Arihant Capital
Generating Wealth

Q1FY27 - Result Update
22nd July 2026

Bandhan Bank Ltd.

Strong loan growth and better-quality deposits support a more stable business

CMP: INR 209

Rating: Accumulate

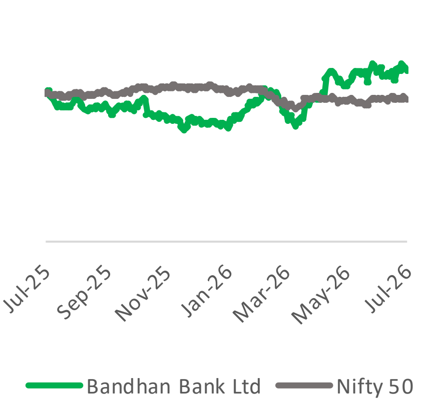
Target Price: INR 239

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)	336
52w H/L (INR)	220 / 134
Avg Yearly Vol (in 000')	7,700

Shareholding Pattern % *(As on March, 2026)*	
Promoters	38.98
Public & Others	61.02

Stock Performance (%)	3m	6m	12m
Bandhan Bank	19.56	49.82	14.58
Nifty 50	1.21	(4.14)	(3.60)

Bandhan Bank Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114871

Bandhan Bank reported a mixed Q1FY27 performance. NII came in at INR 29,206 Mn, ahead of our estimate of INR 28,384 Mn, driven by healthy loan growth and stable margins. PPOP at INR 13,581 Mn was below our estimate of INR 14,953 Mn due to higher operating expenses, with the cost-to-income ratio rising to 61.5% from 59.6% in Q4FY26 and 52.1% in Q1FY26. Provisions at INR 6,826 Mn were largely in line with estimates, while credit cost moderated to 1.8%. Asset quality was better than expected, with GNPA improving to 3.15% (vs est. 3.28%) and NNPA declining to 0.93% (vs est. 0.97%). Advances grew 18.0% YoY to INR 1,516,800 Mn, led by strong traction in secured retail and wholesale segments, while deposits increased 6.6% YoY to INR 1,648,900 Mn, with CASA ratio improving to 29.4%. PAT stood at INR 5,017 Mn, below our estimate of INR 6,087 Mn, but remained significantly higher than the year-ago period with 34.9% YoY growth.

Strong growth in secured businesses: Bandhan Bank delivered 18.0% YoY growth in gross advances to INR 1.56 lakh crore despite Q1 being seasonally weak for the microfinance business. Growth was led by the non-EEB portfolio, which up by 27.4% YoY and now contributes 62.1% of the loan book. The secured mix improved to 56.8%, supported by strong traction in commercial vehicles, construction equipment, auto loans, gold loans, and wholesale banking. With EEB, Housing & Retail, and Wholesale Banking each contributing roughly one-third of advances, the loan book has become significantly more diversified, reducing dependence on unsecured microfinance lending and supporting more stable and sustainable growth.

Retail deposits are growing faster and improving the quality of funding: Deposits grew 6.6% YoY to INR 1.65 lakh crore; the funding profile improved meaningfully during the quarter. The bank reduced high-cost bulk deposits by 13% YoY, while retail deposits grew 15.6% YoY and now account for 74% of total deposits. CASA deposits increased 16% YoY to INR 48,479 crore, taking the CASA ratio to 29.4%. In addition, 86% of bulk deposits are non-callable, providing better funding stability and liquidity visibility. This continued shift toward granular retail funding should support a more stable cost of funds and improve margin resilience over the medium term.

Improving Collection Efficiency and Early Containment in Stressed Microfinance Portfolio: Asset quality improved further, with GNPA declining to 3.1% and NNPA to 0.9%, while credit cost moderated to 1.8% from 2.0% in Q4FY26 and 3.5% a year ago. Fresh slippages remained broadly stable at INR 1,079 crore, while EEB slippages declined sequentially to INR 604 crore from INR 690 crore. Collection efficiency remained healthy at 98.9%, and June collections were largely stable despite election-related and holiday disruptions in April. The bank also carried out proactive balance-sheet cleanup through ARC sales and technical write-offs, while maintaining a strong provision buffer, with PCR including technical write-offs at 85.9%, which should support further moderation in credit costs.

