

BUY

TP: Rs 206 | ▲ 15%

BANDHAN BANK

| Banking

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Return profile improving with AQ recovery visible

- PPOP lower than estimates, but PAT increased on lower CC. RoA to gradually improve to 1.6% by FY29E
- AQ improved, mainly driven by lower slippage as the EEB stress eases. Net advances growth inching up
- Maintain BUY with revised TP of Rs 206 (from Rs 169) and roll over valuation to 1.1x Mar'28E ABV (0.9x earlier)

PPoP lower than estimates; but PAT increased on lower CC: BANDHAN reported PPOP of Rs 14.4bn (-8.3% YoY; flat QoQ) and was 4.6% below our estimates. The miss was primarily owing to a slightly lower-than-expected NII (+1.4% YoY; +4% QoQ). Loan growth improved to 13.7% YoY (FY26) vs 9% in FY25. The portfolio strategy is to increase the secured mix, which was at 56.2% (+5.7% YoY) of total loans. NII growth remained modest, despite an improvement in NIMs to 6.2% (+30bps QoQ), supported by a decline in CoF, given the TD repricing and lower interest reversals, as slippages were lower. PAT increased to Rs 5.3bn (+68% YoY; +160% QoQ), largely driven by a sharp decline in provisions to Rs 6.8bn (-46% YoY; -41% QoQ) — which was significantly lower than our estimates (33.5%). Management expects RoA to improve to 1.6-1.8% by Q4FY27 exit, supported by a rise in NIMs, higher other income and lower credit cost, as EEB stress easing out. Management stated that the ECL impact would be ~Rs 12.5bn, based on Dec'25 portfolio and will be largely taken through the balance sheet (retained earnings or capital reserves). This transition impact will be spread over five years with Rs 2.5bn/year impact or ~16-17bps CRAR impact per year. The flow impact is still being calculated. Hence, we expect the RoA/RoE to gradually improve to 1.4-1.6%/ 11.2-13.5% during FY27-29E.

AQ improved on lower slippage: Asset quality (AQ) improved, with GNPA falling to 3.27% (-6bps QoQ), mainly driven by lower slippages of Rs 10.3bn (-21% QoQ). Slippage was mainly from EEB segment of Rs 6.9bn (-27% QoQ; 67% of total slippages) in Q4FY26. Also, the overall SMA book in EEB declined to Rs 16.5bn (-29% QoQ), indicating improvement in early delinquency buckets. Further, the EEB stress pool (NPA+ SMA1+ SMA2) decreased to Rs 39.7bn from Rs 39.9bn in Q3FY26. EEB CE (excluding NPA) improved to 99.3% (Q4FY26) vs 98.2% QoQ. With lower slippages and improving CE, CC is likely to improve in the near term.

Maintain BUY: With loan growth improving and MFI stress showing signs of improvement, we expect improvement in return profile (RoA/RoE 1.6/13.5% by FY29E). AQ is likely to improve with management plans to shift the portfolio to secured book and EEB stress easing out. We maintain BUY with revised TP of Rs 206 (from Rs 169), set at 1.1x Mar'28E ABV (0.9x earlier).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BANDHAN IN/Rs 179
Market cap	US\$ 3.0bn
Free float	61%
3M ADV	US\$ 18.3mn
52wk high/low	Rs 192/Rs 134
Promoter/FPI/DII	39%/22%/22%

