

BANDHAN

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	166
12 month price target (INR)	160
52 Week High/Low	222/128
Market cap (INR bn/USD bn)	267/3.2
Free float (%)	51.4
Avg. daily value traded (INR mn)	1,494.0

SHAREHOLDING PATTERN

	Mar-24	Dec-24	Sep-24
Promoter	40.0%	40.0%	40.0%
FII	22.7%	23.2%	26.7%
DII	16.4%	15.4%	16.3%
Pledge	0.0%	0.0%	0.0%

FINANCIALS

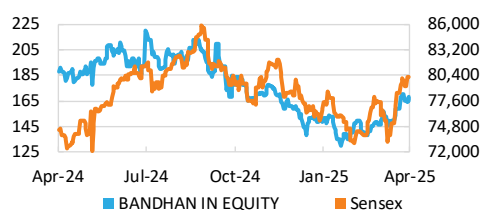
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	124903	144572	149338	171134
PPoP	66395	73887	69147	79077
Adjusted profit	22296	27453	29488	36354
Diluted EPS (INR)	13.8	17.0	18.3	22.6
EPS growth (%)	1.6	23.1	7.4	23.3
RoAE (%)	10.8	11.9	11.4	12.5
P/E (x)	12.0	9.7	9.0	7.3
P/ABV (x)	1.2	1.1	1.0	0.9

CHANGE IN ESTIMATES

	Revised estimates	% Revision
Year to March	FY26E	FY26E
Revenue	1,49,338	-3.5%
EBITDA	69,147	-7.9%
Adjusted profit	29,488	-9.7%
Diluted EPS (INR)	18.3	-9.7%

PRICE PERFORMANCE



Subdued performance

Bandhan reported weak Q4FY25 earnings, with PAT significantly below consensus driven by higher slippage leading to higher credit cost, lower NIM and another big technical write-off. NIM fell 20bp QoQ due to higher slippage and higher share of secured loans. EEB slippage rose 13% QoQ while the bank wrote off 2% of EEB loans in addition to 2.1% in Q3. 0+ DPD in EEB remains elevated at 3.4% though it declined 40bp QoQ. Core PPOP fell 2% QoQ/15% YoY.

Given secured loans are likely to grow faster than EEB loans, normalised NIM would be lower. With repeated miss on earnings and elevated credit cost we maintain HOLD. We retain TP of INR160 /0.9x BV. The CEO guides to steady state credit cost of 1.6% from 4% in Q4.

Higher EEB slippage and write off

EEB slippage rose 13% QoQ to 8.7% of EEB loans. 30+DPD was 1.8%, lower than 2.4% QoQ while 0–30 DPD rose to 1.5% from 1.4% QoQ. EEB stress stays elevated though it has very small 1% exposure to KT. Whole bank slippage rose 8% QoQ and was 5.6% of lagged loans with EEB forming 81% of total versus 76% QoQ. EEB GNPL including write-off rose 9% QoQ. CE for EEB in Mar-25 at 97.8% was higher than 97.4% QoQ. We expected more CE improvement given low exposure to KT. It wrote off INR11.4bn/2% of EEB loans with 2.1% written off in Q3. Non-EEB slippage fell 5% QoQ. Excluding ECLGS recovery, gross credit cost stayed high at 4.2% only marginally lower than 4.3% QoQ. GNPL stays high at 4.7% even with frequent write-offs.

Decline in NIM, high credit cost and another big write-off

Loans grew 10% YoY/4% QoQ. Deposits grew 12% YoY/7% QoQ. EEB loans fell 9% YoY/but rose 1% QoQ. Non-EEB loans grew 29% YoY/6% QoQ. LDR was 87% versus 90% QoQ. CASA grew 6% QoQ/but fell 5% YoY. NIM fell 20bp QoQ on the back of 50bp in Q3. NII fell 2% QoQ/4% YoY. Core opex grew 8% QoQ. Core non-interest income stayed flat YoY. Bandhan earned one-off income of INR5.4bn towards CGFMU claim recovery and INR0.52bn from Assam government totalling to INR5.92bn in Q3 while no one-off there was in Q4. Core PPOP was weak declining 2% QoQ/15% YoY. PAT plunged 52% QoQ to INR3bn, much lower than consensus estimate of INR4.5bn. RoA stood at 70bp versus 1% QoQ. Tier I improved to 17.9% from 13.7% QoQ with RBI clarification on risk weights on MFI.

