



MD CEO's Resignation Raises Concerns on Future Prospects!

- ✓ Mr Chandra Shekhar Ghosh has resigned from the post of MD & CEO of the bank with the intent to retire and assume a more strategic role at Bandhan HoldCo. level. This development comes shortly after the board had recently approved the extension of Mr Ghosh's term as MD CEO for another 3 years in Nov'23.
- ✓ The bank has set up an internal search committee to identify a new MD CEO. The search committee will identify the new candidate and will submit the proposal to the regulator. **Post the completion of Mr Ghosh's term in Jul'24, Bandhan will have an interim MD-CEO until approval from the regulator on the names submitted by the bank.**
- ✓ The resignation comes as a negative surprise, especially at a time when the bank continues to grapple with COVID-related stress in terms of asset quality and a slower recovery than peers. Additionally, Bandhan is currently undergoing a forensic audit on a portion of the bank's loan book (~Rs 230 Bn), the outcome of which is expected in the next 1-2 months.
- ✓ Before Mr Ghosh's retirement, the bank has seen multiple senior-level exits in the last couple of years, which we believe has to an extent hampered the perception of the bank. Amongst the many new hires are 2 Executive directors - Mr Ratan Kumar Kesh and Mr Rajinder Kumar Babbar along with the newly inducted CFO Mr Rajeev Mantri and a Head – Retail Banking, Chief Information Officer and Chief Compliance Officer.
- ✓ In the conference call to discuss the recent developments, Mr Ghosh assured that the strategic plan for the bank is in place and the senior management team continues to remain strong and capable of driving growth. While the senior management team has rich professional experience, **it cannot be ruled out that many of the senior management team members' association with the bank has not been for very long.**

Outlook & Recommendation

Bandhan continues to grapple with asset quality concerns, especially in the EEB book, while most of its peers have shown remarkable improvement in asset quality. While the Q4FY24 provisional numbers indicate strong growth in terms of both advances and deposits and collection efficiency remaining steady at ~99% in both the EEB and non-EEB segments, **the uncertainty around the management succession and the potential challenges in terms of growth strategy for the bank will result in a further de-rating of the stock. We maintain our estimates currently and will revise them post the Q4FY24 results.**

We revise our rating from BUY to HOLD lowering the valuation multiple from 1.5x Sep'25E ABV to 1.1x Sep'25E ABV. We arrive at a target price of Rs 175/share, implying a downside of ~5% from the CMP.

(CMP as of 08 April, 2024)

CMP (Rs)	185
Upside /Downside (%)	(-5%)
High/Low (Rs)	272/173
Market cap (Cr)	29,795
Avg. daily vol. (6m) Shrs.	1,30,38,261
No. of shares (Cr)	161.1

Shareholding (%)

	Jun-23	Sep-23	Dec-23
Promoter	40.0	40.0	40.0
FIs	33.5	32.8	34.8
MFs / FIs	7.5	8.5	9.6
Others	19.0	18.7	15.6

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
NII	10,218	12,298	14,583
PPOP	6,690	8,215	9,878
Net Profit	3,067	4,196	5,078
EPS (Rs)	19.0	26.0	31.5
ABV (Rs)	122.6	145.9	174.0
P/ABV (x)	1.5	1.3	1.1
RoA (%)	1.9	2.2	2.3
NNPA (%)	2.1	1.8	1.5

Change in Estimates (%)

Y/E Mar	FY24E	FY25E
NII	-	-
PPOP	-	-
PAT	-	-

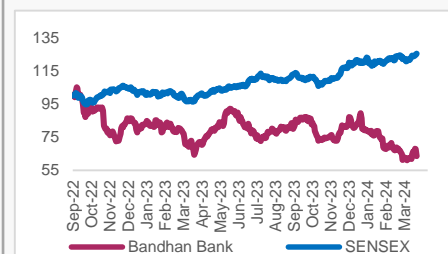
ESG disclosure Score**

Environmental Disclosure	2.4
Social Disclosure Score	26.8
Governance Disclosure Score	78.6
Total ESG Disclosure Score	36.0
Sector Average	38.8

