

**CMP: INR 166**

**Rating: Accumulate**

**Target Price: INR 196**

**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)	267
52w H/L (INR)	222 / 128
Avg Yearly Vol (in 000')	14,564

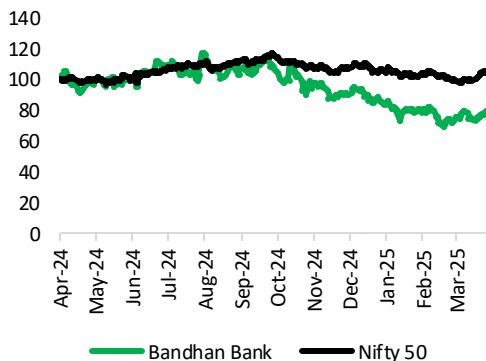
**Shareholding Pattern %**

(Ason Mar, 2025)

Promoters	39.98
Public & Others	60.02

Stock Performance (%)	1m	6m	12m
Bandhan Bank	4.31	-26.40	-22.13
Nifty 50	6.33	-8.88	4.71

**Bandhan Bank Vs Nifty 50**



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The company reported a mixed quarter with lower-than-expected NII and PPOP, though provisions declined sequentially and sharply YoY. Net Interest Income stood at INR 27,559 Mn compared to our estimate of INR 29,709 Mn, down by 2.1% QoQ & 3.6% YoY. PPOP came in at INR 15,713 Mn vs estimate of INR 21,167 Mn, down by 14.5% QoQ & 22.3% YoY. Provisions were at INR 12,602 Mn vs estimate of INR 14,379 Mn, down by 8.4% QoQ / 29.0% YoY. PAT stood at INR 3,179 Mn vs estimate of INR 4,490 Mn, down by 25.5% QoQ / up by 482.0% YoY. GNPA stood at 4.71% vs estimate of 4.66%, up by 3bps QoQ & 87 bps YoY. NNPA stood at 1.28% vs estimate of 1.32%, flat on QoQ/ up by 17 bps YoY. Deposits increased to INR 15,12,125 Mn vs estimate of INR 15,41,383 Mn, up 7.2% QoQ / 11.8% YoY. Advances increased to INR 13,19,873 Mn vs estimate of INR 13,76,560 Mn, up 3.6% QoQ / 9.0% YoY.

**Strong Growth in Non-Microfinance Segments De-Risking Earnings Profile:** The Bank's diversification efforts are yielding results, with the non-EEB book growing 29% YoY and 6% QoQ, now forming 59% of total advances. Retail loans surged 98% YoY, wholesale banking grew 35% YoY, and housing loans rose 18% YoY. This strategic move mitigates concentration risk from the microfinance portfolio, which declined 9% YoY due to calibrated disbursements. The strong growth in secured retail and wholesale books will support margin resilience and credit quality improvement, providing a steadier earnings profile amid cyclical in microfinance.

**Sustained Growth in Secured Loan Portfolio Enhancing Asset Quality Stability:** Bandhan Bank has made significant progress in diversifying and securing its loan book, with the secured advances portfolio growing by an impressive 32% YoY, increasing the secured mix to 50.5% in FY25 from 42% in FY24. This strategic pivot reduces concentration risk from the historically volatile EEB book and enhances overall asset quality resilience. Management plans to further improve the secured mix to 55%+ by FY27, positioning the bank for more predictable, lower-risk earnings. Despite elevated microfinance stress, GNPA and NNPA remained stable at 4.7% and 1.3%, respectively, reflecting the benefits of this shift.

**Improving Collection Efficiency and Early Containment in Stressed Microfinance Portfolio:** The Bank achieved sequential improvement in collection efficiency. EEB book's collection efficiency (excluding NPAs) improved to 98.2% in Mar 2025 from 97.5% in Dec 2024, while the overall bank-level efficiency rose to 97.9% from 97.7%. Moreover, the SMA-01/02 pool reduced by 40bps QoQ to 3.4%, indicating effective credit containment and portfolio management. Management expects credit costs to moderate from 2.9% in FY25 to 1.5–1.6% over the next 2-3 years, led by improved underwriting, enhanced guardrails, and regulatory tailwinds in the MFI space.

