HOLD

TP: Rs 2,122 | ▲ 10%

KOTAK MAHINDRA BANK

| Banking | 02 May 2023

Healthy quarter but positives priced in

- **Q4 PAT grew 26% YoY backed by a strong topline and lower opex; provisions stayed flat**
- **Thrust on lucrative unsecured loan to keep NIM above 5%, though opex likely to remain a drag**
- **Assume coverage with HOLD for a TP of Rs 2,122**

Ajit Agrawal
research@bobcaps.in

Healthy Q4: KMB delivered healthy Q4FY23 PAT growth of 26% YoY to Rs 35bn supported by higher NII (+8% QoQ, +35% YoY) and lower opex (C/I ratio down 641bps QoQ). NIM (calc.) expanded 11bps QoQ to 5.3% backed by strong growth in the high-yield retail book (unsecured portfolio contributes 10% per management). Credit grew 3% QoQ (18% YoY) aided by retail while the corporate book was muted. Deposits rose 5% QoQ led by CASA, though the CASA ratio slipped 50bps QoQ to 52.8%. Lower opex boosted PPOP growth to 39% YoY. Flat provisions led to credit cost of 20bps with improvement in GNPA/NNPA/PCR to 1.8%/0.4%/79%.

Focus on unsecured book to sustain NIM: KMB is targeting growth in the retail business, which could front-load costs over the next 3-4 quarters. Despite higher expenses and an uptick in cost of funds from deposit repricing, management expects to sustain margins via a gradual increase in business volumes, specifically from the unsecured retail book where it plans to expand credit share to the mid-teens from sub-10% currently. We model for NIM at 4.7% over FY24-FY25, assuming a credit /deposit CAGR of 18%/17% over FY22-FY25 driven by granularity. Strong core and non-core income is likely to result in a PPOP CAGR of 18.2%.

Asset quality stable: KMB is among the best-in-class on the asset front in spite of a higher SME and retail book, though its focus on growing the unsecured book (prone to delinquency) could pose challenges in terms of quality and is a key monitorable. Although the bank has ample PCR of 79%, we expect the change in mix to raise credit cost down the line to 40bps in FY24/FY25 with GNPA/NNPA/PCR at 1.6%/0.4%/~77% for both years. KMB tops the list amongst peers in terms of CAR which stands at 22% (tier-1 at 20.6%).

HOLD, TP Rs 2,122: The stock is currently trading at a premium valuation of 2.6x FY25E P/ABV which is well above peers and captures KMB's high-margin business, healthy return ratios and stable asset quality, in our view. This apart, leveraging of the unsecured business would be key to watch given the change in succession plan in the near future. We assume coverage with HOLD for a TP of Rs 2,122, valuing the bank at 3.1x FY25E ABV (Gordon Growth Model) and adding in Rs 505/sh for subsidiaries.

Key changes

Target	Rating
▲	▼

Ticker/Price	KMB IN/Rs 1,921
Market cap	US$ 46.6bn
Free float	74%
3M ADV	US$ 83.8mn
52wk high/low	Rs 1,998/Rs 1,631
Promoter/FPI/DII	26%/39%/21%

