HOLD (Downgrade from BUY)

CMP: **INR 209** Target Price: **INR 200 (INR 230)** ▼ -4%

ICICI Securities

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22 July 2026

India | Equity Research | Results Update

Bandhan Bank

Banking

Reasonable quarter but sharp cut in exit quarter RoA guidance

Bandhan Bank (Bandhan) reported a reasonable Q1FY27 PAT of INR 5.0bn (1% RoA), led by a stable NIM, while EEB slippages improved further to ~4% annualised. However, the bank has cut its Q4FY27 RoA guidance from 1.6-1.8% earlier to 1.2-1.4%, due to pressure on NIM and opex. The bank now expects a stable NIM trajectory (vs. earlier expectations of an uptick) and a slight pressure on costs due to continued franchise investments. While credit growth (14% YoY) and credit cost guidance remains intact, improved fee income and benign credit costs are expected to drive RoA towards the guided range. We acknowledge the uncertainty in the external environment; however, we note that the RoA guidance cut comes amidst improving broader stress and growth trends in the MFI segment. The timing also warrants attention.

Model FY27/28E RoA of ~1.1/1.3%; D/g to HOLD with TP at INR 200

SMA 1+2 were stable QoQ at ~1.7%, though SMA0 inched up to 1.8% (vs. 1.5%). CET 1 stands comfortable at 17.5%. We acknowledge that the exit-quarter guidance was partly aspirational. Furthermore, we note that the current guidance is fluid and contingent on the external environment while asset quality seems under control. We cut FY27/28E RoA to 1.1%/1.3% (vs. ~1.3%/1.4% earlier). We reduce our target multiple to ~1.1x (vs. ~1.3x earlier), lower than the estimated RoA due to weak operating earnings and slower-than-system loan growth. Accordingly, our TP is revised to INR 200 (vs. INR 230) and rating is revised to **HOLD** (vs. Buy). Upside risk is better than expected NIM and downside risk is higher than expected stress formation.

NIM stable QoQ; bank now guides for a stable NIM vs. a rise earlier

EEB disbursements and the o/s book were flattish YoY. Overall growth was healthy at 16% YoY, though it was led by non-EEB, non-housing segments. Reported yields were stable while CoF eased 10bps QoQ. NIM was stable QoQ at 6.2%. The bank sounded cautious on NIM due to the tight liquidity situation and expects incremental NIM to be stable vs. earlier guidance of a ~30bps improvement. Fee growth was healthy, though lower treasury gains led to a dip in other income. Staff costs included INR 0.6bn for the new wage code.

Slippages on an improving path; SMA 1+2 stable, but SMA 0 rises

Slippages were stable QoQ at INR 10.8bn, or 2.8% vs. 2.7% QoQ. MFI slippages eased further to INR 6.0bn, or 4% annualised vs. 5.1% QoQ. Net slippages eased to a multi-quarter low of 1.7%. Credit costs, in tandem, also eased to a multi-quarter low of 1.8%. SMA 1+2 were broadly stable at ~1.7%, though SMA 0 inched up to 1.8% vs. 1.5% QoQ.

Financial Summary

Y/E March	FY25A	FY26A	FY27E	FY28E
NII (INR bn)	114.9	108.3	120.5	138.3
Op. profit (INR bn)	73.9	58.6	61.5	73.4
Net Profit (INR bn)	27.5	12.2	25.0	34.2
EPS (INR)	17.0	7.6	15.5	21.2
EPS % change YoY	23.1	(55.4)	104.2	36.8
ABV (INR)	144.9	152.0	166.9	186.6
P/BV (x)	1.4	1.3	1.2	1.1
P/ABV (x)	1.4	1.4	1.2	1.1
Return on Assets (%)	1.5	0.6	1.1	1.3
Return on Equity (%)	11.9	4.9	9.4	11.6

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Market Data

Market Cap (INR)	336bn
Market Cap (USD)	3,496mn
Bloomberg Code	BANDHAN IN
Reuters Code	BANH BO
52-week Range (INR)	221 /134
Free Float (%)	56.0
ADTV-3M (mn) (USD)	27.6

