



# Bandhan Bank Limited



## Bandhan Bank Ltd.

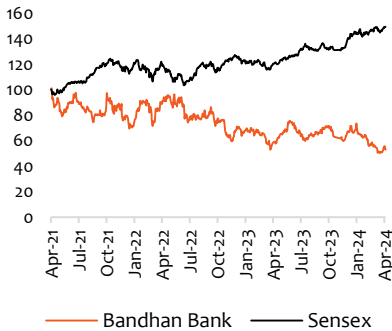
**A big negative surprise; Succession plan underway**

CMP <b>INR 185</b> CMP as of 08 <sup>th</sup> April Closing	Target <b>INR 193</b>	Potential Upside <b>4.3%</b>	Market Cap (INR Mn) <b>2,98,190</b>	Recommendation <b>HOLD</b>	Sector <b>Banks</b>
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### MARKET DATA

Shares outs (Mn)	1,611
Equity Cp (INR Mn)	21,5,300
Mkt Cap (INR Mn)	2,98,190
52 Wk H/L (INR)	272/ 173
Volume Avg (3m K)	13,719
Face Value (INR)	10
Bloomberg Code	BANDHAN IN

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	74,248
NIFTY	22,514

- Bandhan Bank Limited (BANDHAN)'s board has taken on record the letter submitted by Mr. Chandra Shekhar Ghosh, MD & CEO of Bandhan Bank, informing that he would retire from the services of the Bank as the MD & CEO upon completion of his current tenure on July 9, 2024.
- Mr. CS Ghosh founded Bandhan Bank and has been associated with it for over 24 years. Post-retirement as CEO, Ghosh will take up a "strategic role" at the group holding company level (i.e., Bandhan Financial Holdings Ltd), advising the group's business verticals. Bandhan Bank has insurance and mutual fund subsidiaries under the holding company. Bandhan Financial Holdings Ltd. owns about 40.0% of Bandhan Bank.
- In November 2023, the board of directors recently approved Mr. CS Ghosh's three-year re-appointment, which remains with the RBI for approval.
- The Bank's screening panel will require at least three months to decide on a new candidate for the positions of MD and CEO. The Reserve Bank of India (RBI) may need a few more months to determine it, as well. Until then, there will be an interim MD and CEO.
- Bandhan Bank recently reported its gross advances at INR 12,85,720 Mn as of March 31, 2024, a healthy growth of 17.8% YoY/ 10.9% QoQ. The Bank's deposits stood at INR 13,51,980 Mn as of March 31, 2024, a growth of 25.1% YoY and 15.1% QoQ. We will review the detailed numbers after the Q4FY24E result.
- Mr. CS Ghosh's retirement as MD and CEO will create ambiguity in the Bank's future strategy until the new MD and CEO takes charge. We expect a complete change in the Bank's strategy with new management, as the Bank has been witnessing asset quality pressure in its MFI portfolio since the COVID-19 pandemic.
- We revise down our target price to INR 193 per share (earlier INR 225 per share) by assigning a P/ABV multiple of 1.25x (earlier 1.45x) to the adjusted book value of INR 154.3 per share for FY26E, thereby implying an upside of 2.6% over the CMP. We cut our multiple due to the ambiguities around the succession process and the overhang of the ongoing audit. We expect the new CEO's transition to take at least six months, during which we expect the stock to underperform.
- Accordingly, we downgrade to HOLD from the earlier rating of ACCUMULATE on the shares of Bandhan Bank Ltd.**

### KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
NII	87,140	92,596	102,339	119,529	119,529
PPOP	80,134	70,913	68,198	78,239	89,938
PAT	1,258	21,946	31,062	37,968	45,493
EPS (INR / Share)	0.8	13.6	19.3	23.6	28.2
ABVPS (INR / Share)	98.2	114.0	108.3	128.5	154.3
NIM (%)	7.3%	6.8%	6.8%	7.1%	7.0%
Advances Growth YoY (%)	15.1%	11.5%	15.0%	16.0%	18.0%

Source: Company, KRChoksey Research

### SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	40.0	40.0	40.0
FIIIs	34.7	32.8	33.5
DIIIs	14.9	17.5	12.5
Others	10.4	9.7	14.0
Total	100.0	100.0	100.0

