

Bandhan Bank | BUY



RBI appoints Additional Director to the board of the bank

Bandhan Bank [has announced](#) that RBI has appointed Shri Arun Kumar Singh as an additional director (exercise of powers conferred under Section 36AB of the Banking Regulation Act, 1949) to the Board of Directors of the bank for a period of 1 year beginning June 24th, 2024. In our view, as the bank undergoes leadership transition (current MD&CEO Mr. Ghosh's term ends in July 2024 and board is yet to finalize potential candidates for the MD&CEO position), this move should see a smooth functioning especially in light of the fact the "relatively new" management team (2 Executive Directors have joined post March 2023 and CFO in Feb, 2024) at the helm.

Valuation and view: We do not think this should result into renewed worries on asset quality outcomes for the bank. However, we still await the outcome of the CGFMU forensic audit. While investors will remain in wait and watch mode until clarity on the new CEO emerges. In past instances of RBI appointing additional directors (Exhibit 1), experience suggests that RBI directors have exited their positions even prior to completion of the term when leadership transition has been achieved or desired stability at the bank has been achieved. Also, in Bandhan's case the appointment is for a period of 1 year (vs 2 years in case of other banks). Hence, we do not view the current event necessarily as a negative development and would closely monitor delivery on asset quality and look forward to update on CGFMU outcome and MD&CEO appointment. Current valuations (1.1x FY26E P/BV) remain attractive in our view. Maintain BUY with a TP of 260.

Exhibit 1. Recent instances of additional directors appointed on private sector banks by RBI

Bank Name	Name of additional director appointed under section 36AB	Date	Tenure
RBL Bank	Shri Yogesh Dayal	Dec-21	2 years
Ujjivan SFB	Shri P N Raghunath	Nov-21	2 years (stepped down in May 2023)
Dhanlaxmi Bank	Shri D K Kashyap	Sep-20	2 years (extended by another 2 years till Sep 2024)
Dhanlaxmi Bank	Shri Jagan Mohan	Sep-20	2 years (replaced by Shri Yarasi Jayakumar in May 2022 for 2 years)
TMB	Shri Thomas Mathew (replacement for Shri Suresh Kumar S B)	Apr-24	2 years

Source: Company, JM Financial

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	260
Upside/(Downside)	25.0%
Previous Price Target	260
Change	0.0%

Key Data – BANDHAN IN

Current Market Price	INR208
Market cap (bn)	INR335.0/US\$4.0
Free Float	56%
Shares in issue (mn)	1,611.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR3,105.4/US\$37.2
52-week range	263/169
Sensex/Nifty	77,341/23,538
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	11.6	-11.4	-11.8
Relative*	8.8	-18.6	-28.2

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Profit	1,258	21,946	22,296	37,539	48,002
Net Profit (YoY) (%)	-94.3%	1,644.6%	1.6%	68.4%	27.9%
Assets (YoY) (%)	20.8%	12.1%	14.2%	16.8%	17.1%
ROA (%)	0.1%	1.5%	1.3%	1.9%	2.1%
ROE (%)	0.7%	11.9%	10.8%	16.1%	17.5%
EPS	0.8	13.6	13.8	23.3	29.8
EPS (YoY) (%)	-94.3%	1,644.6%	1.6%	68.4%	27.9%
PE (x)	267.6	15.3	15.1	9.0	7.0
BV	108	122	134	156	184
BV (YoY) (%)	-0.2%	12.7%	10.3%	16.3%	18.1%
P/BV (x)	1.94	1.72	1.56	1.34	1.13

Source: Company data, JM Financial. Note: Valuations as of 24/Jun/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Brief profile of Shri Arun Kumar Singh: Shri Arun Kumar Singh, aged 60 years, has working experience of almost 36 years in RBI. He has worked in various capacities in the field of Non-Banking Supervision & Regulation, Banking Supervision & Regulation, Financial Inclusion, Monetary Policy, Information Technology, Enforcement Actions against Banks & Non-Banks, Government Banking, etc. He has served as RBI nominee director on the Boards of five banking and non-banking entities. He had also a three-year stint as Regional Director for the State of Rajasthan. Shri Arun Kumar Singh has done his Graduation in Economics and MBA in Finance and HR. He is also a Certified Associate of the India Institute of Banking (CAIB).

Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Interest Income	87,145	92,596	1,03,256	1,18,467	1,41,960	
Profit on Investments	2,775	-1,064	1,007	1,007	1,007	
Exchange Income	6	-25	-29	-33	-39	
Fee & Other Income	25,444	25,775	20,668	29,436	34,753	
Non-Interest Income	28,225	24,686	21,647	30,410	35,721	
Total Income	1,15,370	1,17,282	1,24,903	1,48,877	1,77,682	
Operating Expenses	35,236	46,368	58,508	68,417	78,235	
Pre-provisioning Profits	80,134	70,913	66,395	80,460	99,447	
Loan-Loss Provisions	66,986	52,257	36,966	30,910	36,087	
Provisions on Investments	0	0	0	0	0	
Others Provisions	11,862	-10,273	0	0	0	
Total Provisions	78,848	41,984	36,966	30,910	36,087	
PBT	1,286	28,930	29,429	49,550	63,360	
Tax	28	6,983	7,133	12,011	15,358	
PAT (Pre-Extraordinaries)	1,258	21,946	22,296	37,539	48,002	
Extra ordinaries (Net of Tax)	0	0	0	0	0	
Reported Profits	1,258	21,946	22,296	37,539	48,002	
Dividend paid	0	2,416	2,416	2,416	2,416	
Retained Profits	1,258	19,530	19,879	35,123	45,586	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY) (%)					
Deposits	23.5%	12.2%	25.1%	18.0%	18.0%
Advances	15.1%	11.5%	15.6%	16.8%	17.3%
Total Assets	20.8%	12.1%	14.2%	16.8%	17.1%
NII	15.2%	6.3%	11.5%	14.7%	19.8%
Non-interest Income	39.6%	-12.5%	-12.3%	40.5%	17.5%
Operating Expenses	25.1%	31.6%	26.2%	16.9%	14.3%
Operating Profits	18.4%	-11.5%	-6.4%	21.2%	23.6%
Core Operating profit	18.2%	-7.0%	-9.2%	21.5%	23.9%
Provisions	106.4%	-46.8%	-12.0%	-16.4%	16.7%
Reported PAT	-94.3%	1,644.6%	1.6%	68.4%	27.9%
Yields / Margins (%)					
Interest Spread	6.42%	6.12%	6.09%	6.02%	6.18%
NIM	7.10%	6.67%	6.62%	6.56%	6.71%
Profitability (%)					
Non-IR to Income	24.5%	21.0%	17.3%	20.4%	20.1%
Cost to Income	30.5%	39.5%	46.8%	46.0%	44.0%
ROA	0.10%	1.49%	1.34%	1.95%	2.13%
ROE	0.7%	11.9%	10.8%	16.1%	17.5%
Assets Quality (%)					
Slippages	11.97%	10.46%	3.60%	3.40%	3.40%
Gross NPA	6.46%	4.87%	3.84%	3.79%	3.76%
Net NPAs	1.66%	1.17%	1.11%	1.09%	1.08%
Provision Coverage	75.5%	76.8%	71.8%	72.0%	72.0%
Specific LLP	5.88%	6.60%	3.27%	2.22%	2.21%
Net NPAs / Networth	9.0%	6.3%	6.2%	6.1%	6.0%
Capital Adequacy (%)					
Tier I	18.89%	18.70%	17.20%	17.16%	17.35%
CAR	20.10%	19.76%	18.30%	18.09%	18.14%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Equity Capital	16,108	16,108	16,110	16,110	16,110	
Reserves & Surplus	1,57,704	1,79,733	1,99,987	2,35,109	2,80,695	
Deposits	9,63,306	10,80,693	13,52,020	15,95,383	18,82,552	
Borrowings	1,99,212	2,47,108	1,63,715	1,80,087	1,98,095	
Other Liabilities	53,622	34,057	46,585	51,244	56,368	
Total Liabilities	13,89,952	15,57,700	17,78,417	20,77,933	24,33,820	
Investments	2,90,787	3,23,659	2,92,876	3,87,573	4,54,667	
Net Advances	9,39,749	10,47,568	12,11,368	14,15,121	16,60,149	
Cash & Equivalents	93,214	82,497	1,61,705	1,43,903	1,68,785	
Fixed Assets	5,879	8,546	11,734	13,087	14,598	
Other Assets	60,323	95,430	1,00,733	1,18,248	1,35,621	
Total Assets	13,89,952	15,57,700	17,78,417	20,77,933	24,33,820	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
NII / Assets	6.86%	6.28%	6.19%	6.14%	6.29%
Other Income / Assets	2.22%	1.67%	1.30%	1.58%	1.58%
Total Income / Assets	9.08%	7.96%	7.49%	7.72%	7.88%
Cost / Assets	2.77%	3.15%	3.51%	3.55%	3.47%
PBP / Assets	6.31%	4.81%	3.98%	4.17%	4.41%
Provisions / Assets	6.21%	2.85%	2.22%	1.60%	1.60%
PBT / Assets	0.10%	1.96%	1.76%	2.57%	2.81%
Tax rate	2.2%	24.1%	24.2%	24.2%	24.2%
ROA	0.10%	1.49%	1.34%	1.95%	2.13%
RoRWAs	0.15%	2.28%	2.04%	2.95%	3.20%
Leverage	8.0	8.0	8.2	8.3	8.2
ROE	0.7%	11.9%	10.8%	16.1%	17.5%