Guidance: Higher share of secured

Secured loans to grow to 55% of total by FY27E. Credit cost to stay high in FY26E but improve to 1.5–1.6% in next two years. In next three years RoA to improve to 1.8%.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	34,555	35,604	-2.9	39,261	-12.0
Pre-provisioning Profits	15,713	18,385	-14.5	20,214	-22.3
Reported Profits	3,179	546	482.0	4,265	-25.5

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Net interest income	1,03,256	1,14,906	1,22,007	1,46,059
Non interest income	21,647	29,666	27,331	25,074
Net revenues	1,24,903	1,44,572	1,49,338	1,71,134
Operating expense	58,508	70,685	80,191	92,057
Employee exp	35,429	43,610	48,242	54,996
Other opex	23,079	27,075	31,949	37,061
Preprovision profit	66,395	73,887	69,147	79,077
Provisions	36,966	37,654	29,829	30,605
PBT	29,430	36,233	39,318	48,472
Taxes	7,134	8,780	9,829	12,118
PAT	22,296	27,453	29,488	36,354
Extraordinaries	0	0	0	0
Reported PAT	22,296	27,453	29,488	36,354
Diluted EPS (INR)	13.8	17.0	18.3	22.6

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Net interest margins	7.0	6.9	6.6	6.8
Tax rate	24.2	24.2	25.0	25.0

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted PE (x)	12.0	9.7	9.0	7.3
Price/BV (x)	1.2	1.1	1.0	0.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Equity capital	16,110	16,110	16,110	16,110
Reserves	1,99,987	2,29,940	2,57,012	2,90,950
Net worth	2,16,096	2,46,050	2,73,122	3,07,060
Deposits	13,52,020	15,12,125	17,08,701	19,47,919
Borrowings	1,63,715	1,11,385	1,24,751	1,39,721
Other liabilities	46,585	45,203	49,723	54,696
Total	17,78,417	19,14,763	21,56,298	24,49,396
Assets				
Loans	12,11,368	13,19,873	14,91,457	17,00,261
Investments	2,92,876	4,07,123	4,51,413	5,06,505
Cash & equi	1,61,705	95,694	1,08,134	1,22,192
Fixed assets	11,734	11,804	12,984	14,283
Other assets	1,00,733	80,269	92,310	1,06,156
Total	17,78,417	19,14,763	21,56,298	24,49,396
BV/share (INR)	134.1	152.7	169.5	190.6

Balance Sheet Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Credit growth	15.6	9.0	13.0	14.0
Deposit growth	25.1	11.8	13.0	14.0
Gross NPA ratio	3.8	4.7	4.5	4.2

ROA Decomposition (%)

Year to March	FY24A	FY25E	FY26E	FY27E
NII/Assets	6.2	6.2	6.0	6.3
Opex/Assets	(3.5)	(3.8)	(3.9)	(4.0)
Provisions/Assets	(2.2)	(2.0)	(1.5)	(1.3)
Taxes/Assets	(0.4)	(0.5)	(0.5)	(0.5)
Total costs/Assets	(6.1)	(6.3)	(5.9)	(5.9)
RoA	1.3	1.5	1.4	1.6
Equity/Assets	12.3	12.5	12.8	12.6
RoAE	10.8	11.9	11.4	12.5

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	1.6	23.1	7.4	23.3
RoAE (%)	10.8	11.9	11.4	12.5
RoA (%)	1.3	1.5	1.4	1.6

Q4FY25 earnings call: Key takeaways

Guidance

- Given the current macro environment, loan growth over the next three years is guided at 15–17% CAGR, with a strategic focus on increasing the secured loan mix.
- The secured loan portfolio is targeted to reach ~55% of the total book by FY27 and will grow faster than the EEB segment, which will be calibrated in line with economic conditions.
- Over the coming years, the bank aims to strengthen granular deposit growth while reducing dependence on bulk deposits. The intent is to grow deposits faster than advances.
- Operating expenses to assets may rise by 10–20bps over the next two–three years, as investments continue in people, technology, and capabilities to support long-term strategic growth.
- Credit costs are likely to range at 1.5–1.6% for the next two–three years, aided by a lower credit cost in the microfinance portfolio and a shift toward more secured lending. However, they will remain elevated in FY26E.
- RoA is expected to improve to 1.8–1.9% in the medium term, supported by improved asset quality, higher other income, and operating leverage benefits.