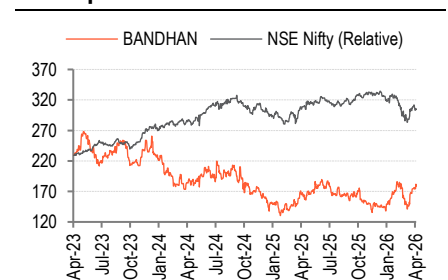
Source: NSE | Price as of 28 Apr 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
NII (Rs mn)	1,08,297	1,24,753	1,44,708
NII growth (%)	(5.8)	15.2	16.0
Adj. net profit (Rs mn)	12,236	30,212	38,870
EPS (Rs)	7.6	18.8	24.1
Consensus EPS (Rs)	7.5	15.8	20.7
P/E (x)	23.5	9.5	7.4
P/BV (x)	1.1	1.0	0.9
ROA (%)	0.6	1.4	1.5
ROE (%)	4.9	11.2	12.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Income Statement							
Interest Income	47,636	47,324	44,754	46,849	46,545	(2.3)	(0.7)
Income on investments	5,822	6,588	6,942	6,829	6,014	3.3	(11.9)
Int. on bal. with RBI & inter-bank funds & Others	881	845	1,842	634	1,725	95.9	172.2
Interest income	54,339	54,756	53,538	54,312	54,284	(0.1)	(0.1)
Interest expense	26,780	27,184	27,653	27,429	26,328	(1.7)	(4.0)
Net interest income	27,559	27,572	25,886	26,883	27,956	1.4	4.0
Growth YoY (%)	(3.9)	(8.2)	(12.2)	(5.0)	1.4		
Non-interest income	6,996	7,259	5,464	6,910	7,707	10.2	11.5
Growth YoY (%)	0.8	37.6	(8.1)	(36.9)	10.2		
Total income	34,555	34,831	31,350	33,793	35,663	3.2	5.5
Growth YoY (%)	(2.9)	(1.4)	(11.5)	(13.9)	3.2		
Staff expenses	10,842	11,236	10,773	11,335	11,584	6.8	2.2
Other operating expenses	8,000	6,911	7,474	8,008	9,667	20.8	20.7
Operating expenses	18,842	18,147	18,246	19,343	21,251	12.8	9.9
Pre-Provisioning Profit (PPoP)	15,713	16,684	13,104	14,450	14,412	(8.3)	(0.3)
Growth YoY (%)	(14.5)	(14.0)	(29.4)	(28.5)	(8.3)		
Provisions	12,602	11,469	11,526	11,546	6,770	(46.3)	(41.4)
Growth YoY (%)	(29.0)	119.3	90.1	(16.1)	(46.3)		
Exceptional							
PBT	3,112	5,215	1,578	2,904	7,641	145.6	163.2
Tax	(67)	1,495	459	848	2,300	-	171.3
PAT	3,179	3,720	1,119	2,056	5,341	68.0	159.8
Growth YoY (%)	482.0	(65.0)	(88.1)	(51.8)	68.0		
Per Share							
FV (Rs)	10.0	10.0	10.0	10.0	10.0	-	-
EPS (Rs)	2.0	2.3	0.7	1.3	3.3	68.3	159.0
Book Value (Rs)	163	165	164	166	171	4.9	2.9

Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other key metrics

(Rs mn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Deposits	15,12,125	15,46,700	15,80,746	15,67,200	16,63,444	10.0	6.1
Growth YoY (%)	11.8	16.1	10.9	11.1	10.0		
Advances	13,19,873	12,85,100	13,45,928	14,11,000	15,01,038	13.7	6.4
Growth YoY (%)	9.0	5.7	6.8	10.8	13.7		
Investment	4,07,123	3,82,900	4,56,722	3,98,700	3,86,683	(5.0)	(3.0)
Equity	2,62,160	2,66,219	2,64,813	2,67,100	2,74,959	4.9	2.9
Assets	19,14,763	18,94,000	19,50,106	19,61,400	21,11,237	10.3	7.6
Growth YoY (%)	7.7	9.3	8.5	6.6	10.3		
Yield (%)							
Yield on Funds	12.3	12.1	11.6	11.6	11.1	(116bps)	(48bps)
Cost of Funds	6.8	6.7	6.8	6.6	6.1	(70bps)	(53bps)
Spread	5.5	5.3	4.9	5.0	5.1	(46bps)	4bps
Net Interest Margin	6.2	6.1	5.6	5.7	5.7	(50bps)	(2bps)
Ratios (%)							
Other Income / Net Income	20.2	20.8	17.4	20.4	21.6	136bps	116bps
Cost to Income ratio	54.5	52.1	58.2	57.2	59.6	506bps	235bps
CASA ratio	31.4	27.1	28.0	27.3	29.3	(207bps)	204bps
C/D ratio	87.3	83.1	85.1	90.0	90.2	295bps	20bps
Investment to Assets	21.3	20.2	23.4	20.3	18.3	(295bps)	(201bps)
Assets Quality							
GNPA	64,356	66,226	70,151	48,050	50,196	(22.0)	4.5
NNPA	16,928	17,442	18,435	14,021	14,521	(14.2)	3.6
Provision	47,427	48,785	51,716	34,029	35,675	(24.8)	4.8
GNPA (%)	4.7	5.0	5.0	3.3	3.3	(144bps)	(6bps)
NNPA (%)	1.3	1.4	1.4	1.0	1.0	(31bps)	(2bps)
Provision (%)	73.7	73.7	73.7	70.8	71.1	(262bps)	25bps
Others							
Branches	1,715	1,750	1,754	1,831	1,955	240	124
ATMs	438	438	438	438	438	-	-
Employees	75,032	73,048	73,650	74,512	75,397	365	885

