

BUY
 TP: Rs 2,040 | ▲ 16%

KOTAK MAHINDRA BANK

| Banking

| 23 July 2024

Healthy business despite higher CoF/provision dragging PAT

- **Healthy credit growth driven by corporate; deposits remained muted due to slowdown in low-cost deposit mobilisation**
- **Lower other income and increased opex took a toll on PPOP, while provision normalisation dragged PAT. KGI divestment aided bottomline**
- **Anticipating stable asset quality, we revise our growth estimates and, hence, our TP to Rs 2,040 (from Rs 2,000) but maintain BUY**

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Strong QoQ performance: KMB posted PAT of Rs 62.5bn (51% QoQ), including exceptional gain of Rs 27.3bn by divesting its Kotak Mahindra General Insurance stake to Zurich Insurance. NII slid 1% QoQ on higher cost of fund along with lower yield on assets due to regulatory restrictions on new CC issuance and onboarding of clients on digital platform which are high yielding. QoQ flat ActivMoney took a toll on cost of deposits leading to 26bps QoQ decline in NIM to 5.02%.

Lower other income and higher opex dragged PPOP: Other income decline 2% QoQ on lower treasury gains while opex remained elevated due to rise in employee cost (annual increment inclusive) leading to a 147bps rise in C/I ratio to 46.2%. KMB guided for it to remain elevated with higher spends on tech (upgradation to address regulatory issues) and branch expansion to cater to new clients. As guided, the bank is focusing on deepening its client engagement to cross sell retail products like LAP and CV/CE, which are high yielding. Hence, PPOP declined 4% QoQ.

Robust business growth: Deposits stayed flat QoQ due to the slowdown in low-cost deposits (CASA declined 2.5% QoQ) mobilisation, while its fast-paced ActivMoney also remained flat during Q1. Healthy credit growth was fuelled by growth across segments, wherein corporate growth (7% QoQ) outpaced retail (4% QoQ). Unsecured retail contributed 11.6% of loans, vs 11.8% in Q4FY24, and KMB retained its guidance on unsecured retail mix in the mid-teens. We broadly retain credit/deposit growth estimates, while on lower provision PAT estimates rise by 8%/6% for FY25/FY26.

Stable asset quality: Despite rise in stress from the unsecured retail book and MFI book, GNPA/NNPA remained flat QoQ at 1.4%/0.35% with PCR of 75%. Credit cost normalised to 62bps from 29bps in Q4. CAR remained healthy at 22.4%.

Maintain BUY: KMB's business moderation seems temporary and we expect performance to improve hereon. We estimate RoA/RoE at 2.2%/13% over FY26 and roll-over our SOTP-based TP to Rs 2,040 (vs Rs 2,000) set at 2.1x FY26E (Jun'26) ABV (2.3x earlier) using the GGM. This includes Rs 699/sh as the value of subsidiaries.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	KMB IN/Rs 1,758
Market cap	US\$ 41.8bn
Free float	74%
3M ADV	US\$ 181.4mn
52wk high/low	Rs 1,988/Rs 1,544
Promoter/FPI/DII	26%/33%/28%

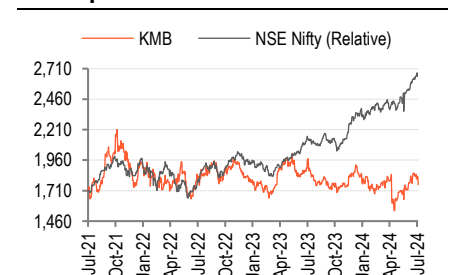
Source: NSE | Price as of 22 Jul 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	259,932	292,061	347,309
NII growth (%)	20.6	12.4	18.9
Adj. net profit (Rs mn)	137,896	147,571	166,133
EPS (Rs)	69.4	74.2	83.6
Consensus EPS (Rs)	69.3	73.1	80.6
P/E (x)	25.3	23.7	21.0
P/BV (x)	3.6	3.0	2.6
ROA (%)	2.5	2.3	2.2
ROE (%)	15.3	13.8	13.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly snapshot: Income statement

