

Kotak Mahindra Bank

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	KMB IN
Equity Shares (m)	1980
M.Cap.(INRb)/(USDb)	3074.7 / 36.9
52-Week Range (INR)	2064 / 1544
1, 6, 12 Rel. Per (%)	-11/-28/-44
12M Avg Val (INR M)	9932

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	259.9	297.1	346.9
OP	195.9	215.4	249.2
NP	137.8	146.6	168.6
Cons. NP	179.8	199.2	231.8
NIM (%)	5.2	5.0	5.0
EPS (INR)	69.4	73.8	84.8
EPS Gr. (%)	25.9	6.4	15.0
ABV. (INR)	461	529	608
Cons. BV. (INR)	654	753	868

Ratios

Cons. RoE (%)	13.8	13.3	13.4
RoE (%)	15.3	14.1	14.1
RoA (%)	2.5	2.3	2.3

Valuations

P/BV (X) (Cons.)	2.4	2.1	1.8
P/ABV (X) (Cons.)	2.4	2.1	1.8
P/ABV (X) (Adj)	2.1	1.9	1.6
P/E(X) (Stand.)	14.2	13.3	11.6

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	25.9	25.9	26.0
DII	25.1	21.4	23.0
FII	35.9	39.7	37.8
Others	13.1	12.9	13.3

FII Includes depository receipts

CMP: INR1,547 TP: INR1,700 (+10%) Neutral

Strong quarter; one-off gains boost earnings further

Business growth steady; restoration of BAU remains a top priority

- Kotak Mahindra Bank (KMB) posted a standalone PAT of INR41.3b (21% beat), which grew 18.2% YoY in 4QFY24 aided by steady revenue growth and one-off gains from the reversal of AIF provisions (INR1.57b), interest on IT refund (INR1.4b), and tax credit (INR2b). Consol. PAT grew 16.9% YoY to ~INR53.4b.
- NII grew 13% YoY to INR69.1b (in line; up 5.4% QoQ) as NIM improved 6bp QoQ to 5.28%. Other income grew 36.2% YoY (17% beat) for the quarter.
- Advances grew 17.6% YoY/4.6% QoQ to INR3.8t, while deposits rose 23.6% YoY/10% QoQ. CASA mix moderated 220bp QoQ to 45.5% in 4QFY24.
- Fresh slippages increased 11% QoQ to INR13.1b. GNPA improved 34bp QoQ to 1.4%, while NNPA remained stable at 0.34%. PCR declined 464bp QoQ to 75.9% as the bank carried out higher write-offs in the unsecured segment.
- We fine tune our earnings estimate; we estimate KMB's RoA/RoE at 2.3%/14.1% by FY26. **Reiterate Neutral with a TP of INR1,700 (based on 1.8x FY26E ABV + INR565 for subsidiaries).**

Business growth steady; NIM improves 6bp QoQ

- KMB reported a standalone PAT of INR41.3b (up 18.2% YoY; 21% beat), due to higher other income and lower provisions as the bank reversed INR1.57b toward AIF exposure. Consol. PAT grew 16.9% YoY to INR53.4b. FY24 standalone PAT stood at INR137.8b.
- NII grew 13% YoY (in line) as NIM improved 6bp QoQ to 5.28%, supported by interest on IT refunds (INR1.4b). Other income rose 36.2% YoY (up 29.7% QoQ). Treasury gain was INR1.4b vs. a treasury loss of INR1.7b in 3QFY24.
- Opex growth was slightly higher than expected at 21.5% YoY (5% higher than MOFSLe) and was driven by employee-related expenses, thus, resulting in a 17.5% YoY growth in PPOP at INR54.6b (9% beat).
- Loan book grew 17.6% YoY (up 4.6% QoQ), led by healthy traction across segments. KMB reported healthy sequential trends in CV/CE, Agri, and Consumer bank. Deposits jumped 23.6% YoY (up 10% QoQ), led by term deposits, which increased 42.8% YoY (up 14.5% QoQ). Conversely, the CASA mix moderated 220bp QoQ to 45.5% during the quarter.
- Fresh slippages rose 11% QoQ to INR13.1b. However, the GNPA ratio improved 34bp QoQ to 1.4%, while NNPA was stable at 0.34%. PCR moderated 464bp QoQ to 75.9% as the bank carried out higher write-offs in the unsecured segment (INR14.55b). SMA-2 advances stood at INR1.99b (5bp of loans), while the o/s restructured portfolio was INR3.8b (10bp of loans).
- **Performance of subsidiaries:** Kotak Securities reported a net earnings growth of 108% YoY, while KIL reported a PAT growth of 29% YoY.