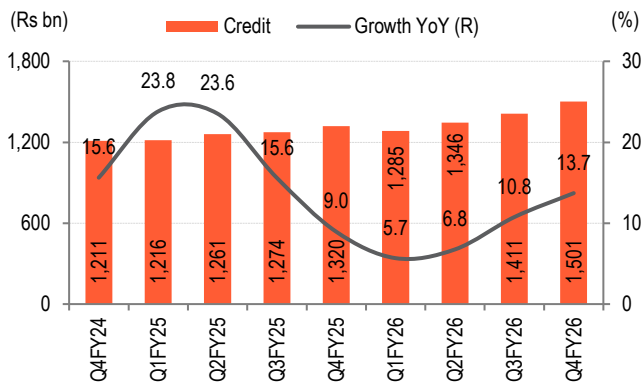
Source: Company, BOBCAPS Research

Fig 3 – Loan Mix (%) – Rising share of secured book

Loan Mix (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
EED	49.9	49.3	45.4	42.5	41.3	39.5	36.9	34.5	34.9
-Group	32.7	32.2	29.2	27.3	26.3	25.2	23.6	22.4	23.1
-Individual	17.2	17.0	16.2	15.2	14.9	14.3	13.3	12.1	11.8
Mortgage	24.0	23.4	22.6	24.7	24.2	24.4	23.6	23.2	22.6
-Housing	18.3	18.6	18.5	18.9	19.0	19.6	18.8	18.2	17.3
-LAP	3.5	3.8	3.9	4.1	4.4	4.7	4.7	4.9	5.1
-IBPC	2.1	0.9	-	1.5	0.7	-	-	-	-
-Construction	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Retail	4.5	5.0	5.7	6.6	8.0	8.3	8.9	9.5	10.4
CB	21.6	22.3	24.7	26.1	26.5	27.7	29.1	31.4	31.4
FIG	10.3	11.0	12.0	12.1	11.7	12.6	12.9	14.7	13.8
SME	11.4	11.3	12.7	14.1	14.8	15.2	16.3	16.7	17.6
IBPC		-	1.6	-	-	-	1.4	1.4	0.6
Total AUM	100	100	100	100	100	100	100	100	100

