

**CMP: INR 185**

**Rating: Accumulate**

**Target Price: INR 212**

**Stock Info**

BSE	541153
NSE	BANDHANBNK
Bloomberg	BANDHAN IN
Reuters	BANH.BO
Sector	Banks
Face Value (INR)	10
Equity Capital (INR Bn)	16.1
Mkt Cap (INR Bn)	301
52w H/L (INR)	222 / 128
Avg Yearly Vol (in 000')	11,814

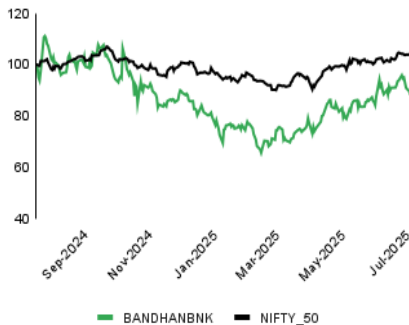
**Shareholding Pattern %**

(As on June, 2025)

Promoters	39.98
Public & Others	60.02

Stock Performance (%)	1m	6m	12m
Bandhan Bank	2.9	21.6	-6.3
Nifty 50	-0.01	6.96	1.87

**Bandhan Bank Vs Nifty 50**



The company posted sharp decline in profitability owing to various operational parameters. Net Interest Income stood at INR 27,572 Mn compared to our estimate of INR 30,800 Mn, down by 8.2% YoY and flat sequentially. PPOP came in at INR 16,684 Mn vs estimate of INR 17,620 Mn, down by 14.5% YoY & +6.2% QoQ. Provisions were at INR 11,469 Mn vs estimate of INR 12,730 Mn, down by 9% QoQ / +119.0% YoY. PAT stood at INR 3,720 Mn vs estimate of INR 3,910 Mn, up by 17% QoQ / down by 65% YoY. GNPA stood at 4.96% vs estimate of 4.8%, up by 25bps QoQ & 73 bps YoY. NNPA stood at 1.36% vs estimate of 1.3%, +8bps QoQ/ up by 21 bps YoY. Deposits increased to INR 15,46,700 Mn, up 2.3% QoQ / 16.1% YoY. Advances increased to INR 13,36,200 Mn, up 1.2% QoQ / 9.9% YoY.

**Slow growth in Advances:** Bandhan Bank posted advances growth of 5.7% YoY and down 2.6% QoQ. Moderation on loan growth was owing to fall in EEB loans (Emerging Entrepreneurs Business), down 14.7% YoY and 6.6% QoQ. EEB book declined as a result of implementation of new guardrails and strategic control implementation considering elevated risk in the segment. EEB loan disbursement were down to INR 107.10 bn v/s INR 137.20 bn YoY.

**NIMs under pressure:** Net interest margin were down 120 bps YoY and 30 bps QoQ to 6.4%, margins were impacted by falling interest rates with repo rate cut, lower credit-deposit ratio and also by interest reversals on elevated slippages. This further impacted the interest income (NII), which declined by 7.7% YoY, on account of slow growth in advances and fall in margins. NIMs are expected to moderate in near term.

**Deterioration in Asset Quality:** The asset quality for the bank deteriorated QoQ as GNPA and NNPA ratio were up 25bps and 8 bps sequentially to 4.96% and 1.36%, respectively. Slippages during the quarter were up 74.2% YoY and down 11.4% QoQ to INR 15.50 bn. Slippages from EEB segment stood at INR 10.89 bn in Q1 FY26 v/s INR 13.49 bn QoQ. Technical write-offs for the quarter stood at INR 10.47 bn in Q1 FY26 of which INR 9.52 bn were from EEB segment. Credit cost for the quarter stood at 3.5% versus 3.9% QoQ and 1.6% YoY. Credit cost is guided to be at ~2.5% mark for FY26. The bank expects some challenges in EEB segment in next quarter also

**Valuation & View:** Bandhan Bank posted sharp decline in profitability owing to various operational parameters. The bank reported a sequential decline in NIMs, impacted by rate cuts and elevated slippages. Asset quality weakened due to increased slippages, while credit costs remained elevated. Loan growth was muted, primarily dragged by de-growth in the EEB segment, though non-EEB segments continued to register healthy growth. Management expects margins to remain under pressure in the near term; however, overall credit growth is anticipated to improve going forward. **Hence, we maintain our estimates along with Accumulate rating on the stock with a TP of INR 212, based on 0.9x FY28E ABV of INR 223 per share.**

**Exhibit: Financial Performance**

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	103,256	114,906	130,109	135,160	144,796
Operating Profit	66,395	73,887	109,916	115,538	124,909
PAT	22,296	27,453	33,328	37,513	44,416
EPS	13.8	17.0	20.7	23.3	27.6
EPS Growth	1.6%	23.1%	21.4%	12.6%	18.4%
NIMs (calculated)	7.1%	7.0%	7.4%	7.4%	7.4%
RoE	10.8%	11.9%	12.7%	12.6%	13.1%
P/E	13.6x	13.4x	10.9x	8.9x	7.9x
P/BV	1.52x	1.38x	1.21x	1.20x	1.20x
P/ABV	1.5x	1.4x	1.2x	1.2x	1.2x

