

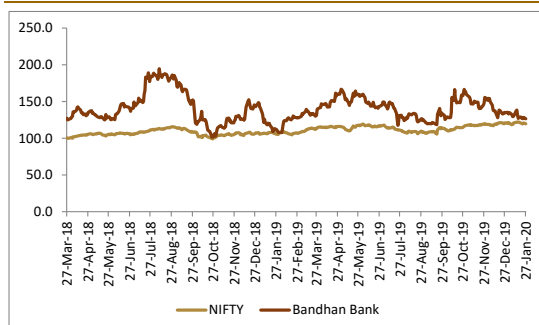
Market statistics as on January 27, 2020

Current stock price	474.3
Shares O/S (bn.)	1.61
Mcap (bn)	764.5
P/E (x)	29.10
52W H	650.0
52W L	397.0
Price to Book	5.05

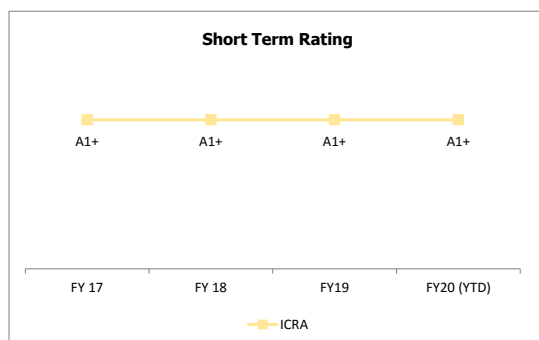
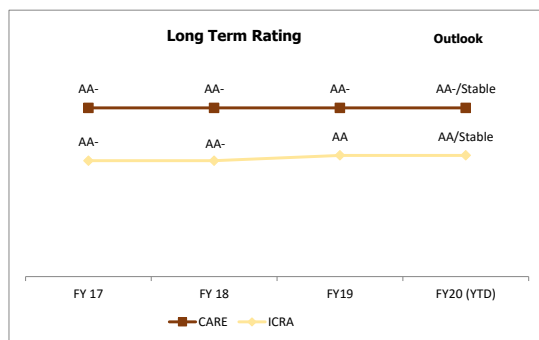
Shareholding pattern as on December 31, 2019

Promoters	60.96%
Domestic Institution	4.13%
Foreign Institution	17.97%
Others	16.94%

Bandhan Bank vs Nifty



Credit Rating History



Particulars	9MFY20	9MFY19	% chg
Total Income	90.88	54.86	65.66
PAT	25.06	13.00	92.77
Networth	147.18	112.02	31.39
Borrowings	119.60	5.21	2195.59
Deposits	549.08	346.39	58.51
GNPA	1.93	2.41	-
NNPA	0.81	0.70	-
ROA	3.50	2.90	-
NIM	7.90	10.50	-
Cost to Income	33.40	33.70	-
CASA	34.30	41.40	-

Source: Ace Equity, company ppt; 9MFY20 includes Gruh Finance numbers

Credit Drivers:

- Strong market position:** Bandhan Bank Limited (BBL) has a CAGR of 47.4% over the five years through March 2019, having attained a loan portfolio size of Rs 447.80 billion. Post amalgamation of Gruh, Bandhan's loan portfolio increased to Rs 654.56 bn.
- Strong financial risk profile:** BBL's net worth of Rs 140.16 billion and tier I capital adequacy ratio (CAR) of 23% as on September 30, 2019, are a result of frequent capital raising and healthy internal accrual.
- Healthy asset quality:** Gross NPAs remained low over the past few years, including the demonetisation period. As on December 31, 2019, the gross NPAs stood at 1.93% including the bank's exposure of Rs 3.85b to IL&FS.
- Healthy resource profile:** The proportion of retail deposits (retail deposits + CASA) stood at 76.2% of the total deposit base as on December 31, 2019. The share of CASA deposits stood at 34.31% (35.2% excluding Gruh term deposits) of total deposits as on December 31, 2019.
- Geographic concentration in operations:** As of December 31, 2019, about 46% of Bandhan's microfinance borrower base, which is the largest loan portfolio, was in West Bengal alone. The top two states (including Assam) constitute nearly 62.2% of its micro loan book.
- Modest credit risk profile of borrowers:** A significant portion of the portfolio comprises microfinance loans to clients with modest credit risk profiles and limited access to formal credit.
- Potential risk of regulatory strictures linked to non-dilution of promoter holding:** As per RBI guidelines, Bandhan Financial Holdings Ltd (BFHL) was required to reduce its shareholding in the bank to 40%.
- Strong Liquidity:** It had positively matched asset-liability maturity profile over the next 12 months as of September 30, 2019.

