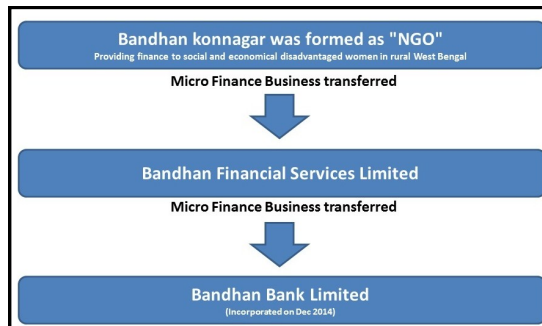


IPO UPDATE

Bandhan Bank Limited

Bank's History:

- Bandhan Konnagar was formed in 2001 as a non-governmental organisation ("NGO") providing microfinance services to socially and economically disadvantaged women in rural West Bengal.
- NGO transferred its microfinance business to Bandhan Financial Services Limited ("BFSL").
- BFSL by then was India's largest microfinance company by number of customers and size of loan portfolio.
- Bandhan bank Limited (Bandhan) got incorporated on December 23, 2014 and began its banking operation.
- BFSL transferred its entire microfinance business to Bandhan on August 23, 2015



Source: Red Herring Prospectus

Present Status & product portfolio:

Bandhan is now a commercial bank focused on serving under-banked and underpenetrated markets in India. It currently offers a variety of asset and liability products.

Loan
Retail: <ul style="list-style-type: none"> Micro Loans Home & Mortgage Loans Personal Loan Two Wheeler Loan Loan against Property Loan against term deposit Gold loans
SME loans loans above Rs1,000,000 and for which we may take collateral
Small Enterprise loan The small enterprise loans are loans between Rs100,000 to Rs1,000,000 for which it takes no collateral.

Source: Red Herring Prospectus

Apart from loans and advances; the company also offers other banking products and services to generate non-interest income and cater to the additional needs of the customers. These products and services include debit cards, internet banking, mobile banking, EDC-POS terminals, online bill payment services and the distribution of third-party general insurance products and mutual fund products.

Sector/Products category	% advance to total advance
Small Enterprise Loan (SEL)	4.5%
Retail Asset	1.7%
SME loans and others	3.0%
Microfinance	90.8%

Source: Red Herring Prospectus

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SNAPSHOT		
Issue Opens	Thursday, March 15, 2018	
Issue Closes	Monday, March 19, 2018	
Price Band	370 / 375	
Bid Lot	40 shares and multiples thereafter	
Face Value	Rs10	
Listing	BSE & NSE	
Type of Issue	Fresh Issue & Offer for Sale	
Offer Size (Rsmn)	Fresh Issue	36,624
	OFS	8,106
	Total	44,730
*Implied Market Cap (Rsmn)	4,47,302	
*PE (Based on FY17 earnings)	40.2	

*Note : Implied Market Cap & PE are calculated at higher price band of Rs375

Issue allocation	
Reservations	% of Net Issue
QIB	50%
NIP	15%
Retail	35%
Total	100%

Object of the offer
<ul style="list-style-type: none"> Augment Bank's Tier-I capital base to meet future capital requirements General Corporate Purpose

Last 3 year Summarized Financials			
Rs(mn)	FY16	FY17	9MFY18
Interest Income	15,814	39,087	34,517
Interest Expended	6,485	15,052	12,829
Net Interest Income	9,328	24,035	21,688
OPM%	59.0%	61.5%	62.8%
Profit After Tax	2,752	11,120	9,577
Profit Margin %	17.4%	28.4%	27.7%
Earning Per Share	3.4	10.2	8.7
RoNW(%)	8.2%	25.0%	-

Details of Selling Shareholder & No of Shares	
IFC	1,40,50,780
IFC FIG	75,65,804
Total	2,16,16,584

Source: Red Herring Prospectus

IPO UPDATE

Bandhan Bank Limited

Distribution network & year-wise growth:

The distribution network is particularly strong in East and Northeast India, with West Bengal, Assam and Bihar together accounting for 56.37% and 57.58% of the branches and DSCs respectively as of December 31, 2017, though the focus is to expand across India.

Particulars	August 2015	March 2016	March 2017	December 2017
Branches	501	656	840	887
Door service center (DSC)	2022	2022	2443	2633
ATM network	50	228	282	430

Source: Red Herring Prospectus

Priority sector lending:

RBI requires:

(i) that banks locate at least 25% of their banking outlets in what it calls "unbanked rural" areas

(ii) that at least 40% of all lending be made to "priority sectors", which includes micro loans

The company focus specifically on serving under-banked and underpenetrated markets, 29.15% banking outlets were located in unbanked rural areas and 96.49% of the Gross Advances were PSL compliant, each as of December 31, 2017.

Break-down of Gross Advances segment wise & Geography-wise:

Particulars	March 2016	March 2017	December 2017
Gross Advances	1,55,784	2,35,432	2,43,643
Net Advances	1,24,375	1,68,390	2,29,907
Micro Loans	1,22,776	1,46,835	2,00,779
Small Enterprise	-	10,542	12,211
SME Loans	993	7,091	9,051
Other retail loan	605	3,921	7,264

Source: Red Herring Prospectus

Region	Loan Portfolio (Rsmn)
Eastern	1,41,863
North Eastern	55,219
Central	21,229
Western	13,020
Northern	8,796
Southern	3,514
Total	2,43,643

Source: Red Herring Prospectus

Break-down of Micro Loans sector wise

Micro Loans (Gross)	March 2016	March 2017	December 2017
Agriculture and Allied Loan	82,503	1,06,734	1,01,451
Health and Education	1,130	650	198
Business	70,539	1,06,480	1,13,394
Total	1,54,173	2,13,865	2,15,045

Source: Red Herring Prospectus

Current Account and Saving Account Ratio (CASA) ratio :

CASA ratio plays a very important role in determining the cost of funds to the bank. CASA ratio of a bank is the ratio of deposits in current and saving accounts to total deposits. A higher CASA ratio indicates a lower cost of funds. Bandhan's CASA ratio has improved from 21.55% as of March 31, 2016 to 33.22% as of December 31, 2017.