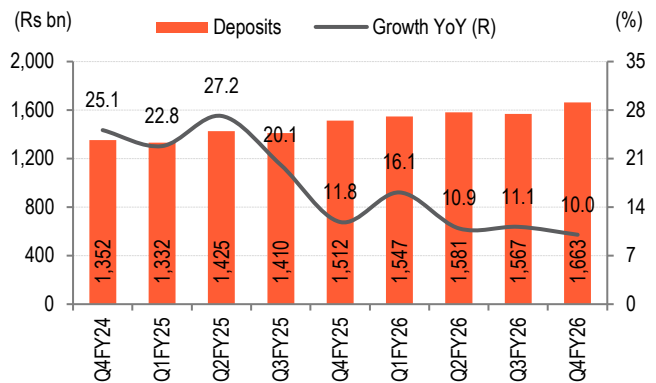
Source: Company, BOBCAPS Research

Fig 4 – Credit growth improves to 13.7% YoY in Q4FY26



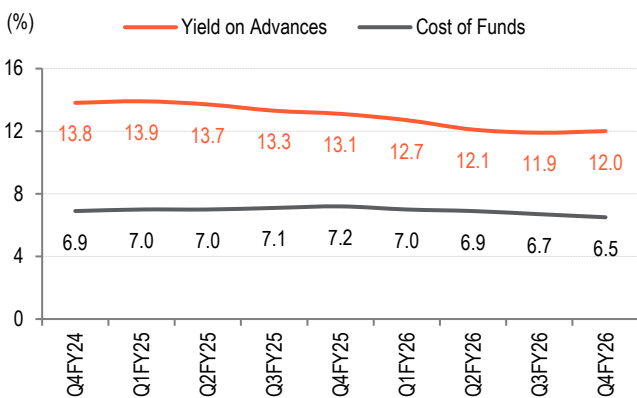
Source: Company, BOBCAPS Research

Fig 5 – Deposits grew 10% YoY



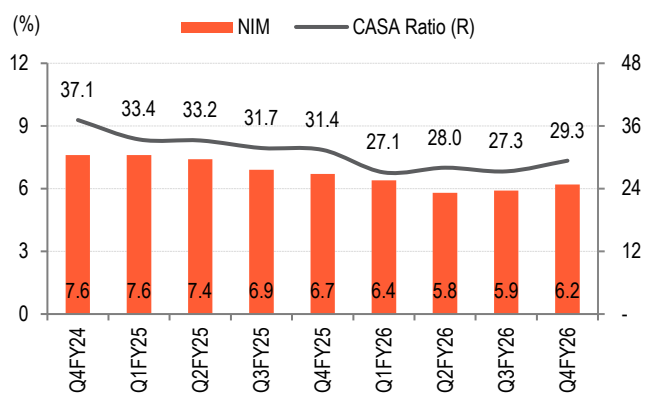
Source: Company, BOBCAPS Research

Fig 6 – CoF declines; yields stable...



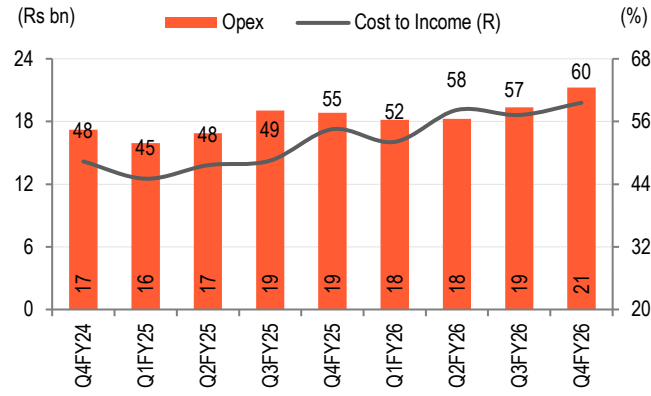
Source: Company, BOBCAPS Research

Fig 7 – ...leading to improvement in NIMs



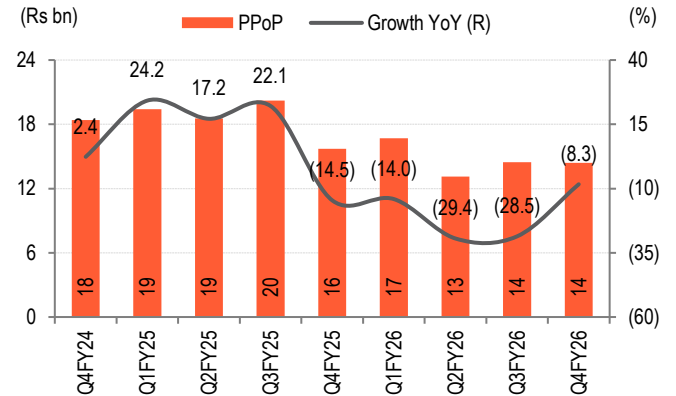
Source: Company, BOBCAPS Research

Fig 8 – CI ratio increases, on account of one-time PSLC, IT expenses and higher salaries