Source: Company, JM Financial

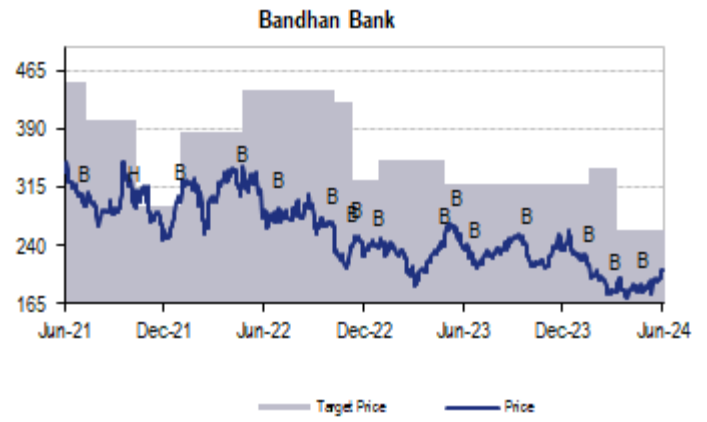
Valuations					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shares in Issue	1,610.8	1,610.8	1,611.0	1,611.0	1,611.0
EPS (INR)	0.8	13.6	13.8	23.3	29.8
EPS (YoY) (%)	-94.3%	1,644.6%	1.6%	68.4%	27.9%
PER (x)	267.6	15.3	15.1	9.0	7.0
BV (INR)	108	122	134	156	184
BV (YoY) (%)	-0.2%	12.7%	10.3%	16.3%	18.1%
ABV (INR)	108	122	134	156	184
ABV (YoY) (%)	6.8%	12.7%	10.3%	16.3%	18.1%
P/BV (x)	1.94	1.72	1.56	1.34	1.13
P/ABV (x)	1.94	1.72	1.56	1.34	1.13
DPS (INR)	0.0	1.5	1.5	1.5	1.5
Div. yield (%)	0.0%	0.7%	0.7%	0.7%	0.7%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Jan-21	Buy	550	
21-Jan-21	Buy	500	-9.1
30-Mar-21	Buy	535	7.0
8-May-21	Buy	450	-15.9
31-Jul-21	Buy	400	-11.1
31-Oct-21	Hold	290	-27.5
23-Jan-22	Buy	385	32.8
15-May-22	Buy	440	14.3
22-Jul-22	Buy	440	0.0
28-Oct-22	Buy	425	-3.4
2-Dec-22	Buy	325	-23.5
12-Dec-22	Buy	325	0.0
22-Jan-23	Buy	350	7.7
20-May-23	Buy	320	-8.6
13-Jun-23	Buy	320	0.0
16-Jul-23	Buy	320	0.0
18-Oct-23	Buy	320	0.0
11-Feb-24	Buy	340	6.3
28-Mar-24	Buy	260	-23.5
18-May-24	Buy	260	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chery, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.