

BUY
 TP: Rs 2,007 | ▲ 15%

KOTAK MAHINDRA BANK

| Banking

| 25 October 2023

Mixed Q2; raise to BUY on low valuation, succession clarity

- Strong business growth in Q2 but NIM down 35bps QoQ on higher deposit cost and liquidity buffer; other income muted
- Appointment of Ashok Vaswani, ex-CEO Barclays UK, as MD & CEO of KMB to help lift management succession overhang
- We reset from 3.1x to 2.7x FY25E P/ABV for a new TP of Rs 2,007 (vs. Rs 2,122); raise from HOLD to BUY on inexpensive valuations

Ajit Agrawal

research@bobcaps.in

Mixed sequential performance: KMB posted mixed Q2FY24 results wherein PAT declined 8% QoQ (+24% YoY) mainly due to flat NII (+23% YoY), while business growth was strong with advances rising 6% QoQ (+18.5% YoY) and deposits up 4% QoQ (+23% YoY). Operating expense was flat QoQ (+15% YoY), but the C/I ratio rose to 46.5% vs. 44.5% in Q1.

Robust business growth: Q2 credit growth of 18.5% YoY was backed by an 18% rise in the corporate book (+10% incl. credit substitutes), alongside strong traction in credit cards (+59%), personal loans (+35%) and consumer banking (+21%). Home loan growth moderated to 15% YoY vs. 40% in the year-ago quarter. The unsecured book formed 11% of advances vs. 8.7% a year ago. Deposits increased 23% YoY led by term deposits wherein the bank's 'ActivMoney' product grew 28% QoQ due to a shift from retail SA, leading to a lower CASA ratio of 48.3%. We broadly retain FY24/FY25 loan estimates but raise our deposit forecast for FY24/FY25 by 3%/4%.

NIM falls sequentially: Reported NIM contracted 35bps QoQ to 5.2% owing to upward deposit rate repricing, flat yield on advances and 14-15bps impact from a one-off ICRR and liquidity buffer. Management believes most of the deposit repricing is complete and, hence, does not foresee significant margin headwinds.

Stable asset quality; credit cost rises: Slippages were flat QoQ at 1.6%, leading to stable GNPA/NNPA at 1.7%/0.4% with PCR of 79%. Credit cost was also flat, normalising at 45bps, leading us to raise our FY24/FY25 forecasts to 45bps/54bps vs. 36bps each.

Upgrade to BUY: Given strong growth in the high yielding unsecured portfolio, we raise our FY24/FY25 NII estimates by 4% each and PPOP by 9%/8%. Resetting our target multiple to 2.7x FY25E ABV (vs. 3.1x) based on the Gordon Growth Model, we move to a TP of Rs 2,007 (vs. Rs 2,122) that includes Rs 600/sh as the value of subsidiaries. KMB looks inexpensive at current levels of 2.1x FY25E P/ABV and recent clarity shed on the management succession plan with Ashok Vaswani appointed as MD & CEO augurs well – we thus upgrade from HOLD to BUY.

Key changes

Target	Rating
▼	▲

Ticker/Price	KMB IN/Rs 1,741
Market cap	US\$ 42.1bn
Free float	74%
3M ADV	US\$ 86.0mn
52wk high/low	Rs 2,064/Rs 1,644
Promoter/FPI/DII	26%/41%/20%