Valuation & View: Bandhan Bank retained its FY27 credit growth guidance of ~14%, with EEB growth of 5–10% and non-EEB growth of over 20% and indicated that overall growth is currently tracking slightly ahead of plan, supported by strong momentum in secured retail and wholesale businesses. The bank has, however, become more cautious on profitability due to higher funding costs and elevated technology-related expenses. The earlier aspiration of achieving a 1.6–1.8% ROA by the Q4FY27 exit is now expected to take longer, with the bank is guiding for a Q4FY27 exit ROA of 1.2–1.4%. **Hence, we revise our rating on the stock from Buy to Accumulate with a TP of INR 239, based on 1.08x FY29E ABV of INR 222 per share with an upside of 14.62%.**

Exhibit: Financial Performance

Particulars (Rs. in Cr.)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Interest Income	**10,325.6**	**11,490.6**	**10,830.0**	**12,199.3**	**14,071.1**	**16,189.6**
Operating Profit	6,639.5	7,388.7	5,865.6	6,967.3	8,432.0	10,092.5
PAT	**2,229.6**	**2,745.3**	**1,223.6**	**2,548.8**	**3,371.1**	**4,314.3**
EPS	13.8	17.0	7.6	15.8	20.9	26.8
EPS Growth	**1.6%**	**23.1%**	**-55.4%**	**108.3%**	**32.3%**	**28.0%**
NIMs (calculated)	7.14%	7.05%	5.94%	6.04%	6.15%	6.27%
RoE	**10.8%**	**11.9%**	**4.9%**	**9.5%**	**11.3%**	**12.8%**
P/E	12.2x	9.9x	22.3x	10.7x	8.1x	6.3x
P/BV	1.26x	1.11x	1.20x	1.20x	1.20x	1.20x
P/ABV	**1.3x**	**1.1x**	**1.1x**	**1.0x**	**0.9x**	**0.8x**

Source: Arihant Research, Company Filings

Q1FY27 result Snapshot

Income Statement (INR Mn.)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	5,631	5,428	5,476	3.7%	2.8%
Interest Expense	2,710	2,633	2,718	2.9%	-0.3%
Net Interest Income	**2,921**	**2,796**	**2,757**	4.5%	5.9%
Non-Interest Income	604	771	726	-21.7%	-16.8%
Total Income	**3,524**	**3,566**	**3,483**	-1.2%	1.2%
Employee Costs	1,358	1,158	1,124	17.3%	20.9%
Other Operating Expenses	808	967	691	-16.4%	16.9%
Operating Expenses	2,166	2,125	1,815	1.9%	19.4%
Pre-Provision Profit	**1,358**	**1,441**	**1,668**	-5.8%	-18.6%
Provisions	683	677	1,147	0.8%	-40.5%
Profit Before Tax	**676**	**764**	**522**	-11.6%	29.5%
Tax Expense	174	230	150	-24.4%	16.3%
Net Profit	**502**	**534**	**372**	-6.1%	34.9%
Balance Sheet Analysis					
Deposits	164,890	166,344	154,670	-0.9%	6.6%
CASA Deposits	48,478	48,750	41,916	-0.6%	15.7%
CASA (%)	29.4%	29.3%	27.1%	9bps	230bps
Advances	151,680	150,104	128,510	1.1%	18.0%
Total Assets	209,420	211,124	189,410	-0.8%	10.6%
Capital Adequacy Ratio (%)	18.2%	18.0%	19.4%	16bps	-120bps
Spread Analysis					
NIM (%)	6.20%	6.20%	6.40%	0bps	-20bps
Asset Quality					
Gross NPA	4,881	5,020	6,623	-2.76%	-26.30%
Net NPA	1,412	1,452	1,744	-2.79%	-19.06%
GNPA (%)	3.15%	3.27%	4.96%	-12bps	-181bps
NNPA (%)	0.93%	0.97%	1.36%	-4bps	-43bps
Key Ratios					
Cost to Income Ratio (%)	61.5%	59.6%	52.1%	188bps	937bps
C/D Ratio (%)	92.0%	90.2%	83.1%	175bps	890bps
RoA (%) (annualized)	1.00%	1.10%	0.80%	-10bps	20bps

Source: Arihant Research, Company Filings

KTA Q1FY27 Con-call :-

Business growth and portfolio diversification
- Non-EEB advances grew 27% YoY and now contribute around two-thirds of the loan book, reducing dependence on microfinance.
- Secured lending increased 27% YoY and now forms 57% of total advances, led by commercial vehicles, construction equipment, auto loans, and gold loans.
- The portfolio mix remains well diversified, with EEB at 23%, wholesale banking at 33%, housing finance at 22%, and retail and other loans at 11% of advances.
- The bank reiterated its medium-term target of 33–35% EEB and 65–67% non-EEB, with a 60% secured and 40% unsecured mix.