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Income Statement							
Interest Income	82,982	86,763	92,099	94,736	97,793	17.8	3.2
Income on investments	20,074	21,485	22,758	24,664	25,922	29.1	5.1
Int. on bal. with RBI & inter-bank funds & Others	1,944	3,681	3,134	3,671	3,747	92.8	2.1
Interest income	105,000	111,928	117,990	123,071	127,461	21.4	3.6
Interest expense	42,663	48,962	52,455	53,977	59,038	38.4	9.4
Net interest income	62,337	62,966	65,535	69,094	68,424	9.8	(1.0)
Growth YoY (%)	32.7	23.5	15.9	13.2	9.8	(2,295bps)	(346bps)
Non-interest income	26,833	23,145	22,970	29,783	29,290	9.2	(1.7)
Growth YoY (%)	115.7	18.4	9.4	36.2	9.2	(10,658bps)	(2,707bps)
Total income	89,170	86,112	88,505	98,876	97,714	9.6	(1.2)
Growth YoY (%)	50.1	22.1	14.2	19.3	9.6	(4,051bps)	(971bps)
Staff expenses	16,470	16,346	17,483	18,264	18,705	13.6	2.4
Other operating expenses	23,204	23,665	25,360	25,997	26,468	14.1	1.8
Operating expenses	39,674	40,011	42,843	44,261	45,173	13.9	2.1
Pre-Provisioning Profit (PPoP)	49,496	46,101	45,662	54,616	52,541	6.15	(3.8)
Growth YoY (%)	77.8	29.2	18.6	17.5	6.2	(7,168bps)	(1,137bps)
Provisions	3,643	3,666	5,791	2,637	5,785	58.8	119.3
Growth YoY (%)	1444.3	167.6	289.1	78.7	58.8	NA	NA
Exceptional Item	-	-	-	-	35,199	NA	NA
PBT	45,853	42,436	39,871	51,978	46,756	2.0	(10.0)
Tax	11,330	10,526	9,821	10,645	19,457	71.7	82.8
PAT	34,523	31,910	30,050	41,333	62,498	81.0	51.2
Growth YoY (%)	66.7	23.6	7.6	18.2	81.0	1,435bps	6,279bps
Per Share							
FV (Rs)	5	5	5	5	5	0.0	0.0
EPS (Rs)	17	16	15	21	31	80.9	52.6
Book Value (Rs)	438	453	468	487	535	22.1	9.9

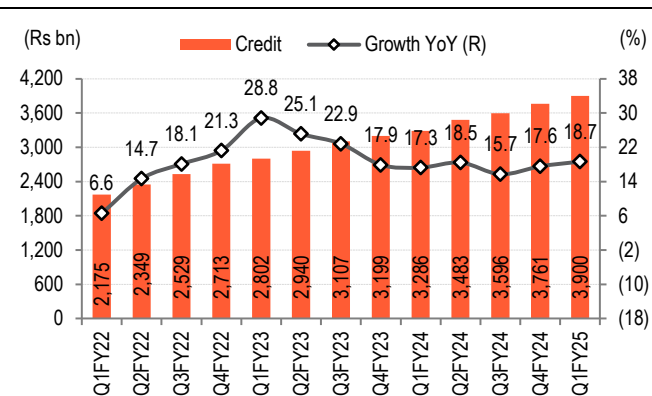
Source: Company, BOBCAPS Research

Fig 2 – Quarterly snapshot: Balance sheet & other metrics

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Deposits	3,862,540	4,009,629	4,086,360	4,489,538	4,474,180	15.8	(0.3)
Growth YoY (%)	22.0	23.3	18.6	23.6	15.8	(621bps)	(781bps)
Advances	3,285,820	3,482,841	3,595,880	3,760,753	3,899,570	18.7	3.7
Growth YoY (%)	17.3	18.5	15.7	17.6	18.7	140bps	110bps
Investment	1,238,730	1,286,460	1,457,510	1,554,038	1,625,780	31.2	4.6
Equity	870,110	900,349	929,940	967,188	1,063,080	22.2	9.9
Assets	5,129,910	5,329,631	5,479,490	6,003,571	6,049,480	17.9	0.8
Growth YoY (%)	20.8	20.6	17.9	22.6	17.9	(284bps)	(463bps)
Yield (%)							
Yield on Funds	8.7	8.8	9.0	8.8	8.7	3bps	(13bps)
Cost of Funds	4.3	4.7	4.9	4.7	5.0	65bps	21bps
Spread	4.4	4.1	4.1	4.1	3.7	(62bps)	(34bps)
Net Interest Margin (calc.)	5.14	4.97	4.99	4.95	4.66	(48bps)	(29bps)
Ratios (%)							
Other Income / Net Income	30.1	26.9	26.0	30.1	30.0	(12bps)	(15bps)
Cost to Income ratio	44.5	46.5	48.4	44.8	46.2	174bps	147bps
CASA ratio	49.0	48.3	47.7	45.5	44.5	(448bps)	(98bps)
C/D ratio	85.1	86.9	88.0	83.8	87.2	209bps	339bps
Investment to Assets	24.1	24.1	26.6	25.9	26.9	273bps	99bps
Assets Quality							
GNPA	59,092	60,872	63,017	52,748	54,772	(7.3)	3.84
NNPA	13,018	12,748	12,253	12,706	13,763	5.7	8.3
Provision	46,074	48,124	50,764	40,042	41,008	(11.0)	2.4
GNPA (%)	1.8	1.7	1.7	1.390	1.390	(38bps)	0bps
NNPA (%)	0.4	0.4	0.3	0.340	0.350	(5bps)	1bps
Provision Coverage Ratio (%)	78.0	79.1	80.6	75.9	74.9	(310bps)	(104bps)
Others							
Branches	1,788	1,850	1,869	1,948	1,965	177	17
ATMs	3,047	3,170	3,239	3,291	3,279	232	(12)
Employees	74,560	77,145	77,937	81,232	81,941	7,381	709

