Dated: 31th Oct 2025

Bandhan Bank (Bandhan) - BUY

Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.171	**Rs.225**

Rationale:

- Bandhan Bank reported a 90% yoy earnings decline.
- Slippages were still elevated at ~5%, while credit cost stood at ~3.5%.
- However, the disappointment was on Net Interest Margin (NIM), which declined 60 bps qoq.
- We expect a partial recovery in NIM as funding costs improve.
- Maintain BUY with an unchanged FV of Rs225 due to inexpensive valuations.

Q2FY26 Earnings Update:

Positives:

- Gross Non-performing assets (GNPA) ratio was stable qoq at 5.0% and net NPA ratio stood at 1.4%.
- Deposit growth stood at 11% yoy ; CASA ratio improved 100 bps qoq to 28%.
- Capital position is healthy, with Capital Adequacy ratio (CAR) at 18.2%.

Negatives:

- AUM growth was weak at 7% yoy as MFI growth still on declining trend at -13%.
- Reported NIM declined by ~60 bps qoq to ~5.8%.
- The Special mention account (SMA) book (PAR 1-90) in the microfinance business increased qoq to 4.8% from 3.8%.
- Gross slippages ratio increased 30 bps qoq to 4.5% to 4.8%.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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.
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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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