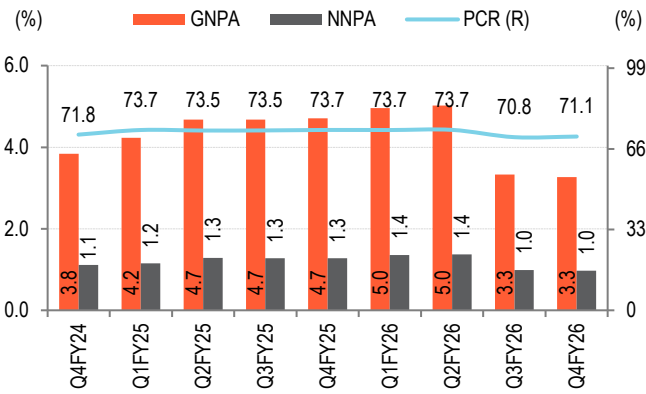
Source: Company, BOBCAPS Research

Fig 9 – PPOP declined by 8.3% YoY



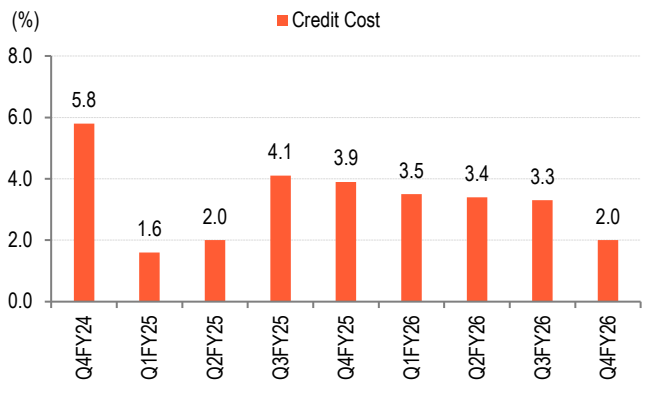
Source: Company, BOBCAPS Research

Fig 10 – Asset quality improved



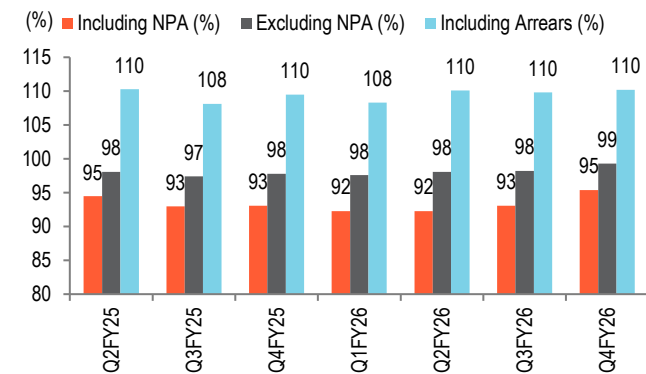
Source: Company, BOBCAPS Research

Fig 11 – Credit costs expected to improve gradually



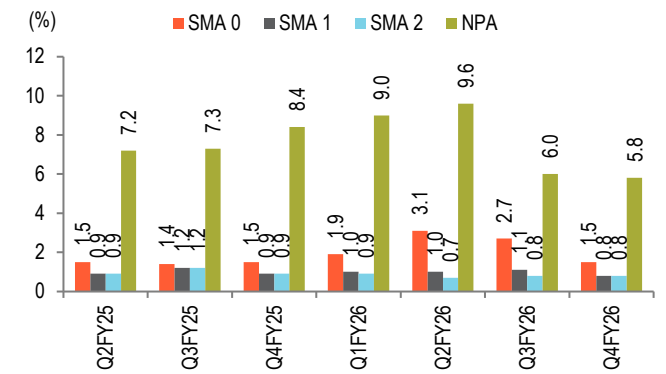
Source: Company, BOBCAPS Research

Fig 12 – Collection efficiency for the quarter



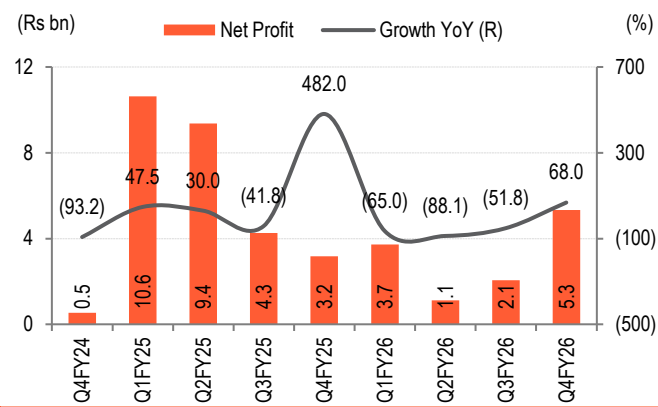
Source: Company, BOBCAPS Research

Fig 13 – EEB DPD movement



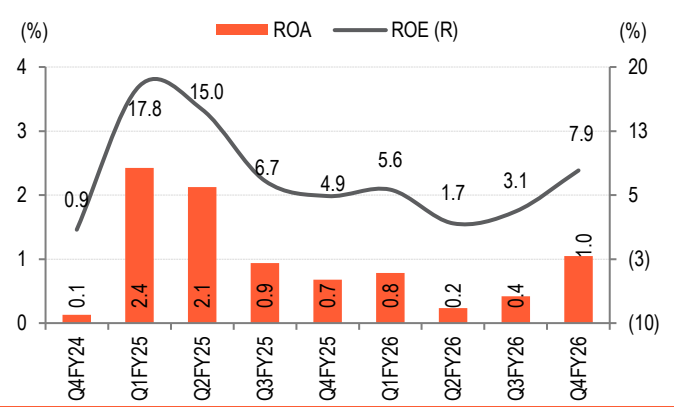
Source: Company, BOBCAPS Research

Fig 14 – PAT increased 68% YoY



Source: Company, BOBCAPS Research

Fig 15 – Return ratios improved



Source: Company, BOBCAPS Research

Earnings Call Highlights

Advances

- **Loan growth guided at ~14–15% for FY27**, with calibrated expansion across segments.
- Portfolio mix shifting towards **~58% secured / 42% unsecured by FY27** (vs ~56% secured currently).
- Non-EEB segments continue to outpace, driving **~25% YoY growth** and aiding diversification.
- The **EEB segment is expected to remain roughly one-third** of the total portfolio.

Deposits

- While the bank **aim for deposit growth to outpace credit**, they acknowledged a challenging industry environment where incremental credit growth currently exceeds deposit growth.
- A core strategic priority is to further improve the granularity of deposits by **reducing dependence on high-cost bulk funding** and focusing on retail term deposits and CASA.

Asset Quality

- Sequential improvement in **slippages and collection efficiency**, especially in EEB. Early bucket indicators (DPD/SMA) showing **gradual normalisation trend**.
- Management remains conservative given the **macro/geopolitical uncertainties**.
- **Collection efficiency for the quarter improved to 99.3%** vs 98.2% in Q3FY26.

Profitability

- Management is working towards an ROA of **1.6% to 1.7% (and potentially up to 1.8%) by the end of FY27**. This improvement is expected to be driven by lower credit costs, increased other income, and optimised operating expenses.