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative Performance



Source: AceEquity, Axis Securities

Dnyanada Vaidya

Research Analyst

Email: dnyanada.vaidya@axissecurities.in

Prathamesh Sawant, CFA

Research Analyst

Email: prathamesh.sawant@axissecurities.in

CA Bhavya Shah

Research Associate

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
Net Interest Income	9,260	10,218	12,298	14,583
Other Income	2,469	2,077	2,434	2,886
Total Income	11,728	12,295	14,731	17,469
Total Operating Exp	4,637	5,604	6,517	7,591
PPOP	7,091	6,690	8,215	9,878
Provisions & Contingencies	4,198	2,634	2,664	3,162
PBT	2,893	4,056	5,550	6,716
Provision for Tax	698	990	1,354	1,639
PAT	2,195	3,067	4,196	5,078

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS				
Share Capital	1,611	1,611	1,611	1,611
Reserves	17,973	20,733	24,509	29,079
Shareholder's Funds	19,584	22,344	26,120	30,690
Total Deposits	1,08,069	1,24,819	1,46,069	1,71,319
Borrowings	24,711	22,537	28,500	34,885
Other Liabilities & Provisions	3,406	3,793	4,486	5,295
Total Liabilities	1,55,770	1,73,494	2,05,176	2,42,189
APPLICATION OF FUNDS				
Cash & Bank Balance	8,250	7,913	9,227	10,332
Investments	32,366	32,514	38,050	44,627
Advances	1,04,757	1,21,833	1,44,614	1,71,548
Fixed Assets & Other Assets	10,398	11,234	13,285	15,682
Total Assets	1,55,770	1,73,494	2,05,176	2,42,189