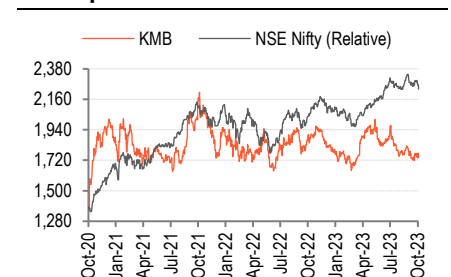
Source: NSE | Price as of 23 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Net interest income	21,552	25,401	29,278
NII growth (%)	28.1	17.9	15.3
Adj. net profit (Rs mn)	10,939	12,727	14,309
EPS (Rs)	55.1	64.1	72.0
Consensus EPS (Rs)	55.1	60.1	69.3
P/E (x)	31.6	27.2	24.2
P/BV (x)	4.2	3.6	3.1
ROA (%)	2.8	2.4	2.3
ROE (%)	17.8	14.2	13.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Income Statement							
Interest Income	63,976	71,433	77,809	82,982	86,763	4.6	35.6
Income on investments	14,860	16,464	18,843	20,074	21,485	7.0	44.6
Int. on bal. with RBI & inter-bank funds & Others	2,092	2,090	1,558	1,944	3,681	89.4	75.9
Interest income	80,928	89,986	98,209	105,000	111,928	6.6	38.3
Interest expense	29,934	33,457	37,184	42,663	48,962	14.8	63.6
Net interest income	50,994	56,529	61,026	62,337	62,966	1.0	23.5
Growth YoY (%)	26.8	30.4	35.0	32.7	23.5	(924bps)	(336bps)
Non-interest income	19,542	21,000	21,863	26,833	23,145	(13.7)	18.4
Growth YoY (%)	7.8	54.0	19.7	115.7	18.4	(9,730bps)	1,063bps
Non-interest income (Ex- Trading income)	18,912	20,490	21,853	24,433	21,645	(11.4)	14.5
Total income	70,536	77,529	82,888	89,170	86,112	(3.4)	22.1
Growth YoY (%)	20.9	36.1	30.6	50.1	22.1	(2,801bps)	116bps
Staff expenses	14,147	14,778	14,545	16,470	16,346	(0.8)	15.5
Other operating expenses	20,714	24,253	21,870	23,204	23,665	2.0	14.2
Operating expenses	34,861	39,031	36,415	39,674	40,011	0.8	14.8
Pre-Provisioning Profit (PPoP)	35,675	38,498	46,474	49,496	46,101	(6.9)	29.2
Growth YoY (%)	14.3	42.5	39.1	77.8	29.2	(4,861bps)	1,489bps
Pre-Provisioning Profit (Ex- Trading income)	35,045	37,988	46,464	47,096	44,601	(5.3)	27.3
Growth YoY (%)	12.3	40.6	39.1	29.4	27.3	(211bps)	1,495bps
Provisions	1,370	1,488	1,476	3,643	3,666	0.6	167.6
Growth YoY (%)	(67.7)	(213.0)	(148.2)	1444.3	167.6	(127,679bps)	23,524bps
PBT	34,305	37,010	44,998	45,853	42,436	(7.5)	23.7
Tax	8,498	9,091	10,042	11,330	10,526	(7.1)	23.9
PAT	25,807	27,919	34,956	34,523	31,910	(7.6)	23.6
Growth YoY (%)	27.0	31.0	26.3	66.7	23.6	(4,304bps)	(335bps)
Per Share							
FV (Rs)	5	5	5	5	5	0.0	0.0
EPS (Rs)	13	14	17	17	16	(7.6)	23.5
Book Value (Rs)	388	403	420	438	453	3.4	16.7

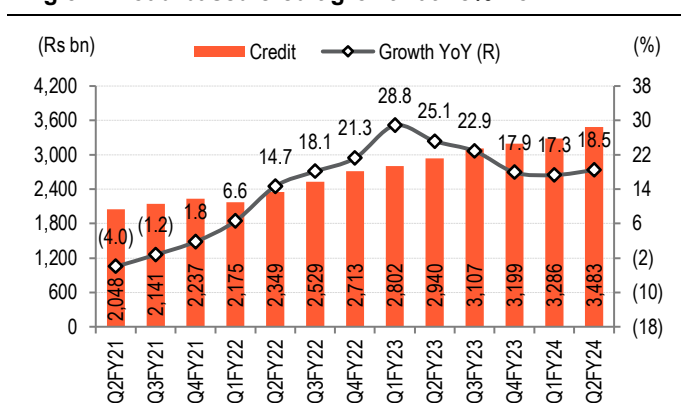
Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other metrics