EEB / microfinance business
- The EEB portfolio stood at INR 52,641 crore and remained broadly flat, which is better than the seasonal declines seen in earlier Q1 periods.
- The bank is targeting 5–10% EEB growth in FY27 with a calibrated approach focused on portfolio quality and collection efficiency.
- EEB share will not be increased beyond 33–35% of the overall loan book.
- Lending rates were increased by around 100 bps in February 2026, with no further hikes since then.

Asset quality and collections
- Gross NPA improved to 3.1% and Net NPA remained stable at 0.9%.
- Collection efficiency remained healthy at 98.9% for the bank and 98.5% for the EEB portfolio.
- Gross slippages were INR 1,079 crore, including INR 604 crore from EEB, improving from INR 690 crore in Q4FY26.
- The bank sold INR 291 crore of housing NPAs to an ARC and carried out a technical write-off of INR 597 crore.
- SMA0 increased to 3.5% from 3.1% due to April holidays and election-related disruptions in West Bengal, while SMA1 remained stable.

Credit cost trajectory
- Credit cost moderated to 1.8% from 2.0% in Q4FY26, while EEB credit cost declined to 3.3%.
- The bank expects gradual improvement in credit costs as collections improve and the secured mix increases.
- FY27 credit cost guidance has been retained at 1.6–1.8%.

Liability franchise and funding profile
- Retail deposits grew 16% YoY, significantly ahead of overall deposit growth.
- CASA balances increased 16% YoY to INR 48,479 crore, and the CASA ratio improved to 29.4%.
- Retail deposits now account for 74% of total deposits, while bulk deposit share declined to 26% from 32% a year ago.
- About 86% of bulk deposits are non-callable, improving funding stability.

Margin outlook and funding cost pressure
- NIM expansion is becoming more challenging due to rising deposit rates across the banking system.
- Savings deposit costs have increased by 20–25 bps, and the benefit of earlier repo rate cuts has largely been captured in Q4FY26 and Q1FY27.

Operating expenses and technology investments
- Operating expenses increased 19% YoY to INR 2,166 crore due to higher IT spending, employee cost revisions, and a one-time gratuity provision of INR 61 crore.
- IT costs are around 9.5% of total operating expenses, and the bank will continue investing in digital and technology capabilities.
- Productivity benefits from these investments are expected to emerge gradually after FY28.

Retail, housing, and gold loan business
- Housing finance growth was temporarily affected by business restructuring into three verticals.
- Excluding the overdraft-against-term-deposit product, the retail book grew around 5% sequentially.
- Gold loan sourcing was impacted by new RBI guidelines during April and May, but operations have now normalized and growth is expected to recover from Q2FY27.

Wholesale banking strategy
- Wholesale banking grew 38% YoY, with the focus on increasing wallet share through forex, trade finance, guarantees, cash management, and fee-based services.
- The bank has recently entered the forex business and is building a broader corporate banking product suite.
- Although wholesale margins are lower, the business offers stable revenues, lower credit risk, and better cross-sell opportunities.

Operating efficiency initiatives
- The bank is reducing dependence on DSA-led sourcing and increasing branch-led sourcing, which has risen from around INR 200 crore to over INR 900 crore per month.
- More banking units will be converted into sourcing centers to improve operating leverage and reduce acquisition costs.
- Cost-to-income and OPEX-to-assets ratios are expected to improve gradually after the current investment phase, with FY27–FY28 treated as investment years.