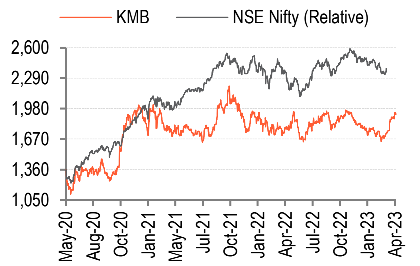
Source: NSE | Price as of 2 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Net interest income	21,552	24,496	28,056
NII growth (%)	28.1	13.7	14.5
Adj. net profit (Rs mn)	10,939	11,838	13,716
EPS (Rs)	55.1	59.6	69.0
Consensus EPS (Rs)	55.1	60.1	69.3
P/E (x)	34.9	32.2	27.8
P/BV (x)	4.6	4.0	3.5
ROA (%)	2.8	2.2	2.2
ROE (%)	17.9	13.3	13.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Interest Income	45,811	46,115	49,631	52,230	56,568	63,976	71,433	77,809	49.0	8.9
Income on investments	16,984	17,218	16,775	15,916	14,419	14,860	16,464	18,843	18.4	14.5
Int. on bal. with RBI & inter-bank funds & Others	2,003	2,630	2,562	2,514	2,398	2,092	2,090	1,558	(38.0)	(25.5)
Interest income	64,798	65,963	68,968	70,659	73,385	80,928	89,986	98,209	39.0	9.1
Interest expense	25,381	25,757	25,625	25,445	26,415	29,934	33,457	37,184	46.1	11.1
Net interest income	**39,417**	**40,206**	**43,343**	**45,214**	**46,970**	**50,994**	**56,529**	**61,026**	**35.0**	**8.0**
Growth YoY (%)	5.8	2.7	11.8	17.7	19.2	26.8	30.4	35.0	1,731bps	455bps
Non-interest income	**15,830**	**18,126**	**13,637**	**18,263**	**12,438**	**19,542**	**21,000**	**21,863**	**19.7**	**4.1**
Growth YoY (%)	104.6	24.8	6.1	(6.3)	(21.4)	7.8	54.0	19.7	2,603bps	(3,429bps)
Non-interest income (Ex- Trading income)	15,830	18,126	13,637	18,263	12,438	19,542	21,000	21,863	19.7	4.1
Total income	**55,247**	**58,332**	**56,980**	**63,477**	**59,408**	**70,536**	**77,529**	**82,888**	**30.6**	**6.9**
Growth YoY (%)	22.8	8.7	10.4	9.6	7.5	20.9	36.1	30.6	2,099bps	(548bps)
Staff expenses	10,823	11,774	11,998	11,228	11,728	14,147	14,778	14,545	29.5	(1.6)
Other operating expenses	13,213	15,356	17,971	18,850	19,847	20,714	24,253	21,870	16.0	(9.8)
Operating expenses	**24,036**	**27,130**	**29,970**	**30,078**	**31,575**	**34,861**	**39,031**	**36,415**	**21.1**	**(6.7)**
Pre-Provisioning Profit (PPoP)	**31,211**	**31,202**	**27,010**	**33,399**	**27,833**	**35,675**	**38,498**	**46,474**	**39.2**	**20.7**
Growth YoY (%)	19.0	(5.4)	(7.0)	(2.0)	(10.8)	14.3	42.5	39.1	4,113bps	(339bps)
Pre-Provisioning Profit (Ex- Trading income)	31,211	31,202	27,010	33,399	27,833	35,675	38,498	46,474	39.1	20.7
Growth YoY (%)	19.0	(5.4)	(7.0)	(2.0)	(10.8)	14.3	42.5	39.1	4,113bps	(339bps)
Provisions	9,348	4,240	(1,317)	(3,062)	236	1,370	1,488	1,476	(148.2)	(0.8)
Growth YoY (%)	(2.8)	15.0	(131.5)	(126.0)	(97.5)	(67.7)	(213.0)	(148.2)	(2,223bps)	6,478bps
PBT	**21,863**	**26,962**	**28,327**	**36,461**	**27,597**	**34,305**	**37,010**	**44,998**	**23.4**	**21.6**
Tax	5,444	6,642	7,014	8,787	6,885	8,498	9,091	10,042	14.3	10.5
PAT	**16,419**	**20,320**	**21,314**	**27,674**	**20,712**	**25,807**	**27,919**	**34,956**	**26.3**	**25.2**
Growth YoY (%)	31.9	(7.0)	15.0	64.5	26.1	27.0	31.0	26.3	(3,818bps)	(468bps)
Per Share										
FV (Rs)	5	5	5	5	5	5	5	5	0.0	0.0
EPS (Rs)	8	10	11	14	10	13	14	17	26.6	23.7
Book Value (Rs)	330	340	351	365	365	388	403	420	15.1	4.4

Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & Key ratios

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
Deposits	2,865,600	2,917,111	3,052,860	3,116,841	3,164,830	3,252,032	3,446,660	3,630,961	16.5	5.3
Growth YoY (%)	9.6	11.5	15.1	11.3	10.4	11.5	12.9	16.5	522bps	360bps
Advances	2,174,650	2,349,469	2,529,350	2,712,536	2,801,710	2,940,232	3,107,340	3,198,612	17.9	2.9
Growth YoY (%)	6.6	14.7	18.1	21.3	28.8	25.1	22.9	17.9	(334bps)	(493bps)
Investment	1,062,920	1,108,979	1,058,440	1,005,802	891,830	988,624	1,122,190	1,214,037	20.7	8.2
Equity	654,720	673,762	696,170	724,878	746,520	770,759	799,360	835,203	15.2	4.5
Assets	3,948,890	4,084,136	4,181,470	4,294,284	4,247,680	4,419,951	4,647,840	4,898,625	14.1	5.4
Growth YoY (%)	4.4	9.0	7.5	12.0	7.6	8.2	11.2	14.1	209bps	292bps
Yield (%)										
Yield on Funds	6.93	6.82	6.91	6.90	7.12	7.76	8.24	8.51	162bps	27bps
Cost of Funds	3.28	3.22	3.12	3.04	3.16	3.54	3.77	3.95	92bps	18bps
Spread	3.65	3.60	3.79	3.86	3.97	4.22	4.47	4.56	70bps	9bps
Net Interest Margin	4.21	4.16	4.34	4.41	4.56	4.89	5.18	5.29	88bps	11bps
Ratios (%)										
Other Income / Net Income	28.7	31.1	23.9	28.8	20.9	27.7	27.1	26.4	(239bps)	(71bps)
Cost to Income ratio	43.5	46.5	52.6	47.4	53.2	49.4	50.3	43.9	(345bps)	(641bps)
CASA ratio	60.2	60.6	59.9	60.7	58.1	56.2	53.3	52.8	(785bps)	(44bps)
C/D ratio	75.9	80.5	82.9	87.0	88.5	90.4	90.2	88.1	106bps	(206bps)
Investment to Assets	26.9	27.2	25.3	23.4	21.0	22.4	24.1	24.8	136bps	64bps
Assets Quality										
GNPA	79,318	76,580	69,828	64,697	63,786	62,102	59,946	57,683	(10.8)	(3.77)
NNPA	27,923	24,191	20,035	17,367	17,493	16,304	13,448	11,933	(31.3)	(11.3)
Provision	51,395	52,388	49,793	47,330	46,292	45,799	46,498	45,750	(3.3)	(1.6)
GNPA (%)	3.56	3.19	2.71	2.34	2.24	2.08	1.90	1.78	(56bps)	(12bps)
NNPA (%)	1.28	1.06	0.79	0.64	0.62	0.55	0.43	0.37	(27bps)	(6bps)
PCR (%)	64.8	68.4	71.3	73.2	72.6	73.7	77.6	79.3	616bps	175bps

Source: Company, BOBCAPS Research

Earnings call highlights

Asset quality

- Despite higher slippages (Rs 8.2bn in Q4FY23 vs. Rs 7.5bn in Q3FY23), KMB's asset quality improved during the quarter on the back of increased upgrades and recoveries (Rs 10.5bn vs. Rs 9.6bn in Q3). GNPA and NNPA stood at 1.8% and 0.4% respectively with PCR at 79% (vs. 77.6% in Q3).
- Credit cost stayed flat at 20bps, supporting PAT. The standard fund-based restructured book stood at Rs 7.2bn or 0.2% of gross advances.
- The SMA-2 book increased to Rs 2bn from Rs 1.9bn in Q3.

Loans and deposits

- Advances grew 18% YoY while deposits were up 16.5% YoY in Q4. KMB is targeting overall growth of 1.5-2x of GDP growth (assuming 11.5% of Nominal GDP growth).
- The corporate loan book declined 3% QoQ owing to sell-down on the corporate book coupled with exits from some short-term low-yield assets.
- The SME book increased 4% QoQ, and CV and CE book grew 8% QoQ and 24% YoY respectively.
- Within retail, home loans and LAP grew 4% QoQ (22% YoY) while the credit card book rose 10% QoQ (81% YoY). Personal loans and consumer durables were up 8% QoQ (56% YoY), while agri lending remained muted at 5% QoQ (9% YoY).
- Unsecured retail advances (including retail micro finance) constituted 10% of net advances vs. 6.9% in FY22.
- Of the Q4 loan book, 70% was floating rate wherein 57% was linked to EBLR and the rest to MCLR, base rate and others. About 9% of the book matures in less than a year.
- On the liability side, deposits climbed 16% YoY led by current accounts (+10%/8% QoQ/YoY) while savings accounts declined 2% YoY (+1.5% QoQ) as a result of a customer shift from savings to debt mutual funds and life insurance products to capitalise on expiring tax benefits. This led to a 44bps QoQ dip in CASA ratio.

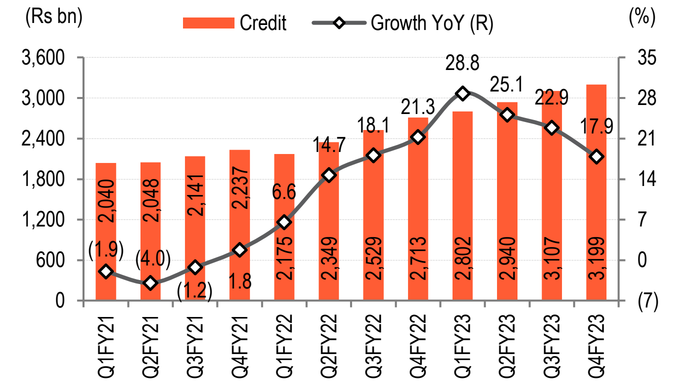
NII and NIM

- NIM during the quarter expanded by 11bps sequentially and 88bps YoY to 5.3%. Management expects margins to sustain above 5%.
- NII grew 8% QoQ (35% YoY) while other income was up 4% QoQ (20% YoY) driven by general banking fees at Rs 14.6bn (Rs 13.6bn in Q3FY23, Rs 11.6bn in Q4FY22).

