

Bandhan Bank (BANDHAN) - BUY

Result Update Q1FY27

Current Market Price (CMP) Rs.209	Fair Value (FV) Rs.235
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Rationale:

- Bandhan Bank reported ~35% yoy earnings growth, despite operating profits declining ~20% yoy as provisions declined ~40% yoy.
- Asset quality concerns are abating as slippages are moving to normalized levels.
- Bandhan Bank has lowered its guidance on NIM and increased its operating expense assumptions, resulting in lower RoA (~40 bps lower than previously guided).
- Maintain BUY with an FV of Rs235, but a re-rating looks challenging in the short term until we gain comfort on execution.

 Positives:

- AUM growth has recovered to 16% yoy.
- Mortgages continue to constitute 22% of the loan mix, while the share of SME loans has steadily inched up to ~20%.
- Net interest margin (NIM) for the quarter was flat qoq at 6.2%.
- Slippages were at 2.8% (MFI portfolio slippages declined sharply to 4.5% from 5.5% qoq).
- Gross and net NPL ratios were marginally lower qoq at 3.2% and 0.9%, respectively.
- Capital position is healthy with CAR at ~18% and Tier-1 capital at ~17%.

 Negatives:

- Management indicated that it does not expect NIM to improve further during FY2027 as compared with an earlier expectation of a ~30 bps improvement to 6.5% by Q4FY27.

(NIM: Net Interest Margin, NPL: Non performing loans, ROE: Return on equity, ROA: Return on assets, MFI: Microfinance, CAR: Capital adequacy ratio)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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Definitions of ratings

- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE

– We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL

– We expect the stock to deliver < -5% returns over the next 12 months
- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE

– We advise investor to subscribe to the IPO.
- RS

– **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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