Highlights from the management commentary

- The affected businesses will see a reduction in PBT of INR3-5b annually, including IT expenses. The key impact will be on Kotak 811 and credit cards.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The cost of funds will rise but the move will be gradual vs. what has been seen in the past.
- In terms of network expansion, KMB opened 150 branches last year, and this year too it will be adding 150 branches.
- Technology is an integral aspect of the business, with last year's tech investment standing at INR13b and this year's at INR17b. Further acceleration is expected on this front.

Valuation and view

KMB delivered a steady quarter with a beat on earnings and margins improving sequentially. The asset quality ratio improved supported by aggressive write-offs, while slippages rose slightly. The bank continues to guide for a steady growth trend, with the unsecured lending trajectory remaining consistent with mid-teen growth, expressing confidence in the quality of the underlying portfolio. Management has indicated a limited business impact from the recent RBI restrictions and mentioned that the top priority of the management team will be to restore operations to business as usual. The stock has corrected sharply over the past few days (while the de-rating has been on for years), and we find the risk-reward turning more favorable. However, the absence of any near-term triggers and a watchful stance on execution, the lifting of the RBI restrictions, and management stability will limit the near-term performance. We fine tune our earnings estimate; we also estimate KMB's RoA/RoE at 2.3%/14.1% by FY26. **Reiterate Neutral with a TP of INR1,700 (based on 1.8x FY26E ABV + INR565 for subsidiaries).**

