Bandhan Bank Ltd

October 10, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]
Unsecured Subordinated Non-convertible Debenture (NCD)	160.0	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**
Total Instruments	**160.0 (Rs. One hundred and sixty crore only)**	

Details of instruments/facilities in Annexure-1

Credit update

The Reserve Bank of India (RBI) has restricted Bandhan Bank Limited (BBL) from opening new branches freely due to its inability to reduce the promoters holding (Non Operative Financial Holding Company- NOFHC) below 40% within three year of operation i.e August 23, 2018 as per the RBI's new banking licensing guidelines and also freezed the remuneration of Mr. Chandra Shekhar Ghosh, the current MD and CEO at existing levels. However BBL can open new branches with prior approval of RBI.

Likely impact on the business of BBL

As per the new licensing conditions of RBI, the bank was required to bring down the promoters holding to 40% within 3 years of starting the business, i.e. August 23, 2018. The holding of the NOFHC was 82.28% as on June 30, 2018 which had reduced from 89.76% after the IPO in March 2018.

However, the management has highlighted that it cannot offload the stake within 1 year post IPO i.e March, 2019 as per the Securities and Exchange Board of India (SEBI) guidelines for equity listing, hence constraining the NOFHC to dilute its shareholding.

Further stake dilution by NOFHC in BBL can be done through various modes such as through acquisition of another entity by the bank itself or stake sale by NOFHC to fund acquisition of other entity. However, subject to compliance by all the regulators, mode of stake dilution remains to be observed and critical.

The branch network of the bank has grown significantly since start of operations and BBL operated with 937 branches as on June 30, 2018 as against 523 branches as on Sep.30, 2015. The bank has registered strong y-o-y growth in net advances to Rs.30,533 crore as on June 30, 2018 as against Rs.18,743 crore as on June 30, 2017. With significant growth potential from the existing branch network, the growth prospects in the short term are not likely to be impacted. However, if the restriction of opening branch with prior permission continues, it may have some impact on the growth parameters in the medium to long term.

The previous detailed rating rationale is available on the following link. Click here

Analytical Approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial Ratios- Financial sector
CARE's Rating Methodology for Banks

About the Company

BBL was incorporated on Dec.23, 2014, promoted by Bandhan Financial Services Ltd (BFSL) as its step down subsidiary. 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 & UTs of India. BFSL was granted "in-principle" approval by RBI on April 2, 2014 to set up a bank under 'Guidelines on Licensing of New Banks in the Private Sector' issued by RBI. Subsequently, on June 17, 2015, RBI granted the license to BBL to carry out the banking business in India. BBL formally commenced its banking operations on Aug.23, 2015 with 501 branches on a pan India basis. In line with the terms of Business Transfer Agreement (BTA) dated Feb.11, 2015 entered between BFSL and BBL, the entire assets/liabilities of BFSL were transferred to BBL.

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	3908.7	4802.3
PAT	1112.0	1345.6
Interest coverage (times)	2.24	2.42
Total Assets	30236.1	44310.1
Net NPA (%)	0.36	0.58
ROTA (%)	4.45	3.61

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Ms Mamta Muklania
Tel: 033-4018 1651
Mobile : 98304 07120
Email: mamta.khemka@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debt-Subordinate Debt	Sept.2014	14.536%	Sept.2021	160.00	CARE AA-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Oct-17)	1)CARE AA- (10-Nov-16)	1)CARE A+ (16-Nov-15)
2.	Debt-Subordinate Debt	LT	160.00	CARE AA-; Stable	-	1)CARE AA-; Stable (06-Oct-17)	1)CARE AA- (10-Nov-16)	1)CARE A (16-Nov-15)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (10-Nov-16)	1)CARE A+ (16-Nov-15)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691