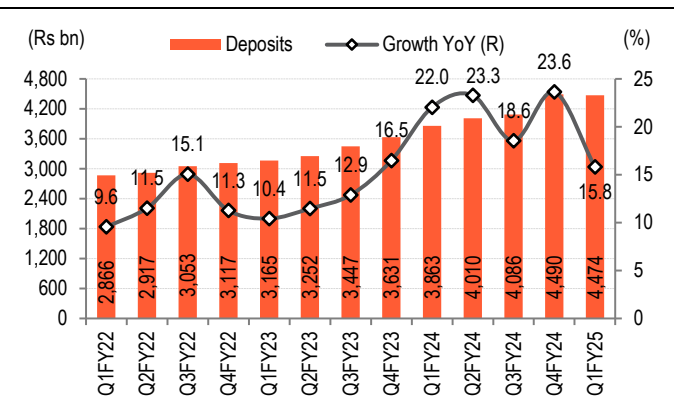
Source: Company, BOBCAPS Research

Fig 3 – Broad-based credit growth at 19% YoY



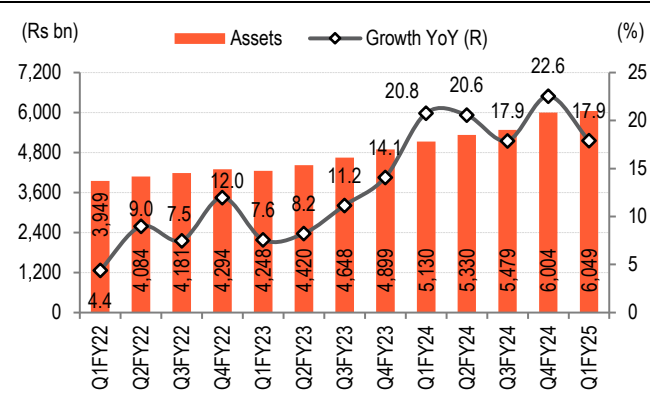
Source: Company, BOBCAPS Research

Fig 4 – Deposits stayed muted (16% YoY) backed by TDs



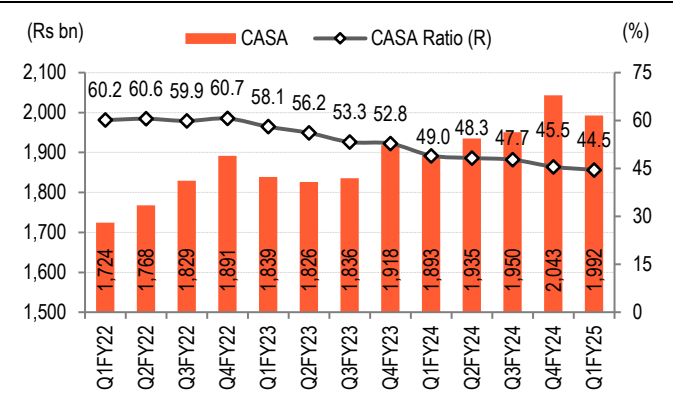
Source: Company, BOBCAPS Research | TDs: Term Deposits