About the Company:

Bandhan Bank Limited (BBL) was originally set up as Bandhan Financial Services Pvt. Ltd (BFSL) in 2006. BFSL was the largest NBFC-MFI in India until 2014 after which, it became the first entity to receive an in-principle universal banking licence from the Reserve Bank of India. BBL was incorporated in December 2014 as a subsidiary of Bandhan Financial Holdings Ltd (BFHL) which is 100% held by BFSL. After it commenced operations in August 2015, BFSL's entire microfinance portfolio was transferred to BBL's book. The bank is headquartered in Kolkata and offers group-based individual lending services for the microfinance business. In 2019, the bank acquired Gruh with the dual objective of reducing the promoter shareholding to the stipulated level and to diversify operations both geographically and across asset classes. Gruh has 195 centres in 11 states and 1 Union Territory, most of which are in the western part of India. It operates through a network of 4,220 branches, doorstep service centres (DSCs), and GRUH centres, spread across 34 states and Union Territories.

Industry Outlook:

Bank credit in India is expected to grow ~8-9% in FY20 post 13.24% growth in FY19; which was significantly faster than 9.8% witnessed in FY18. Growth is expected to be driven by retail and SME lending, while lending to corporate segment will inch up from previous lows. Private sector banks will continue to grow significantly faster, at more than twice the growth rate of public sector banks (PSBs), while growth in PSBs will also increase, especially with a few banks coming out of PCA. Asset quality of banks has also started stabilizing. The slippages were high in the last quarter of FY18 following withdrawal of various restructuring schemes by the RBI in February 2018. Post the implementation of IBC process; GNPA's have declined to 10.8% as on Sep 2019 from 11.5% as on March 2018 aided by some high ticket recoveries. Decline in slippages and recovery from NCLT accounts should result in a further fall in GNPA's. GNPA's differential between PSBs and Private Banks will however remain high – as on March 31, 2018, Gross NPAs for PSBs was ~14.7% compared with ~4.7% for private banks. During FY19 GoI has infused ~Rs1700 billion as capital into PSB's.

Key Credit Drivers:

Strong market position: BBL, after transitioning to a universal bank in 2015, registered a compound annual growth rate of 47.4% over the five years through March 2019, having attained a loan portfolio size of Rs 447.80 billion. Post amalgamation of Gruh, Bandhan's loan portfolio increased to Rs 655 billion, an annualised increase of 84% over the half year ended December 31, 2019. BBL has a competitive advantage of reach and local knowledge in the microfinance sector, especially in East and North-East India, which constituted around 86% of its loan portfolio as of March 31, 2019. More recently, after amalgamation with Gruh, diversity in Bandhan's loan portfolio has improved with increased share of Gruh's secured asset classes such as housing loans and loan against portfolio (LAP). This portfolio accounted for about 30% of Bandhan's total loan portfolio as of September 30, 2019. As Gruh primarily extends housing loans to individuals in rural and semi-urban areas and catering to the low-income group, BBL is expected to benefit from strong growth potential arising in the affordable housing segment.

