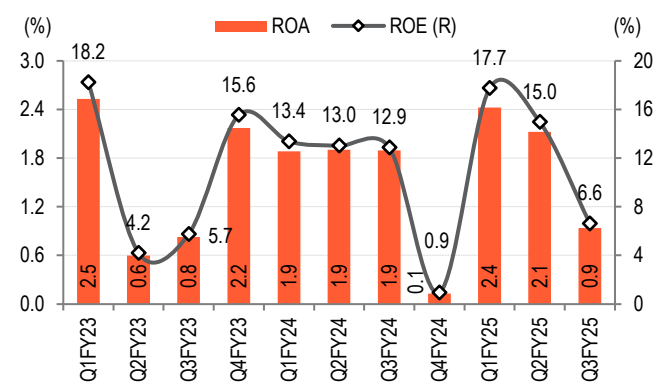
Source: Company, BOBCAPS Research

**Fig 17 – PAT declined 54.5% QoQ on account of higher provisions**



Source: Company, BOBCAPS Research

**Fig 18 – Return ratios declined on poor PAT**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Operational highlights

- NII grew 12% YoY (down 4% QoQ). Lower than our estimates as advances have been lower.
- Advances rose 16% YoY and 1% QoQ to Rs 1,274bn. The bank in line with its strategic plan intends to increase its share of secured book by increasing the share of housing, commercial banking, and secured retail products. Secured portfolio currently constitutes 49% of the total loans which grew 34% YoY.
- NIM stood to 6.9% in Q3FY25, contracted by 30bps YoY (50bps QoQ). It aims to maintain NIM at 7.0-7.5% in FY26.
- Non-interest income was up 101% YoY and 84% QoQ largely on account of the release payout from CGFMU and Assam Microfinance relief scheme.
- Opex rose 35% YoY and 13% QoQ led by increase in the employee expenses (up 37% YoY and 18% QoQ). This is on account of one off (Rs 1.7bn) due to change in the accounting policy for ESOPs.
- One offs in this quarter were
  - CGFMU claim settlement – income of Rs 5.4bn
  - Assam MFI relief fund – income of Rs 525mn
  - ESOP accounting change – expense of Rs 1.7mn

### Loans and deposits

- Advances grew 16% YoY mainly driven by secured loans (up 34% YoY). The bank plans to grow the secured mix to 55% going ahead.
- In Q3FY25, the EEB portfolio declined 3% YoY and 5% QoQ because of cautious approach due to elevated stress in the segment. The mix currently stands at 42.5% vs. 45.4% in Q2FY25 vs. 49.7% in Q3FY24. Housing, retail, and commercial businesses grew 13% YoY (3% QoQ), 95% YoY (17% QoQ) and 38% YoY (7% QoQ).
- The top five states (West Bengal, Maharashtra, Bihar, Gujarat and Madhya Pradesh) constituted 59% of gross advances, of which West Bengal constituted 23% vs. 23% in Q2FY25.
- Yield on MFI loans were close to 20.3% and is expected to decline gradually due to changing portfolio mix.
- Deposits grew 20.1% YoY higher than advances growth. Retail deposit grew by 16% YoY mainly due to growth in retail term deposits (+26% YoY).
- CASA ratio for the quarter declined 145bps QoQ to 31.7% due to shift towards retail term deposits. The Bank is emphasising stable, granular retail deposits which now makes up to 69% of total deposits.

### Asset quality and capital adequacy

- Total slippages stood at Rs 16.2bn (Rs 11.1bn in Q2). Microfinance slippages are expected to remain high in Q4 though SMA 0 improvement signals early stability.
- Upgrades and recovery during the quarter declined to Rs 2.8bn (Rs 3.0bn in Q2), while write offs in Q3FY25 were Rs 12.7bn vs small write offs of around Rs 0.1bn in Q2.
- Credit cost reported during Q3 was at 4.1% (3.1% excluding write-off). The bank continued to guide for credit cost of ~2% for FY26. FY27 expectation as per management is 1.5% to 1.6% on account of higher secured loan mix, improved underwriting mix, strong collection efficiency and lower dependence on microfinance lending.
- Collection efficiency was at 97.4% (98.1% in Q2). Geography-wise, collection efficiency in Assam was 99.2% and West Bengal 98.8%.
- SMA 0 stood at Rs 8.1bn, which equalled 1.4% (Rs 8.8bn in Q2). SMA1 at Rs 6.6bn equalled 1.2% of book (Rs 5.6bn in Q2) and SMA 2 at Rs 6.5bn equalled 1.2% (Rs 5.4bn equalled 0.9% in Q2).
- The EEB stress pool was at Rs 54bn as on 31 December 2024.