Balance sheet (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Deposits	3,252,032	3,446,660	3,630,961	3,862,540	4,009,629	3.8	23.3
Growth YoY (%)	11.5	12.9	16.5	22.0	23.3	125bps	1181bps
Advances	2,940,232	3,107,340	3,198,612	3,285,820	3,482,841	6.0	18.5
Growth YoY (%)	25.1	22.9	17.9	17.3	18.5	118bps	(669bps)
Investment	988,624	1,122,190	1,214,037	1,238,730	1,286,460	3.9	30.1
Equity	770,759	799,360	835,203	870,110	900,349	3.5	16.8
Assets	4,419,951	4,647,840	4,898,625	5,129,910	5,329,631	3.9	20.6
Growth YoY (%)	8.2	11.2	14.1	20.8	20.6	(19bps)	1,236bps
Yield (%)							
Yield on Funds	7.8	8.2	8.5	8.7	8.8	18bps	107bps
Cost of Funds	3.5	3.8	4.0	4.3	4.7	42bps	117bps
Spread	4.2	4.5	4.6	4.4	4.1	(24bps)	(10bps)
Net Interest Margin (calc.)	4.9	5.2	5.3	5.1	5.0	(17bps)	8bps
Ratios (%)							
Other Income / Net Income	27.7	27.1	26.4	30.1	26.9	(321bps)	(83bps)
Cost to Income ratio	49.4	50.3	43.9	44.5	46.5	197bps	(296bps)
CASA ratio	56.2	53.3	52.8	49.0	48.3	(75bps)	(790bps)
C/D ratio	90.4	90.2	88.1	85.1	86.9	179bps	(3,55bps)
Investment to Assets	22.4	24.1	24.8	24.1	24.1	(1bps)	177bps
Assets Quality							
GNPA	62,102	59,946	57,683	59,092	60,872	3.01	(2.0)
NNPA	16,304	13,448	11,933	13,018	12,748	(2.1)	(21.8)
Provision	45,799	46,498	45,750	46,074	48,124	4.4	5.1
GNPA (%)	2.1	1.9	1.8	1.8	1.7	(5bps)	(36bps)
NNPA (%)	0.6	0.4	0.4	0.4	0.4	(3bps)	(18bps)
Provision coverage Ratio (PCR%)	73.7	77.6	79.3	78.0	79.1	109bps	531bps
Slippages (%)	1.4	1.0	1.1	1.5	1.6	9bps	19bps
Others							
Branches	1,710	1,752	1,780	1,788	1,850	62	140
ATMs	2,802	2,814	2,963	3,047	3,170	123	368

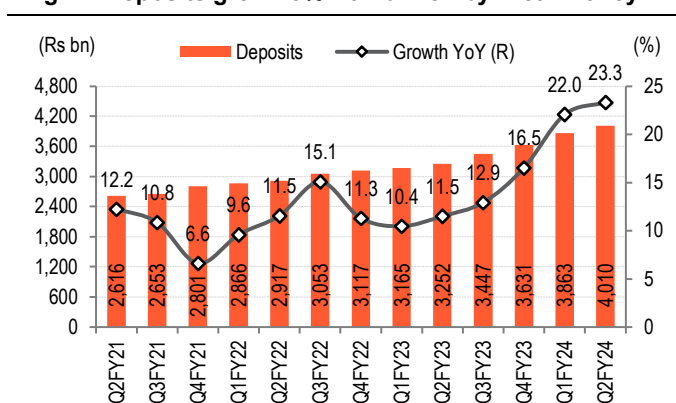
Source: Company, BOBCAPS Research

Fig 3 – Broad-based credit growth at 18% YoY



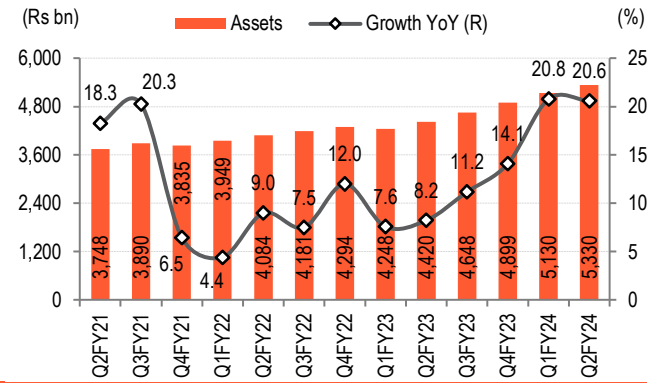
Source: Company, BOBCAPS Research

Fig 4 – Deposits grew 23% YoY driven by ‘ActivMoney’



