

| Issue Details | |
|-------------------------------|-----------|
| Issue Opens | 15-Mar-18 |
| Issue Closes | 19-Mar-18 |
| Issue Size (Rs. Crore) | 4,473.02 |
| Face value (per equity share) | 10 |
| Price Band (Rs.) | 370-375 |
| Lot Size (No of Share) | 40 |
| No of Shares on Offer (crore) | 11.92 |
| QIB (%) | 50% |
| Non-Institutional (%) | 15% |
| Retail (%) | 35% |
| Commencement of Trading | 27-Mar-18 |

Issue Date: 15th Mar – 19th Mar 2018

Price Band (Rs.): 370- 375

Lot Size (No. of Share): 40

Company Background

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.

Financials

| Particulars | For the year/period ended (in Rs. Million) | | |
|-------------------------|--|---------|--------|
| | Mar'17 | Mar'16 | Mar'15 |
| Total Assets | 302,361 | 197,565 | 5,269 |
| Total Revenue | 43,201 | 17,312 | 80 |
| Profit After Tax | 11,119 | 2,752 | 6 |

Concerns

- Concentration risk as substantial operations in eastern India
- Major portion of interest from advances are due within a year.
- Microcredit lending has its own unique risks.

Strengths

- Consistent Track Record of Growing a Quality Asset and Liability Franchise.
- Extensive, Low Cost Distribution Network.
- Provide accessible, simple, cost-effective and innovative financial solutions.
- Robust Capital Base.
- Maintaining focus on micro lending while expanding further into other retail and SME lending.

Our View

The price band of INR 370-375 per share and on restated FY17 EPS of Rs.10.15, P/E ratio works out to 37x. Based on last three years restated consolidated EPS of 6.21, P/E ratio works out to be 60x. There are listed peers Gruh Finance trading at highest P/E of 62x and yes bank at lowest at 3.87x, other peers AU small finance Bank(59x), IDFC Bank(18x). Industry average is 33.7x. Hence, Bandhan bank IPO is reasonably priced.

Overall earnings profile looks comfortable, with premium valuations expected to remain. However, with PNB fraud, banking sector is in turbulence now. Banking stocks are taking corrections due to this. By mid March, banks would come back to RBI about high value loans and their risk factors. High Risk investors can invest in this IPO for long term.

| Shareholding pattern | Pre Issue (%) | Post Issue (%) |
|--|---------------|----------------|
| Promoters and Promoter Group | 89.6 | 82.4 |
| Public (incl institutions and employees) | 10.4 | 17.6 |
| Total | 100.0 | 100.0 |

Objects of the Issue

The Issue comprises of a Fresh Issue and an Offer for Sale.

• 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.