Fig 5 – Asset growth at 18% YoY



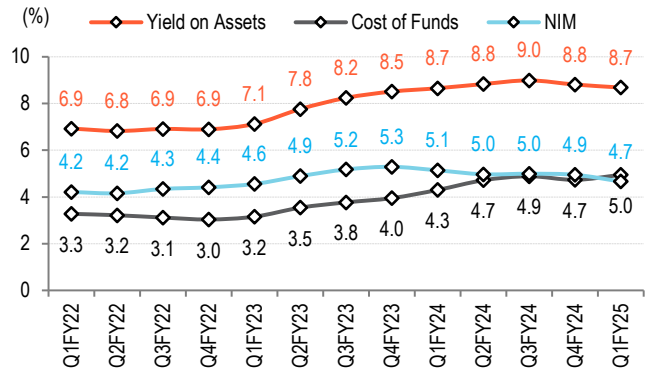
Source: Company, BOBCAPS Research

Fig 6 – Decline in CASA due to subdued CASA mobilisation



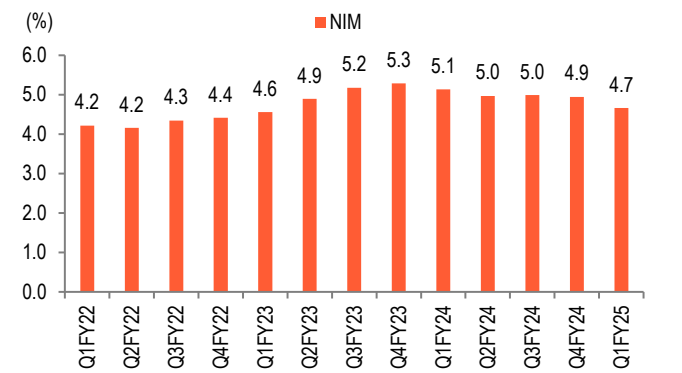
Source: Company, BOBCAPS Research

Fig 7 – NIM (calc.) declined on higher CoF



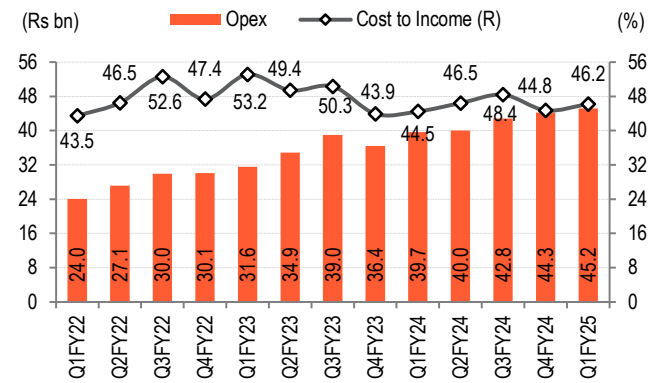
Source: Company, BOBCAPS Research

Fig 8 – NIM likely to remain flat with upward biased



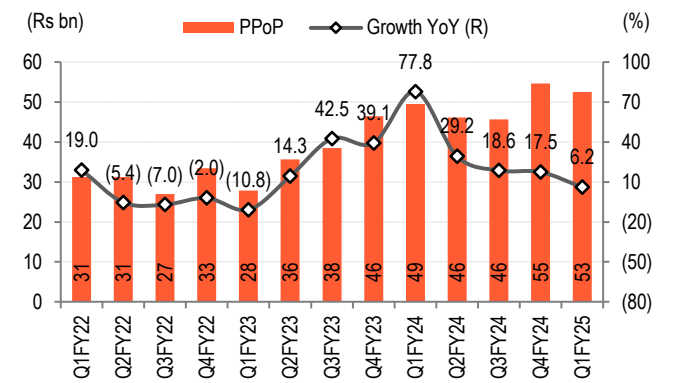
Source: Company, BOBCAPS Research

Fig 9 – C/I ratio increased on employee cost; likely to remain elevated over FY25E



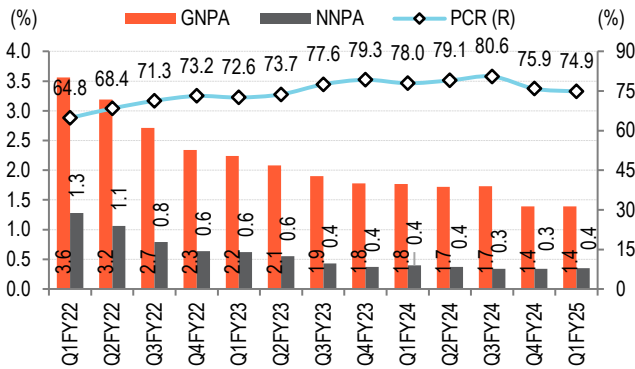
Source: Company, BOBCAPS Research

Fig 10 – Lower other income and increased opex hit PPOP



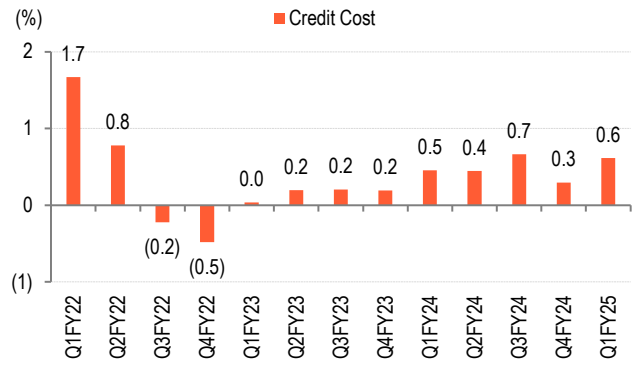
Source: Company, BOBCAPS Research

Fig 11 – Asset quality remained flat



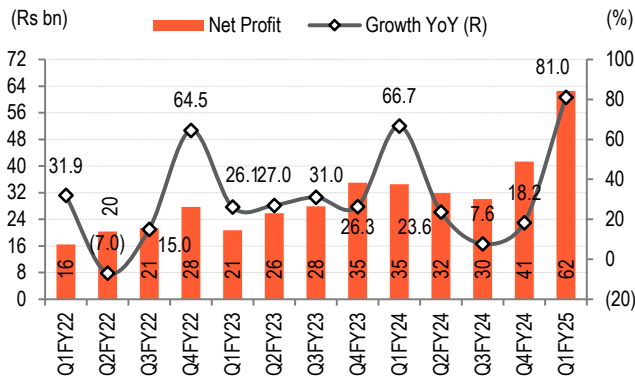
Source: Company, BOBCAPS Research

Fig 12 – Credit cost getting normalised



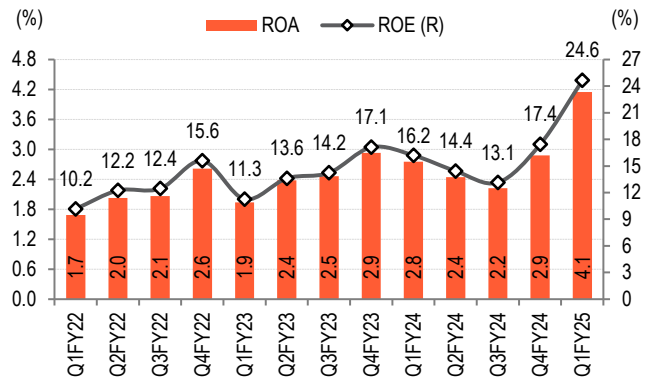
Source: Company, BOBCAPS Research

Fig 13 – PAT growth supported by one-off gains from KGI divestment



Source: Company, BOBCAPS Research

Fig 14 – Return ratios remained healthy



Source: Company, BOBCAPS Research

Earnings call highlights

Growth outlook

- KMB’s focus on risk-calibrated business growth against gross volume boost to improve overall performance.
- Management is focusing on resolving regulatory restrictions on new credit card (CC) issuance and the digital onboarding of clients, which hampered its margin. While it guided for focus on client engagement to enhance the business until the issue is resolved, it stressed it would continue to invest in branch and technology upgradation to grab business opportunities.