- The bank expects NIMs to improve by **10-20 bps over the next two to three quarters**. By the end of FY27, they aim for an NIM of approximately **6% on total assets**, which translates to roughly 6.5% on an earning asset basis.

Operating expenses

- Operating expenses were elevated due to one-offs, including **PSLC costs of ~Rs 600mn**, on the back of a shortfall in meeting PSL norms.
- **IT expenses increased by ~Rs 600mn** due to timing-related factors, which are not expected to recur.
- **Employee costs rose by ~Rs 730mn**, as the bank kept operations working during a holiday-heavy month, leading to higher salary payouts.

Valuation Methodology

With loan growth improving and the MFI stress showing signs of improvement, we expect the return profile to improve (RoA/RoE 1.6/13.5% by FY29E). AQ is likely to improve with management's plans to shift portfolio to secured book and the EEB stress easing out. We maintain BUY with revised TP of Rs 206 (from Rs 169), set at 1.1x Mar'28E ABV (0.9x earlier).

Fig 16 – Key operational assumptions

(%)	FY26A	FY27E	FY28E	FY29E
Advances Growth	13.7	14.0	15.0	15.5
NII Growth	(5.8)	15.2	16.0	16.4
PPOP Growth	(20.6)	26.7	13.6	16.0
PAT Growth	(55.4)	146.9	28.7	18.4
NIM	6.1	6.3	6.4	6.5
GNPA	3.2	3.0	2.6	2.4
CAR	18.0	17.6	17.2	16.8

Source: Company, BOBCAPS Research

Fig 17 – Actuals vs BOBCAPS estimates

(Rs mn)	Q4FY26A	Q4FY26E	Variance (%)
Loan	15,01,038	14,84,462	1.1
Deposits	16,63,444	16,63,440	0.0
Assets	21,11,237	20,89,724	1.0
NII	27,956	28,495	(1.9)
PPOP	14,412	15,108	(4.6)
Provision	6,770	10,188	(33.5)
PAT	5,341	3,703	44.2

Source: Company, BOBCAPS Research

Fig 18 – Revised estimates

Estimates Key Parameters (Rs mn)	New		Old		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Loan	17,11,183	19,67,861	16,55,517	19,03,844	3.4	3.4
Deposits	18,79,692	21,71,045	18,96,205	21,99,597	(0.9)	(1.3)
Assets	23,61,742	26,96,964	24,24,807	27,98,687	(2.6)	(3.6)
NII	1,24,753	1,44,708	1,24,032	1,44,037	0.6	0.5
PPOP	74,336	84,437	71,000	80,860	4.7	4.4
Provision	33,728	32,192	31,206	29,365	8.1	9.6
PAT	30,212	38,870	29,607	38,312	2.0	1.5
ABV (Rs)	167	189	168	190	(0.6)	(0.1)

