

CMP: INR 179

Rating: Buy

Target Price: INR 243

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) | 320 |
| 52w H/L (INR) | 192 / 134 |
| Avg Yearly Vol (in 000') | 8,479 |

Shareholding Pattern %

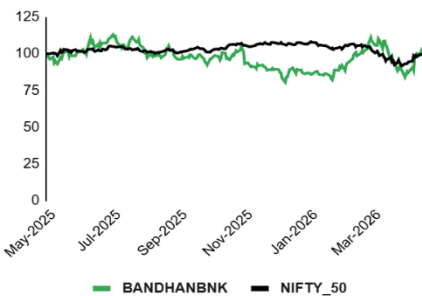
(As on March, 2026)

| | |
|-----------------|-------|
| Promoters | 39.00 |
| Public & Others | 61.00 |

Stock Performance (%)

| | 1m | 6m | 12m |
|--------------|-------|--------|--------|
| Bandhan Bank | 25.93 | 3.35 | 6.02 |
| Nifty 50 | 7.45 | (7.90) | (1.40) |

Bandhan Bank Vs Nifty 50



Abhishek Jain

abhishek.jain@arihantcapital.com

022 67114871

Juhi Manwani

Juhi.manwani@arihantcapital.com

022 67114870

The bank reported a strong quarter with PAT sharply ahead of estimate, driven by a steep moderation in provisions, while NII came marginally above estimate and PPOP came in slightly below estimate. Net Interest Income stood at INR 27,956 Mn vs our estimate of INR 27,410 Mn, up 4.0% QoQ & 1.4% YoY. PPOP came in at INR 14,412 Mn vs estimate of INR 15,230 Mn, down 0.3% QoQ & 8.3% YoY. Provisions came at INR 6,770 Mn vs estimate of INR 10,390 Mn, down 41.4% QoQ / 46.3% YoY, with credit cost moderating to 2.0% (vs 3.3% QoQ / 3.9% YoY). PAT stood at INR 5,341 Mn vs estimate of INR 3,630 Mn, up 159.8% QoQ / 68.0% YoY. GNPA stood at 3.34% vs estimate of 3.22%, down 6 bps QoQ & 144 bps YoY. NNPA stood at 0.97% vs estimate of 0.94%, down 3 bps QoQ / 32 bps YoY. Deposits increased to INR 16,63,440 Mn vs estimate of INR 15,67,240 Mn, up 6.1% QoQ / 10.0% YoY. Gross Advances increased to INR 15,42,300 Mn vs estimate of INR 15,03,080 Mn, up 6.2% QoQ / 12.6% YoY.

Strong Growth in Non-Microfinance Segments De-Risking Earnings Profile: The Bank's diversification continues to deliver, with the secured loan book now forming 56.2% of total advances (vs 50.5% YoY), achieving the management's internal target a year ahead of schedule. The EEB share has moderated to 35.0% (vs 41.3% YoY), meaningfully reducing concentration risk. Gross advances grew 12.6% YoY and 6.2% QoQ to INR 15,42,300 Mn, with the secured loan book up 25% YoY. Retail assets (ex-housing) recorded the strongest growth at 46% YoY, while the EEB segment posted 8% sequential growth, supporting a steadier earnings profile.

Sustained Growth in Secured Loan Portfolio Enhancing Asset Quality Stability: Bandhan Bank delivered a marked improvement in asset quality, with GNPA declining to 3.34% (-144 bps YoY / -6 bps QoQ) and NNPA easing to 0.97% (-32 bps YoY / -3 bps QoQ). The secured advances mix improved to 56.2% in Q4FY26 from 50.5% a year ago, surpassing the original 55%+ target set for FY27. Management is now guiding to a secured-unsecured mix of 58:42 by FY27, with the EEB portfolio expected to settle at roughly one-third of total advances. PCR remains robust at 84.9% (including technical write-offs), providing comfort on residual stress in the EEB book and underpinning earnings predictability.

Improving Collection Efficiency and Early Containment in Stressed Microfinance Portfolio: Collection efficiency continued its upward trajectory, with EEB collection efficiency rising to 99.3% in Q4FY26. Fresh slippages moderated sharply to INR 10,280 Mn from INR 13,140 Mn in Q3FY26, reflecting effective credit containment and improved underwriting. Credit cost dropped to 2.0% from 3.3% QoQ and 3.9% YoY, driving provisions lower to INR 6,770 Mn (vs INR 11,546 Mn in Q3FY26). Management expects credit costs to moderate further over FY27, supported by enhanced guardrails, technology-led collections, and regulatory tailwinds in the MFI space.