Price Performance (%)	3m	6m	12m
Absolute	18.6	51.3	14.6
Relative to Sensex	20.8	56.8	20.3

ESG Score	2024	2025	Change
ESG score	**76.4**	**76.9**	**0.5**
Environment	56.9	60.6	3.7
Social	74.1	74.4	0.3
Governance	87.6	86.7	(0.9)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY25E
EPS	(14)	(5)

Previous Reports

02-07-2026: Banking Q1FY27 Preview

29-04-2026: Q4FY26 results review

Q1FY27 concall and other highlights

RoA guidance

- Bank has cut FY27 exit RoA guidance from 1.6-1.8% earlier to 1.2-1.4% due to the challenging external environment, like elevated funding costs, energy crisis, unpredictable monsoons and higher tech costs.
- The 40bps cut in the guided RoA is attributed to NIM (which now looks stable) and ~10bps impact on opex. Importantly, there is no change in credit cost guidance as slippages are expected to be broadly stable or improve.
- Delta from Q1FY27 RoA of 1% to ~1.2-1.4% by exit FY27 will be driven by an improvement in other income and further moderation in credit costs.
- Maintains growth guidance of 14% YoY for FY27.

Growth

- Target loan mix at 35% EEB - 65% non-EEB and 40% unsecured - 60% secured.
- EEB loan book is expected to grow 5-10% YoY.
- FNCR: Bank has mobilised INR 300mn in the FCNR product.
- Retail loan sourcing was also impacted by the recent regulatory norms.
- Secured advances grew 27% YoY and now form ~57% of the total loans.
- Deposits growth, however, trailed loan growth at 7% YoY due to ~13% YoY dip in bulk deposits, while retail (CASA+TD) growth was strong at 16% YoY.

Margins

- Cost of deposits: The benefit of declining cost of deposit due to deposit repricing is over. SA deposit rates have already started increasing.
- EEB yield hike: Bank did not take any hike in yields in EEB portfolio during the quarter. Last EEB yield hike was 100bps in Feb'26.
- Bulk deposits declined 13% YoY and the share in total deposit mix declined to 26%. Around 86% of bulk deposits are non-callable.
- LCR during the quarter stood at 140%.

Asset quality

- ARC sale: Bank sold loans of INR 2.9bn to ARC during the quarter.
- EEB slippages stood at INR 6.04bn (vs. 6.90bn QoQ).
- Increase in SMA 0 to 1.8% (vs. 1.5% QoQ) was attributed to elections, bunched-up holidays and seasonality.

Others

- Higher opex growth of 19% YoY was attributed to continued investments in technology (up 80% YoY), annual salary increments, performance-related payouts and higher PSLC expenses (up 60% YoY).
- Opex included a one-time gratuity provision of INR 600mn due to the new wage code.

Exhibit 1: Q1FY27 result review

	Q1FY26	Q1FY27	YoY (%)	Q4FY26	QoQ (%)
Financial Highlights (INR mn)					
Interest Earned	54,756	56,306	2.8	54,284	3.7
Interest Expended	27,184	27,100	(0.3)	26,328	2.9
Net Interest Income	**27,572**	**29,206**	**5.9**	**27,956**	**4.5**
Other Income	7,259	6,038	(16.8)	7,707	(21.7)
Total Income	62,015	62,344	0.5	61,991	0.6
Total Net Income	**34,831**	**35,244**	**1.2**	**35,663**	**(1.2)**
Staff Expenses	11,236	13,583	20.9	11,584	17.3
Other operating expenses	6,911	8,080	16.9	9,667	(16.4)
Operating Profit	**16,684**	**13,581**	**(18.6)**	**14,412**	**(5.8)**
Provision & Contingencies	11,469	6,826	(40.5)	6,770	0.8
Provision for tax	1,495	1,738	16.3	2,300	(24.4)
Reported Profit	**3,720**	**5,017**	**34.9**	**5,341**	**(6.1)**
Other Highlights (INR bn)					
Advances	1,285	1,517	18.0	1,501	1.1
Deposits	1,547	1,649	6.6	1,663	-0.9
Gross NPA	66.2	48.8	-26.3	50.2	-2.8
Gross NPA (%)	5.0	3.2	-181 bps	3.3	-12 bps
Net NPA	17.4	14.1	-19.1	14.5	-2.8
Net NPA (%)	1.4	0.9	-43 bps	1.0	-4 bps
Provision Coverage (%)	73.7	71.1	-259 bps	71.1	1 bps