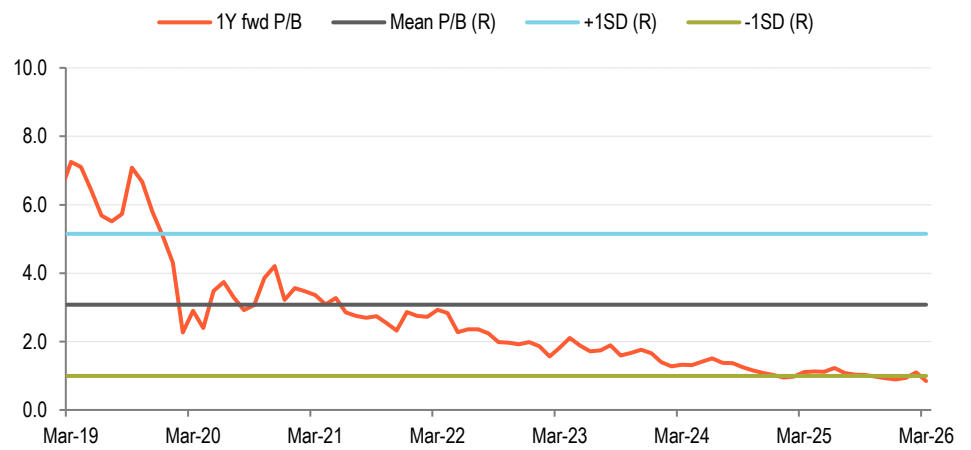
Source: Company, BOBCAPS Research

Fig 19 – Key valuation assumptions

Gordon growth model	Assumptions
Cost of equity (%)	13.3
Blended ROE (%)	13.5
Initial high growth period (yrs)	10.0
Payout ratio of high-growth phase (%)	30.0
Long-term growth (%)	5
Long term dividend payout ratio (%)	60
Justified P/BV Multiple (x)	1.1
Implied BVPS (Rs)	189
Value per share (Rs)	206

Source: Company, BOBCAPS Research

Fig 20 – PB band chart



Source: Company, BOBCAPS Research

Key Risks

Key downside risks to our estimates:

- Asset quality stress in EEB book longer than expected
- The bank's inability to manage CoF, leading to higher NIMs compression

Glossary

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	1,14,906	1,08,297	1,24,753	1,44,708	1,68,376
NilI growth (%)	11.4	(5.8)	15.2	16.0	16.4
Non-interest income	29,666	27,340	36,656	36,892	40,994
Total income	1,44,572	1,35,637	1,61,409	1,81,600	2,09,369
Operating expenses	70,685	76,988	87,073	97,163	1,11,444
PPOP	73,887	58,649	74,336	84,437	97,925
PPOP growth (%)	11.3	(20.6)	26.7	13.6	16.0
Provisions	37,654	41,311	33,728	32,192	36,046
PBT	36,233	17,338	40,608	52,245	61,879
Tax	8,780	5,102	10,396	13,375	15,841
Reported net profit	27,453	12,236	30,212	38,870	46,038
Adjustments	0	0	0	0	0
Adjusted net profit	27,453	12,236	30,212	38,870	46,038

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Equity capital	16,110	16,110	16,110	16,110	16,110
Reserves & surplus	2,29,940	2,39,639	2,67,435	3,03,195	3,45,550
Net worth	2,46,050	2,55,749	2,83,544	3,19,305	3,61,660
Deposits	15,12,125	16,63,444	18,79,692	21,71,045	25,18,412
Borrowings	1,11,385	1,43,028	1,64,482	1,89,155	2,17,528
Other liab. & provisions	45,203	49,016	34,023	17,459	20,123
Total liab. & equities	19,14,763	21,11,237	23,61,742	26,96,964	31,17,723
Cash & bank balance	95,694	1,39,511	1,36,411	1,55,953	1,80,544
Investments	4,07,123	3,86,683	4,15,870	4,69,066	5,52,931
Advances	13,19,873	15,01,038	17,11,183	19,67,861	22,72,879
Fixed & Other assets	92,073	84,005	98,278	1,04,084	1,11,369
Total assets	19,14,763	21,11,237	23,61,742	26,96,964	31,17,723
Deposit growth (%)	11.8	10.0	13.0	15.5	16.0
Advances growth (%)	9.0	13.7	14.0	15.0	15.5