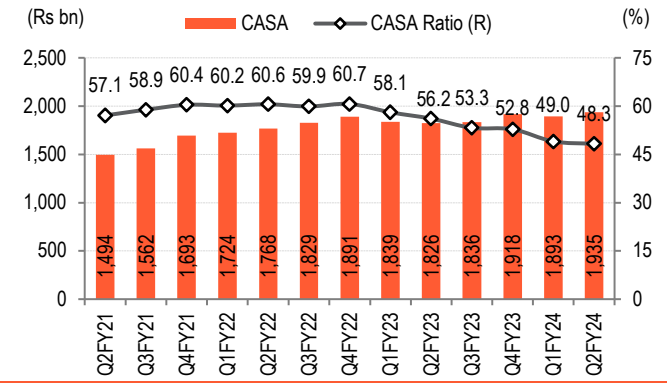
Source: Company, BOBCAPS Research

Fig 5 – Asset growth at 21% YoY



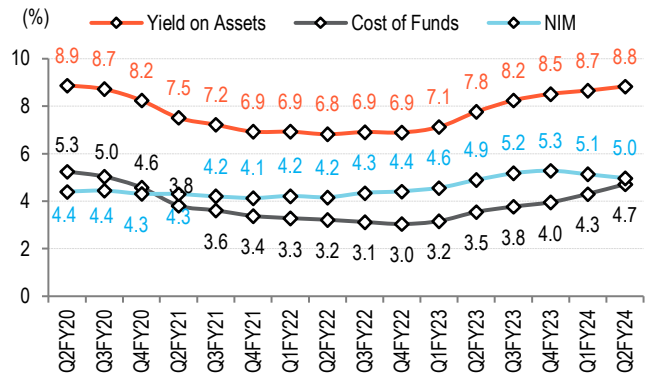
Source: Company, BOBCAPS Research

Fig 6 – Decline in CASA due to subdued SA mobilisation



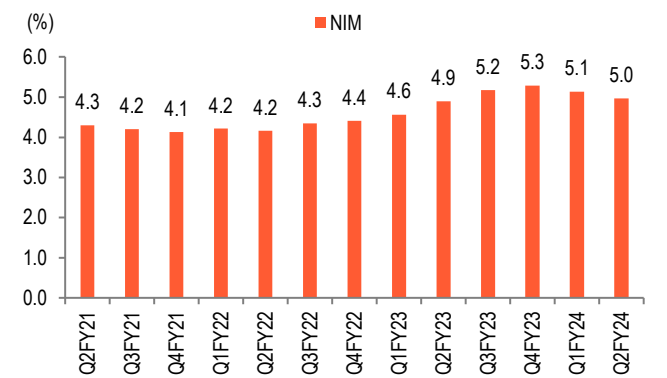
Source: Company, BOBCAPS Research

Fig 7 – NIM (calc.) declined 17bps QoQ



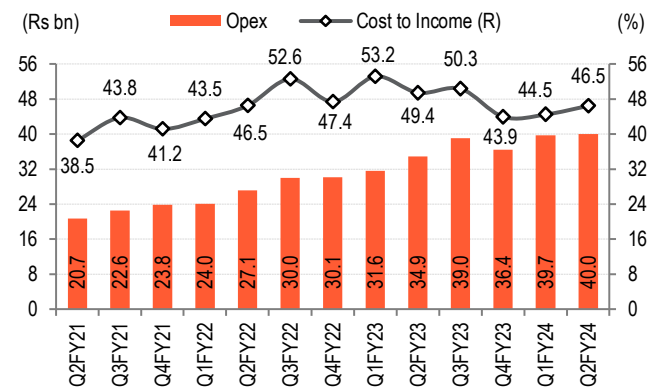
Source: Company, BOBCAPS Research

Fig 8 – NIM (calc.) forecast at 4.7% for FY24E-FY25E



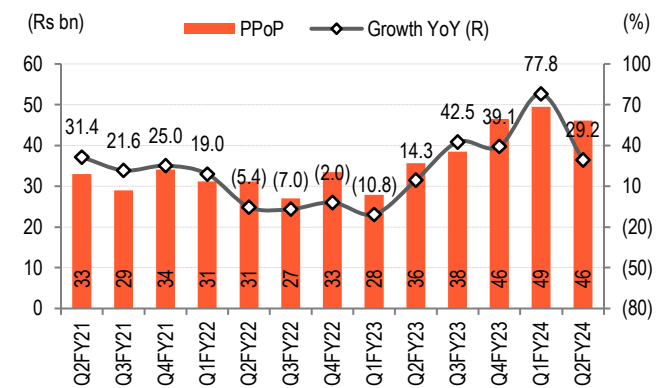
Source: Company, BOBCAPS Research

Fig 9 – Opex remained elevated on higher employee and promotional cost



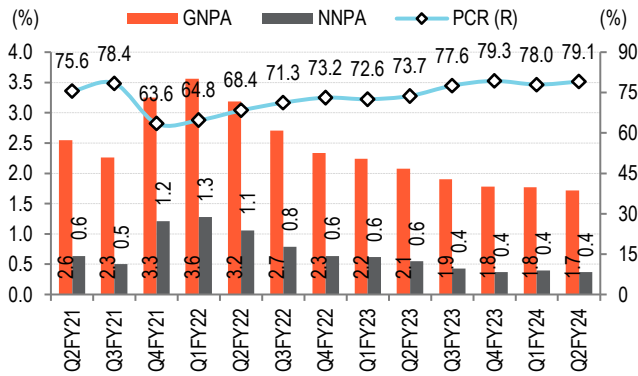
Source: Company, BOBCAPS Research

Fig 10 – Lower topline growth weighed on PPOP growth



Source: Company, BOBCAPS Research

Fig 11 – Asset quality stable



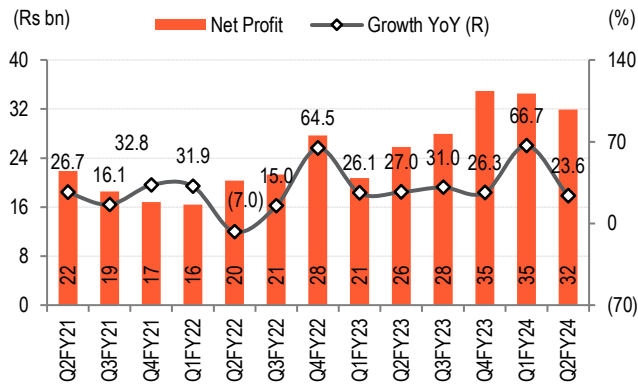
Source: Company, BOBCAPS Research

Fig 12 – Credit cost normalising



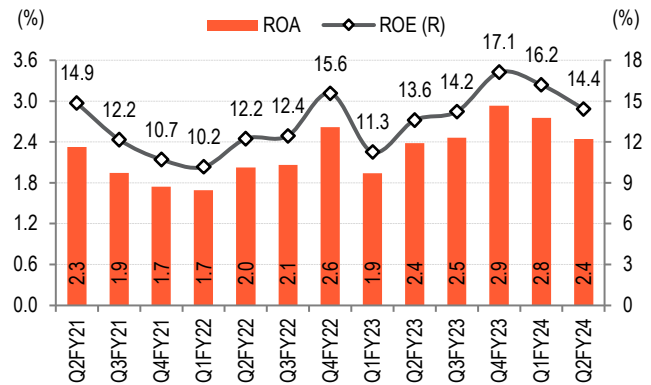
Source: Company, BOBCAPS Research

Fig 13 – PAT growth moderated on higher deposit cost



Source: Company, BOBCAPS Research

Fig 14 – Moderation in return ratios temporary in nature



Source: Company, BOBCAPS Research

Earnings call highlights

Management succession

- RBI has approved the appointment of Ashok Vaswani as MD & CEO of KMB and his joining on or before 1 Jan 2024.
- Vaswani is a veteran banker and has a proven track record, initially at Citigroup and more recently as CEO of Barclays UK and as its Global and Consumer Digital Head, with experience building consumer and corporate books across geographies.

Growth outlook

- KMB sees a better growth to NIM trade-off than growth to credit cost in the current climate.
- Big-ticket SA mobilisation (excluding government business) continues to be an industry-wide challenge.

Asset quality

