

Bandhan Bank Ltd : Good Issue

IPO Note : Excellent growth in top and bottom line, Strong Capital Adequacy Ratio (CAR), Low NPA : Ranking***



Issue details

Price band (Rs)	Rs.370-Rs.375
IPO Opening Date	15/03/18
IPO Closing Date	19/03/18
Issue Size	Rs.4473 Cr.

Recommendation

Total revenue grew at a pace of **149.54%** from Rs.1731.25 Cr for the FY 2016 to Rs.4320.12 Cr for FY 2017 and Net Profit grew at a pace of **303.99%** in the same period. Net profit grew from Rs.275.24 crore to Rs.1111.95 crore in this period. For the nine months ended on 31.12.17, it has earned net profit of Rs.75.16 cr. on a turnover of Rs.1197.27 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.1192.80 crore, the EPS works out to Rs.10.69 then asking price Rs.375 is at a P/E of 35+. Thus issue appears fully priced. Its Gross NPA and Net NPA for FY 17 stood at 0.5% and 0.4% respectively. Capital Adequacy ratio of the bank was 26.4%, which indicate strong capital base. Its listed peers RBL Bank, Ujjivan Finance, Equitas Holdings are trading at PE of 34, 951 and 829 respectively. Other Private banks IDFCBANK, Indusind Bank, ICICI Bank are trading at PE between 18 to 50. Looking to its strong capital adequacy ratio (CAR), low NPA and excellent growth in top and bottom line, Investment may be considered.

Highlights

- Bandhan Bank Limited is Kolkata, West Bengal based commercial bank focused on micro banking and general banking services.
- BBL's strength lies in microfinance and has strength of 2,633 DSCs and 9.86 million micro loan customers as of December 31, 2017
- It also opened Greenfield network of 501 bank branches and 50 automated teller machines ("ATMs"), which as of December 31, 2017 has grown to 887 bank branches and 430 ATMs, together serving over 2.13 million general banking customers.
- Bank's deposits and Gross Advances (including IBPC/Assignment) stood at Rs. 25294 crore and Rs. 24364 crore respectively.

Company Introduction

Incorporated in 2014, Bandhan Bank Limited is Kolkata, West Bengal based commercial bank focused on micro banking and general banking services. Bandhan Bank has a license to provide banking services pan-India across customer segments. Bank offer a variety of asset and liability products and services designed for micro banking and general banking, as well as other banking products and services to generate non-interest income. With the a network of 2,546 doorstep service centres (DSCs) and 9.47 million micro loan customers, the bank has strong very hold in microfinance. Bandhan bank has 887 bank branches and 430 ATMs serving over 1.87 million general banking customers. Banks distribution network is strong in East and Northeast India, with West Bengal, Assam and Bihar.

Bandhan Bank Products:

1. Retail loans including micro loans, SME loans and small enterprise loans
 2. Savings accounts, current accounts and a variety of fixed deposit accounts.
 3. Other banking products and services including 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.



www.bandhanbank.com

Financial Summary (Rs. In Crore)

Particulars	Nine month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	3954.50	4320.12	1731.25	7.95
Net Profit	957.70	1111.95	275.24	0.57
EPS (Rs)	8.02	9.32	2.3	0

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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Company Promoters:

1. Bandhan Financial Services Private Limited (BFSL), a non-banking financial institution
2. BFSL was accorded in-principle approval by the RBI on April 9, 2014 for setting up a bank in the private sector. The promoter of BFHL is BFSL.
3. FIT is an irrevocable charitable trust with objectives including inter alia eliminating functional illiteracy in India by making education economically relevant.
4. NEFIT is an an irrevocable charitable trust with objectives including inter alia eliminating illiteracy in India by making education available to the underprivileged.

The object of the issue

Fresh Issue

The object of the fresh issue is to augment Bank's Tier-I capital base to meet Bank's future capital requirements.

Offer for Sale

The Selling Shareholders will be entitled to the respective portion of the proceeds of the Offer for Sale.

IPO Issue Proceed

BBL is coming out with its maiden IPO of 11.93 crore equity shares of Rs. 10 each via book building route with a price band of Rs. 370 – Rs. 375 to mobilize Rs. 4413.38 crore to Rs. 4473.02 crore based on lower and upper price bands. Issue consists of a fresh issue of up to 9.77 crore equity shares and offer for sale of 2.16 crore shares. Issue opens for subscription on 15.03.18 and will close on 19.03.18. The objects of the Fresh Issue are to augment Bank's Tier-I capital base to meet its future capital requirements. Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue. Minimum application is to be made for 40 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 1095.14 crore will stand enhanced to Rs. 1192.80 crore.