Loans

- Share of secured loans rose to 50.5% in Q4FY25 from 42% in Q4FY24.
- The EEB book stood at INR 565.4bn, down 9% YoY but up 1% QoQ. The YoY decline reflects portfolio control measures in response to elevated risks in the MFI segment.
- Geographical diversification has progressed well, with the share of eastern and north-eastern regions declining to 39% in FY25 from 53% in FY22. The top five contributing states—West Bengal, Maharashtra, Bihar, Gujarat, and Madhya Pradesh—account for 59% of gross advances.

Deposits

- Deposits crossed the INR1.5tn mark in Q4FY25, growing 11.8% YoY/7.2% QoQ. CASA + Retail deposits form 69% of the total, in line with the focus on building a granular deposit base.
- CASA deposits stood at INR 474.4bn, down 5% YoY but up 6% QoQ. While the growth trend has been moderate, it remains broadly in line with industry patterns.

Asset quality and collection efficiency

- Recent regulatory actions from RBI have supported the MFI sector and could lead to steady improvements in asset quality.
- Gross slippages rose to INR 17.5bn in Q4FY25 vs INR 16.2bn in Q3FY25, primarily from the EEB segment. Write-offs during the quarter stood at INR 11.36bn.

- Tamil Nadu and Karnataka contribute <1% and 1.1%, respectively, to total EEB advances, with both states maintaining ~97% CE and showing no impact from recent ordinances.
- EEB NPAs have declined YoY. Guardrails have been implemented to contain risks, which may moderate growth but enhance portfolio quality.
- States such as Maharashtra, Gujarat, Tamil Nadu, and Karnataka continue to lag in collection efficiency.

Yields, cost and margins

- NIM for Q4FY25 came in at 6.7%, down from 6.9% QoQ, mainly due to a shift in loan mix toward secured assets, which typically carry lower yields.
- Fixed-rate loans form 55% of the book. Among the floating-rate portion, EBLR- and MCLR-linked loans account for 26% and 19%, respectively.
- Following the rate cuts, the bank has reduced both SA and TD rates. The full transmission will be gradual, as deposit maturities roll over.

Financial overview

- In Q1FY25, risk weights on the EEB portfolio were increased from 75% to 125%, leading to a 362bps drop in CAR. Recent RBI guidelines have reduced MFI loan risk weights from 100% to 75%, boosting CAR to 18.7% and Tier-1 to 17.9%.
- Opex growth will be directed toward strengthening the secured business through investments in talent, LOS systems, distribution, IT infrastructure, and manpower.

Progress on strategic initiatives

- A dedicated transformation team is working on technology upgrades, process optimization, and enhancing digital capabilities. Focus areas include expanding retail liability sourcing through banking units, modernizing credit underwriting, and improving digital platforms.
- The Digital and Transaction Excellence Unit has introduced QR-based collections for micro-banking customers, which has improved field-level efficiency. Digital on boarding for liabilities continues to gain traction.

Exhibit 1: Change in estimate

	FY26E	FY26E	FY27E	FY26E
	Old	New	Introduced	% Change
NII, INR M	1,29,802	1,22,007	1,46,059	-6.0%
PAT, INR M	32,653	29,488	36,354	-9.7%
EPS, INR	20.3	18.3	22.6	-9.7%
Target price, INR	160	160		0.0%
CMP		166		
% downside to CMP		-3%		
Rating	HOLD	HOLD		

Source: Company, Nuvama Research

Exhibit 2: Movement in EEB NPLs

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Opening EEB NPL	41.0	42.6	36.2	32.1	64.3
Add: Slippage	13.5	12.0	7.5	5.5	6.3
Less: Recoveries & Write offs	7.3	13.6	1.1	1.4	38.5
Closing NPLs	47.2	41.0	42.6	36.2	32.1
Slippage ratio, % of lagged EEB loans	8.7%	8.3%	5.6%	4.3%	4.5%

Source: Company, Nuvama Research

Exhibit 3: GNPLs by segment

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
EEB	47.2	41.0	42.6	36.2	32.1
SME	7.2	11.9	11.0	10.0	9.6
Housing	7.2	6.5	5.8	5.4	4.9
Retail	2.7	2.4	1.6	1.4	1.2
Total	64.3	61.8	61.0	53.0	47.8

Source: Company, Nuvama Research

Exhibit 4: EEB DPD movement

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
1-30	8.6	8.1	8.8	5.6	3.8
30-60	5.2	6.6	5.6	4.3	4.0
60-90	5.1	6.5	5.4	4.3	4.8
NPL	47.2	41.0	42.6	35.9	32.1
Total	66.1	62.2	62.4	50.1	44.7