### Future outlook

- The bank plans to focus on prioritising granular retail deposits over bulk deposits for long-term stability.
- The bank is targeting 55% plus secured advances by FY27 focusing on home loans, gold loans, MSME, auto and commercial banking. Moderation in MFI growth is expected pertaining to stricter lending rules.
- East and Northeast India loan exposure reduced from 53% in FY22 to 39% now, with higher growth in North, West and South India.

**Fig 19 – Actuals vs BOBCAPS estimates**

(Rs mn)	Q3FY25A	Q3FY25E	Variance (%)
Loan	12,73,800	13,00,124	(2.0)
Deposits	14,10,000	14,09,990	0.0
Assets	18,39,100	18,50,755	(0.6)
NII	28,303	30,420	(7.0)
PPOP	20,214	20,537	(1.6)
Provision	13,760	9,603	43.3
PAT	4,265	8,332	(48.8)

Source: Company, BOBCAPS Research



## Valuation methodology

BANDHAN continued to report stress in its MFI portfolio with higher provisioning, although management is confident of containing credit cost to 2% in the medium term and 1.5-1.6% in FY27. Further, management seemed to be optimistic on improvement in the collection efficiency with slippages in the MFI book to stabilise in the ensuing two quarters. Margins may witness compression going forward as the bank moves towards secured lending.

The new management has formulated a slew of strategies with a focus to improve operational efficiency. Asset quality was stable with management guiding for credit cost to be in the range of 1.5-1.6% in FY27 with book moving towards a secured book is positive for the bank. We assume coverage with a BUY rating and TP of Rs 187 (from Rs 245) valuing the bank at 1.2x Dec'26 ABV.

**Fig 20 – Key operational assumptions**

(%)	FY24A	FY25E	FY26E	FY27E
Advances Growth	15.6	18.0	17.0	18.0
NII Growth	11.5	16.6	15.0	13.9
PPOP Growth	(6.4)	18.1	8.7	12.7
PAT Growth	1.6	55.6	27.6	12.5
NIM	6.7	6.9	6.8	6.6
GNPA	3.8	4.2	3.9	3.7
CAR	18.2	15.2	15.6	15.3

Source: Company, BOBCAPS Research

**Fig 21 – Key valuation assumptions**

Gordon growth model	
Cost of equity (%)	14.0
Blended ROE (%)	14.9
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)	1.2
Implied BVPS (Rs)	150
<b>Value per share (Rs)</b>	<b>187</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.

## 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	FY24A	FY25E	FY26E	FY27E
<b>Net interest income</b>	<b>92,596</b>	<b>1,03,256</b>	<b>1,22,095</b>	<b>1,38,864</b>	<b>1,58,225</b>
NilI growth (%)	6.3	11.5	18.2	13.7	13.9
Non-interest income	24,686	21,647	30,127	29,600	34,797
Total income	1,17,282	1,24,903	1,52,223	1,68,464	1,93,022
Operating expenses	46,368	58,508	72,032	82,757	96,380
PPOP	70,913	66,395	80,190	85,707	96,641
PPOP growth (%)	(11.5)	(6.4)	20.8	6.9	12.8
Provisions	41,984	36,966	31,817	25,789	29,216
PBT	28,930	29,429	48,374	59,918	67,425
Tax	6,983	7,133	12,384	15,339	17,261
<b>Reported net profit</b>	<b>21,946</b>	<b>22,296</b>	<b>35,990</b>	<b>44,579</b>	<b>50,164</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>21,946</b>	<b>22,296</b>	<b>35,990</b>	<b>44,579</b>	<b>50,164</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity capital	16,108	16,110	18,400	18,400	18,400
Reserves & surplus	1,79,733	1,99,987	2,32,233	2,71,908	3,16,555
Net worth	1,95,842	2,16,096	2,50,633	2,90,308	3,34,955
Deposits	10,80,693	13,52,020	16,27,832	19,53,398	23,44,078
Borrowings	2,47,108	1,63,715	1,68,627	1,93,921	2,23,009
Other liab. & provisions	34,057	46,585	(33,406)	(66,097)	(1,18,535)
<b>Total liab. &amp; equities</b>	<b>15,57,700</b>	<b>17,78,417</b>	<b>20,13,686</b>	<b>23,71,531</b>	<b>27,83,506</b>
Cash & bank balance	82,497	1,61,705	1,00,248	1,23,552	1,48,263
Investments	3,23,659	2,92,876	3,59,099	4,31,844	4,92,655
Advances	10,47,568	12,11,368	14,31,837	16,75,249	19,76,794
Fixed & Other assets	1,03,976	1,12,468	1,22,501	1,40,886	1,65,794
<b>Total assets</b>	<b>15,57,700</b>	<b>17,78,417</b>	<b>20,13,686</b>	<b>23,71,531</b>	<b>27,83,506</b>
Deposit growth (%)	12.2	25.1	20.4	20.0	20.0
Advances growth (%)	11.5	15.6	18.2	17.0	18.0