Source: Company data, I-Sec research

Exhibit 2: Stress details

(INR bn)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Gross NPAs	47.5	49.4	30.1	31.1	31.0
SMA 2	4.8	3.9	4.1	4.2	4.2
GNPAs + SMA 2	**52.3**	**53.3**	**34.2**	**35.3**	35.2
% of loans	9.9	*10.3*	6.8	6.5	5.8
SMA 1	5.3	5.3	5.7	4.4	4.6
GNPAs + SMA 1+2	**58**	**59**	**40**	**40**	40
% of loans	10.9	*11.3*	8.0	7.4	6.6
SMA 0	10.2	15.8	13.3	7.9	9.6
% of loans	1.9	*3.1*	2.7	1.5	1.6
SMA 1+2	**10.1**	**9.2**	**9.8**	**8.6**	8.8
% of loans	1.9	*1.8*	2.0	1.6	1.5
SMA 0+1+2	**20.3**	**25.0**	**23.1**	**16.5**	18.4
% of loans	3.8	*4.8*	4.6	3.1	3.0

Source: Company data, I-Sec research

Exhibit 3: Movement of NPA for EEB

(INR bn)	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Opening	41.00	47.20	47.5	49.40	30.10	31.10
Addition	**13.94**	**10.89**	**11.18**	**9.42**	**6.90**	**6.04**
Reduction	7.74	10.59	9.28	28.72	5.90	6.14
Closing GNPAs	**47.20**	**47.50**	**49.4**	**30.10**	**31.10**	**31.00**

Source: Company data, I-Sec research

Exhibit 4: Bandhan's MFI slippages decline QoQ

MFI book details	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
MFI Slippages (INR mn)					
RBL	3,180	2,350	1,570	870	570
BANDHAN	10,890	11,180	9,420	6,900	6,040
IDFCFB	5,140	2,490	1,530	960	NA
IIB	8,880	10,830	10,220	5,040	NA
MFI AUM (INR mn)					
RBL	54,350	58,850	66,920	77,020	82,905
BANDHAN	5,28,100	5,17,300	5,00,800	5,39,100	5,26,400
IDFCFB	83,540	73,060	66,570	66,620	NA
IIB	2,84,080	2,13,210	1,76,690	1,67,820	NA
Slippages (%) - Annualised					
RBL	23	16	9	5	3
BANDHAN	8	9	8	5	5
IDFCFB	25	14	9	6	NA
IIB	13	20	23	12	NA

Source: Company data, I-Sec research

Exhibit 5: MFI SMA details

MFI SMA 0+1+2	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
RBL	2,920	2,060	1,250	840	NA
BANDHAN	20,300	25,000	23,100	16,500	18,400
IDFCFB	3,150	2,090	1,410	790	NA
IIB* (SMA1+2)	6,250	4,691	4,241	2,989	NA
New SMA additions (INR mn)					
RBL	2,330	1,490	760	460	NA
BANDHAN	12,290	15,880	7,520	300	7,940
IDFCFB	1,890	1,430	850	340	NA
IIB*	8,021	9,271	7,638	3,789	NA
Flow rate (%) - Annualized					
RBL	17	10	5	2	NA
BANDHAN	9	12	6	0	6
IDFCFB	9	8	5	2	NA
IIB*	11	17	17	9	NA

Source: I-Sec research

Note: For IIB, SMA0 is not available and hence the calculation is not comparable to that extent