Source: Company, Nuvama Research

Exhibit 5: EEB book - vintage analysis

INR bn	Disbursement	As a % of disbursements		
		SMA1	SMA2	NPA
Q4FY25	151	0.00%	0.00%	0.00%
Q3FY25	122	0.30%	0.10%	0.10%
Q2FY25	125	0.60%	0.60%	1.00%
Q1FY25	137	0.70%	0.80%	2.80%
Q4FY24	228	0.60%	0.70%	4.10%

Source: Company, Nuvama Research

Exhibit 6: Movement in total NPLs

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Opening NPLs	61.8	61.1	53.1	48.0	81.4
Slippage	17.5	16.2	11.1	8.9	10.2
Recovery/upgrade	3.5	2.8	3.0	3.7	5.2
Write-offs	11.4	12.7	0.1	-	38.5
NPA Sale to ARC	-	-	-	-	-
Closing NPLs	64.5	61.8	61.1	53.1	48.0
Slippage ratio, % of lagged loans	5.6%	5.6%	4.1%	3.5%	3.7%

Source: Company, Nuvama Research

Exhibit 7: Movement in yield, cost and margins

%	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	YoY (bps)	QoQ (bps)
NIM	6.7	6.9	7.4	7.6	7.6	-90bps	-60bps
Cost of funds	7.2	7.1	7.0	7.0	6.9	30bps	10bps
Yield	13.1	13.3	13.7	13.9	13.8	-70bps	-20bps

Source: Company, Nuvama Research

Exhibit 8: Loan mix

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	YoY (%)	QoQ (%)
Micro	565.4	561.2	592.9	619.1	622.4	-9.2%	0.7%
Mortgages	330.9	326.4	316.3	294.1	299.2	10.6%	1.4%
Retail	110.2	87.6	75.1	62.3	55.8	97.5%	25.8%
SME, NBFC - MFI & NBFC - Others	363.4	345.0	322.2	280.7	269.8	34.7%	5.3%
Total	1,369.9	1,320.2	1,306.5	1,256.2	1,247.2	9.8%	3.8%

Source: Company, Nuvama Research

Exhibit 9: Deposit mix

INR bn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	YoY (%)	QoQ (%)
Current account	80.9	61.2	64.3	61.5	96.6	-16.3%	32.2%
Saving account	393.5	386.2	408.5	383.9	404.9	-2.8%	1.9%
Term deposit - Retail	567.2	520.6	493.2	476.5	436.5	29.9%	9.0%
Term deposit - Others	470.6	442.0	459.1	411.0	414.0	13.7%	6.5%
Total deposits	1,512.2	1,410.0	1,425.1	1,332.9	1,352.0	11.8%	7.2%

Source: Company, Nuvama Research

Exhibit 10: Income statement summary

INR mn	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	YoY (%)	QoQ (%)
Interest on advances	47,636	48,524	48,820	48,695	46,293	3%	-2%
Income on investments	5,822	5,484	5,189	5,324	4,744	23%	6%
Interest on other resources	93	159	302	417	224	-58%	-42%
Others	788	621	687	922	633	24%	27%
Interest Income	54,339	54,787	54,998	55,358	51,893	5%	-1%
Interest expended	26,780	26,644	25,516	25,308	23,298	15%	1%
Net Interest Income	27,559	28,143	29,483	30,050	28,595	-4%	-2%
Non-interest income	6,996	11,118	5,947	5,275	7,009	0%	-37%
Total Revenue	34,555	39,261	35,430	35,326	35,604	-3%	-12%
Employee expenses	10,842	12,274	10,440	10,054	9,702	12%	-12%
Other Operating expenses	8,000	6,774	6,438	5,863	7,517	6%	18%
Total Operating expenses	18,842	19,048	16,879	15,917	17,219	9%	-1%
Operating Profit	15,713	20,214	18,551	19,409	18,385	-15%	-22%
Provisions	12,602	13,760	6,062	5,230	17,743	-29%	-8%
PBT	3,112	6,453	12,489	14,179	642	385%	-52%
Tax	-67	2,189	3,114	3,544	95	-171%	-103%
Net Profit	3,179	4,265	9,374	10,635	546	482%	-25%

Source: Company, Nuvama Research

Company Description

Bandhan Bank started its journey as a not-for-profit entity in 2001, which became an NBFC in 2009 and then the first microfinance company to receive a banking licence from the RBI in August 2015. The company was established by Mr Chandra Shekhar Ghosh to provide micro loans to women that are socially disadvantaged and economically exploited. It is a bank for all, but its focus remains on meeting financial needs of people that are overlooked by the formal banking system—economically disadvantaged sections of society—and acting as a vehicle-of-empowerment and creating better education, health care and self-employment opportunities. In January 2019, Bandhan decided to merge with Gruh Finance. Gruh Finance is a housing finance company with a loan book of ~INR177bn (June 2019) engaged in retail home loans.