Quarterly performance

(INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Our Est
Net Interest Income	47.0	51.0	56.5	61.0	62.3	63.0	65.5	69.1	215.5	259.9	67.0	3%
% Change (Y-o-Y)	19.2	26.8	30.4	35.0	32.7	23.5	15.9	13.2	28.1	20.6	9.8	
Other Income	12.4	18.3	19.5	21.9	26.8	23.1	23.0	29.8	70.8	102.7	25.5	17%
Total Income	59.4	69.3	76.0	82.9	89.2	86.1	88.5	98.9	286.3	362.7	92.5	7%
Operating Expenses	31.6	33.6	37.5	36.4	39.7	40.0	42.8	44.3	137.9	166.8	42.2	5%
Operating Profit	27.8	35.7	38.5	46.5	49.5	46.1	45.7	54.6	148.5	195.9	50.3	9%
% Change (Y-o-Y)	-3.7	14.3	42.5	39.1	77.8	29.2	18.6	17.5	23.2	31.9	8.2	
Provisions	0.2	1.4	1.5	1.5	3.6	3.7	5.8	2.6	4.6	15.7	4.9	-46%
Profit before Tax	27.6	34.3	37.0	45.0	45.9	42.4	39.9	52.0	143.9	180.1	45.4	15%
Tax	6.9	8.5	9.1	10.0	11.3	10.5	9.8	10.6	34.5	42.3	11.2	-5%
Net Profit	20.7	25.8	27.9	35.0	34.5	31.9	30.1	41.3	109.4	137.8	34.2	21%
% Change (Y-o-Y)	26.1	27.0	31.0	26.3	66.7	23.6	7.6	18.2	27.6	26.0	-2.2	
Deposits (INRb)	3,165	3,252	3,447	3,631	3,863	4,010	4,086	4,490	3,631	4,490	4,234	
Loans (INRb)	2,802	2,940	3,107	3,199	3,286	3,483	3,596	3,761	3,199	3,761	3,726	
Deposit growth (%)	10.4	11.5	12.9	16.5	22.0	23.3	18.6	23.6	16.5	23.6	16.6	
Loan growth (%)	28.8	25.1	22.9	17.9	17.3	18.5	15.7	17.6	17.9	17.6	16.5	
Asset Quality												
Gross NPA (%)	2.24	2.08	1.90	1.78	1.77	1.72	1.73	1.39	1.78	1.39	1.69	
Net NPA (%)	0.62	0.55	0.43	0.37	0.40	0.37	0.34	0.34	0.37	0.34	0.33	
PCR (%)	72.6	73.7	77.6	79.3	78.0	79.1	80.6	75.9	79.3	75.9	80.7	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss (INRb)	FY23				FY24				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Interest Income	73.4	80.9	90.0	98.2	105.0	111.9	118.0	123.1	25	4
Interest Expenses	26.4	29.9	33.5	37.2	42.7	49.0	52.5	54.0	45	3
Net Interest Income	47.0	51.0	56.5	61.0	62.3	63.0	65.5	69.1	13	5
Other Income	12.4	18.3	19.5	21.9	26.8	23.1	23.0	29.8	36	30
Total Income	59.4	69.3	76.0	82.9	89.2	86.1	88.5	98.9	19	12
Operating Expenses	31.6	33.6	37.5	36.4	39.7	40.0	42.8	44.3	22	3
Employee	11.7	14.1	14.8	14.5	16.5	16.3	17.5	18.3	26	4
Others	19.8	19.5	22.7	21.9	23.2	23.7	25.4	26.0	19	3
Operating Profits	27.8	35.7	38.5	46.5	49.5	46.1	45.7	54.6	18	20
Core PPop	32.0	36.3	36.0	43.9	47.1	44.6	45.7	54.6	24	20
Provisions	0.2	1.4	1.5	1.5	3.6	3.7	5.8	2.6	79	-54
PBT	27.6	34.3	37.0	45.0	45.9	42.4	39.9	52.0	16	30
Taxes	6.9	8.5	9.1	10.0	11.3	10.5	9.8	10.6	6	8
PAT	20.7	25.8	27.9	35.0	34.5	31.9	30.1	41.3	18	38
Balance Sheet (INR b)										
Loans	2,802	2,940	3,107	3,199	3,286	3,483	3,596	3,761	18	5
Deposits	3,165	3,252	3,447	3,631	3,863	4,010	4,086	4,490	24	10
Loan Mix (%)										
Retail	67.2	67.7	68.2	70.1	68.0	68.1	68.2	68.3	-2	0
- HL	28.9	29.0	28.7	29.1	28.2	27.8	27.4	27.2	-6	-1
- PL, BL and CD	4.2	4.5	4.7	4.9	5.0	5.0	5.2	5.1	3	-1
Corporate	31.1	30.6	30.0	27.9	29.9	29.8	29.5	29.2	5	-1
Others	1.6	1.7	1.8	2.1	2.1	2.1	2.2	2.4	16	8
Deposits Break Up										
CASA Deposits	1,839	1,826	1,836	1,918	1,893	1,935	1,950	2,043	7	5
% of total Deposits	58	56	53	53	49	48	48	46		
Savings	1,268	1,224	1,200	1,218	1,246	1,247	1,263	1,291	6	2
% of total Deposits	40	38	35	34	32	31	31	29		
Current	571	602	636	700	647	688	688	752	7	9
% of total Deposits	18	18	18	19	17	17	17	17		
Term Deposits	1,326	1,426	1,611	1,713	1,970	2,075	2,136	2,446	43	15
% of total Deposits	42	44	47	47	51	52	52	54		
Asset Quality (INR b)										
GNPA	63.8	62.1	59.9	57.7	59.1	60.9	63.0	52.7	-9	-16
NNPA	17.5	16.3	13.4	11.9	13.0	12.7	12.3	12.7	6	4
Slippages	14.4	9.8	7.5	8.2	12.1	13.1	11.8	13.1	59	11
Ratios										
Asset Quality Ratios (%)	FY23				FY24				Change (bp)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
GNPA	2.2	2.1	1.9	1.8	1.8	1.7	1.7	1.4	-39	-34
NNPA	0.6	0.6	0.4	0.4	0.4	0.4	0.3	0.3	-3	0
Slippage	2.3	1.5	1.1	1.1	1.6	1.6	1.4	1.4	31	1
PCR (Calculated)	72.6	73.7	77.6	79.3	78.0	79.1	80.6	75.9	-340	-464
Credit Cost	0.0	0.2	0.2	0.2	0.5	0.5	0.7	0.3	10	-39
Business Ratios (%)										
CASA	58.1	56.2	53.3	52.8	49.0	48.3	47.7	45.5	-730	-220
Loan / Deposit	88.5	90.4	90.2	88.1	85.1	86.9	88.0	83.8	-433	-423
Fees to Total Income	27.9	23.6	22.3	23.3	20.5	23.5	24.2	25.0	169	73
Tax Rate	24.9	24.8	24.6	22.3	24.7	24.8	24.6	20.5	-184	-415
Profitability Ratios (%)										
Yield on loans	9.1	9.7	10.1	10.5	10.9	10.8	11.0	10.9	36	-10
Yield on funds	8.5	8.8	9.2	9.7	10.2	10.3	10.2	10.1	46	-5
Cost of funds	3.3	3.6	3.8	4.1	4.6	5.1	5.2	5.0	89	-24
Margins	4.9	5.2	5.5	5.8	5.6	5.2	5.2	5.3	-47	6
Other Details										
Branches	1,702	1,710	1,752	1,780	1,788	1,850	1,869	1,948	168	79
ATM	2,761	2,802	2,814	2,963	3,047	3,170	3,239	3,291	328	52