Exhibit 6: Collection efficiency trend

Collection efficiency (%)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (bps)	QoQ (bps)
Including NPA	92.5	91.8	94.3	94.7	94.7	220	-
Excluding NPA	97.7	97.5	98	98.6	98.5	80	(10)
Including arrears	109.4	110.5	109.8	111.8	111.0	160	(80)
State level collection efficiency (%)							
West Bengal	98.2	98.1	98.3	99.1	98.7	50	(40)
Assam	99.2	99.0	99.6	99.9	99.5	30	(40)
Rest of India	97.0	97.3	98.0	99.3	98.9	190	(40)
Total	97.6	97.8	98.2	99.3	98.9	130	(40)

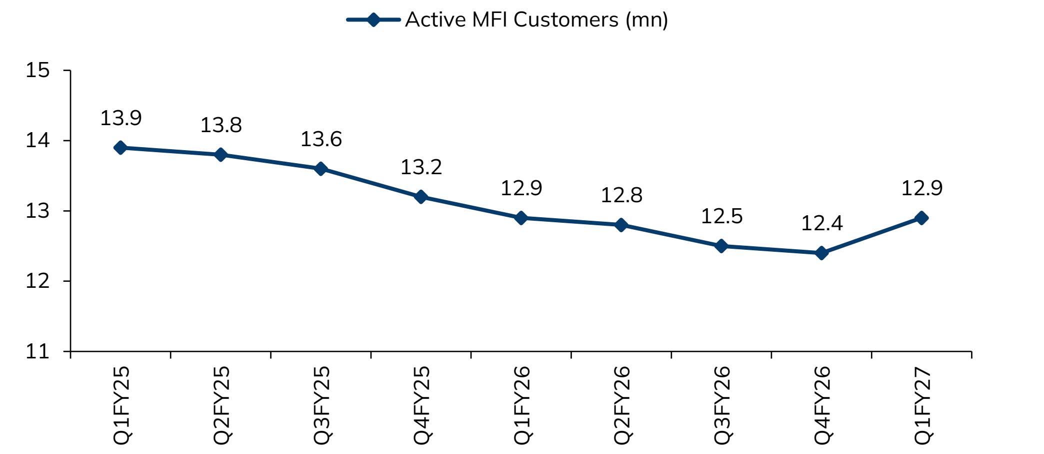
Source: I-Sec research, Company data

Exhibit 7: Loan book details

Particulars (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY % chg	QoQ % chg
Micro Loans	6,19,100	5,92,900	5,61,200	5,65,400	5,28,100	5,17,300	5,00,800	5,39,100	5,26,400	-0.3	-2.4
Mortgages	2,83,300	3,16,300	3,26,400	3,21,100	3,26,600	3,30,600	3,37,500	3,47,900	3,45,400	5.8	-0.7
Retail	62,300	75,100	87,600	1,10,200	1,11,000	1,24,300	1,37,600	1,60,900	1,61,000	45.0	0.1
FIG	1,38,600	1,56,300	1,59,200	1,60,000	1,67,900	1,80,600	2,13,900	2,12,300	2,20,500	31.3	3.9
MMG/BBG/SEL	1,42,100	1,66,000	1,85,800	2,03,400	2,02,700	2,27,700	2,42,400	2,72,200	2,64,000	30.2	-3.0
Total AUM	**12,45,400**	**13,06,600**	**13,20,200**	**13,60,100**	**13,36,300**	**13,80,500**	**14,32,200**	**15,32,400**	**15,17,300**	**13.5**	**-1.0**
YoY % change	*20.7*	*21.4*	*13.9*	*9.1*	*7.3*	*5.7*	*8.5*	*12.7*	*13.5*		
QoQ % change	*-0.1*	*4.9*	*1.0*	*3.0*	*-1.7*	*3.3*	*3.7*	*7.0*	*-1.0*		
Loan mix (%)	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**	**Q1FY26**	**Q2FY26**	**Q3FY26**	**Q4FY26**	**Q1FY27**	**YoY (bps)**	**QoQ (bps)**
Micro Loans	49.7	45.4	42.5	41.6	39.5	37.5	35.0	35.2	34.7	(483)	(49)
Mortgages	22.7	24.2	24.7	23.6	24.4	23.9	23.6	22.7	22.8	(168)	6
Retail	5.0	5.7	6.6	8.1	8.3	9.0	9.6	10.5	10.6	230	11
FIG	11.1	12.0	12.1	11.8	12.6	13.1	14.9	13.9	14.5	197	68
MMG/BBG/SEL	11.4	12.7	14.1	15.0	15.2	16.5	16.9	17.8	17.4	223	(36)