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS	13.6	13.8	20.9	24.2	27.3
Dividend per share	1.5	1.5	2.3	2.7	3.0
Book value per share	121.6	134.1	136.2	157.8	182.0

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	11.1	10.9	7.3	6.2	5.6
P/BV	1.2	1.1	1.1	1.0	0.8
Dividend yield (%)	1.0	1.0	1.5	1.8	2.0

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	6.3	6.2	6.4	6.3	6.1
Non-interest income	1.7	1.3	1.6	1.4	1.4
Operating expenses	3.1	3.5	3.8	3.8	3.7
Pre-provisioning profit	4.8	4.0	4.2	3.9	3.7
Provisions	2.8	2.2	1.7	1.2	1.1
PBT	2.0	1.8	2.6	2.7	2.6
Tax	0.5	0.4	0.7	0.7	0.7
ROA	1.5	1.3	1.9	2.0	1.9
Leverage (x)	8.0	8.1	8.1	8.1	8.2
ROE	11.9	10.8	15.4	16.5	16.0

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Net interest income	6.3	11.5	18.2	13.7	13.9
Pre-provisioning profit	(11.5)	(6.4)	20.8	6.9	12.8
EPS	1644.5	1.6	50.7	16.2	12.5
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	6.8	6.7	7.0	6.8	6.6
Fees / Avg. assets	0.2	0.0	0.2	0.2	0.2
Cost-Income	39.5	46.8	47.3	49.1	49.9
ROE	11.9	10.8	15.4	16.5	16.0
ROA	1.5	1.3	1.9	2.0	1.9
<b>Asset quality (%)</b>					
GNPA	4.8	3.8	4.2	3.9	3.7
NNPA	1.2	1.1	1.1	1.0	1.0
Slippage ratio	10.3	5.4	3.8	3.0	3.0
Credit cost	4.2	3.3	2.4	1.7	1.6
Provision coverage	76.8	71.8	75.0	75.0	75.0
<b>Ratios (%)</b>					
Credit-Deposit	96.9	89.6	88.0	85.8	84.3
Investment-Deposit	29.9	21.7	22.1	22.1	21.0
CAR	19.8	18.2	15.2	15.7	15.4
Tier-1	18.7	17.6	14.7	15.2	14.9

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**  
TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

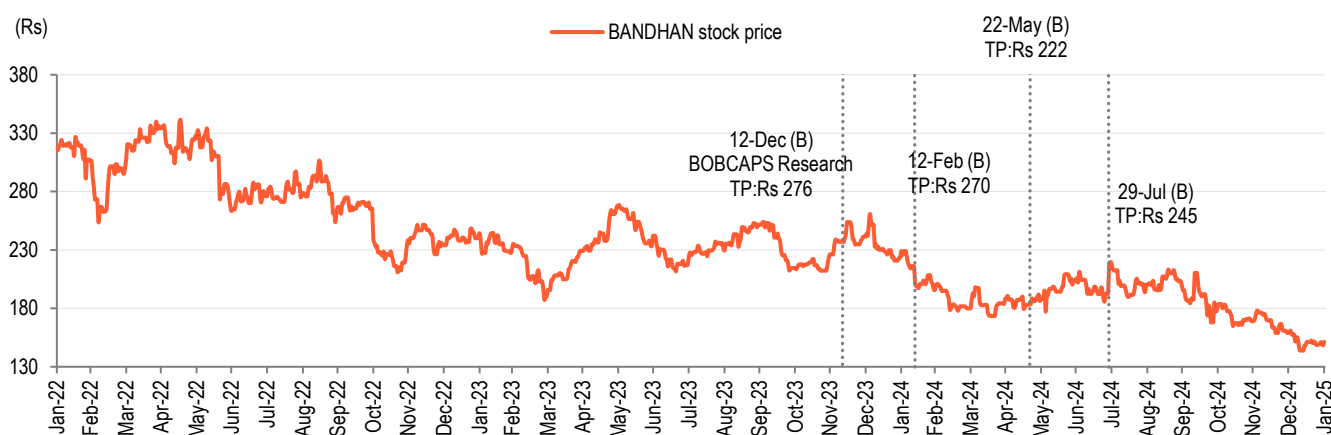
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): BANDHAN BANK (BANDHAN IN)**



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.