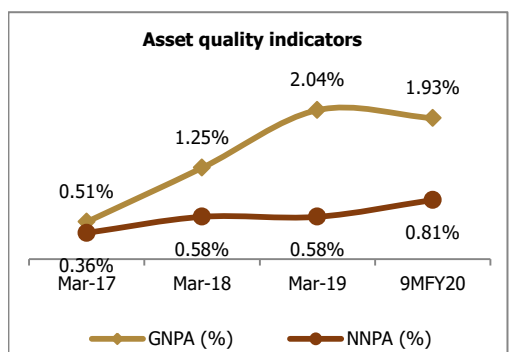
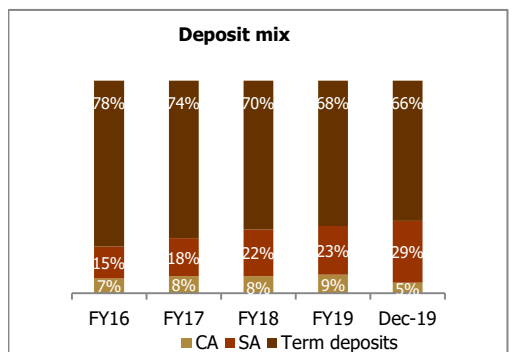
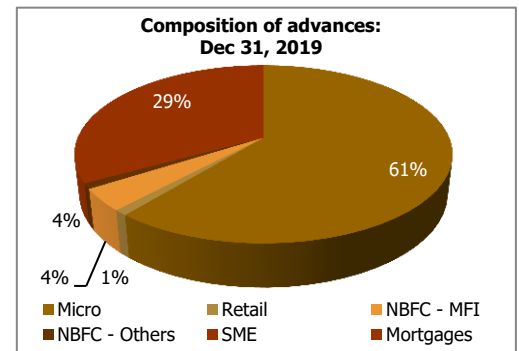
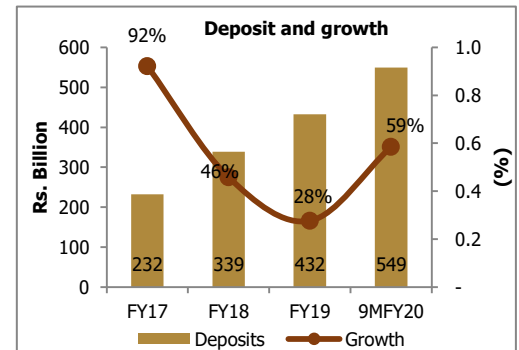
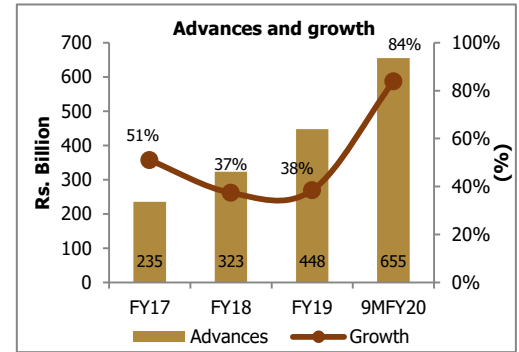
Strong financial risk profile: BBL has built up its network along with scale of operations, thereby maintaining adequate capitalisation over time. BBL's network of Rs 140.16 billion and tier I capital adequacy ratio (CAR) of 23% as on September 30, 2019, are a result of frequent capital raising and healthy internal accrual. Over the years, BBL has raised over Rs 50 billion of capital through various routes such as preferential allotment and rights issue from mutual funds, foreign investors, and domestic corporates. As majority of the bank's portfolio is priority sector lending (PSL), it has the opportunity and ability to generate income through PSL and inter-bank participation certificates (IBPCs). Even Gruh's portfolio has a component of PSL eligible loans (83% of Gruh's existing loan portfolio is PSL compliant) which would further allow Bandhan to monetise those PSL certificates, and demonstrate its high ability to generate fee income.

Healthy asset quality: BBL has maintained healthy and stable asset quality over the years. Gross NPAs remained below 2% over the past few years, including the demonetisation period. As on December 31, 2019, the gross NPAs stood at 1.93% including the bank's exposure of Rs 3.85 billion to IL&FS. Excluding this exposure, the gross NPAs were at 0.81%. The exposure to IL&FS has been fully provided for by the bank as of September 30, 2019. The recently amalgamated Gruh business has also demonstrated its ability to maintain healthy asset quality over business cycles as gross NPAs have been lower than the industry average over the past few years. In an overall basis, BBL's reported gross NPAs were comfortable at 1.76% as on September 30, 2019.