Source: Company data, I-Sec research

Exhibit 8: Active MFI borrowers (mn)



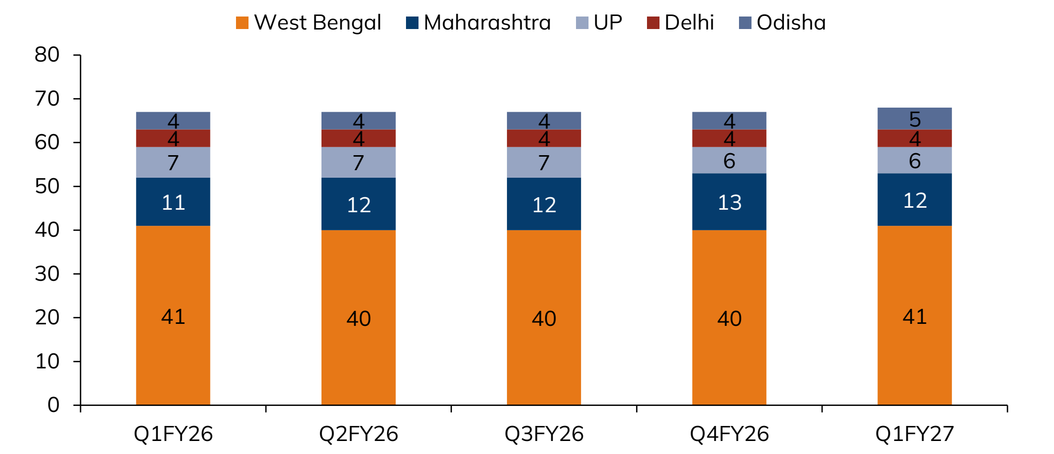
Source: I-Sec research, Company data

Exhibit 9: Deposits and CASA

Particulars (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Deposits	13,32,100	14,25,095	14,10,000	15,12,125	15,46,700	15,80,746	15,67,200	16,63,444	16,48,900
YoY % change	*22.8*	*27.2*	*20.1*	*11.8*	*16.1*	*10.9*	*11.1*	*10.0*	*6.6*
QoQ % change	*-1.5*	*7.0*	*-1.1*	*7.2*	*2.3*	*2.2*	*-0.9*	*6.1*	*-0.9*
CASA Deposits	4,44,560	4,72,800	4,47,400	4,74,400	4,18,600	4,42,100	4,27,300	4,87,500	4,84,800
YoY % change	*13.8*	*9.4*	*5.5*	*-5.4*	*-5.8*	*-6.5*	*-4.5*	*2.8*	*15.8*
QoQ % change	*-11.4*	*6.4*	*-5.4*	*6.0*	*-11.8*	*5.6*	*-3.3*	*14.1*	*-0.6*
CASA Ratio (%)	33.4	33.2	31.7	31.4	27.1	28.0	27.3	29.3	29.4
Term Deposits	8,87,540	9,52,295	9,62,600	10,37,725	11,28,100	11,38,646	11,39,900	11,75,944	11,64,100
YoY % change	*27.9*	*38.3*	*28.3*	*22.0*	*27.1*	*19.6*	*18.4*	*13.3*	*3.2*
QoQ % change	*4.4*	*7.3*	*1.1*	*7.8*	*8.7*	*0.9*	*0.1*	*3.2*	*-1.0*