**Valuation & View:** The Bank is focused on a structural transformation towards a secured lending model, aiming to drive 15% – 17% CAGR growth in advances through FY27. Secured loans are expected to surpass 55% of the portfolio by FY27, supporting asset quality. Management targets improving ROA to 1.8% – 1.9% over the next two to three years despite some near-term NIM pressure. Disbursement growth is anticipated to normalize from Q2FY26 onwards. Strategic initiatives, cost optimization, and a diversified geographical presence should aid in stabilizing profitability and maintaining strong capital ratios in the medium term. **Hence, we revise our estimates upwards along with change in rating to Accumulate rating on the stock with a TP of INR 196, based on 1.0x FY28E ABV of INR 196 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	12.2x	9.9x	8.2x	7.3x	6.1x
P/BV	1.26x	1.11x	1.20x	1.20x	1.20x
P/ABV	1.3x	1.1x	1.2x	1.2x	1.2x

Source: Arihant Research, Company Filings

## Q4FY25 result Snapshot

Income Statement (INR Mn.)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Interest Income	54,339	54,787	51,893	-0.8%	4.7%
Interest Expense	26,780	26,484	23,231	1.1%	15.3%
<b>Net Interest Income</b>	<b>27,559</b>	<b>28,303</b>	<b>28,663</b>	-2.6%	-3.9%
Non Interest Income	6,996	10,959	6,941	-36.2%	0.8%
<b>Total Income</b>	<b>34,555</b>	<b>39,261</b>	<b>35,604</b>	-12.0%	-2.9%
Employee Costs	10,842	12,274	9,702	-11.7%	11.8%
Other Operating Expenses	8,000	6,774	7,517	18.1%	6.4%
Operating Expenses	18,842	19,048	17,219	-1.1%	9.4%
<b>Pre-Provision Profit</b>	<b>15,713</b>	<b>20,214</b>	<b>18,385</b>	-22.3%	-14.5%
Provisions	12,602	13,760	17,743	-8.4%	-29.0%
<b>Profit Before Tax</b>	<b>3,112</b>	<b>6,453</b>	<b>642</b>	-51.8%	385.0%
Tax Expense	-67	2,189	95	-103.1%	-170.6%
<b>Net Profit</b>	<b>3,179</b>	<b>4,265</b>	<b>546</b>	-25.5%	482.0%
Balance Sheet Analysis					
Deposits	15,12,125	14,10,000	13,52,020	7.2%	11.8%
CASA Deposits	4,74,807	4,47,350	5,01,500	6.1%	-5.3%
CASA (%)	31.4%	31.7%	37.1%	-33bps	-569bps
Advances	13,19,873	12,73,800	12,11,368	3.6%	9.0%
Total Assets	19,14,763	18,39,100	17,78,417	4.1%	7.7%
Capital Adequacy Ratio (%)	18.7%	14.4%	14.7%	430bps	400bps
Spread Analysis					
NIM (%)	6.70%	6.90%	7.60%	-20bps	-90bps
Asset Quality					
Gross NPA	64,356	61,785	47,849	4.16%	34.50%
Net NPA	16,928	16,367	13,476	3.43%	25.62%
GNPA (%)	4.71%	4.68%	3.84%	3bps	87bps
NNPA (%)	1.28%	1.28%	1.11%	0bps	17bps
Key Ratios					
Cost to Income Ratio (%)	54.5%	48.5%	48.4%	601bps	616bps
C/D Ratio (%)	87.3%	90.3%	89.6%	-305bps	-231bps
RoA (%) (annualized)	0.70%	0.90%	0.12%	-20bps	58bps

Source: Arianth Research, Company Filings

**Q4FY25 Conference Call Highlights:****Guidance:**

- NIM pressure expected due to secured mix increase (50-60 bps reduction over 3 years).
- Other income contribution to rise by 20 bps with new businesses.
- RoA targeted to improve to 1.8-1.9% over 2-3 years driven by asset quality, other income, and operating leverage.
- Near-term (H1FY26) to remain challenging; recovery expected from Q3FY26 onward.
- Aims to increase the secured loan book to over 55% of total advances by FY27 to enhance balance sheet resilience.
- The bank targets an advances growth of 15–17% CAGR over the next 3 years, led by a higher secured mix.