Consolidated earnings snapshot (INR m)

Y/E March	FY23				FY24			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Kotak Bank	20,710	25,810	27,920	34,960	34,520	31,910	30,050	41,330
Kotak Prime	1,570	2,220	2,250	2,240	2,180	2,080	2,390	2,230
Kotak Securities	2,190	2,240	2,410	1,820	2,190	3,240	3,060	3,780
KMCC	510	220	280	480	550	270	350	970
Kotak Life	2,480	2,700	3,300	2,050	1,930	2,470	1,400	1,090
AMC & Trustee	1,060	1,060	1,500	1,920	1,060	1,240	1,460	1,500
Intl. subs	140	50	220	360	320	410	570	590
KIL	630	780	860	1,000	1,020	1,260	1,570	1,290
Others	440	630	920	490	1,070	1,350	1,220	240
Kotak Consol	29,730	35,710	39,660	45,320	44,840	44,230	42,070	53,020
Minority/associate adjustments	(2,180)	370	290	340	(3,340)	380	580	350
Kotak Cons. Reported PAT	27,550	36,080	39,950	45,660	41,500	44,610	42,650	53,370
Contribution of bank in total profits	75%	72%	70%	77%	83%	72%	70%	77%



Highlights from the management commentary

Opening remarks

- Consol. PAT amounted to INR180b, marking a 22% YoY increase, with 4Q PAT at INR53.3b, up 17% YoY. Customer assets experienced a 22% YoY growth at the consolidated level.
- INR5b of Preferred Capital was redeemed in 4QFY24.
- The bank acquired 9.3m customers, with 2.3m added in 4Q alone.
- RoA stood at 2.97% in 4Q and 2.61% for FY24.
- The bank, in 4Q, completed the acquisition of Sonata Microfinance, headquartered in Lucknow with 165 branches across Uttar Pradesh, Madhya Pradesh, Bihar, and North India.
- CASA ratio reached 45.5%, with a 102% YoY growth in TD sweeps. SA growth remains a challenge for the bank.
- NIM stood at 5.28% due to higher yields from the earning assets.
- Opex increased 21% YoY, with 10% allocated to technology-related expenses.
- KMB benefited from favorable tax adjustments, resulting in a reversal of INR2b.
- The bank experienced significant growth in advances and deposits across all segments.
- Unsecured lending witnessed substantial growth, and the focus will now be on existing customers following the RBI circular guidelines.
- There is continued monitoring of emerging risks in the system.
- Some stress was observed due to erratic monsoon conditions.
- The bank has a very strong bench strength and the people are stepping up in the roles.