Source: Company data, I-Sec research

Exhibit 10: State-wise deposit breakup (%)



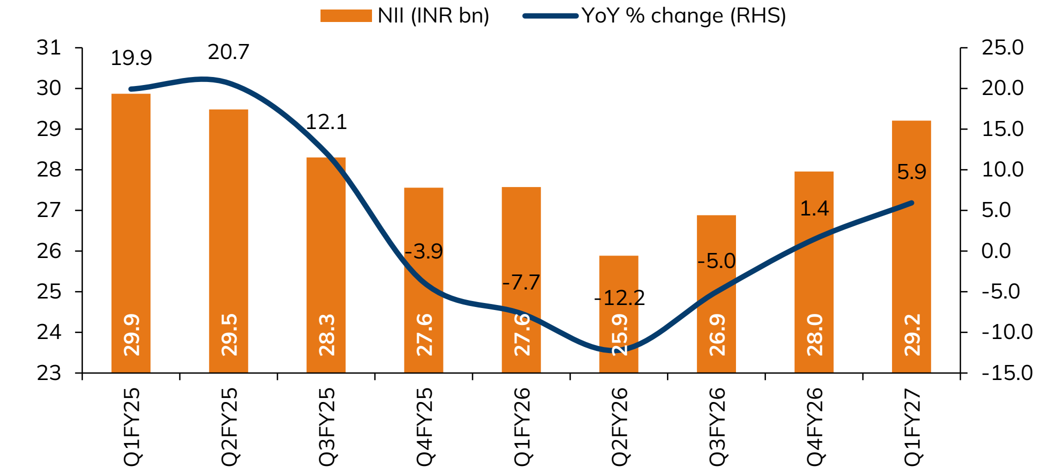
Source: I-Sec research, Company data

Exhibit 11: Yields and NIM (%)

	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (bps)	QoQ (bps)
Yield	13.9	13.7	13.3	13.1	12.7	12.1	11.9	12.0	12.0	(70)	-
Cost of funds	7.0	7.0	7.1	7.2	7.0	6.9	6.7	6.5	6.4	(60)	(10)
NIMs	7.6	7.4	6.9	6.7	6.4	5.8	5.9	6.2	6.2	(20)	-