Operating parameters

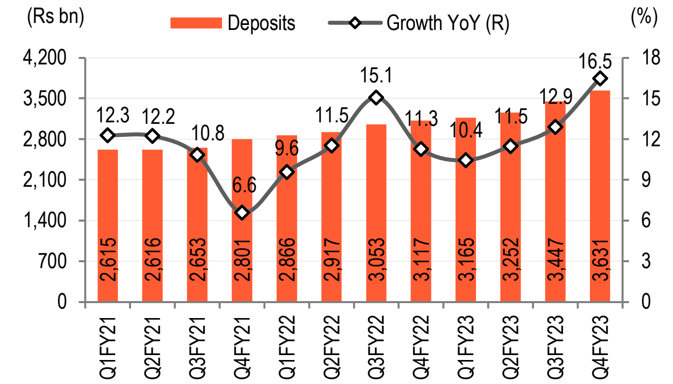
- Operating expense declined 7% QoQ (+21% YoY) on the back of lower employee expenses (due to a change in annuity rate that resulted in lower retirement benefits) and softer promotional cost off a high base. PPOP grew 39% YoY.
- The C/I ratio improved 641bps sequentially and 345bps YoY to 43.9%.
- KMB aims to add 150 branches during FY24 with a continued emphasis on metro cities.
- Credit cost stood at 20bps and the bank does not anticipate major asset quality stress in the near future.
- Risk weighted assets stood at 76% of total assets, and the bank is well capitalised with CAR at 21.8% and CET1 at 20.6%.
- In terms of succession plan, the bank has to apply to RBI no later than the end of August this year.

