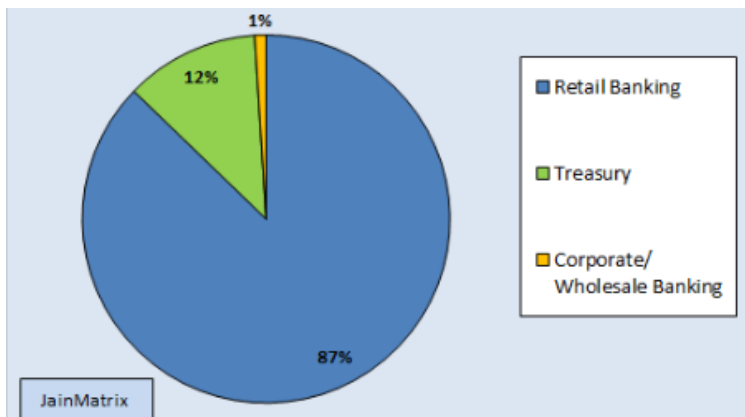


Bandhan Bank Ltd.

Overview: Bandhan Bank Ltd. Provides banking services. It provides a variety of asset and liability products and services designed for Micro Banking and General Banking. The bank's **operating segments are Treasury, Retail banking, Corporate and Wholesale banking and Other banking business.** It's treasury operations include investments in sovereign securities and trading operations, Retail banking includes lending to individuals/small businesses along with card services, mobile banking, internet banking, ATM services and NRI services. The corporate wholesale segment includes corporate relationships not included in Retail banking and Other segments include para-banking activities. **It generates majority of its revenue from Retail Banking.** It is the **8th largest bank** in India in terms of **Market Capitalisation.** Net NPA% has increased. Increase in Net NPA is partly due to increase in Gruh housing loan portfolio due to change in recognition norms as applicable to bank from HFC

Business Wise revenue Segmentation



Positive Trigger:

- Growth in Nil, Revenue, PAT, PAT margins and consistency in NIM:**

The bank's Nil has seen a YoY growth of around 26% in FY 2019, and is on track to grow by almost double of that figure in the current fiscal year. This growth is supported by healthy loan repayment rates. **Overall YoY revenue grew from 23% in 2018 to 38% in 2019 and is on track to grow by 51% in this current fiscal year.** PAT grew from 21% in 2017 to 56% in the current fiscal year (YoY growth almost tripled). PAT margins have also remained consistent over the period. Net profit YoY growth has almost quadrupled in a period of over 3 years. (from 21% to 80%). **NIM has remained more or less consistent** in the past years.

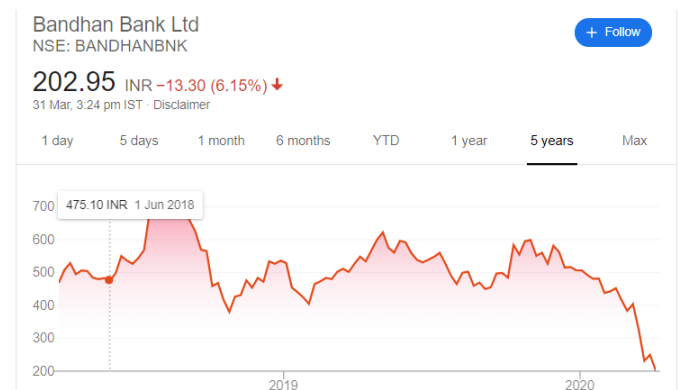
- Growth in EPS, consistency in ROE and ROCE and high CAR: EPS has also seen an increase from Rs.10/share to Rs.16/share in the current fiscal year. ROCE has remained consistent over the last two fiscal years indicating that capital is being used efficiently. ROE has also remained consistent over the last two years and is on track to increase from around 19% to 24% in this current fiscal year. D/E ratio has also remained consistent and stands quite low at 0.09 so investors don't have to worry about the bank defaulting. CAR also remains quite high(compared to the requirement**

Key Data		
Sector	Banking and Finance	
Industry	NBFC	
CMP (as on 31 Mar 2020)	₹ 195	
52 Wk Low/High (Rs.)	₹ 152.35/ 650	
Lifetime Low/High (Rs.)	₹ 152.35 / 741	
Target Price	Rs. 500	
% Upside	156%	
Duration	6 months – 1yr	
Face Value	₹ 10	
Mkt. Cap (Rs. In Cr.)	32775.99 Crores	
P/BV Ratio	5.59	
P/E Ratio (x)	11.41	
EV/EBITDA (x)	7.1	
ROE (%)	24.23	
ROCE (%)	28.66	
Shareholding Pattern (in %)	Dec-19	Dec-18
Promoter	60.96%	82.28%
Public Mutual funds	3.51%	2.91%
FII/FPI	13.92	5.10%
DII/Others	4.66%	7.30%
Non-Institution	16.95%	2.10%
Total	100%	100%

Influential Investors Invested in the Stock

Name of the Shareholders	Dec-19
Housing Development Finance Corp. Ltd.	9.9%
Caladium Investment PTE Ltd.	5.5%
Axis Mutual Fund	4.4%

Stock Chart:



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by RBI which is 15%) and **has been increasing for 3 years in a row (including the current fiscal year)** now indicating that the financial health of the bank is quite good.