Source: Company data, I-Sec research

Exhibit 12: NII trajectory



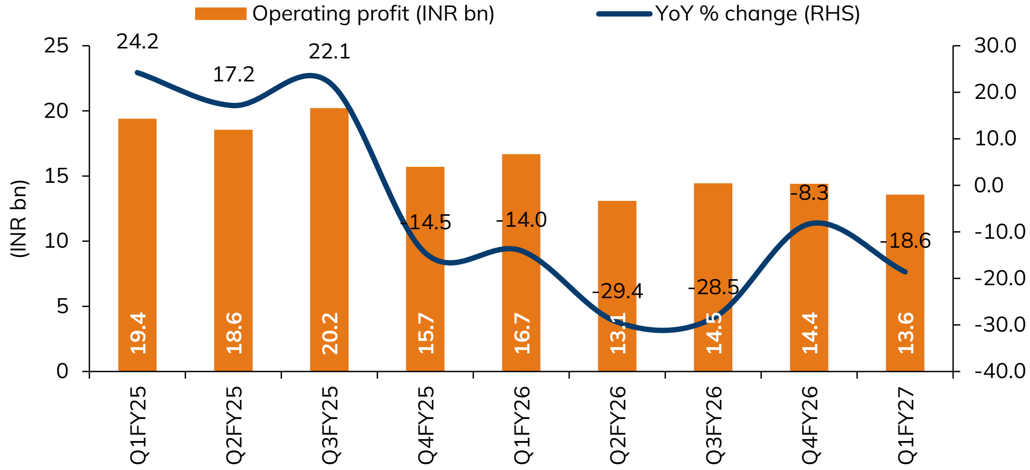
Source: Company data, I-Sec research

Exhibit 13: Non-interest income breakup

Non-interest income (INR mn)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Mix (%)	YoY % chg	QoQ % chg
Processing fees	1,698	1,937	2,148	2,761	1,927	32	13.5	-30.2
TPD	838	1,234	1,275	2,137	1,235	20	47.4	-42.2
Release of prov	372	269	264	NA	NA	NA	NA	NA
Collection Fees	130	65	125	278	148	2	13.8	-46.8
Card Charges	186	NA	NA	NA	NA	NA	NA	NA
Bad Debt Recover	200	274	213	159	143	2	-28.5	-10.1
Others	3,835	1,685	2,885	2,372	2,585	43	-32.6	9.0
Total	**7,259**	**5,464**	**6,910**	**7,707**	**6,038**	**100**	**-16.8**	**-21.7**

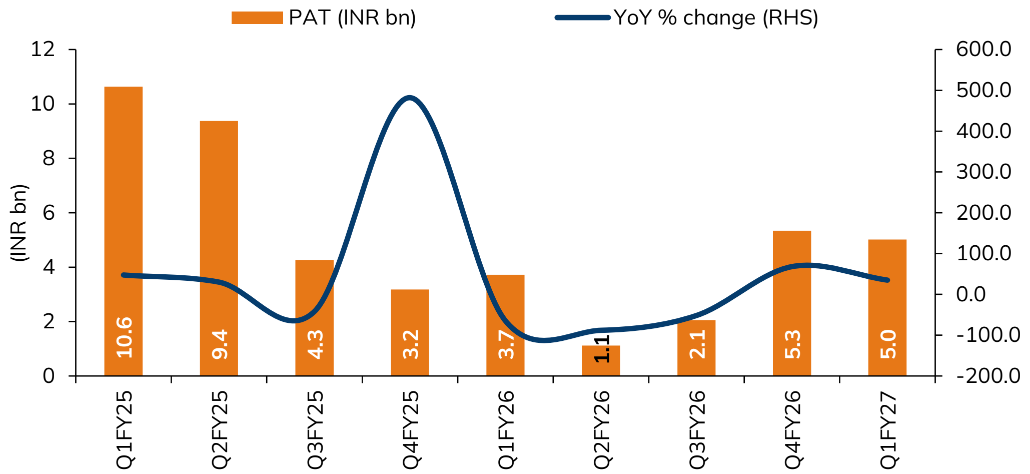
Source: I-Sec research, Company data

Exhibit 14: Operating profit trajectory



Source: Company data, I-Sec research

Exhibit 15: PAT trajectory



Source: Company data, I-Sec research

Exhibit 16: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	39.7	39.0	37.5
Institutional investors	41.0	44.4	46.1
MFs and others	11.8	15.6	19.7
FIs/Banks	1.4	1.8	2.2
Insurance	5.5	4.9	5.7
FIIs	22.3	22.1	18.7
Others	19.3	16.6	16.3

Source: Bloomberg, I-Sec research

Exhibit 17: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 18: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest income	2,19,482	2,16,891	2,38,728	2,74,802
Interest expense	1,04,576	1,08,594	1,18,270	1,36,475
Net interest income	**1,14,906**	**1,08,297**	**1,20,458**	**1,38,327**
Non-interest income	29,666	27,340	28,740	36,347
Operating income	**1,44,572**	**1,35,637**	**1,49,197**	**1,74,674**
Operating expense	70,685	76,988	87,719	1,01,243
Staff expense	43,610	44,927	50,725	58,148
Operating profit	**73,887**	**58,649**	**61,478**	**73,431**
Core operating profit	**69,672**	**55,637**	**59,978**	**69,431**
Provisions & Contingencies	37,654	41,311	28,068	27,710
Pre-tax profit	**36,233**	**17,338**	**33,411**	**45,721**
Tax (current + deferred)	8,780	5,102	8,419	11,522
Net Profit	**27,453**	**12,236**	**24,991**	**34,200**
Adjusted net profit	**27,453**	**12,236**	**24,991**	**34,200**