**8.9%**

NII CAGR between FY23 and FY26E

**27.5%**

PAT CAGR between FY23 and FY26E

Source: Company, KRChoksey Research

Bandhan Bank Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	138,711	159,047	198,835	227,326	262,118
Interest Expense	51,571	66,451	96,496	107,796	124,012
Net Interest Income	87,140	92,596	102,339	119,529	138,106
Non-interest income	28,228	24,686	22,217	25,549	30,148
Operating income	115,368	117,282	124,556	145,079	168,254
Operating Expense	35,234	46,368	56,359	66,840	78,316
PPOP	80,134	70,913	68,198	78,239	89,938
Provisions	78,848	41,984	26,503	27,949	29,682
PBT	1,286	28,930	41,694	50,289	60,256
Tax Expense	28	6,983	10,632	12,321	14,763
PAT	1,258	21,946	31,062	37,968	45,493
Diluted EPS (INR)	0.8	13.6	19.3	23.6	28.2

Source: Company, KRChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY22	FY23	FY24E	FY25E	FY26E
Source of Funds					
Share capital	16,108	16,108	16,109	16,109	16,109
Reserves & surplus	157,704	179,733	182,422	216,076	257,254
Shareholders' funds	173,812	195,842	198,531	232,185	273,363
Borrowings	199,212	247,108	186,420	209,038	191,378
Deposits	963,306	1,080,693	1,242,797	1,441,645	1,701,141
Other liabilities & provisions	52,336	34,057	53,543	59,484	116,528
TOTAL LIABILITIES & EQUITY	1,388,665	1,557,700	1,681,290	1,942,351	2,282,411
USES OF FUNDS					
Cash and cash equivalent	93,214	82,497	74,568	79,290	93,563
Investments	290,787	323,659	298,271	345,995	399,768
Advances	939,749	1,047,568	1,204,703	1,397,455	1,648,997
Fixed & other assets	64,916	103,976	103,748	119,611	140,083
TOTAL ASSETS	1,388,665	1,557,700	1,681,290	1,942,351	2,282,411

Source: Company, KRChoksey Research

## Bandhan Bank Ltd.

### Exhibit 3: Ratio Analysis

Key Ratio	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth Rates</b>					
Advances (%)	15.1%	11.5%	15.0%	16.0%	18.0%
Deposits (%)	23.5%	12.2%	15.0%	16.0%	18.0%
Total assets (%)	20.8%	12.2%	7.9%	15.5%	17.5%
NII (%)	15.2%	6.3%	10.5%	16.8%	15.5%
Pre-provisioning profit (%)	18.4%	-11.5%	-3.8%	14.7%	15.0%
PAT (%)	-94.3%	1644.6%	41.5%	22.2%	19.8%
<b>B/S Ratios</b>					
Credit/Deposit (%)	97.6%	96.9%	96.9%	96.9%	96.9%
CASA (%)	47.4%	39.3%	36.0%	38.0%	38.0%
Advances/Total assets (%)	67.7%	67.3%	71.7%	71.9%	72.2%
Leverage - Total Assets to Equity	7.99	7.95	8.47	8.37	8.35
<b>Operating efficiency</b>					
Cost/income (%)	30.5%	39.5%	45.2%	46.1%	46.5%
Opex/total assets (%)	2.8%	3.1%	3.5%	3.7%	3.7%
Opex/total interest earning assets	2.9%	3.4%	3.7%	4.0%	4.0%
<b>Profitability</b>					
NIM (%)	7.3%	6.8%	6.8%	7.1%	7.0%
RoA (%)	0.1%	1.4%	1.8%	2.0%	2.0%
RoE (%)	0.7%	11.2%	15.6%	16.4%	16.6%
<b>Asset quality</b>					
Gross NPA (%)	6.5%	4.9%	6.8%	6.0%	5.0%
Net NPA (%)	1.7%	1.2%	2.0%	1.8%	1.5%
PCR (%)	75.5%	76.8%	70.6%	70.0%	70.0%
Slippage (%)	9.5%	10.2%	4.5%	4.0%	4.0%
Credit cost (%)	9.0%	4.0%	2.2%	2.0%	1.8%
<b>Per share data / Valuation</b>					
EPS (INR)	0.8	13.6	19.3	23.6	28.2
BVPS (INR)	108.0	121.6	123.2	144.1	169.7
ABVPS (INR)	98.2	114.0	108.3	128.5	154.3
P/E (x)	394.1	14.4	9.8	8.0	6.7
P/BV (x)	2.8	1.6	1.5	1.3	1.1
P/ABV (x)	3.1	1.7	1.7	1.5	1.2

Source: Company, KRChoksey Research

## Bandhan Bank Ltd.

Bandhan Bank Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
08-Apr-24	185	193	HOLD
12-Feb-24	201	225	ACCUMULATE
23-Oct-23	221	265	BUY
17-Jul-23	215	275	BUY
22-May-23	241	305	BUY
30-Jan-23	242	305	BUY
25-Jul-22	286	385	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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