3. Yield on Advances and Yield on Investments, CASA%, Cost to Income ratio: Yield on advances and investments have both remained consistent over the previous two fiscal years ensuring consistent interest income to the bank. **CASA% has seen a consistent increase over a period of 3** (including the current fiscal year) **from 29% in 2018 to around 41%** in the current fiscal year indicating that the bank is slowly being able to make the shift over cheaper borrowing

Fundamentals (RS. In Crores)	TTM	2019	2018
Net Interest Income	4,496.10	3,032.24	2,403.50
NII growth %	48.28%	26.16%	
Revenue Growth(%)	51.92	38.35	22.86
Operating profit	3,748.19	2,430.11	1,792.91
Operating profit growth(%)	49.5	54.24	35.54
Operating profit margin (%)	61.68%	64.96%	71.59%
PAT	3,054.85	1,951.50	1,345.56
PAT growth (%)	56.54%	45.03%	21.01%
PAT margins (%)	29.37%	28.02%	28.45%
Net Profit growth (%)	80.92	45.03	21.01
EPS	16.36	11.28	10.15
P/B (times)	2.36	5.59	5.95
P/E (times)	11.41	32.09	41.51
EV/EBITDA (times)	7.1	16.85	23.1
ROE(%)	24.23	18.96	19.46
ROCE(%)	28.66	28.32	-
CAR	29.20%	31.48%	26.36%
Yield On Advances%	--	16.76	16.16
Yield On Investments%	--	6.52	6.41
NIM%	10.70%	9.70%	10.40%
Net NPA%	0.58%	0.58%	0.36%
Advances (in cr)	59,785.86	39,643.39	29,713.04
Advances growth	50.81%	33.42%	76.45%
Deposits	49,195.19	43,231.62	33,869.00
Deposits growth rate	13.79%	27.64%	45.81%
CASA (%)	40.80%	34.30%	29.40%

funds, reducing costs and increasing operational efficiency and thus profits. **Cost to Income ratio is also quite good. It stands at around 33% when the Ind. Avg. is 45%.**

4. Concern for Operating profit margins, Growth in Advances and Deposits and Net NPA: Overall operating profit growth and margins have seen a decrease. The YoY growth for Advances and Deposits have also seen a decrease in the last 3 years. **Net NPA has also marginally increased from 0.36% to 0.58% in 2020.**

5. Scope for growth in the future: Rural banking penetration will only keep growing in the future, where the bank already has achieved 70% penetration compared to its peers who have achieved only 27% and costs tend to be relatively low in the rural areas further increasing profit growth.

Also, unrest in Assam (16% of MFI loan book) in Dec 2019 led to reduction in collection efficiency to below 80% in the state, the bank managed to revive it to around 93% This speak volumes about the bank's dedication towards it stakeholders

Also, promoters stake has reduced because of GRUH merger, so investor should have no cause for concern over there

Industry Overview:

- Mortgages to grow fast and will cross Rs 40 trillion by 2020.
- In FY07-18, total lending increased at a CAGR of 10.94 per cent and total deposits increased at a CAGR of

11.66 per cent and this trend is expected to continue in the future.

- India's retail credit market is the fourth largest in the emerging countries. It increased to US\$ 281 billion on December 2017 from US\$ 181 billion on December 2014 and is also expected to rapidly grow in the future.

India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023

Future Estimates: The bank has a lot of exposure in **the North East where market penetration of banks, specifically MFI's is still low** as compared to the rest of the country. Here, there is opportunity for the bank to further scale up operations and capture majority of the market share. **Retail banking is only going to continue to grow in a growing economy** like India's, hence the bank is in a perfect position to exploit that opportunity given their exposure towards Retail is huge. **Urban migration and the middle class will keep growing in the coming years, and this coupled with more**

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liberal attitude towards personal debt will further provide the bank with more opportunities to increase their market share in retail banking.

Peer Comparison

Bank	Net sales(In cr)	Net Profit(In cr)	EPS/share	P/E	NII (In cr)	ROA(%)	CAR (%)	D/E	Net NPA(%)
Bandhan Bank	6644	1216	16.36	11.41	5737	4.8	29.2	3.9	0.58
IndusInd Bank	22261	-1486	64.54	5.44	11059	3.05	14.16	9.19	1.21
AU Small Finance Bank	2948	381	22.05	41.5	1741	2.21	19.3	0	1.29
Yes Bank	29,624	-4057	7.43	4.5	8030	-11.89	16.5	12.49	1.86
IDFC First Bank	11948	-2354	4.75	-4.85	5517	-3.83	15.47	7	1.27
Ind. Avg.	16695.25	-1879	24.6925	11.6475	6586.75	-2.615	16.3575	7.17	1.4075
Comparison with Ind. Avg	Low	High	Low	Same	Low	High	High	Low	Low

The bank seems to be performing really well with respect to Net profit, ROA, CAR, D/E, Net NPA, NIM, OP margins and Yield On Advances when compared to the Ind. Avg. but falls short when it comes to its Net sales, EPS, NII

Conclusion: Hence, company's fundamentals are relatively strong but there is slight concern over it's operating profit margins and Advances growth rate, **target price = 500** (before the virus the price was around 400)



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