Key Financials

Income Statement						
Particulars (INR Mn)	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Interest Income	188,696	219,482	216,900	241,338	275,905	312,083
(-) Interest Expense	-85,440	-104,576	-108,600	-119,346	-135,194	-150,188
Total Net Interest Income	**103,256**	**114,906**	**108,300**	**121,993**	**140,711**	**161,896**
Other Income	**21,647**	**29,666**	**27,340**	**32,363**	**36,759**	**41,495**
Total Income	**124,903**	**144,572**	**135,640**	**154,356**	**177,470**	**203,391**
Total Operating Expenses	58,508	70,685	76,984	84,682	93,151	102,466
Operating Profit	**66,395**	**73,887**	**58,656**	**69,673**	**84,320**	**100,925**
Provisions	38,040	43,286	41,320	35,689	39,371	43,391
Profit before Tax	29,429	36,233	17,336	33,985	44,948	57,525
Provision for Taxes	7,133	8,780	5,100	8,496	11,237	14,381
PAT	**22,296**	**27,453**	**12,236**	**25,488**	**33,711**	**43,143**

Balance Sheet						
Particulars (INR Mn)	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Assets						
Cash and Balances with RBI	153,927	74,774	131,267	101,317	99,779	101,677
Money at call and short notice	7,778	20,919	8,244	5,771	6,348	6,983
Investments	292,876	407,123	386,683	444,388	501,171	563,541
Advances	1,211,368	1,319,873	1,501,038	1,694,474	1,923,136	2,159,066
Fixed Assets	11,734	11,804	14,013	16,060	18,287	21,851
Other Assets	100,733	80,269	70,002	73,893	77,999	82,334
Total Assets	**1,778,417**	**1,914,763**	**2,111,247**	**2,335,902**	**2,626,721**	**2,935,452**
Liabilities						
Capital	16,110	16,110	16,110	16,110	16,110	16,110
Reserves and Surplus	199,987	229,940	239,639	265,128	298,839	341,982
Deposits	1,352,020	1,512,125	1,663,445	1,872,580	2,125,277	2,386,005
Borrowing from other banks	163,715	111,385	143,028	147,757	147,598	147,743
Other liabilities and provisions	46,585	45,203	49,026	34,327	38,897	43,612
Total Liabilities	**1,778,417**	**1,914,763**	**2,111,247**	**2,335,902**	**2,626,721**	**2,935,452**

Source: Arihant Research, Company Filings

Ratios						
Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic Ratios						
EPS	13.8	17.0	7.6	15.8	20.9	26.8
Book Value per share	134.1	152.7	158.8	174.6	195.5	222.3
Adjusted book value per share	133.3	151.7	157.9	173.8	194.8	221.6
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0
Asset Quality						
Gross NPAs	3.5%	4.6%	3.3%	3.0%	2.6%	2.3%
Net NPAs	1.1%	1.3%	1.0%	0.8%	0.7%	0.5%
PCR	84.5%	86.5%	84.9%	85.0%	86.0%	87.0%
Profitability Ratio						
RoAE	10.8%	11.9%	4.9%	9.5%	11.3%	12.8%
RoAA	1.3%	1.5%	0.6%	1.1%	1.4%	1.6%
NIMs (as calculated)	7.1%	7.0%	5.9%	6.0%	6.2%	6.3%
Valuation						
P/E (x)	12.2	9.9	22.3	10.7	8.1	6.3
P/BV (x)	1.3	1.1	1.2	1.2	1.2	1.2
P/ABV (x)	1.3	1.1	1.1	1.0	0.9	0.8

Analysis						
Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Spread Analysis						
Yield on advances	13.5%	12.9%	13.3%	13.3%	13.3%	13.4%
Yield on investments	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Cost of deposits	6.7%	6.2%	6.0%	5.9%	5.9%	5.9%
Cost of funds	5.8%	6.5%	6.3%	6.1%	6.2%	6.1%
Spread	5.6%	4.5%	5.1%	5.3%	5.4%	5.5%
Growth (%)						
Advances growth	15.6%	9.0%	13.7%	12.9%	13.5%	12.3%
Deposit growth	25.1%	11.8%	10.0%	12.6%	13.5%	12.3%
Net Profit growth	1.6%	23.1%	-55.4%	108.3%	32.3%	28.0%
Liquidity						
Advances to deposit ratio	89.6%	87.3%	90.2%	90.5%	90.5%	90.5%
CASA	37.1%	33.2%	29.3%	31.0%	33.0%	35.0%
CET 1 Ratio	13.8%	17.9%	17.3%	17.6%	17.8%	18.0%
Efficiency						
Cost-to-income	46.8%	48.9%	56.8%	54.9%	52.5%	50.4%

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	**Registered Office**
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

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

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800