The RBI order and technology spends

- The affected businesses will see a reduction in PBT of INR3-5b annually, including IT expenses. The key impact will be on Kotak 811 and credit cards.
- KMB received an order on Apr'24, which requires the bank not to onboard new customers and issue fresh credit cards, which is being taken seriously.
- There is no impact on existing business operations, with a firm commitment to developing world-class technology infrastructure.
- However, Kotak 811 and the Credit Card business have been hit by the order.
- The bank is intensifying its focus on technology, with tech spending growing by 30% YoY and now constituting 10% of the total operating expenses.
- The technological changes are underway, and demand is increasing at a favorable pace.

- Tech spending remains at 10% of opex; it is being adjusted as the opex base grows, with focus on risk resilience and capacity.
- Financial implications will affect Kotak 811 and credit cards, with a J-curve effect on customer acquisition.
- Discussions with regulators are under way, seeking guidance on potential remedies.
- The top priority will be to ensure business continuity and to bring the business as usual.
- This period will be utilized to fortify existing business operations and return stronger on normalcy.
- The order primarily impacts Kotak 811 and credit cards, as other businesses are not entirely digital.
- Initial costs will exceed revenue in the first year, with the acquisition phase likely to be a drag on finances, similar to tech development.
- Emphasis will shift from customer acquisition to enhancing existing customer relationships.
- The bank anticipates an impact on credit cards as well as on personal loans.
- Aggressive strides are being made in technology, focusing on capacity, risk, and resilience. External auditors will be appointed to ensure compliance, though specific timelines are challenging to determine.
- Technology is an integral aspect of the business, with last year's tech investment standing at INR13b and this year's at INR17b. Further acceleration is expected on this front.
- Kotak 811 customers will be converted to full-KYC customers, maintaining the strong cross-selling opportunities.
- Impacts may not be felt immediately but are expected in subsequent years. Branch strategies and KYC procedures will remain in place.
- While the customer count may decrease, efforts will continue to maximize business through Kotak 811 channels, minimizing the overall business impact.

Business related

- The bank's liability ratio has declined compared to its peers during this interest rate cycle. Transitioning from physical to phygital to digital, the bank observes that 95-96% of customer transactions occur outside bank branches. The bank has to find the focus on the pockets where there are gaps; the bank is chasing the salary segment where the deposits are quite stable. In the high rate scenario, the liability was under pressure but the active money has helped to bring in some liability in the customers.
- The mortgage lending business has grown by a healthy 15% YoY, experiencing improved yields and robust performance while maintaining strong asset quality.
- The bank aims to expand across various segments while maintaining business as usual.
- Unsecured lending trajectory will remain consistent with mid-teen growth. Risk-reward balance is closely monitored, with conservative provisioning, ensuring full provision for anything overdue beyond 180 days.
- Disbursements in the construction equipment segment increased by 47% YoY, with further growth anticipated in this segment.
- Although the tractor industry experienced subdued growth, the bank retained its market share.
- MFI lending grew 31% YoY, with the acquisition of Sonata extending presence to 16 states, where Sonata will function as a BC model. Construction equipment loans exhibited erratic behavior but stabilized in the fourth quarter.
- Mid-market and SME segments witnessed faster growth than others.

- Intense pricing competition persists among large corporates.
- Deposits experienced robust growth at 21% YoY, with Retail TD showing strong growth fueled by active funds. The bank integrates savings and TD accounts, enhancing customer offerings.
- TDs saw a significant 35% growth, with wholesale deposits increasing alongside a focus on customer segmentation and flow.
- In terms of network expansion, the bank opened 150 branches last year and plans to do the same this year too, with a gradual expansion in the future. The branch expansion will continue alongside a focus on digital initiatives to drive growth.

CoF, yields and margins

- The cost of funds will rise but the move will be gradual vs. what has been seen in the past.
- Regarding CoF, there has been a shift in the deposit mix, with low-cost CA and SA moving towards TDs, prompting the introduction of TD sweep facilities. Most repricing efforts have been completed.