**Key Highlights:**

- The secured loan book grew by 32% YoY and now constitutes 50.5% of total advances, up from 42% in FY24.
- Retail Assets grew by 98% YoY, Wholesale Banking assets by 35% YoY, and Housing Loans by 18% YoY. The Emerging Entrepreneurs Business (EEB) portfolio declined by 9% YoY to INR 565,440 Mn as part of portfolio control measures.
- The bank continued diversifying its advances mix, with EEB at 26%, Housing Loans at 24%, Wholesale Banking at 27%, and Retail Loans at 8%. Also it diversified geographically, with East and Northeast India's share in total advances reducing to 39% in FY25 from 53% in FY22.
- The top five states now contribute 59% of total advances, with West Bengal's share reducing to 23% from 24% a year earlier.
- Overall collection efficiency (excluding NPAs) improved to 97.9% in Q4FY25 from 97.7% in Q3FY25. Collection efficiency for the EEB book rose to 98.2% in March 2025 from 97.5% in December 2024.
- The Power Book collection efficiency stood at 99.5% in March 2025.
- Gross slippages increased to INR 17,480 Mn in Q4FY25 from INR 16,210 Mn in Q3FY25, with EEB contributing INR 13,490 Mn.
- Recoveries and upgrades improved to INR 3,550 Mn in Q4FY25 from INR 2,820 Mn in Q3FY25.
- Technical write-offs of INR 11,360 Mn were undertaken during Q4FY25 to manage stressed assets. The EEB early delinquency pool (1-30 days past due) declined from 3.8% to 3.4% QoQ, amounting to INR 18,950 Mn in Q4 FY25.
- Credit costs for FY25 reduced to 2.9%, improving by nearly 50 basis points YoY.
- The Bank reaffirmed its guidance to lower credit costs to 1.5–1.6% over the next 2-3 years through portfolio quality improvement and sector stabilization.
- Deposit growth is expected to consistently outpace advances growth, with a strategic focus on mobilizing granular, stable retail deposits and reducing reliance on bulk deposits.
- The Bank is pursuing cross-selling initiatives under a unified "One Bandhan" approach, enabling asset teams to contribute to liabilities growth and vice versa.
- The increasing secured loan mix is expected to exert moderate pressure on NIMs over the next year.
- Operating expenses are projected to rise by 10–20 bps over the next 2 years due to investments in people, technology, and new business capabilities.
- The Bank anticipates operating leverage benefits to support cost-to-assets ratio improvement thereafter.
- Digital initiatives such as QR code-based micro-banking collections, WhatsApp banking, and facial recognition technology are being implemented to improve customer convenience and operational efficiency.
- Transaction banking, trade finance, and digital liability onboarding journeys have been prioritized as part of the ongoing digital transformation program.
- CAR improved to 18.7%, with Tier-1 CAR at 17.9%, following RBI's revised risk weight norms for MFI loans.
- Further capital optimization benefits are expected in FY26 with the implementation of new RWA norms for NBFC exposures effective April 1, 2025.
- Interest reversals in Q4 FY25 amounted to INR 690 Mn.
- ~25% of the Bank's GNPA microfinance customers continue to pay partial EMIs.
- Gross slippages in the wholesale segment remained low at 0.6%, while Housing Finance gross slippages were 2.3%, driven primarily by legacy acquired portfolios.
- The Bank recorded a positive tax adjustment of INR 870 Mn in Q4FY25 due to deferred tax asset creation on ESOP accounting and release of old income tax provisions.

## 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)	12.4	12.2	9.9	8.2	7.3	6.1
P/BV (x)	1.4	1.3	1.1	1.2	1.2	1.2
P/ABV (x)	1.4	1.3	1.1	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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