- Slippages stood at Rs 13.1bn (1.6% annualised) in Q2FY24 vs. Rs 12bn (1.5% annualised) in Q1FY24, of which Rs 3bn were upgraded during the quarter.
- Recovery and upgrades were at Rs 9.4bn and KMB had no sale of NPA during Q2.
- Credit cost was flat at 45bps QoQ.
- The SMA-2 book stood at 4bps.

NII and NIM

- NII grew 23% YoY (+1% QoQ) while other income declined 14% QoQ (+18% YoY) in the absence of treasury gains and dividend income.
- Reported NIM contracted 35bps QoQ (+7bps YoY) to 5.2% due a 14-15bps impact from one-off items comprising ICRR, excess liquidity buffer which resulted in higher LCR QoQ, and short-term inflows that had to be parked in short-term investments.
- KMB's liabilities have an average tenure of 10-11 months and so most of the bank's repricing is complete. Management expects lower pressure from deposit repricing to relieve the stress on NIM.
- Average LCR stood at 120% for the bank and 127% at the group level.

Loans

- Advances grew 18.5% YoY and 6% QoQ.
- A focus on high yielding loans vs. low yielding bonds led to strong growth in the corporate loan book. Cumulatively corporate and credit substitutes grew 10% YoY (+3% QoQ). The bank also witnessed a shift from bonds to advances on the conglomerate side.
- KMB's mid-corporate book grew 10% QoQ.
- The unsecured portfolio, including MFI, constituted 11% of the loan book in Q2 vs. 8.7% a year ago.
- About 92% of credit card business comes from existing customers and risk metrics for these are under control; hence, KMB intends to continue investing in the cards franchise.
- Home loan growth moderated to 15% YoY from 40% in the year-ago quarter due to part repayments and foreclosure (+15.4% YoY vs. 17.4% in Q1) and above-average growth of 27% in the last four quarters.
- KMB is in the process of acquiring Sonata Finance for Rs5.4bn. Sonata is a Uttar Pradesh-based MFI, with a presence in 10 states, 540 branches and 1mn customers, that management expects to add to the loan book by FY24-end.