Fig 3 – Credit grew 18% YoY driven by SME and retail



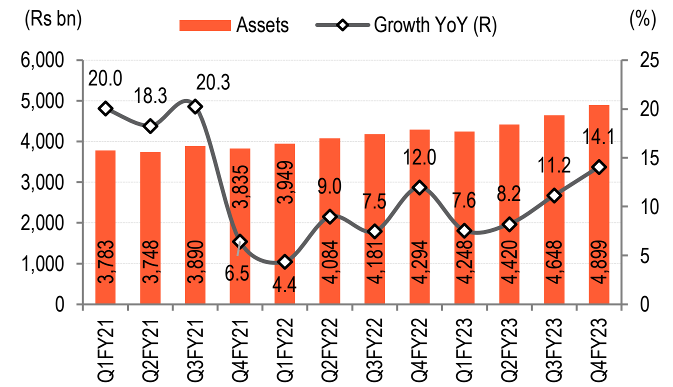
Source: Company, BOBCAPS Research

Fig 4 – Deposit grew 16.5% YoY driven by CA



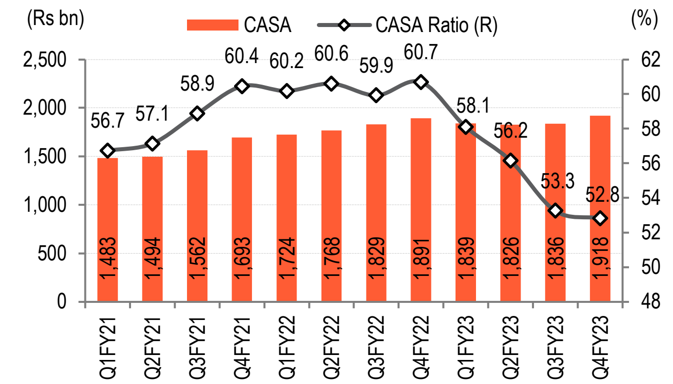
Source: Company, BOBCAPS Research

Fig 5 – Asset growth at 14% YoY



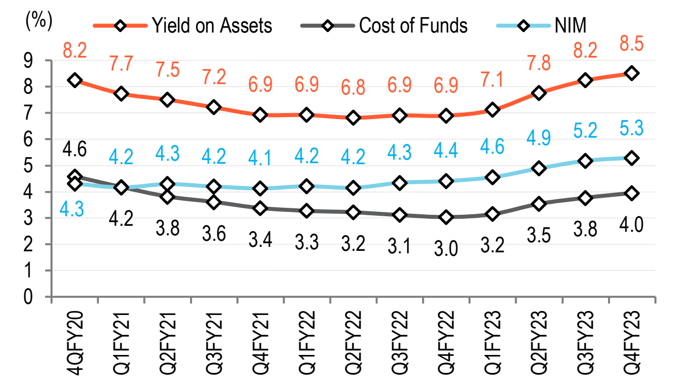
Source: Company, BOBCAPS Research

Fig 6 – Decline in CASA due to subdued SA mobilisation



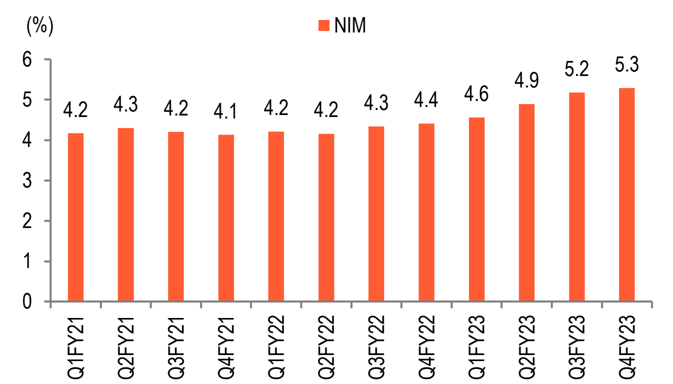
Source: Company, BOBCAPS Research

Fig 7 – NIM (calc.) up 11bps QoQ



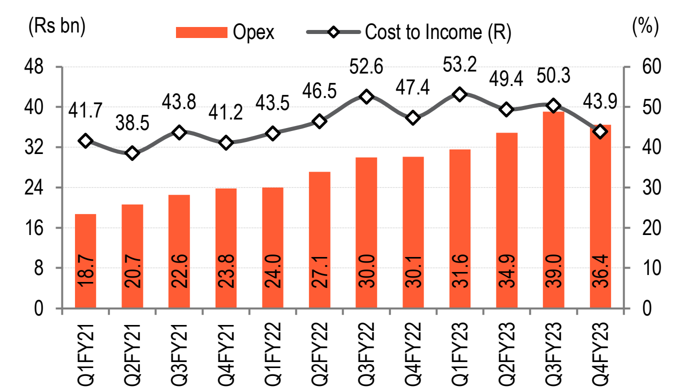
Source: Company, BOBCAPS Research

Fig 8 – NIM (calc.) expected to sustain at 4.7%, FY22-FY25E



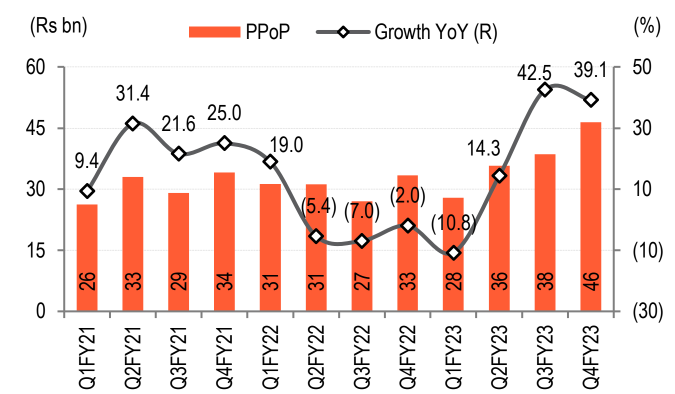
Source: Company, BOBCAPS Research

Fig 9 – Decline in employee cost lowers C/I ratio



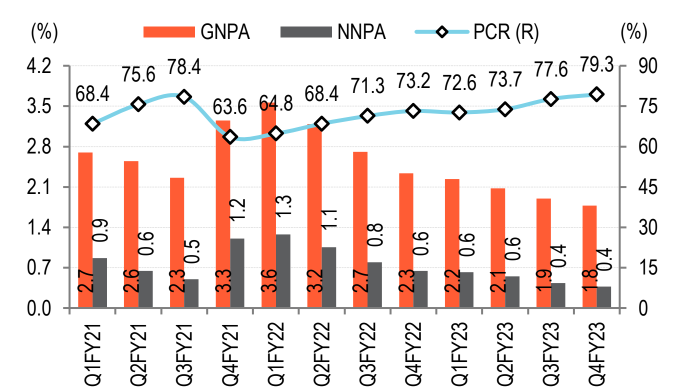
Source: Company, BOBCAPS Research

Fig 10 – Healthy topline coupled with lower opex drove PPOP growth



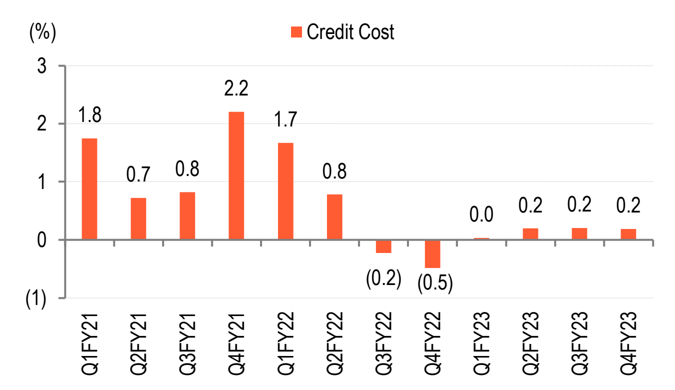
Source: Company, BOBCAPS Research

Fig 11 – Continued improvement in asset quality and PCR



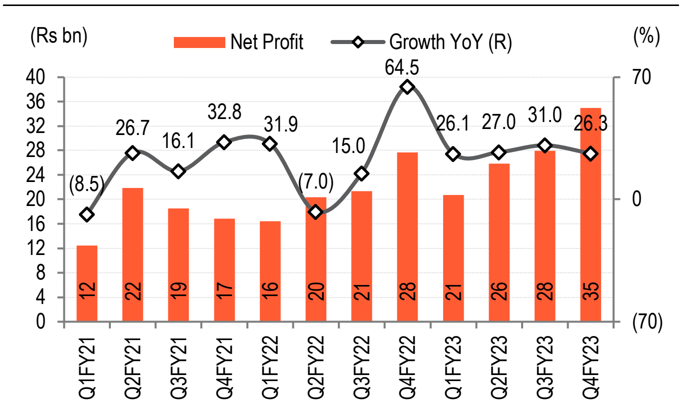
Source: Company, BOBCAPS Research

Fig 12 – Sustained low credit cost boosts profit



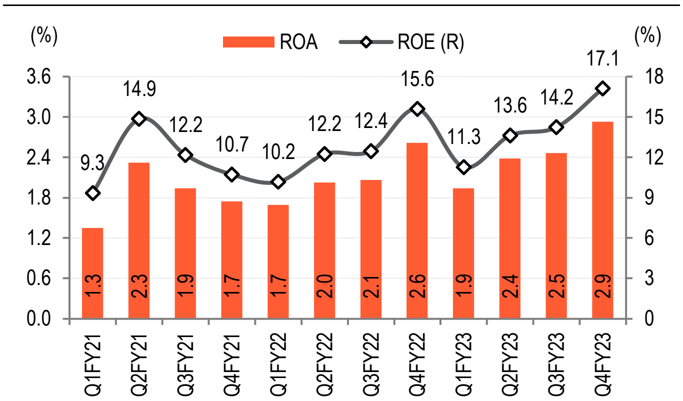
Source: Company, BOBCAPS Research

Fig 13 – Higher margin and low provisions YoY led to 26% PAT growth



Source: Company, BOBCAPS Research

Fig 14 – Return ratios remained strong



Source: Company, BOBCAPS Research

Valuation methodology

KMB's Q4FY23 performance was robust, supported by healthy topline growth and lower opex. The bank continues to focus on high yielding SME and small business with plans to raise the unsecured loan book to ~15% of advances from 10% currently. Considering the emphasis on high-growth business, we estimate a credit CAGR of 18% during FY22-FY25 while the deposit CAGR is pegged at 17%, leading to a CD ratio of 90% over our forecast period.