Source: Arihant Research, Company Filings

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## Q1FY26 result Snapshot

Income Statement (INR Mn.)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Interest Income	54,756	54,339	55,358	0.8%	-1.1%
Interest Expense	27,184	26,780	25,308	1.5%	7.4%
<b>Net Interest Income</b>	<b>27,572</b>	<b>27,559</b>	<b>30,050</b>	0.0%	-8.2%
Non Interest Income	7,259	6,996	5,275	3.8%	37.6%
<b>Total Income</b>	<b>34,831</b>	<b>34,555</b>	<b>35,326</b>	0.8%	-1.4%
Employee Costs	11,236	10,842	10,054	3.6%	11.8%
Other Operating Expenses	6,911	8,000	5,863	-13.6%	17.9%
Operating Expenses	18,147	18,842	15,917	-3.7%	14.0%
<b>Pre-Provision Profit</b>	<b>16,684</b>	<b>15,713</b>	<b>19,409</b>	6.2%	-14.0%
Provisions	11,469	12,602	5,230	-9.0%	119.3%
<b>Profit Before Tax</b>	<b>5,215</b>	<b>3,112</b>	<b>14,179</b>	67.6%	-63.2%
Tax Expense	1,495	-67	3,544	-2323.6%	-57.8%
<b>Net Profit</b>	<b>3,720</b>	<b>3,179</b>	<b>10,635</b>	17.0%	-65.0%
<b>Balance Sheet Analysis</b>					
Deposits	15,46,700	15,12,125	13,32,100	2.3%	16.1%
CASA Deposits	4,19,156	4,74,807	4,44,921	-11.7%	-5.8%
CASA (%)	27.1%	31.4%	33.4%	-430bps	-630bps
Advances	13,36,200	13,19,873	12,15,900	1.2%	9.9%
Total Assets	19,66,057	19,14,763	17,33,000	2.7%	13.4%
Capital Adequacy Ratio (%)	19.4%	18.7%	15.0%	70bps	443bps
<b>Spread Analysis</b>					
NIM (%)	6.40%	6.70%	7.60%	-30bps	-120bps
<b>Asset Quality</b>					
Gross NPA	66,226	64,356	53,044	2.91%	24.85%
Net NPA	17,442	16,928	13,964	3.03%	24.90%
GNPA (%)	4.96%	4.71%	4.23%	25bps	73bps
NNPA (%)	1.36%	1.28%	1.15%	8bps	21bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	52.1%	54.5%	45.1%	-243bps	704bps
C/D Ratio (%)	86.4%	87.3%	91.3%	-90bps	-489bps
RoA (%) (annualized)	0.80%	0.70%	2.44%	10bps	-164bps

Source: Arihant Research, Company Filings

**Q1FY26 Conference Call Highlights:****Guidance:**

- The bank expects overall loan growth to be in the range of 15%-17% for FY26.
- EEB portfolio is expected to grow in the range of 5%-8% in FY26.
- NIMs are expected to moderate in near term.
- Credit cost is guided to be at ~2.5% mark for FY26.
- The bank expects some challenges in EEB segment in next quarter also.

**Key Highlights:**

- The Net Interest Income (NII) declined by 7.7% YoY, primarily due to muted growth in advances and compression in margins.
- Net Interest Margin (NIM) contracted by 120 bps YoY and 30 bps QoQ to 6.4%, impacted by repo rate cuts, a lower credit-deposit ratio, and interest reversals on elevated slippages.
- Non-interest income grew 33% YoY and 4% QoQ, supported by strong treasury gains.
- Cost-to-income (C/I) ratio rose 704 bps YoY to 52.1%, driven by a 14% YoY increase in operating expenses, attributed to continued investments in technology, capacity building, and business expansion.
- Provisions remained elevated at INR 11.47 billion, up 119.3% YoY. Consequently, net profit declined 65% YoY in Q1 FY26.
- Advances grew 5.7% YoY but declined 2.6% QoQ during Q1 FY26.
- The slowdown in loan growth was primarily due to a 14.7% YoY and 6.6% QoQ decline in the Emerging Entrepreneurs Business (EEB) portfolio, which contracted due to the implementation of stricter risk guardrails and strategic curbs amid heightened segmental risk.
- Asset quality weakened sequentially as GNPA and NNPA rose by 25 bps and 8 bps QoQ to 4.96% and 1.36%, respectively.
- Slippages stood at INR 15.50 billion, up 74.2% YoY and down 11.4% QoQ.
- Of this, EEB segment slippages contributed INR 10.89 billion in Q1 FY26 vs INR 13.49 billion QoQ.
- The bank added 35 new branches during the quarter.
- Bandhan Bank initiated a few offerings in the government business vertical.
- A specialised savings product targeting elite/HNI customers was also launched.

