

**BUY**

TP: Rs 1,875 | ▲ 15%

**KOTAK MAHINDRA  
BANK**

| Banking

| 30 January 2020

**Promoter holding dispute resolved at last**

**KMB and RBI reach an agreement:** KMB has received **in-principle approval from RBI** to cap its promoters' voting rights in the bank from ~30% currently to 20% of paid-up voting equity share capital (PUVESC) until Mar'20, and thereafter reduce this to 15%. Promoter shareholding needs to be lowered to 26% (30% currently) within six months of receiving final RBI approval.

**Overhang ceases:** KMB and RBI's ongoing legal tussle coupled with the lack of clarity on promoter stake treatment was an overhang on the stock given the potential risk of aggressive dilution or M&A that KMB may have felt compelled to take. This overhang now ceases and is sentimentally positive for the stock.

**Maintain BUY:** We like KMB for its strong liability profile and sound asset quality – both key drivers for a sustained valuation premium. Maintain BUY with an SOTP-based TP of Rs 1,875.

**RBI'S IN-PRINCIPLE APPROVAL FOR PROMOTER STAKE TREATMENT****Particulars**

- Promoters' voting rights in the bank:
  - to be capped to 20% of PUVESC until 31 Mar 2020, and
  - 15% of PUVESC from 1 Apr 2020 onwards
- Promoters' shareholding in the bank:
  - to be reduced to 26% of PUVESC within six months from the date of final RBI approval
  - promoters will not purchase any further paid-up voting equity shares of the bank till their shareholding reaches 15% of PUVESC
  - promoters will be entitled to purchase paid-up voting equity shares of the bank up to 15% of PUVESC and exercise voting rights on such shares

Source: Company

**Vikesh Mehta**

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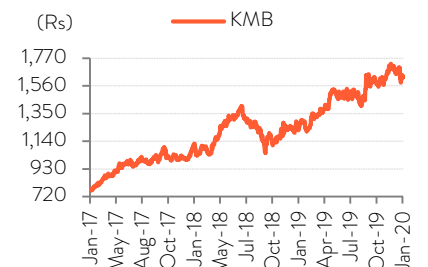
Ticker/Price	KMB IN/Rs 1,628
Market cap	US\$ 43.5bn
Shares o/s	1,910mn
3M ADV	US\$ 58.3mn
52wk high/low	Rs 1,735/Rs 1,210
Promoter/FPI/DII	30%/40%/30%

Source: NSE

**KEY FINANCIALS**

Y/E 31 Mar	FY20E	FY21E	FY22E
Net interest income	133,258	160,501	196,487
NII growth (%)	1,835.7	2,044.4	2,242.1
Adj. net profit (Rs mn)	61,842	77,531	97,975
EPS (Rs)	32.4	40.6	51.3
P/E (x)	50.3	40.1	31.7
P/BV (x)	6.4	5.6	4.8
ROA (%)	1.9	2.1	2.2
ROE (%)	13.6	14.9	16.3

Source: Company, BOBCAPS Research

**STOCK PERFORMANCE**

Source: NSE

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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

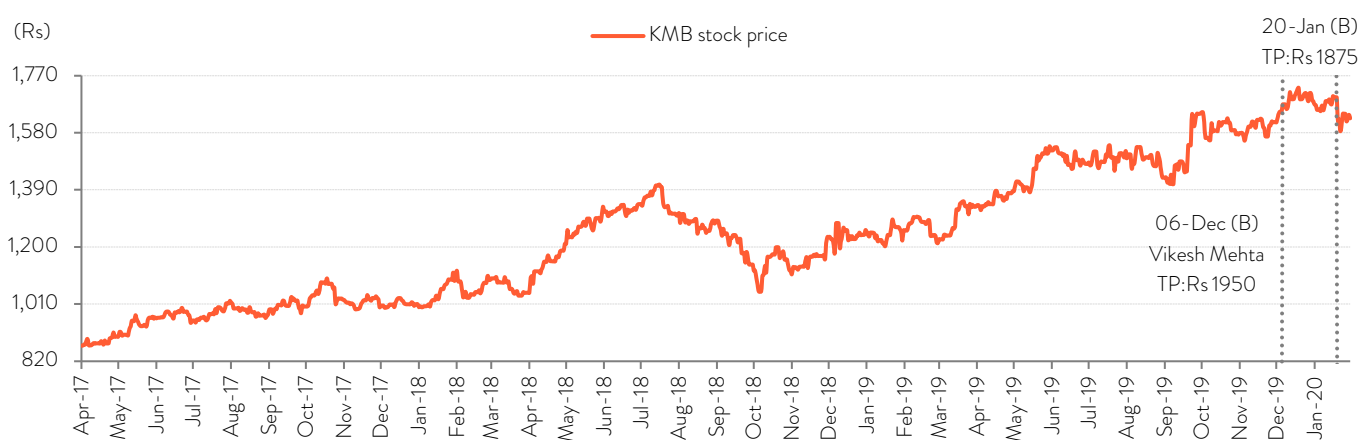
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: KOTAK MAHINDRA BANK (KMB IN)



Note: B – Buy, A – Add, R – Reduce, S – Sell

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