Investment Theme

With secured loans expected to grow faster than EEB loans, normalized NIM would be lower. With repeated miss on earnings and elevated credit cost we maintain HOLD. We retain TP of INR 160 /1x BV. The CEO guides to steady state credit cost of 1.6% from 4% in Q4.

Key Risks

- Margin pressure due to change in loan mix
- 0-90 DPD remaining elevated
- Higher than expected opex

Additional Data

Management

MD & CEO	Partha Pratim Sengupta
Chairman	Anup Kumar Sinha
ED	Ratan Kumar Kesh
CFO	Rajeev Mantri
Auditor	Singhi & Co.

Holdings – Top 10*

	% Holding		% Holding
Caladium Invstment	6.79	Aditya Birla Tr	1.08
LIC	3.69	Tata AIA Life	1.04
Gov Pension Fun	1.49	MFS Equity Fund	1.04
TATA Fund	1.34		
Mathews Fund	1.23		

*Latest public data

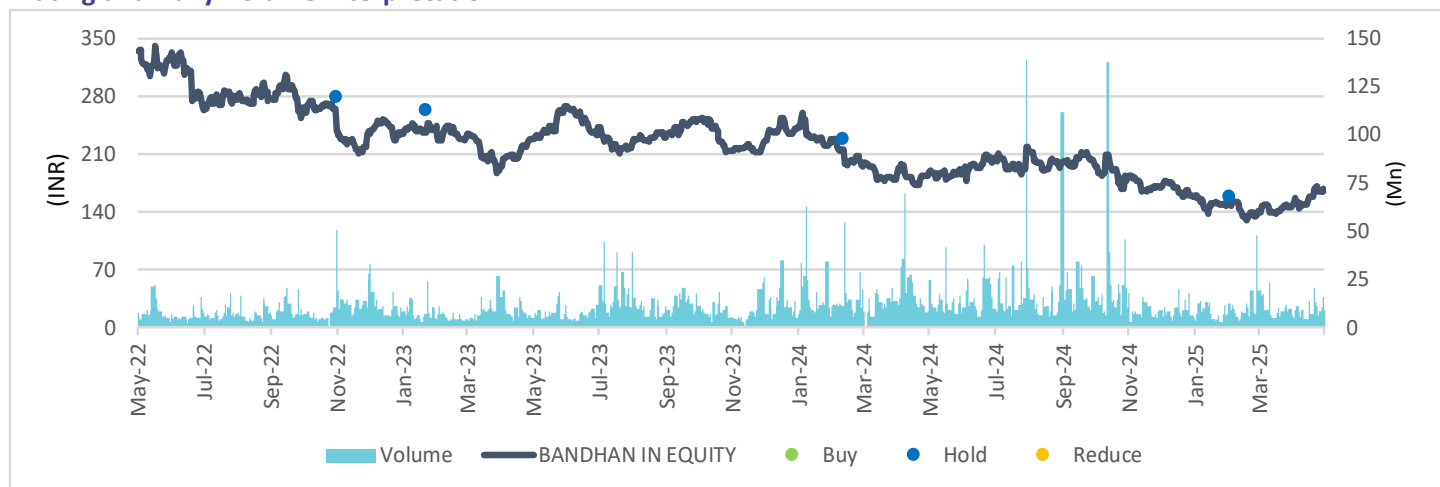
Recent Company Research

Date	Title	Price	Reco
31-Jan-25	A subdued quarter; <i>Result Update</i>	148	Hold
25-Oct-24	Better than peers ; <i>Result Update</i>	168	Hold
27-Jul-24	Earnings strong; CAR markdown big too; <i>Result Update</i>	192	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
20-Sep-21	Banking	Reimagining credit; <i>Sector Update</i>
11-Feb-20	Union Bank (I)	Union Bank of India - Result Update Q3FY; <i>Result Update</i>
17-Jan-20	South Ind.Bank	South Indian Bank - Result Update Q3FY20; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	209
Hold	<15% and >-5%	59
Reduce	<-5%	34

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