Asset quality

- Slippages stood at Rs 13.6bn (1.5% annualised) in Q1FY25 vs. Rs 13bn (1.5% annualised) in Q4FY24.
- Recoveries and upgrades were at Rs 5.9bn, while write-offs during the quarter stood at Rs 5.7bn leading to a total reduction in stress of Rs 11.5bn.
- KMB had no sale of non-performing assets (NPAs) in the quarter.
- Credit cost stood at 62bps vs. 29bps in Q4.

NII and NIM

- NII grew 10% YoY (-1% QoQ) on higher cost of funds and lower yield on advances, though business growth remained healthy
- Reported NIM declined 26bps QoQ to 5.02% due to the rise in cost of funds while regulatory restrictions on issuing credit cards and online client onboarding led to the slowdown of high-yielding assets.

Operating performance

- Other income declined 2% QoQ mainly due to lower treasury gains.
- Tech-related expenditure contributed 10% of opex.
- The KGI divestment aided PAT.

Loans

- Net advances grew 19% YoY in Q1 vs. 17% YoY in Q4. Inclusive of credit substitutes, growth was at 20% YoY (+3% QoQ).
- The unsecured portfolio, including microfinance (MFI), constituted 11.6% of the loan book in Q1 vs. 11.8% in Q4FY24, and the bank is comfortable growing the book given high-risk weightage and maintained its guidance of increasing it to the mid-teen levels.

Deposits

- Deposits grew 16% YoY (-0.3% QoQ) in Q1 due to the decline in CASA deposit.
- CASA growth was subdued at 5% YoY (-2.5% QoQ) while the term deposit book grew 26% YoY (5% QoQ), leading to a 98bps QoQ decline in CASA ratio to 44.5%.

Subsidiaries

- **Kotak Securities:** PAT came in at Rs 4.0bn, compared to Rs 3.8bn in Q4FY24 and Rs 2.1bn in Q1FY24. Its market share declined to 10.1% vs. 10.5% a year ago and 10.2% in Q4FY24.
- **Kotak AMC:** AAUM was up 35% YoY to Rs 4.2tn. Equity AAUM grew 61% YoY to Rs 2.7tn, with market share of 6.6% from 6.4% in Q1FY24.
- **Kotak Prime:** PAT increased to Rs 2.3bn from Rs 2.2bn in Q4FY24 along with QoQ flat NNPA of 0.9% vs. 0.9% in the year-ago period.

Fig 15 – Loan book distribution

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Corporate Banking	666,330	695,310	699,870	724,050	775,690	818,440	842,460	873,100	935,810
SME	205,290	211,750	231,540	221,530	233,120	245,690	258,160	272,470	281,860
Commercial Vehicles	232,460	246,040	258,140	277,860	285,260	310,460	337,510	368,330	379,410
Agriculture Finance	246,040	250,020	261,280	275,470	265,130	270,310	275,120	278,500	273,240
Tractor finance	110,150	120,150	129,860	139,090	139,160	143,760	151,560	158,020	158,000
Home loans & LAP	809,750	858,430	891,120	927,310	951,470	991,000	1,022,340	1,067,260	1,108,500
Consumer Bank WC (Secured)	264,870	274,040	289,400	303,430	299,060	330,950	337,900	359,970	375,910
PL, BL and Consumer Durables	116,160	131,970	145,420	157,730	166,920	178,620	193,100	200,490	203,170
Credit Cards	68,190	79,030	91,590	100,900	113,600	125,970	138,820	145,050	146,440
Others	45,970	50,000	55,740	65,810	71,270	75,050	82,570	94,270	93,550
Micro Finance	36,500	44,430	53,380	62,250	69,630	79,870	85,100	99,830	103,680
Loan	2,801,710	2,961,170	3,107,340	3,255,430	3,370,310	3,570,120	3,724,640	3,917,290	4,059,570
Credit substitutes	234,580	273,010	285,790	271,090	251,730	234,000	282,950	315,950	298,700
Total customer assets	3,036,290	3,234,180	3,393,130	3,526,520	3,622,040	3,804,120	4,007,590	4,233,240	4,358,270

Source: Company, BOBCAPS Research

Fig 16 – Loan book distribution (%)