Asset Quality

- The bank will maintain prudence in its underwriting approach, ensuring quality without compromising standards. There are no plans for significant changes in the business model.
- Regarding unsecured loans, the bank is confident in its risk management stance, with early delinquency rates appearing favorable and experiencing extremely low credit costs in recent periods.
- A reversal of INR1.57b in provisions for AIF was made in compliance with the RBI circulars.
- GNPA stood at 1.39%, with NNPA remaining stable at the same level. Credit costs were at 45bp.
- The bank extended INR14.5b in unsecured retail loans in the fourth quarter, with corresponding write-offs.

Subsidiaries

Kotak Securities:

- PAT grew 42% YoY to INR 3.78b, amid sectoral tailwinds.
- Income was driven by the cash market and total income rose 33% YoY for FY24.
- 4Q PAT stood at INR3.78b and was more than 2X of FY23. This is the highest ever PAT in its history.
- Derivate market share at 12.6%.
- It enhanced the newly launched platform, Neo, with enhanced user service. It rolled the best pricing on the industry. Kotak Neo is the preferred platform for the clients and 86% of the new accounts were opened in 4Q.

Kotak Capital:

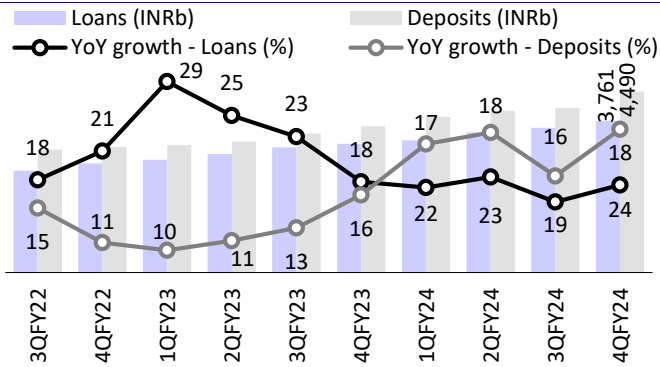
- FY24 was a robust year and it closed 18 IPOs and QIPs. Notable deals were Mankind, QIP of Cholamandalam, and secondary of 5star, Aster DM.
- In terms of M&A, deals were on Glenmark, Tata Consumers, and Merger of Suven Pharma.
- 4Q was a record quarter for the Investment banking business. Pipeline for FY25 is strong too.

Other Subsidiaries:

- Kotak Prime's PAT stood at INR8.88b in FY24; it is a well-capitalized business
- BSS Microfinance's PAT was INR3.83b in FY24 vs. INR2.97b in FY23.
- Kotak Life has a balanced approach on growth, while individual premiums saw a muted growth. VNB was at INR10.53b and VNB margin stood at 28.5% in FY24.