Deposits

- Deposits climbed 23% YoY (+3.8% QoQ) led by term deposits, mainly from KMB's 'ActivMoney' product which grew 28% QoQ.
- CASA growth was subdued at 2.2% QoQ (+6% YoY) while the term deposit book grew 5% QoQ (+45.5% YoY), leading to a 75bps decline in CASA ratio to 48.3%.
- SA mobilisation (excluding government business) continues to be a challenge.

Subsidiaries

Kotak Securities

- PAT came in at Rs 3.2bn compared with Rs 2.2bn in Q2FY23 (and Rs 2.2bn in Q1FY24).
- Market share grew to 8.8% from 5% a year ago and 7.5% in Q1FY24.

Kotak AMC

- AAUM was up 18% YoY to Rs 3.4tn.
- Equity AAUM grew 24% YoY to Rs 1.9tn with market share at 6.5% from 6.3% in Q2FY23.

Kotak Prime

- PAT dipped to Rs 2.1bn from Rs 2.2bn in Q2FY23 due to a run-down in the bought-out portfolios of Volkswagen and Ford.

Valuation methodology

Considering KMB's strong deposit growth momentum in Q2FY24, we raise our deposit forecast for FY24/FY25 by 3%/4% while broadly retaining our loan book estimates. We also increase NII estimates by 4% for each of these years given strong growth in the high yielding unsecured portfolio. In light of management's views on the completion of deposit rate repricing, we now model for NIM at 4.9%/4.9% vs. 4.8%/4.7% earlier. Baking in stable operating expenses, our PPOP estimates rise by 9%/8%, translating to a 20% CAGR over FY23-FY25 vs. 16% expected earlier.

On the asset quality front, we factor in a slight rise in stress from the unsecured book and raise our credit cost estimates to 45bps/54bps for FY24/FY25 from 36bps each, which offsets some of the gain from upward PPOP revision. Consequently, our PAT estimates rise at a slower 7%/4%. We expect GNPA/NNPA to remain stable.

KMB is well capitalised with CAR at 22% (CET1 at 20.6%) as of Q2FY24, which gives the bank ample opportunity to leverage its balance sheet for expansion and inorganic growth. We expect the bank to continue to deliver healthy return ratios and pencil in ROA at 2.4%/2.3% for FY24/FY25. Note, we have also introduced FY26 estimates with this note.

The RBI has recently approved the appointment of Ashok Vaswani as KMB's new MD & CEO. Vaswani is a veteran banker and has a proven track record, initially at Citigroup and more recently as CEO of Barclays UK and as its Global and Consumer Digital Head. This somewhat clarifies the management succession plan, but alignment of company goals with the new management's strategy would be key to watch.

We reset our target multiple to 2.7x FY25E ABV (vs. 3.1x) based on the Gordon Growth Model and move to a revised SOTP-based TP of Rs 2,007 (vs. Rs 2,122) that includes Rs 600/sh as the value of subsidiaries. KMB looks inexpensive at current levels of 2.1x FY25E P/ABV and the recent clarity shed on management succession augurs well – we thus raise our rating from HOLD to BUY.

Fig 15 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Loan	3,793,554	4,487,774	3,777,561	4,457,522	0.4	0.7
Deposits	4,371,676	5,158,578	4,248,224	4,949,181	2.9	4.2
Assets	5,831,892	6,882,036	5,666,928	6,622,589	2.9	3.9
NII	254,014	292,785	244,955	280,559	3.7	4.4
PPOP	186,798	214,682	171,667	199,177	8.8	7.8
Provisions	15,732	22,360	12,557	14,823	25.3	50.8
PAT	127,273	143,088	118,377	137,159	7.5	4.3

Source: BOBCAPS Research

Fig 16 – Key operational assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Advances Growth (%)	17.9	18.6	18.3	18.0
Net Interest Income Growth (%)	28.1	17.9	15.3	17.1
PPoP Growth (%)	23.2	25.8	14.9	16.4
PAT Growth (%)	50.6	16.3	12.4	14.7
NIM (%)	4.9	4.9	4.8	4.7
GNPA (%)	1.8	1.6	1.6	1.5
CAR (%)	21.8	20.7	20.5	20.0