In line with management guidance, we expect NIM to remain in the region of 5.1% (4.7% calc.) over FY22-FY25, given an increasing share of the unsecured portfolio and an estimated 21% CAGR in NII. We model for an uptick in CASA ratio to 54% by FY25 vs. the current 52.8%. Growth in fee income will follow business growth and we expect non-interest income to remain healthy, posting at 18% CAGR over our forecast period.

In term of operating expenses, the bank is guiding for higher investments towards branch expansion (150 branch additions in FY24E vs. 80 in FY23) along with high technology expenses. Setting this off against increased business volumes, we factor in a flat C/I ratio of 48%, leading to a PPOP CAGR of 18.2% over FY22-FY25.

We foresee no major deterioration in asset quality over the next 4-6 quarters, though the bank's plan to raise unsecured portfolio share could be a cause for concern once the credit cycle reverses. At this juncture, we forecast a healthy asset base (GNPA/NNPA/PCR at ~1.6%/0.4%/ 77% over FY24-FY25, amongst the best in industry), with credit cost of 40bps over FY24-FY25 (vs.15bps in FY23).

KMB top the list in terms of capitalisation with CAR currently at 21.8% (tier-1 at 20.6%) which offers ample opportunity to further leverage the balance sheet in terms of expansion. We expect CAR to remain healthy at 21% with a tier-1 level of 20% in FY25. Given a strong all-around performance, we estimate an increase in ROE/ROA to 13.4%/2.2% in FY25 vs. 11%/1.8% in FY22 (albeit with some moderation in FY23E).