Segment (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Corporate Banking	21.9	21.5	20.6	20.5	21.4	21.5	21.0	20.6	21.5
SME	6.8	6.5	6.8	6.3	6.4	6.5	6.4	6.4	6.5
Commercial Vehicles	7.7	7.6	7.6	7.9	7.9	8.2	8.4	8.7	8.7
Agriculture Finance	8.1	7.7	7.7	7.8	7.3	7.1	6.9	6.6	6.3
Tractor finance	3.6	3.7	3.8	3.9	3.8	3.8	3.8	3.7	3.6
Home loans & LAP	26.7	26.5	26.3	26.3	26.3	26.1	25.5	25.2	25.4
Consumer Bank WC (Secured)	8.7	8.5	8.5	8.6	8.3	8.7	8.4	8.5	8.6
PL, BL and Consumer Durables	3.8	4.1	4.3	4.5	4.6	4.7	4.8	4.7	4.7
Credit Cards	2.2	2.4	2.7	2.9	3.1	3.3	3.5	3.4	3.4
Others	1.5	1.5	1.6	1.9	2.0	2.0	2.1	2.2	2.1
Micro Finance	1.2	1.4	1.6	1.8	1.9	2.1	2.1	2.4	2.4
Loan	92.3	91.6	91.6	92.3	93.1	93.8	92.9	92.5	93.1
Credit substitutes	7.7	8.4	8.4	7.7	6.9	6.2	7.1	7.5	6.9
Total customer assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Company, BOBCAPS Research

Fig 17 – Loan book growth YoY

Segment (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Corporate Banking	11.6	7.1	2.1	8.6	16.4	17.7	20.4	20.6	20.6
SME	22.0	16.3	24.8	8.4	13.6	16.0	11.5	23.0	20.9
Commercial Vehicles	20.1	26.2	26.6	23.5	22.7	26.2	30.7	32.6	33.0
Agriculture Finance	12.2	8.4	15.7	9.3	7.8	8.1	5.3	1.1	3.1
Tractor finance	18.7	24.8	28.2	29.2	26.3	19.7	16.7	13.6	13.5
Home loans & LAP	45.6	39.6	29.4	21.9	17.5	15.4	14.7	15.1	16.5
Consumer Bank WC (Secured)	25.8	18.7	20.3	14.7	12.9	20.8	16.8	18.6	25.7
PL, BL and Consumer Durables	77.0	81.8	69.5	56.6	43.7	35.3	32.8	27.1	21.7
Credit Cards	77.2	81.1	85.1	81.1	66.6	59.4	51.6	43.8	28.9
Others	41.0	44.7	43.8	47.7	55.0	50.1	48.1	43.2	31.3
Micro Finance	-	-	120.9	103.4	90.8	79.8	59.4	60.4	48.9
Loan	28.8	26.0	22.9	20.0	20.3	20.6	19.9	20.3	20.5
Credit substitutes	31.1	27.6	32.1	27.7	7.3	(14.3)	(1.0)	16.5	18.7
Total customer assets	29.0	26.2	23.6	20.6	19.3	17.6	18.1	20.0	20.3

Source: Company, BOBCAPS Research

Fig 18 – Loan book growth QoQ

Segment (%)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Corporate Banking	(0.1)	4.3	0.7	3.5	7.1	5.5	2.9	3.6	7.2
SME	0.4	3.1	9.3	(4.3)	5.2	5.4	5.1	5.5	3.4
Commercial Vehicles	3.4	5.8	4.9	7.6	2.7	8.8	8.7	9.1	3.0
Agriculture Finance	(2.4)	1.6	4.5	5.4	(3.8)	2.0	1.8	1.2	(1.9)
Tractor finance	2.3	9.1	8.1	7.1	0.1	3.3	5.4	4.3	0.0
Home loans & LAP	6.4	6.0	3.8	4.1	2.6	4.2	3.2	4.4	3.9
Consumer Bank WC (Secured)	0.2	3.5	5.6	4.8	(1.4)	10.7	2.1	6.5	4.4
PL, BL and Consumer Durables	15.3	13.6	10.2	8.5	5.8	7.0	8.1	3.8	1.3
Credit Cards	22.4	15.9	15.9	10.2	12.6	10.9	10.2	4.5	1.0
Others	3.2	8.8	11.5	18.1	8.3	5.3	10.0	14.2	(0.8)
Micro Finance	19.3	21.7	20.1	16.6	11.9	14.7	6.5	17.3	3.9
Loan	3.3	5.7	4.9	4.8	3.5	5.9	4.3	5.2	3.6
Credit substitutes	10.5	16.4	4.7	(5.1)	(7.1)	(7.0)	20.9	11.7	(5.5)
Total customer assets	3.8	6.5	4.9	3.9	2.7	5.0	5.3	5.6	3.0

Source: Company, BOBCAPS Research

Valuation methodology

KMB delivered strong credit growth (19%/4% YoY/QoQ) during Q1FY25, outpacing deposit (16%/-0.3% YoY/QoQ) due to the slowdown in CASA mobilisation (-2.5% QoQ). Considering the current business dynamics, we broadly maintain our credit/deposit growth estimates while expecting performance to improve from hereon and with lower provision raise our PAT estimates by 8%/6% for FY25/FY26. We expect some moderation in NIM over the same period (NIM calculated at 4.7% over FY25E/FY26E).