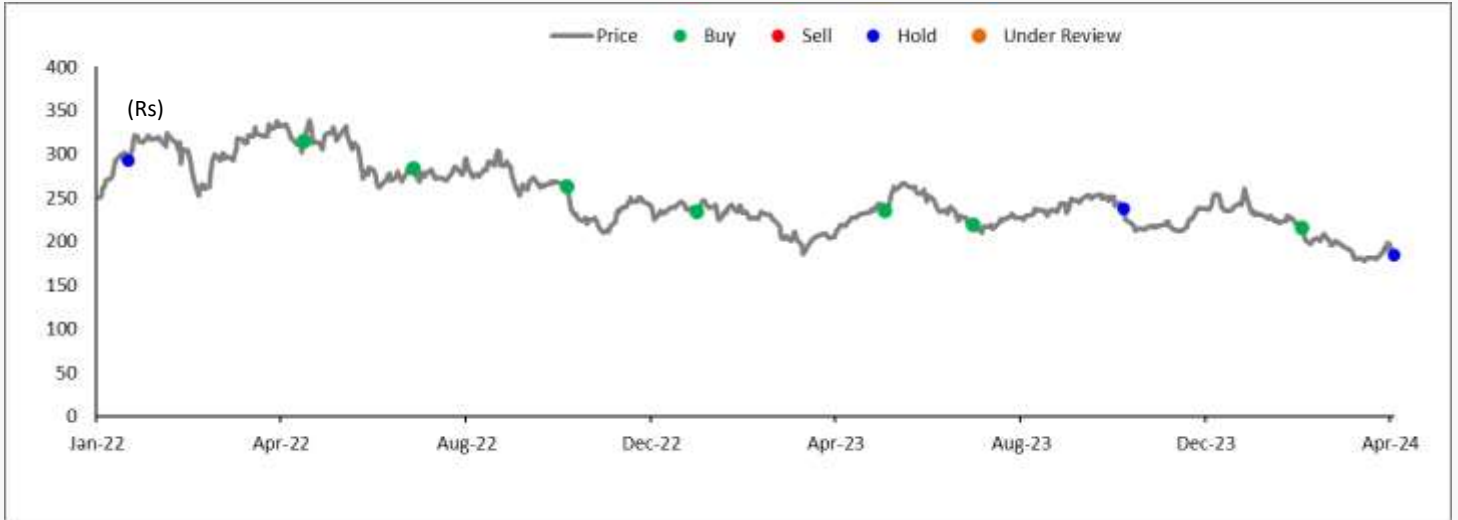
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24E	FY25E	FY26E
VALUATION RATIOS				
EPS	13.6	19.0	26.0	31.5
Earnings Growth (%)	1645	40	37	21
BVPS	121.6	138.7	162.2	190.5
Adj. BVPS	114.0	122.6	145.9	174.0
ROAA (%)	1.5	1.9	2.2	2.3
ROAE (%)	11.9	14.6	17.3	17.9
P/E (x)	13.6	9.7	7.1	5.9
P/ABV (x)	1.6	1.5	1.3	1.1
PROFITABILITY				
NIM (%)	7.2	7.2	7.4	7.4
Cost-Income Ratio	39.5	45.6	44.2	43.5
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	11.5	16.3	18.7	18.6
Deposit Growth (%)	12.2	15.5	17.0	17.3
Equity/Assets (%)	12.6	12.9	12.7	12.7
Equity/Loans (%)	18.7	18.3	18.1	17.9
CAR	19.8	19.5	18.9	18.3
CAR Tier I	18.7	18.6	18.0	17.6
ASSET QUALITY				
Gross NPLs (%)	4.9	6.8	5.8	5.0
Net NPLs (%)	1.2	2.1	1.8	1.5
Coverage Ratio (%)	76.8	70.0	70.0	70.0
Credit Costs	4.2	2.3	2.0	2.0
ROAA TREE				
Net Interest Income	6.3	6.2	6.5	6.5
Non-Interest Income	1.7	1.3	1.3	1.3
Operating Cost	3.1	3.4	3.4	3.4
Provisions	2.8	1.6	1.4	1.4
Tax	0.5	0.6	0.7	0.7
ROAA	1.5	1.9	2.2	2.3
Leverage (x)	8.0	7.9	7.8	7.9
ROAE	11.9	14.6	17.3	17.9

Source: Company, Axis Securities

Bandhan Bank Price Chart and Recommendation History



Date	Reco	TP	Research
24-Jan-22	HOLD	275	Result Update
16-May-22	BUY	400	Result Update
25-Jul-22	BUY	350	Result Update
31-Oct-22	BUY	305	Result Update
23-Jan-23	BUY	275	Result Update
22-May-23	BUY	275	Result Update
17-Jul-23	BUY	255	Result Update
19-Oct-23	HOLD	250	Result Update
12-Feb-24	BUY	240	Result Update
09-Apr-24	HOLD	175	Company Update

Source: Axis Securities

About the Analyst**Analyst:** Dnyanada Vaidya**Contact Details:** dnyanada.vaidya@axissecurities.in**Sector:** BFSI**Analyst Bio:** Dnyanada Vaidya is MMS (Finance) with over 6 years of research experience in the Banking/NBFC sector.**About the Analyst****Analyst:** Prathamesh Sawant, CFA**Contact Details:** prathamesh.sawant@axissecurities.in**Sector:** BFSI**Analyst Bio:** Prathamesh Sawant is MBA (Finance) and CFA Charter holder with over 7 years of experience in Equity Research & Valuation.**About the Associate****Associate:** CA Bhavya Shah**Contact Details:** bhavya1.shah@axissecurities.in**Sector:** BFSI**Analyst Bio:** Bhavya Shah is Chartered Accountant and CFA level 2 cleared with over 18 months of research experience in the Banking/NBFC Industry.**Disclosures:**

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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