Valuation & View: The Bank is delivering on its structural transformation towards a secured lending model, having achieved the 55%+ secured mix milestone a year ahead of schedule. Management is targeting an exit ROA of 1.6% – 1.7% by end-FY27, supported by lower credit costs, normalization of margins, and higher fee income. With NIM at 6.2%, ROA at 1.1%, ROE at 8.5%, and CRAR at 18.0%, the bank is well-positioned for steady-state returns, while CASA improved to 29.3% (+204 bps QoQ) supporting funding granularity. **Hence, we maintain our Buy rating on the stock with a TP of INR 243, based on 1.2x FY29E ABV of INR 203 per share with an upside of 22.70%.**

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 | 11,603.3 | 12,974.9 | 14,365.7 |
| Operating Profit | 6,639.5 | 7,388.7 | 5,865.6 | 6,893.0 | 8,130.7 | 9,406.1 |
| PAT | 2,229.6 | 2,745.3 | 1,223.6 | 2,712.4 | 3,537.6 | 4,419.8 |
| EPS | 13.8 | 17.0 | 7.6 | 16.8 | 22.0 | 27.4 |
| EPS Growth | 1.6% | 23.1% | -55.4% | 121.7% | 30.4% | 24.9% |
| NIMs (calculated) | 7.14% | 7.05% | 5.94% | 5.96% | 6.19% | 6.31% |
| RoE | 10.8% | 11.9% | 4.9% | 10.1% | 11.8% | 13.0% |
| P/E | 12.2x | 9.9x | 22.3x | 10.1x | 7.7x | 6.2x |
| 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

Q4FY25 result Snapshot

| Income Statement (INR Mn.) | Q4FY26 | Q3FY26 | Q4FY25 | Q-o-Q | Y-o-Y |
|-------------------------------|---------------|---------------|---------------|---------|----------|
| Interest Income | 54,284 | 54,312 | 54,339 | -0.1% | -0.1% |
| Interest Expense | 26,328 | 27,429 | 26,780 | -4.0% | -1.7% |
| Net Interest Income | 27,956 | 26,883 | 27,559 | 4.0% | 1.4% |
| Non Interest Income | 7,707 | 6,910 | 6,996 | 11.5% | 10.2% |
| Total Income | 35,663 | 33,793 | 34,555 | 5.5% | 3.2% |
| Employee Costs | 11,584 | 11,335 | 10,842 | 2.0% | 6.8% |
| Other Operating Expenses | 9,667 | 8,008 | 8,000 | 20.7% | 20.8% |
| Operating Expenses | 21,251 | 19,343 | 18,842 | 9.9% | 12.8% |
| Pre-Provision Profit | 14,412 | 14,450 | 15,713 | -0.3% | -8.3% |
| Provisions | 6,770 | 11,546 | 12,602 | -41.4% | -46.3% |
| Profit Before Tax | 7,641 | 2,904 | 3,112 | 163.2% | 145.6% |
| Tax Expense | 2,300 | 848 | -67 | 171.3% | -3520.3% |
| Net Profit | 5,341 | 2,056 | 3,179 | 159.8% | 68.0% |
| Balance Sheet Analysis | | | | | |
| Deposits | 16,63,444 | 15,67,240 | 15,12,125 | 6.1% | 10.0% |
| CASA Deposits | 4,87,520 | 4,27,300 | 5,01,500 | 9.0% | -7.1% |
| CASA (%) | 29.3% | 27.3% | 33.2% | 74bps | -517bps |
| Advances | 15,01,038 | 14,52,250 | 13,19,873 | 3.4% | 13.7% |
| Total Assets | 21,12,237 | 19,61,300 | 19,14,763 | -98.9% | -98.9% |
| Capital Adequacy Ratio (%) | 18.0% | 17.8% | 18.7% | 24bps | -66bps |
| Spread Analysis | | | | | |
| NIM (%) | 6.20% | 5.90% | 6.70% | 30bps | -50bps |
| Asset Quality | | | | | |
| Gross NPA | 50,196 | 48,050 | 64,356 | 4.47% | -22.00% |
| Net NPA | 14,521 | 14,021 | 16,928 | 3.56% | -14.22% |
| GNPA (%) | 3.34% | 3.33% | 4.71% | 1bps | -137bps |
| NNPA (%) | 0.97% | 0.99% | 1.28% | -2bps | -31bps |
| Key Ratios | | | | | |
| Cost to Income Ratio (%) | 59.6% | 57.2% | 54.5% | 235bps | 506bps |
| C/D Ratio (%) | 90.2% | 92.7% | 87.3% | -243bps | 295bps |
| RoA (%) (annualized) | 1.10% | 0.50% | 0.70% | 60bps | 40bps |

Source: Arianth Research, Company Filings

KTA Q4FY26 Con-call :-

Bandhan Bank reported a strong recovery in Q4FY26, characterized by a sharp sequential surge in profitability and strengthening asset quality. Net profit grew by 68% YoY to INR 5.34 bn, supported by healthy margin expansion and a significant reduction in credit costs. The performance reflects the successful execution of the bank's diversification strategy, with the secured loan book now constituting 56% of total advances.