KMB is well capitalised with CAR at 22.2% (CET1 at 21.5%) as of Q1FY25 to fund future asset growth. We expect the overall return ratio to remain healthy at 2.2% over FY25 and at 13% over FY26, vs. earlier estimates of 2.3%/13% over the same period.

Maintain BUY: KMB's business moderation seems temporary in nature and we expect performance to improve hereon. We estimate RoA/RoE at 2.2%/13% over FY26 and we roll-over our SOTP-based TP to Rs 2,040, from Rs 2,000, set at 2.1x FY26E (Jun'26) ABV (2.3x earlier) using the GGM. This includes Rs 699/sh as the value of subsidiaries. However, current price has been factored into most of the negatives and we maintain BUY. Additionally, recent changes in top level management may pose challenges to business dynamics and the long-term growth strategy and would be a key watchable.

Fig 19 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Loan	4,437,688	5,196,533	4,403,841	5,156,898	0.8	0.8
Deposits	5,257,248	6,124,694	5,252,759	6,119,464	0.1	0.1
Assets	6,944,511	8,160,823	7,018,664	8,104,386	(1.1)	0.7
NII	292,061	347,309	296,189	349,713	(1.4)	(0.7)
PPOP	216,828	253,574	208,544	243,953	4.0	3.9
Provisions	23,966	33,238	24,494	32,985	(2.2)	0.8
PAT	147,571	166,133	136,933	156,961	7.8	5.8

Source: BOBCAPS Research

Fig 20 – Key operational assumptions

Parameter (%)	FY24P	FY25E	FY26E	FY27E
Advances Growth	17.6	18.0	17.1	17.7
Net Interest Income Growth	20.6	12.4	18.9	16.8
PPoP Growth	31.9	10.7	16.9	13.3
PAT Growth	26.1	7.0	12.6	12.7
NIM	4.9	4.7	4.7	4.7
GNPA	1.4	1.4	1.3	1.3
CAR	20.6	21.2	20.6	20.2

Source: Company, BOBCAPS Research

Fig 21 – SOTP valuation summary

Business	Valuation	Holdings (%)	Value (Rs/sh)
Kotak Bank	2.1x FY26E ABV	100	1,405
Kotak Life	2.3x FY26E EV	100	231
Kotak Prime	1.8x FY26E BV	100	124
Kotak AMC	5% FY26 AAUM	100	142
Kotak Securities	15x FY26 PAT	100	145
Others	-	100	63
Holding Co. Discount	10%	-	(71)
Total	-	-	2,040

Source: Company, BOBCAPS Research

Fig 22 – Valuation assumptions

Gordon growth model	(%)
Return on Equity (RoE)	15.8
Cost of Equity (Ke)	12.4
Growth (Period 1)	14.2
Growth (Long Term)	6.3
Initial High Growth Period (years)	10.0
Dividend Payout (Period 1)	10.0
Dividend Payout (Long Term)	60.0
Factor 1	1.1
Factor 2	12.2
Justified P/BV	2.1

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

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

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Axis Bank	AXSB IN	47.3	1,283	1,252	HOLD
Bandhan Bank	BANDHAN IN	3.8	198	222	BUY
Canara Bank	CBK IN	12.4	115	140	BUY
DCB Bank	DCBB IN	0.5	134	172	BUY
HDFC Bank	HDFCB IN	148.0	1,643	1,872	BUY
ICICI Bank	ICICIB IN	104.2	1,241	1,272	HOLD
IDFC First Bank	IDFCBK IN	6.2	78	96	BUY
Indusind Bank	IIB IN	13.2	1,423	1,881	BUY
Kotak Mahindra Bank	KMB IN	41.8	1,758	2,040	BUY
RBL Bank	RBK IN	1.7	242	309	BUY
State Bank of India	SBIN IN	93.5	877	969	BUY

Source: BOBCAPS Research, NSE | Price as of 22 Jul 2024

Glossary

Glossary of Abbreviations			
AFS	Available For Sale	ICRR	Incremental Cash Reserve Ratio
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
HFT	Held for Trading	SMA	Special Mention Account
IBPC	Interbank Participation Certificate	SME	Small and Medium-sized Enterprises

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	215,519	259,932	292,061	347,309	405,686
NilI growth (%)	28.1	20.6	12.4	18.9	16.8
Non-interest income	70,831	102,731	120,120	143,501	167,920
Total income	286,350	362,663	412,180	490,809	573,606
Operating expenses	137,870	166,788	195,352	237,235	286,310
PPOP	148,480	195,875	216,828	253,574	287,297
PPOP growth (%)	23.2	31.9	10.7	16.9	13.3
Provisions	4,570	15,657	23,966	33,238	39,029
PBT	143,910	180,218	192,862	220,336	248,267
Tax	34,517	42,321	45,291	54,203	61,074
Reported net profit	109,393	137,896	147,571	166,133	187,194
Adjustments	0	0	0	0	0
Adjusted net profit	109,393	137,896	147,571	166,133	187,194