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
EPS	17.0	7.6	18.8	24.1	28.6
Dividend per share	1.5	1.5	1.5	1.9	2.3
Book value per share	152.7	158.8	176.0	198.2	224.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
P/E	10.5	23.5	9.5	7.4	6.3
P/BV	1.2	1.1	1.0	0.9	0.8
Dividend yield (%)	0.8	0.8	0.8	1.1	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Net interest income	6.2	5.4	5.6	5.7	5.8
Non-interest income	1.6	1.4	1.6	1.5	1.4
Operating expenses	3.8	3.8	3.9	3.8	3.8
Pre-provisioning profit	4.0	2.9	3.3	3.3	3.4
Provisions	2.0	2.1	1.5	1.3	1.2
PBT	2.0	0.9	1.8	2.1	2.1
Tax	0.5	0.3	0.5	0.5	0.5
ROA	1.5	0.6	1.4	1.5	1.6
Leverage (x)	8.0	8.0	8.3	8.4	8.5
ROE	11.9	4.9	11.2	12.9	13.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Net interest income	11.4	(5.8)	15.2	16.0	16.4
Pre-provisioning profit	11.3	(20.6)	26.7	13.6	16.0
EPS	23.1	(55.4)	146.9	28.7	18.4
Profitability & Return ratios (%)					
Net interest margin	7.1	6.1	6.3	6.4	6.5
Fees / Avg. assets	0.2	0.2	0.2	0.2	0.2
Cost-Income	48.9	56.8	53.9	53.5	53.2
ROE	11.9	4.9	11.2	12.9	13.5
ROA	1.5	0.6	1.4	1.5	1.6
Asset quality (%)					
GNPA	4.6	3.2	3.0	2.6	2.4
NNPA	1.3	1.0	0.9	0.7	0.6
Slippage ratio	4.4	4.2	3.0	2.5	2.5
Credit cost	3.0	2.9	2.1	1.8	1.7
Provision coverage	73.7	71.1	72.0	73.0	74.0
Ratios (%)					
Credit-Deposit	87.3	90.2	91.0	90.6	90.3
Investment-Deposit	26.9	23.2	22.1	21.6	22.0
CAR	18.7	18.0	17.6	17.2	16.8
Tier-1	17.9	17.3	16.8	16.4	16.0

Source: Company, BOBCAPS Research

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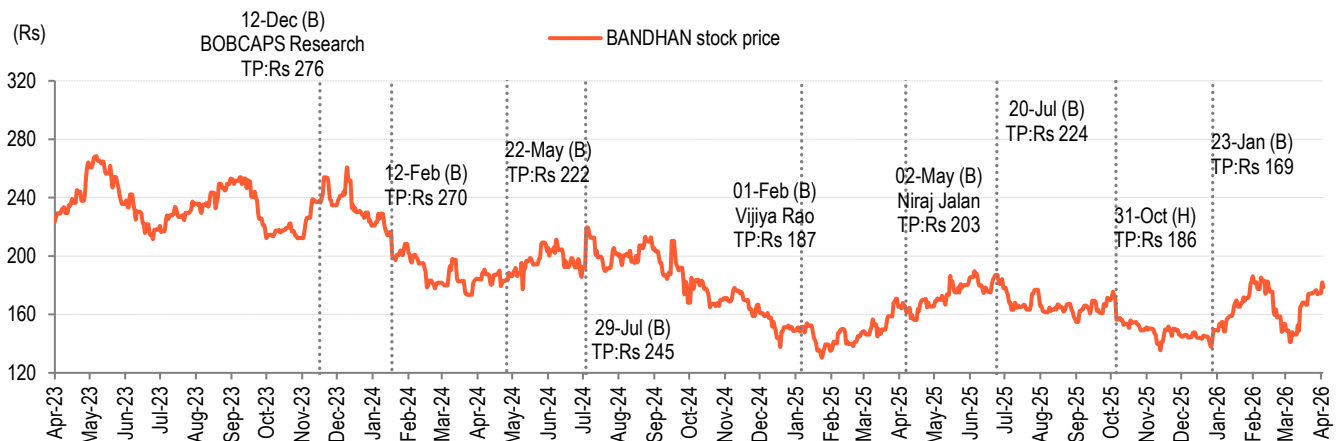
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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

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