Key Financial Highlights**Advances & Portfolio Mix:**

- Gross advances scaled to INR 1,542.33 bn, marking 13% YoY and 6% QoQ growth.
- Secured loan book grew 25% YoY to INR 863.70 bn, achieving internal targets a year ahead of schedule.
- Retail assets (ex-housing) saw the highest growth at 46% YoY.
- EEB segment stabilized with 8% sequential growth to INR 539.06 bn.

Liability Profile:

- Total deposits reached INR 1,663.44 bn, up 10% YoY.
- CASA balances increased to INR 487.52 bn, improving the CASA ratio to 29.3%.
- Retail deposits (CASA + Retail TD) now account for 74% of total deposits.
- High-cost bulk deposits declined 7% YoY as the focus shifted to granular funding.

Revenue & Margins:

- Net Interest Income (NII) for the quarter stood at INR 27.96 bn.
- NIM expanded to 6.2% for the quarter.
- Other income rose 10% YoY to INR 7.71 bn, led by a 34% surge in third-party product distribution.
- Operating profit remained resilient at INR 14.41 bn.

Asset Quality:

- GNPA improved to 3.3% vs 4.7% YoY; NNPA stood at 1.0% vs 1.3% YoY.
- Fresh slippages declined sharply to INR 10.28 bn from INR 13.14 bn in Q3.
- PCR remains robust at 84.9% (including technical write-offs).
- EEB collection efficiency improved to 99.3% for the quarter.

Guidance & Outlook

- Profitability Targets: Aiming for an exit ROA of 1.6% - 1.7% by the end of FY27, supported by a reduction in credit costs and higher fee income.
- Loan Mix: The target for the secured-unsecured mix is set at 58:42 for FY27, with the EEB segment expected to settle at roughly one-third of the total portfolio.
- Operational Efficiency: Expecting a reduction in Priority Sector Lending Certificate (PSLC) costs by 50% in the coming year through revamped internal processes.
- Dividend: A dividend of INR 1.50 per share (15%) has been recommended for FY26, subject to shareholder approval. Network Expansion: The bank plans to continue leveraging its network of 6,350+ outlets and 1,955 branches to drive granular deposit growth.
- Network: Continued focus on leveraging 6,350+ outlets to drive granular retail deposit growth.

Key Financials

Income Statement

| Particulars (INR Mn) | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|----------------------------------|----------|-----------|-----------|-----------|-----------|-----------|
| Interest Income | 1,88,696 | 2,19,482 | 2,16,900 | 2,33,505 | 2,55,237 | 2,78,464 |
| (-) Interest Expense | -85,440 | -1,04,576 | -1,08,600 | -1,17,472 | -1,25,488 | -1,34,807 |
| Total Net Interest Income | 1,03,256 | 1,14,906 | 1,08,300 | 1,16,033 | 1,29,749 | 1,43,657 |
| Other Income | 21,647 | 29,666 | 27,340 | 37,580 | 44,709 | 52,870 |
| Total Income | 1,24,903 | 1,44,572 | 1,35,640 | 1,53,613 | 1,74,457 | 1,96,526 |
| Total Operating Expenses | 58,508 | 70,685 | 76,984 | 84,682 | 93,151 | 1,02,466 |
| Operating Profit | 66,395 | 73,887 | 58,656 | 68,930 | 81,307 | 94,061 |
| Provisions | 38,040 | 43,286 | 41,320 | 32,766 | 34,139 | 35,120 |
| Profit before Tax | 29,429 | 36,233 | 17,336 | 36,165 | 47,168 | 58,931 |
| Provision for Taxes | 7,133 | 8,780 | 5,100 | 9,041 | 11,792 | 14,733 |
| PAT | 22,296 | 27,453 | 12,236 | 27,124 | 35,376 | 44,198 |