Source: Company, BOBCAPS Research

Fig 17 – SOTP valuation summary

Business	Valuation	Holdings (%)	Value (Rs/sh)
Kotak Bank	2.7x FY25E ABV (Gordon Growth Model)	100	1,407
Kotak Life	3.3x FY25E EV	100	272
Kotak Prime	2.5x FY25E BV	100	126
Kotak AMC	6% FY25 AAUM	100	116
Kotak Securities	18x FY25 PAT	100	104
Others	-	100	48
Holding Co. Discount	10%	-	(67)
Total	-	-	2,007

Source: Company, BOBCAPS Research

Fig 18 – Valuation assumptions (Gordon growth model)

Parameter (%)	Assumptions
Return on Equity (RoE)	16.8
Cost of Equity (Ke)	12.3
Growth (Period 1)	15.1
Growth (Long Term)	6.7
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	10.0
Dividend Payout (Long Term)	60.0
Factor 1	1.1
Factor 2	14.7
Justified P/BV Multiple	2.7

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- reversal in credit cycle, which can lead to higher deterioration than anticipated in asset quality and thus weaker profitability owing to higher provisions, and
- inability to manage cost of funds, which may drag down NIM as well as overall profitability.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	36.1	964	1,155	BUY
DCB Bank	DCBB IN	0.4	117	144	BUY
Federal Bank	FB IN	3.7	143	180	BUY
HDFC Bank	HDFCB IN	138.2	1,506	1,929	BUY
ICICI Bank	ICICIB IN	79.0	930	1,090	BUY
Indusind Bank	IIB IN	13.6	1,435	1,755	BUY
Kotak Mahindra Bank	KMB IN	42.1	1,741	2,007	BUY
RBL Bank	RBK IN	1.7	231	233	HOLD
State Bank of India	SBIN IN	60.1	553	729	BUY

Source: BOBCAPS Research, NSE | Price as of 23 Oct 2023

Glossary

Glossary of Abbreviations			
AUCA	Advance Under Collection Account	LAP	Loans against Property
ARC	Asset Reconstruction Company	LCR	Liquidity Coverage Ratio
BRDS	Bills Rediscounting Scheme	MCLR	Marginal Cost of Funds-based Lending Rate
CASA	Current Account and Savings Account	MTM	Mark to Market
CAR	Capital Adequacy Ratio	NII	Net Interest Income
CET1	Common Equity Tier 1	NIM	Net Interest Margin
CD	Credit-Deposit Ratio	NNPA	Net Non-Performing Assets
C/I	Cost-Income Ratio	PCR	Provision Coverage Ratio
CRB	Commercial and Rural Banking	PPOP	Pre-Provision Operating Profit
EBLR	External Benchmark-based Lending Rate	PSU	Public Sector Unit
ECL	Expected Credit Loss	RWA	Risk-weighted Assets
GNPA	Gross Non-Performing Assets	SLR	Statutory Liquidity Ratio
IBPC	Interbank Participation Certificate	SMA	Special Mention Account
ICRR	Incremental Cash Reserve Ratio	SME	Small and Medium-sized Enterprises

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	16,818	21,552	25,401	29,278	34,292
NilI growth (%)	9.6	28.1	17.9	15.3	17.1
Non-interest income	6,354	7,083	9,657	11,252	12,811
Total income	23,172	28,635	35,059	40,530	47,103
Operating expenses	11,121	13,787	16,379	19,062	22,111
PPOP	12,051	14,848	18,680	21,468	24,992
PPOP growth (%)	2.5	23.2	25.8	14.9	16.4
Provisions	772	457	1,573	2,236	2,935
PBT	11,279	14,391	17,107	19,232	22,057
Tax	4,016	3,452	4,379	4,923	5,647
Reported net profit	7,263	10,939	12,727	14,309	16,410
Adjustments	0	0	0	0	0
Adjusted net profit	7,263	10,939	12,727	14,309	16,410

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity capital	1,492	1,493	1,493	1,493	1,493
Reserves & surplus	70,995	82,027	94,754	109,063	125,473
Net worth	72,488	83,520	96,248	110,556	126,967
Deposits	311,684	363,096	437,168	515,858	608,712
Borrowings	25,967	23,416	27,631	32,107	37,309
Other liab. & provisions	19,289	19,830	22,143	29,682	37,154
Total liab. & equities	429,428	489,862	583,189	688,204	810,141
Cash & bank balance	42,924	32,542	46,015	54,799	64,663
Investments	100,580	121,404	140,466	164,068	191,635
Advances	271,254	319,861	379,355	448,777	529,557
Fixed & Other assets	14,671	16,055	17,352	20,559	24,286
Total assets	429,428	489,862	583,189	688,204	810,141
Deposit growth (%)	11.3	16.5	20.4	18.0	18.0
Advances growth (%)	21.3	17.9	18.6	18.3	18.0

