NOVEMBER 10, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF BANDHAN BANK LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	133.97 (reduced from 1000)	CARE AA- (Double A minus)	Revised from CARE A+ (Single A Plus)
Total Facilities	**133.97 (Rs. One hundred thirty three crore and ninety seven lakh only)**		
Instruments			
Unsecured Subordinated Non-convertible Debenture (NCD)	160.0	CARE AA- (Double A minus)	Revised from CARE A (Single A)
Secured NCD Issue	-	-	Withdrawn
Total Instruments	**160.0 (Rs. One hundred and sixty crore only)**		

Rating Rationale

The revision in the ratings assigned to Bandhan Bank Ltd (BBL) takes into account the successful commencement of banking operations marked with substantial mobilization of low cost deposits during the seven month operational period in FY16 (refers to the period April1 to March 31) leading to decline in interest rate charged, increased scale of banking operations, robust capitalization and healthy liquidity profile.

The aforesaid ratings also derive strength from the experienced promoter group and patronage of strong domestic and foreign investors, growing micro loan portfolio, legacy of established credit operations and strong operational network in the non-urban areas through the activities of Bandhan Financial Services Ltd. (BFSL; the business of which has been transferred to BBL) which occupied the leadership position in the MFI sector, inheritance of seasoned portfolio of large unsecured micro advances and efficient risk management practice of BFSL leading to highly comfortable asset quality parameters of BBL.

The rating is, however, constrained by BBL's foray into newer area of general banking business which is characterized by intense competition, lower profitability of BBL in FY16 due to staffing, regulatory compliance and infrastructure requirement albeit financial profile continued to remain comfortable and concentration of micro advance portfolio in West Bengal.

The ability of the bank to successfully scale up its operations, gradually diversifying its product mix, continuously build low cost deposit base thus increasing competitiveness, maintain profitability and asset quality would remain the key rating sensitivities.

Background

BBL was incorporated on December 23, 2014 and is a step down subsidiary of BFSL. BFSL was a NBFC-MFI which was engaged in the business of lending to individual women borrowers under 'Group based individual lending' model and operated across 22 states & Union Territories of India. BFSL was one of the two entities to be granted "in-principle" approval by Reserve Bank of India (RBI) on April 2, 2014 to set up a bank under 'Guidelines on Licensing of New Banks in the Private Sector' issued by RBI. BFSL was given 18 months to comply with the requirements under the guidelines issued and fulfill such other conditions as may be stipulated by the RBI. Subsequently, on June 17, 2015, RBI granted the license to BBL to carry out the banking business in India. Accordingly, BBL formally commenced its operations on Aug.23, 2015

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

with 501 branches on a pan India basis whereby in line with the terms with Business Transfer Agreement (BTA) dated Feb.11, 2015 entered between BFSL and BBL, the assets/liabilities of BFSL were transferred to BBL.

As on March 31, 2016, BBL's advances and deposits stood at Rs.12,437.6 crore and Rs.12,088.8 crore respectively and the bank operated through a network of 656 branches and 2022 micro banking centres. Further, CASA deposits comprised 22% of the total deposits as on Mar.31, 2016.

BBL reported a PAT (after deferred tax) of Rs.275.2 crore on total income of Rs.1731.3 crore in FY16. Gross NPA (%) and Net NPA (%) stood comfortable at 0.15% and 0.08% as on Mar.31, 2016. Overall CAR of the bank stood at 29.01% as on Mar.31, 2016.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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