Balance Sheet

| Particulars (INR Mn) | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Assets | | | | | | |
| Cash and Balances with RBI | 1,53,927 | 74,774 | 1,31,267 | 1,19,879 | 1,19,628 | 1,24,648 |
| Money at call and short notice | 7,778 | 20,919 | 8,244 | 5,771 | 6,348 | 6,983 |
| Investments | 2,92,876 | 4,07,123 | 3,86,683 | 4,18,301 | 4,58,716 | 4,94,891 |
| Advances | 12,11,368 | 13,19,873 | 15,01,038 | 15,74,505 | 17,37,879 | 18,68,518 |
| Fixed Assets | 11,734 | 11,804 | 14,013 | 19,029 | 24,866 | 32,081 |
| Other Assets | 1,00,733 | 80,269 | 70,002 | 76,866 | 84,596 | 92,651 |
| Total Assets | 17,78,417 | 19,14,763 | 21,11,247 | 22,14,350 | 24,32,033 | 26,19,771 |
| Liabilities | | | | | | |
| Capital | 16,110 | 16,110 | 16,110 | 16,110 | 16,110 | 16,110 |
| Reserves and Surplus | 1,99,987 | 2,29,940 | 2,39,639 | 2,66,763 | 3,02,139 | 3,46,337 |
| Deposits | 13,52,020 | 15,12,125 | 16,63,445 | 17,54,003 | 19,32,300 | 20,73,957 |
| Borrowing from other banks | 1,63,715 | 1,11,385 | 1,43,028 | 1,45,452 | 1,46,244 | 1,45,581 |
| Other liabilities and provisions | 46,585 | 45,203 | 49,026 | 32,023 | 35,241 | 37,787 |
| Total Liabilities | 17,78,417 | 19,14,763 | 21,11,247 | 22,14,350 | 24,32,033 | 26,19,772 |

Source: Arihant Research, Company Filings

| Particulars (INR Mn) | Ratios | | | | | |
|-------------------------------|--------|-------|-------|-------|-------|-------|
| | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
| Basic Ratios | | | | | | |
| EPS | 13.8 | 17.0 | 7.6 | 16.8 | 22.0 | 27.4 |
| Book Value per share | 134.1 | 152.7 | 158.8 | 175.6 | 197.6 | 225.0 |
| Adjusted book value per share | 133.3 | 151.7 | 157.2 | 173.0 | 194.7 | 221.9 |
| 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% | 4.5% | 4.3% | 4.3% |
| Net NPAs | 1.1% | 1.3% | 1.0% | 2.9% | 2.8% | 2.8% |
| PCR | 84.5% | 86.5% | 84.9% | 82.0% | 80.0% | 78.0% |
| Profitability Ratio | | | | | | |
| RoAE | 10.8% | 11.9% | 4.9% | 10.1% | 11.8% | 13.0% |
| RoAA | 1.3% | 1.5% | 0.6% | 1.3% | 1.5% | 1.8% |
| 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 | 10.1 | 7.7 | 6.2 |
| 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 |

| Particulars (INR Mn) | Analysis | | | | | |
|---------------------------|----------|-------|--------|--------|-------|-------|
| | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
| Spread Analysis | | | | | | |
| Yield on advances | 13.5% | 12.9% | 13.3% | 13.4% | 13.4% | 13.6% |
| Yield on investments | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Cost of deposits | 3.9% | 3.9% | 6.0% | 6.0% | 6.0% | 6.0% |
| Cost of funds | 5.8% | 4.4% | 6.3% | 6.2% | 6.2% | 6.2% |
| Spread | 5.6% | 6.6% | 5.1% | 5.2% | 5.3% | 5.4% |
| Growth (%) | | | | | | |
| Advances growth | 15.6% | 9.0% | 13.7% | 4.9% | 10.4% | 7.5% |
| Deposit growth | 25.1% | 11.8% | 10.0% | 5.4% | 10.2% | 7.3% |
| Net Profit growth | 1.6% | 23.1% | -55.4% | 121.7% | 30.4% | 24.9% |
| Liquidity | | | | | | |
| Advances to deposit ratio | 89.6% | 87.3% | 90.2% | 89.6% | 89.6% | 89.6% |
| CASA | 37.1% | 44.0% | 44.0% | 31.0% | 33.0% | 35.0% |
| CET 1 Ratio | 17.1% | 17.7% | 16.6% | 16.5% | 17.0% | 17.5% |
| Efficiency | | | | | | |
| Cost-to-income | 46.8% | 48.9% | 56.8% | 55.1% | 53.4% | 52.1% |

Source: Arianth Research, Company Filings

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
 Y.N. Road,
 Indore - 452003, (M.P.)
 Tel: (91-731) 4217100/101
 CIN: L66120MP1992PLC007182

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% |

**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@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