Healthy resource profile: BBL has a granular deposit profile, with low reliance on bulk deposits. The proportion of retail deposits (retail term deposits + CASA) stood at 78% of the total deposit base at the end of half year ended September 30, 2019. The bank's retail term deposit book is granular with deposits of ticket size less than Rs 10 mn at 63% of the total term deposits on the same date. While microfinance borrowers are the largest constituent of the bank's customer base, they accounted for only 5.8% of the deposit base as of September 2019. The bank's funding profile is strong backed by healthy CASA deposits. The share of CASA deposits stood at 33% (35% excluding Gruh term deposits) of total deposits as on September 30, 2019.

Geographic concentration in operations: BBL has a strong brand presence, and competitive advantage of reach and local knowledge in East and North-East India in the micro loan business, which constituted 62% of its loan portfolio as of September 30, 2019. The bank's significant presence in these regions exposes it to geographical concentration risk, inherent to the segment. As of September 30, 2019, about 40% of Bandhan's microfinance borrower base, which is the largest loan portfolio, was in West Bengal alone. The top three states (including Assam and Bihar) constitute nearly 66% of its micro loan book. Recently, the sector is facing challenges in certain districts of Assam, largely due to political influences. This indicates the vulnerability of the business model to external risks.

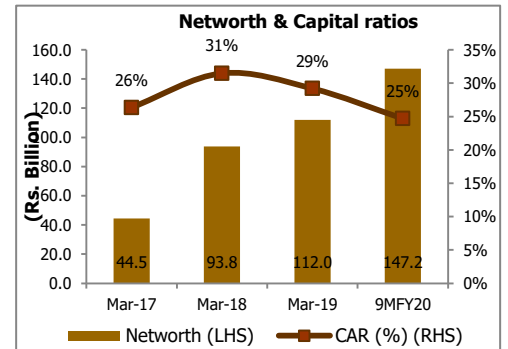
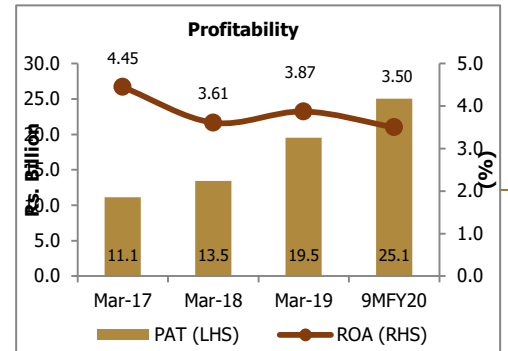
Modest credit risk profile of borrowers: A significant portion of the portfolio comprises microfinance loans to clients with modest credit risk profiles and limited access to formal credit. Owing to relatively lower competition and Bandhan's long standing presence in the East and North-East India, the bank captured a fairly large chunk of the market.



Potential risk of regulatory strictures linked to non-dilution of promoter holding:

As per RBI guidelines, Bandhan Financial Holdings Ltd (BFHL) was required to reduce its shareholding in the bank to 40% within three years from the date of commencement of operations as a bank that is by August 2018. BFHL is also required to reduce its shareholding to 20% and 15% within 10 years and 12 years, respectively, from the date of commencement of operations as a bank. To achieve this objective and as the first step to reduce promoter shareholding, the bank acquired Gruh. Subsequently, the promoter stake reduced to about 61% as on September 30, 2019, from 82% earlier. However, as the bank failed to reduce the shareholding to 40%, in October 2018, the Reserve Bank of India imposed restrictions on automatic branch expansion and capped the salary of the Chief Executive Officer, Mr Chandra Shekhar Ghosh, until the promoter shareholding is reduced.