Micro Loans (Gross)	December 2017	% of Deposit
Demand Deposit	14,853	5.9%
Saving Bank Deposit	69,165	27.3%
Term Deposit	1,68,920	66.8%
Total	2,52,939	100.0%

Source: Red Herring Prospectus

Regulatory Capital Requirement

Particular	Statutory Requirement	Actual
Statutory Liquidity Ratio (SLR)	19.5%	24.9%
Cash Reserve Ratio (CRR)	4.0%	4.1%
Capital Adequacy Ratio (CAR)	13.0%	24.8%

Source: Red Herring Prospectus

Please Turn Over

IPO UPDATE
Bandhan Bank Limited

Peer Comparison for fiscal 2017:

Particulars	HDFC Bank	ICICI Bank	Axis Bank	Kotak Bank	Yes Bank	IndusInd Bank	IDFC	Bajaj Finance	Bandhan Bank
Total Income (Rsmn)	8,61,489	11,33,976	5,75,966	3,39,837	2,06,427	1,85,771	95,973	1,00,065	43,201
Advances (Rsbn)	5,546	4,642	3,731	1,361	1,323	1,131	492	602	168
Deposits (Rsbn)	6,436	4,900	4,144	1,574	1,429	1,296	402	NA	232
No of Branches	4,715	4,850	3,304	1,369	1,000	1,200	74	538	840
NAV	358	179	235	209	482	344	43	30	40
PE	33.4	18.7	35.8	41.0	4.48	36.5	18.7	71.5	-
Ratios Related to Cost & Income									
Net Interest margin	4.2	2.9	3.2	4.0	3.0	3.8	2.2	9.4	10.4
Cost to Income	43.4	35.8	40.9	46.7	41.4	46.7	42.1	44.2	36.3
Cost to Fund	5.5	5.3	5.4	5.7	6.5	6.3	8.9	8.8	7.9
Yield on Advances	10.2	8.8	9.3	10.5	10.6	11.4	10.7	20.2	21.5
CASA Ratio (%)	48.0	50.4	51.4	44.0	36.3	36.9	5.2	NA	29.4
Return Ratios									
Return on Average Asset %	1.9	1.3	0.7	1.7	1.8	1.8	1.1	3.2	4.5
RONW%	16.6	10.8	7.0	12.8	15.1	13.9	7.2	19.1	25.0
Return on Equity %	17.9	10.3	6.8	13.2	18.6	15.1	7.2	21.6	28.5
Risk Ratio									
Capital Adequacy Ration %	14.6	17.4	15.0	16.8	17.0	15.3	18.9	20.3	26.4
Gross NPA %	1.1	7.9	5.0	2.6	1.5	0.9	3.0	1.7	0.5
Net NPA %	0.3	4.49	2.1	1.3	0.8	0.4	1.1	0.4	0.4

Source: Red Herring Prospectus

Short Summary of Bandhan's Financials:

Particulars Rs(mn)	As on 31st December, 2017
Gross Deposit	2,52,939
Gross Advances	2,43,649
<i>Net Interest Margin</i>	9.86%
<i>Gross NPA</i>	1.67%
PAT	9,577
<i>Profit Margin</i>	27.7%
<i>ROE</i>	25.5%
<i>ROA</i>	4.07%

Source: Red Herring Prospectus

IPO UPDATE
Bandhan Bank Limited

Financials:

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<i>OPM%</i>	<i>59.0%</i>	<i>61.5%</i>	<i>62.8%</i>
Other income	1,499	4,114	5,028
<u>Expenses</u>			
Operating Expenses	6,159	10,220	9,453
Provisions and Contingency	533	884	2,651
Total	6,692	11,104	12,105
Profit before tax (PBT)	4,135	17,045	14,612
<i>Tax</i>	<i>1,383</i>	<i>5,925</i>	<i>5,035</i>
PAT	2752	11,120	9,577

Source: Red Herring Prospectus

Outlook and Recommendations:

The company inherited the primary micro-finance business from BSFL in 2015 and over the years Bandhan has shown its ability in maintaining high profitability and asset quality. However, the golden era for Bandhan has been phased out as it has transformed itself from primary micro finance company to being a Pan India bank. As of 31st December,2017 the Net interest Margin were 10.36% which is twice the average of the listed peers. Unsecured lending is one of the primary reasons for the high net interest margin as 96% of the loan book of the bank consists of unsecured lending. The CASA ratio stands at 33.2% which is below the industry average. Further, the asking P/BV (post-listing 4.9x) is neck to neck when compared with leading larger peers like HDFC (trading at approx 5x) and others. Thus, based on the above the IPO seems to be highly fairly priced. The IPO would be a high risk one with not much to offer for the retail clients. The IPO would be an avoid, however we should rather wait post listing to get the shares at discounted price.

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