The stock is currently trading at 2.6x FY25E P/ABV, the highest amongst the peers, which captures KMB's high-margin business, healthy return ratios and stable asset quality, in our view. This apart, leveraging of the unsecured business would be key to watch given the change in succession plan in the near future. We thus assume coverage with HOLD for an SOTP-based TP of Rs 2,122, based on 3.1x FY25E ABV (Gordon Growth Model) and Rs 505/sh as the value of subsidiaries.

Fig 15 – Key operational assumptions

Parameter (%)	FY22	FY23P	FY24E	FY25E
Advances	21.3	17.9	18.1	18.0
Net Interest Income	9.6	28.1	13.7	14.5
PPoP	2.5	23.2	15.6	16.0
PAT	28.7	50.6	8.2	15.9
NIM	4.3	4.9	4.8	4.7
GNPA	2.3	1.8	1.6	1.6
CAR	22.7	21.8	21.2	21.0

Source: Company, BOBCAPS Research

Fig 16 – Valuation summary

Business	Valuation	Holdings (%)	Value (Rs/sh)
Kotak Bank	3.1x FY25E ABV	100	1,617
Kotak Life	1.3x Embedded value	100	95
Kotak Prime	2.5x FY25E ABV	100	129
Kotak AMC	5% of AUM	100	117
Kotak Securities	20x FY25 EPS	100	125
Others	-	100	39

Source: Company, BOBCAPS Research

Fig 17 – Valuation assumption (Gordon growth model)

Parameter (%)	Assumptions
Return on Equity (RoE)	17.4
Cost of Equity (Ke)	12.3
Growth (Period 1)	15.7
Growth (Long Term)	7.0
Initial High Growth Period (yrs)	10.0
Dividend Payout (Period 1)	10.0
Dividend Payout (Long Term)	60.0
Factor 1	1.2
Factor 2	16.5
Justified P/BV Multiple (x)	3.1

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- Better than expected credit growth along with stable asset quality

Key downside risks to our estimates are:

- reversal in credit cycle, which can lead to higher deterioration in asset quality and thus overall 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	32.7	871	1,111	BUY
HDFC Bank	HDFCB IN	115.0	1,687	1,956	BUY
ICICI Bank	ICICIBC IN	78.6	922	1,015	HOLD
Indusind Bank	IIB IN	10.9	1,151	1,550	BUY
Kotak Mahindra Bank	KMB IN	46.6	1,921	2,122	HOLD

Source: BOBCAPS Research, NSE | Price as of 2 May 2023

Glossary

Glossary of Abbreviations			
CASA	Current Account and Savings Account	**LCR**	Liquidity Coverage Ratio
CAR	Capital Adequacy Ratio	**MCLR**	Marginal Cost of Funds based Lending Rate
CET1	Common Equity Tier 1	**NII**	Net Interest Income
CD	Credit-Deposit Ratio	**NIM**	Net Interest Margin
C/I	Cost-Income Ratio	**NNPA**	Net Non-Performing Assets
CV	Commercial Vehicle	**PCR**	Provision Coverage Ratio
CE	Construction Equipment	**PPOP**	Pre-provision Operating Profit
EBLR	External Benchmark based Lending Rate	**PSU**	Public Sector Unit
GNPA	Gross Non-Performing Assets	**RWA**	Risk-weighted Assets
LAP	Loans Against Property		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	**15,340**	**16,818**	**21,552**	**24,496**	**28,056**
NII growth (%)	13.6	9.6	28.1	13.7	14.5
Non-interest income	5,007	6,354	7,484	8,928	10,446
Total income	20,346	23,172	29,036	33,423	38,502
Operating expenses	8,584	11,121	14,188	16,257	18,584
PPOP	11,762	12,051	14,848	17,167	19,918
PPOP growth (%)	17.4	2.5	23.2	15.6	16.0
Provisions	2,852	772	457	1,256	1,482
PBT	8,910	11,279	14,391	15,911	18,435
Tax	3,265	4,016	3,452	4,073	4,719
Reported net profit	**5,644**	**7,263**	**10,939**	**11,838**	**13,716**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,644**	**7,263**	**10,939**	**11,838**	**13,716**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Equity capital	1,491	1,492	1,493	1,493	1,493
Reserves & surplus	62,238	70,995	82,027	93,865	107,581
Net worth	63,729	72,488	83,520	95,358	109,074
Deposits	280,100	311,684	363,096	424,822	494,918
Borrowings	23,651	25,967	23,416	27,397	31,835
Other liab. & provisions	15,990	19,289	19,830	19,115	26,432
Total liab. & equities	**383,470**	**429,428**	**489,862**	**566,693**	**662,259**
Cash & bank balance	39,627	42,924	32,542	37,853	40,009
Investments	105,099	100,580	121,404	138,391	161,531
Advances	223,670	271,254	319,861	377,756	445,752
Fixed & Other assets	15,074	14,671	16,055	12,693	14,967
Total assets	**383,470**	**429,428**	**489,862**	**566,693**	**662,259**
Deposit growth (%)	6.6	11.3	16.5	17.0	16.5
Advances growth (%)	1.8	21.3	17.9	18.1	18.0