Source Company data, I-Sec research

Exhibit 19: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Cash and balance with RBI/Banks	95,694	1,39,511	1,44,198	1,53,662
Investments	4,07,123	3,86,683	4,37,713	4,98,882
Advances	13,19,873	15,01,038	16,93,519	19,18,341
Fixed assets	11,804	14,013	18,417	20,236
Other assets	80,269	69,992	1,01,207	1,47,272
Total assets	**19,14,763**	**21,11,237**	**23,95,053**	**27,38,393**
Deposits	15,12,125	16,63,445	19,02,642	21,90,964
Borrowings	1,11,385	1,43,028	1,57,331	1,73,064
Other liabilities and provisions	45,203	49,016	56,839	65,344
Share capital	16,110	16,110	16,110	16,110
Reserve & surplus	2,29,940	2,39,639	2,62,131	2,92,911
Total equity & liabilities	**19,14,763**	**21,11,237**	**23,95,053**	**27,38,393**
% Growth	7.7	10.3	13.4	14.3

Source Company data, I-Sec research

Exhibit 20: Key ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
No. of shares and per share data				
No. of shares (mn)	1,611	1,611	1,611	1,611
Adjusted EPS	17.0	7.6	15.5	21.2
Book Value per share	153	159	173	192
Adjusted BVPS	145	152	167	187
Valuation ratio				
PER (x)	12.3	27.5	13.5	9.8
Price/ Book (x)	1.4	1.3	1.2	1.1
Price/ Adjusted book (x)	1.4	1.4	1.2	1.1
Dividend Yield (%)	0.7	0.7	0.7	1.0
Profitability ratios (%)				
Yield on advances	15.3	13.1	12.9	13.2
Yields on Assets	11.9	10.8	10.6	10.7
Cost of deposits	6.7	6.2	6.1	6.2
Cost of funds	5.7	5.4	5.2	5.3
NIMs	7.0	5.9	6.0	6.1
Cost/Income	48.9	56.8	58.8	58.0
Dupont Analysis (as % of Avg Assets)				
Interest Income	11.9	10.8	10.6	10.7
Interest expended	5.7	5.4	5.2	5.3
Net Interest Income	**6.2**	**5.4**	**5.3**	**5.4**
Non-interest income	1.6	1.4	1.3	1.4
Trading gains	0.2	0.1	0.1	0.2
Fee income	1.4	1.2	1.2	1.3
Total Income	**7.8**	**6.7**	**6.6**	**6.8**
Total Cost	**3.8**	**3.8**	**3.9**	**3.9**
Staff costs	2.4	2.2	2.3	2.3
Non-staff costs	1.5	1.6	1.6	1.7
Operating Profit	**4.0**	**2.9**	**2.7**	**2.9**
Core Operating Profit	3.8	2.8	2.7	2.7
Non-tax Provisions	2.0	2.1	1.2	1.1
PBT	**2.0**	**0.9**	**1.5**	**1.8**
Tax Provisions	0.5	0.3	0.4	0.4
Return on Assets (%)	**1.5**	**0.6**	**1.1**	**1.3**
Leverage (x)	8.0	8.0	8.4	8.7
Return on Equity (%)	**11.9**	**4.9**	**9.4**	**11.6**
Asset quality ratios (%)				
Gross NPA	4.7	3.3	2.7	2.3
Net NPA	1.3	1.0	0.7	0.6
PCR	73.7	71.1	73.0	75.0
Gross Slippages	4.4	4.2	2.9	2.5
LLP / Avg loans	2.9	3.1	1.9	1.7
Total provisions / Avg loans	3.0	2.9	1.8	1.5
Net NPA / Networth	6.9	5.7	4.5	3.6
Capitalisation ratios (%)				
Core Equity Tier 1	17.9	16.8	16.2	15.7
Tier 1 cap. adequacy	17.9	17.3	16.2	15.7
Total cap. adequacy	18.7	18.0	16.8	16.3

Source Company data, I-Sec research

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