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	36.6	55.1	64.1	72.0	82.6
Dividend per share	1.1	1.5	1.9	3.6	4.1
Book value per share	362.7	417.9	482.0	554.0	636.6

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
P/E	47.6	31.6	27.2	24.2	21.1
P/BV	4.8	4.2	3.6	3.1	2.7
Dividend yield (%)	0.1	0.1	0.1	0.2	0.2

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Net interest income	4.5	5.2	4.7	4.6	4.6
Non-interest income	1.7	1.7	1.8	1.8	1.7
Operating expenses	2.8	3.1	3.1	3.0	3.0
Pre-provisioning profit	3.4	3.8	3.5	3.4	3.3
Provisions	0.2	0.1	0.3	0.4	0.4
PBT	3.2	3.7	3.2	3.0	2.9
Tax	1.1	0.8	0.8	0.8	0.8
ROA	2.1	2.8	2.4	2.3	2.2
Leverage (x)	0.1	0.1	0.1	0.1	0.1
ROE	13.7	17.8	14.2	13.9	13.9

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Net interest income	9.6	28.1	17.9	15.3	17.1
Pre-provisioning profit	2.5	23.2	25.8	14.9	16.4
EPS	28.5	50.5	16.3	12.4	14.7
Profitability & Return ratios (%)					
Net interest margin	4.3	4.3	4.9	4.9	4.8
Fees / Avg. assets	0.4	0.4	0.5	0.4	0.4
Cost-Income	48.0	48.1	46.7	47.0	46.9
ROE	13.7	17.8	14.2	13.9	13.9
ROA	2.1	2.8	2.4	2.3	2.2
Asset quality (%)					
GNPA	2.3	1.8	1.6	1.6	1.5
NNPA	0.6	0.4	0.3	0.3	0.3
Slippage ratio	1.9	1.5	1.6	1.6	1.6
Credit cost	0.3	0.2	0.5	0.5	0.6
Provision coverage	72.7	79.0	78.7	78.7	79.8
Ratios (%)					
Credit-Deposit	87.0	88.1	86.8	87.0	87.0
Investment-Deposit	32.3	33.4	32.1	31.8	31.5
CAR	22.7	21.8	20.7	20.5	20.0
Tier-1	21.7	20.8	19.8	19.5	19.1

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo: 

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

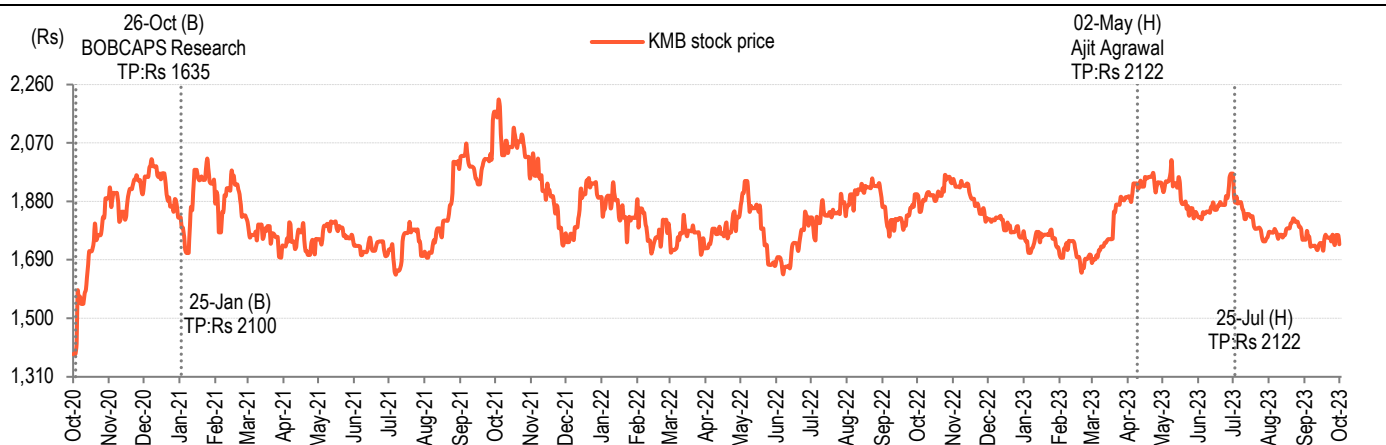
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KOTAK MAHINDRA BANK (KMB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.