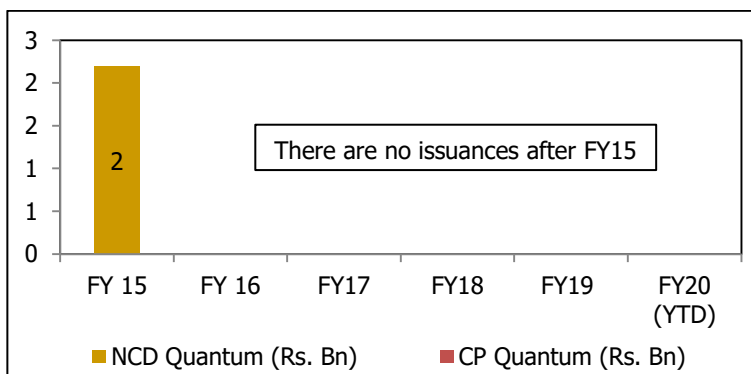
Strong Liquidity: BBL benefits from having access to systemic liquidity. It had positively matched asset-liability maturity profile over the next 12 months as of September 30, 2019. Additionally, about 60% of the loan portfolio is parked in microfinance which are shorter tenure loans of 14-18 months. This will be marginally offset by Gruh's portfolio which comprises longer tenure assets. The bank also has the option of tapping liquidity by carrying out IBPC transactions, if needed. The liquidity coverage ratio as on September 30, 2019, was 179.92%, comfortably higher than regulatory stipulation of 100%.



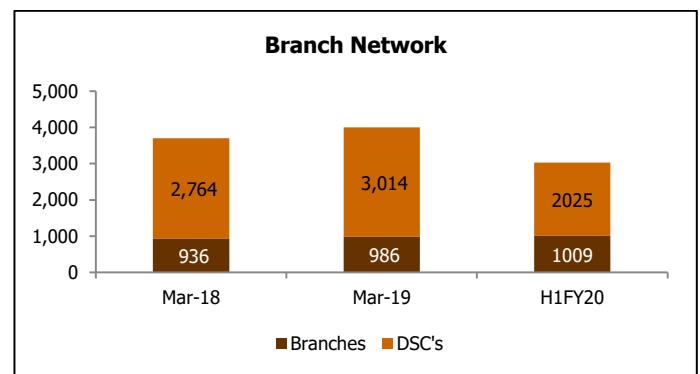
Key Management Personnel:

Name	Designation
Mr. Chandra Shekar Ghosh	Managing Director & Chief Executive Office
Dr. Anup Kumar Sinha	Non-Executive (Independent) Chairman
Mr. Bhaskar Sen	Independent Director
Mr. Harun Rasid Khan	Independent Director
Mr. Ranodeb Roy	Non-Executive Non-Independent Director
Dr. Holger Dirk Michaelis	Nominee Director (Caladium Investment Pte. Ltd.)

NCD Issuance over 6 years



Pan India Presence



*Source: NSDL & Prime database

Latest Issuances:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
Bandhan Bank	Unsecured	Sept 2, 2014	7 Years	14.53 semi annual	1.60

Other Information:

Auditors	M/S. S.R. Batliboi & Associates LLP
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Financials: (Standalone as per IGAAP)

Profit & Loss Statement

Particulars (in Bn)	FY17	FY18	FY19
Interest Earned	39.09	48.02	66.44
Other Income	4.11	7.06	10.63
Total Income	43.20	55.08	77.07
Interest Expended	15.05	17.70	21.48
Operating Expenses	10.22	13.08	18.11
Provisions and Contingencies	0.88	3.74	7.35
Profit Before Tax	17.04	20.56	30.13
Taxes	5.93	7.10	10.62
Profit After Tax	11.12	13.46	19.52

Key Ratios

Particulars	FY17	FY18	FY19
Operational & Financial Ratios			
Earnings Per Share (Rs)	10.15	11.28	16.36
DPS(Rs)	0.00	1.00	3.00
Margin Ratios			
Yield on Advances	23.21	16.16	16.76
Yield on Investments	8.15	6.41	6.52
Cost of Liabilities	6.21	5.18	4.91
NIM (%)	8.09	6.96	8.10
Interest Spread	17.01	10.98	11.85
Performance Ratios			
ROA (%)	4.45	3.61	3.87
ROE (%)	28.58	19.46	18.96
Efficiency Ratios			
Cost Income Ratio	36.31	35.00	32.58
Core Cost Income Ratio	36.59	35.44	32.80
Growth Ratio			
Advances Growth	35.39	76.45	33.42
Liquidity Ratios			
Credit/Deposits (%)	72.49	87.73	91.70
CASA (%)	29.43	34.32	40.75
Asset Quality			
Gross NPAs to Gross Advances (%)	0.00	0.00	2.04
Net NPAs (funded) to Net Advances (%)	0.36	0.58	0.58
Total CAR (Basel III)	26.36	31.48	29.20
Tier - 1 (Basel III)	24.77	30.30	27.88
Tier - 2 (Basel III)	1.59	1.18	1.32