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity capital	14,933	9,940	9,940	9,940	9,940
Reserves & surplus	820,270	957,248	1,160,692	1,326,825	1,514,019
Net worth	835,202	967,188	1,170,631	1,336,765	1,523,958
Deposits	3,630,961	4,489,537	5,257,248	6,124,694	7,208,765
Borrowings	234,163	283,681	360,275	407,111	473,063
Other liab. & provisions	198,299	263,164	156,356	292,254	309,172
Total liab. & equities	4,898,625	6,003,570	6,944,511	8,160,823	9,514,958
Cash & bank balance	325,423	527,884	488,059	563,406	660,006
Investments	1,214,037	1,554,038	1,836,296	2,186,879	2,487,386
Advances	3,198,612	3,760,753	4,437,688	5,196,533	6,116,319
Fixed & Other assets	160,552	160,896	182,467	214,005	251,247
Total assets	4,898,625	6,003,570	6,944,511	8,160,823	9,514,958
Deposit growth (%)	16.5	23.6	17.1	16.5	17.7
Advances growth (%)	17.9	17.6	18.0	17.1	17.7

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS	55.1	69.4	74.2	83.6	94.2
Dividend per share	1.5	2.0	2.2	2.5	2.8
Book value per share	417.9	486.5	588.9	672.4	766.6

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	31.9	25.3	23.7	21.0	18.7
P/BV	4.2	3.6	3.0	2.6	2.3
Dividend yield (%)	0.1	0.1	0.1	0.1	0.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	5.2	4.8	4.5	4.6	4.6
Non-interest income	1.7	1.9	1.9	1.9	1.9
Operating expenses	3.1	3.1	3.0	3.1	3.2
Pre-provisioning profit	3.8	3.6	3.3	3.4	3.3
Provisions	0.1	0.3	0.4	0.4	0.4
PBT	3.7	3.3	3.0	2.9	2.8
Tax	0.8	0.8	0.7	0.7	0.7
ROA	2.8	2.5	2.3	2.2	2.1
Leverage (x)	0.1	0.1	0.1	0.1	0.1
ROE	17.8	15.3	13.8	13.3	13.1

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Net interest income	28.1	20.6	12.4	18.9	16.8
Pre-provisioning profit	23.2	31.9	10.7	16.9	13.3
EPS	50.5	26.0	7.0	12.6	12.7
Profitability & Return ratios (%)					
Net interest margin	4.3	4.9	4.9	4.7	4.7
Fees / Avg. assets	0.4	0.5	0.5	0.5	0.5
Cost-Income	48.1	46.0	47.4	48.3	49.9
ROE	17.8	15.3	13.8	13.3	13.1
ROA	2.8	2.5	2.3	2.2	2.1
Asset quality (%)					
GNPA	1.8	1.4	1.4	1.3	1.3
NNPA	0.4	0.3	0.3	0.3	0.3
Slippage ratio	1.5	1.6	1.5	1.5	1.5
Credit cost	0.2	0.5	0.6	0.7	0.7
Provision coverage	79.0	75.7	74.7	74.7	74.8
Ratios (%)					
Credit-Deposit	88.1	83.8	84.4	84.8	84.8
Investment-Deposit	33.4	34.6	34.9	35.7	34.5
CAR	21.8	20.6	21.2	20.6	20.2
Tier-1	20.8	19.3	20.0	19.5	19.0

Source: Company, BOBCAPS Research

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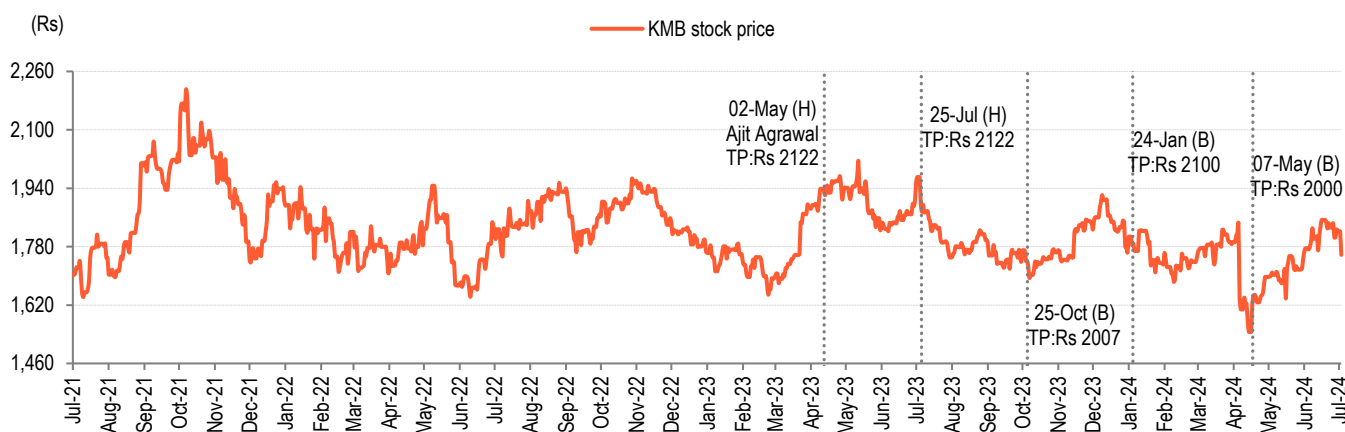
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Note: Recommendation structure changed with effect from 21 June 2021

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



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