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
EPS	57.5	73.8	55.1	59.6	69.0
Dividend per share	0.9	1.1	1.5	1.8	3.5
Book value per share	644.0	731.1	417.9	477.5	546.5

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
P/E	33.4	26.0	34.9	32.2	27.8
P/BV	3.0	2.6	4.6	4.0	3.5
Dividend yield (%)	0.0	0.1	0.1	0.1	0.2

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Net interest income	4.6	4.5	5.2	4.6	4.6
Non-interest income	1.5	1.7	1.8	1.7	1.7
Operating expenses	2.4	2.8	3.2	3.1	3.0
Pre-provisioning profit	3.7	3.4	3.8	3.2	3.2
Provisions	0.9	0.2	0.1	0.2	0.2
PBT	2.9	3.2	3.7	3.0	3.0
Tax	1.0	1.1	0.8	0.8	0.8
ROA	1.9	2.1	2.8	2.2	2.2
Leverage (x)	0.1	0.1	0.1	0.1	0.1
ROE	12.3	13.7	17.9	13.3	13.5

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
YoY growth (%)					
Net interest income	13.6	9.6	28.1	13.7	14.5
Pre-provisioning profit	17.4	2.5	23.2	15.6	16.0
EPS	(11.7)	28.3	(25.3)	8.2	15.9
Profitability & Return ratios (%)					
Net interest margin	4.3	4.3	4.9	4.8	4.7
Fees / Avg. assets	0.3	0.4	0.4	0.4	0.4
Cost-Income	42.2	48.0	48.9	48.6	48.3
ROE	12.3	13.7	17.9	13.3	13.5
ROA	1.9	2.1	2.8	2.2	2.2
Asset quality (%)					
GNPA	3.3	2.3	1.8	1.6	1.6
NNPA	1.2	0.6	0.4	0.4	0.4
Slippage ratio	2.5	1.9	1.5	1.6	1.6
Credit cost	1.3	0.3	0.2	0.4	0.4
Provision coverage	62.8	72.7	79.0	75.7	76.7
Ratios (%)					
Credit-Deposit	79.9	87.0	88.1	88.9	90.1
Investment-Deposit	37.5	32.3	33.4	32.6	32.6
CAR	22.3	22.7	21.8	21.2	21.0
Tier-1	21.4	21.7	20.6	20.2	20.0

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: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

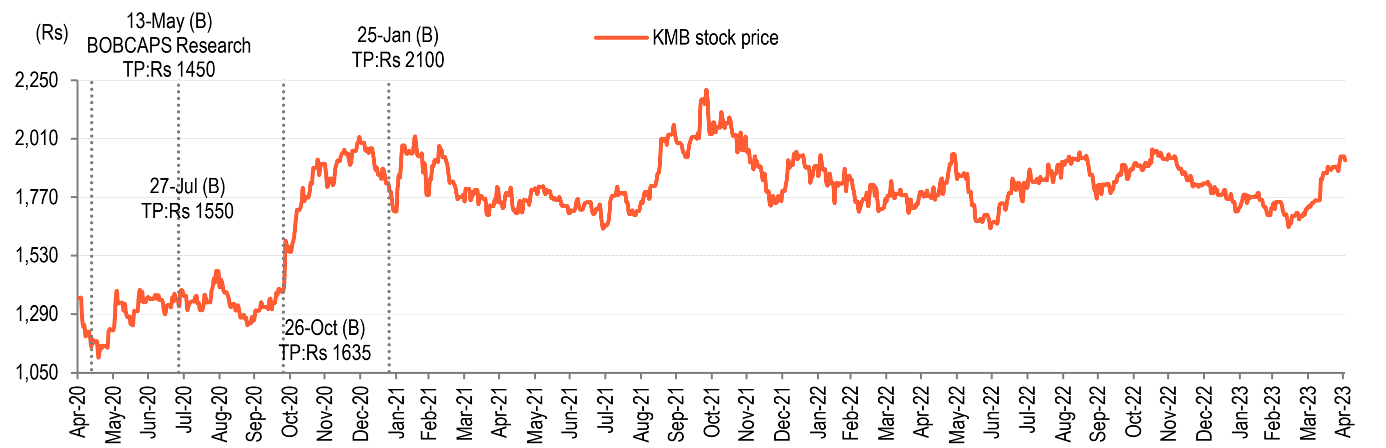
Logo:

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.