Peer Comparison as on March 31, 2019

Particulars (in Bn)	Bandhan Bank	Central Bank	UCO Bank
Advances (net)	4688.18	1465.25	993.13
Deposits	6386.89	2998.55	1979.06
Total income	560.65	250.52	158.44
PAT	4.33	-56.41	-43.21
CASA (%)	40.23	46.21	43.45
CAR(%)	13.42	9.61	10.70
Tier I (%)	11.55	7.49	8.64
GNPA (%)	9.61	19.29	25.00
NNPA (%)	3.33	7.73	9.72

Source: Company Reports, ACE Equity, GNPA & NNPA as % of Gross and Net Advances; Figures are on Standalone basis

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL

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Balance Sheet

Particulars (in Bn)	FY17	FY18	FY19
SOURCES OF FUNDS:			
Share Capital	10.95	11.93	11.93
Reserves & Others	33.51	81.89	100.09
Deposits	232.29	338.69	432.32
Borrowings	10.29	2.85	5.21
Other Liabilities & Provisions	15.32	7.74	14.87
Total Liabilities	302.36	443.10	564.42
APPLICATION OF FUNDS :			
Cash and balance with Reserve Bank of India	60.12	28.37	38.79
Balances with banks and money at call	13.53	26.74	19.24
Investments	55.16	83.72	100.37
Advances	168.39	297.13	396.43
Net Block	2.52	2.38	2.22
Lease Adjustment	0.00	0.00	0.00
Capital Work in Progress	0.00	0.00	1.09
Other Assets	2.64	4.76	6.27
Total Assets	302.36	443.10	564.42

Cash flow Statement

Year End-March (in Bn)	FY17	FY18	FY19
Net Profit Before Taxes	17.04	20.56	30.13
Adjustments for Expenses & Provisions :			
Depreciation and amortisation	0.67	0.86	0.78
Net (appreciation) / depreciation on investments	0.02	0.45	-0.38
Provision in respect of non-performing assets	0.51	3.33	7.60
Provision for contingencies & others	0.35	-0.04	0.13
Other Adjustments	0.00	0.00	0.00
Adjustments for Liabilities & Assets:	76.07	-43.05	2.04
(Increase)/Decrease in investments	8.29	-8.71	9.48
(Increase)/decrease in advances	-44.53	-131.00	-105.99
Increase/(decrease) in deposits	111.40	106.40	93.63
(Increase)/decrease in other assets	-0.81	-1.45	-0.82
Increase/(decrease) in other liabilities and provisions	1.72	-8.29	5.75
Refund/(payment) of direct taxes	-5.81	-8.10	-10.97
Net cash generated from operating activities	88.85	-25.99	29.34
Cash flow from investing activities			
Investments in subsidiaries and/or joint ventures	0.00	0.00	0.00
Income from Subsidiaries / joint ventures/Associates	0.00	0.00	0.00
Purchase of fixed assets	-0.82	-0.72	-1.71
Proceeds from sale of fixed assets	0.00	0.00	0.00
(Purchase)/sale of held to maturity securities	-25.89	-20.29	-25.76
Other Investing Income	0.00	-1.35	1.35
Cash flow from financing activities	-20.23	28.46	1.05
Proceeds from issue of share capital	0.00	36.62	0.05
Net proceeds/(repayment) of bonds/debts	0.00	0.00	0.00
Dividend and dividend tax paid	0.00	0.00	-1.44
Other Financial activities	-20.23	-8.16	2.43
Net cash generated from financing activities	0.00	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	41.92	-19.89	4.27
Cash and cash equivalents at 1st April	31.73	73.65	53.75
Others	0.00	0.00	0.00
Cash and cash equivalents at 31st March	73.65	53.75	58.02