## Key Financials

## Income Statement

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	1,59,047	1,88,696	2,19,482	2,03,205	2,11,137	2,25,026
(-) Interest Expense	-66,451	-85,440	-1,04,576	-73,095	-75,976	-80,230
<b>Total Net Interest Income</b>	92,596	1,03,256	1,14,906	1,30,109	1,35,160	1,44,796
<b>Other Income</b>	24,686	21,647	29,666	17,251	18,238	19,618
<b>Total Income</b>	1,17,282	1,24,903	1,44,572	1,47,360	1,53,398	1,64,414
Total Operating Expenses	46,368	58,508	70,685	37,444	37,860	39,505
<b>Operating Profit</b>	70,913	66,395	73,887	1,09,916	1,15,538	1,24,909
Provisions	28,682	38,040	43,286	65,479	65,521	65,687
<b>Profit before Tax</b>	28,930	29,429	36,233	44,437	50,017	59,222
Provision for Taxes	6,983	7,133	8,780	11,109	12,504	14,805
<b>PAT</b>	21,946	22,296	27,453	33,328	37,513	44,416

## Balance Sheet

Particulars (INR Mn)	FY23	FY24	FY25	2026E	2027E	2028E
<b>Assets</b>						
Cash and Balances with RBI	73,266	1,53,927	74,774	1,18,370	1,40,400	1,64,210
Money at call and short notice	9,231	7,778	20,919	23,011	25,312	27,844
Investments	3,23,659	2,92,876	4,07,123	3,46,834	3,64,446	3,94,247
Advances	10,47,568	12,11,368	13,19,873	14,12,510	14,84,237	16,05,603
Fixed Assets	8,546	11,734	11,804	12,541	13,308	14,120
Other Assets	95,430	1,00,733	80,269	84,730	89,439	94,410
<b>Total Assets</b>	15,57,700	17,78,417	19,14,763	19,97,996	21,17,142	23,00,433
<b>Liabilities</b>						
Capital	16,108	16,110	16,110	16,110	16,110	16,110
Reserves and Surplus	1,79,733	1,99,987	2,29,940	2,63,268	3,00,781	3,45,197
Deposits	10,80,693	13,52,020	15,12,125	15,76,517	16,56,572	17,92,030
Borrowing from other banks	2,47,108	1,63,715	1,11,385	1,12,665	1,12,814	1,13,806
Other liabilities and provisions	34,057	46,585	45,203	29,442	30,871	33,292
<b>Total Liabilities</b>	15,57,700	17,78,417	19,14,763	19,98,002	21,17,148	23,00,434

Source: Arihant Research, Company Filings

Particulars (INR Mn)	Ratios					
	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic Ratios</b>						
EPS	13.6	13.8	17.0	20.7	23.3	27.6
Book Value per share	121.6	134.1	152.7	173.4	196.7	224.3
Adjusted book value per share	120.8	133.3	151.7	172.8	196.1	223.5
Dividend per share	3.4	0.0	0.0	0.0	0.0	0.0
<b>Asset Quality</b>						
Gross NPAs	4.7%	3.5%	4.6%	4.7%	4.5%	4.3%
Net NPAs	1.2%	1.1%	1.3%	0.7%	0.8%	0.8%
PCR	76.8%	84.5%	86.5%	86.0%	85.0%	83.0%
<b>Profitability Ratio</b>						
RoAE	11.9%	10.8%	11.9%	12.7%	12.6%	13.1%
RoAA	1.5%	1.3%	1.5%	1.7%	1.8%	2.0%
NIMs (as calculated)	7.0%	7.1%	7.0%	7.4%	7.4%	7.4%
<b>Valuation</b>						
P/E (x)	13.6	13.4	10.9	8.9	7.9	6.7
P/BV (x)	1.5	1.4	1.2	1.2	1.2	1.2
P/ABV (x)	1.5	1.4	1.2	1.2	1.2	1.2

Particulars (INR Mn)	Analysis					
	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Spread Analysis</b>						
Yield on advances	13.5%	13.5%	12.9%	12.6%	12.7%	12.7%
Yield on investments	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Cost of deposits	5.3%	3.9%	3.9%	3.9%	3.9%	3.9%
Cost of funds	5.2%	5.8%	4.4%	4.3%	4.3%	4.3%
Spread	6.1%	5.6%	6.6%	6.5%	6.5%	6.4%
<b>Growth (%)</b>						
Advances growth	11.5%	15.6%	9.0%	7.0%	5.1%	8.2%
Deposit growth	12.2%	25.1%	11.8%	4.3%	5.1%	8.2%
Net Profit growth	1649.1%	1.6%	23.1%	21.4%	12.6%	18.4%
<b>Liquidity</b>						
Advances to deposit ratio	96.9%	89.6%	87.3%	89.6%	89.6%	89.6%
CASA	39.3%	37.1%	31.4%	30.2%	28.7%	26.5%
CET 1 Ratio	17.7%	17.1%	17.7%	19.3%	2.3%	1.6%
<b>Efficiency</b>						
Cost-to-income	39.5%	46.8%	48.9%	25.4%	24.7%	24.0%

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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