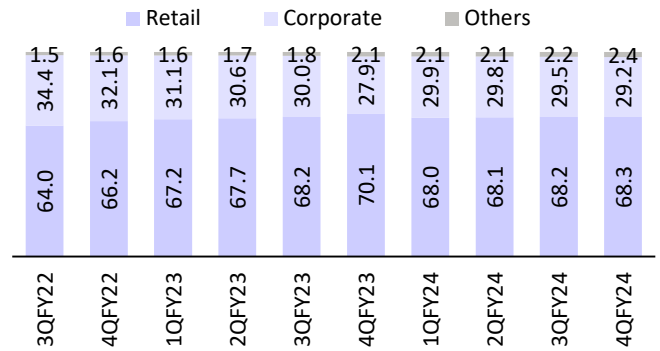
Story in charts

Exhibit 1: Advances grew 18% YoY; deposits grew 24% YoY



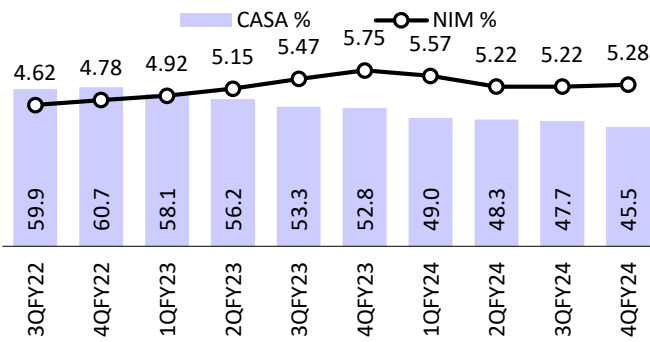
Source: MOFSL, Company

Exhibit 2: Retail share has gradually inched up to 68.3%



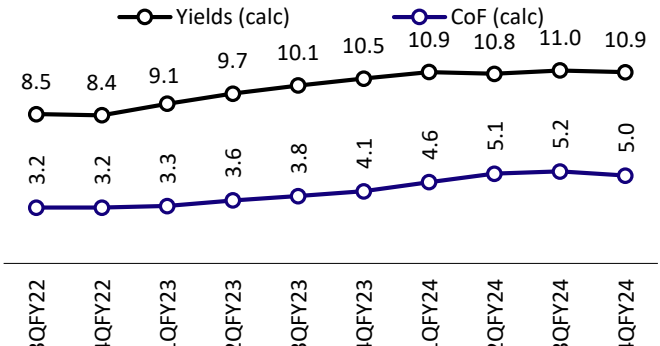
Source: MOFSL, Company

Exhibit 3: NIM improved 6bp QoQ to 5.28%



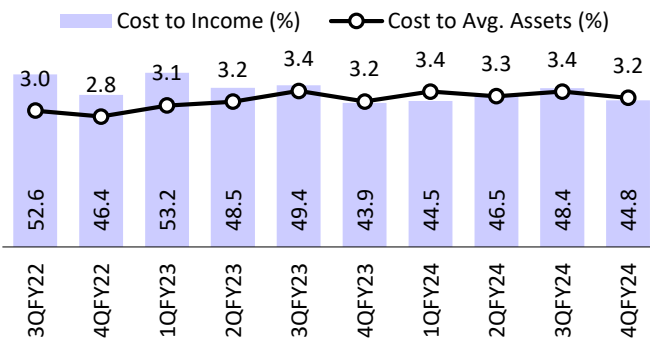
Source: MOFSL, Company

Exhibit 4: Yields/CoF stood at 10.9%/5.0% on a calculated basis



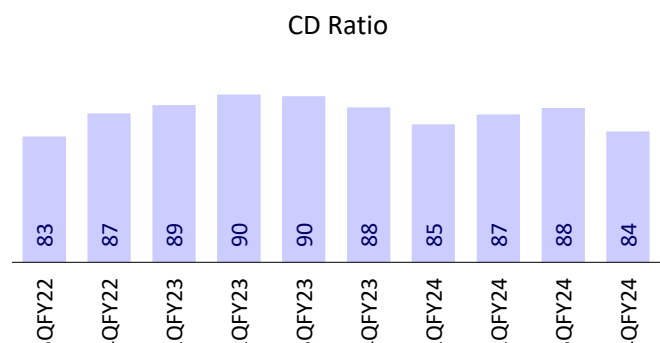
Source: MOFSL, Company

Exhibit 5: C/I ratio moderated 364bp QoQ to 44.8%



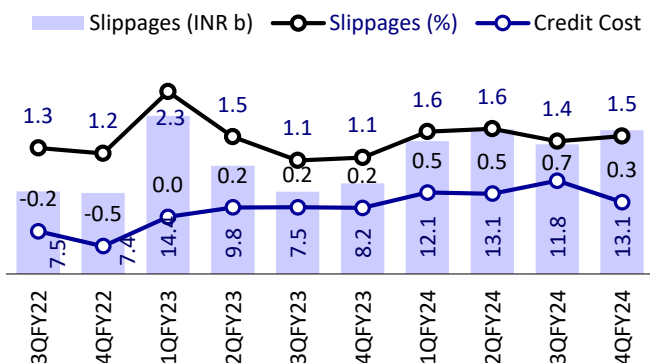
Source: MOFSL, Company

Exhibit 6: CD ratio declined to 84% from 88% in 3QFY24



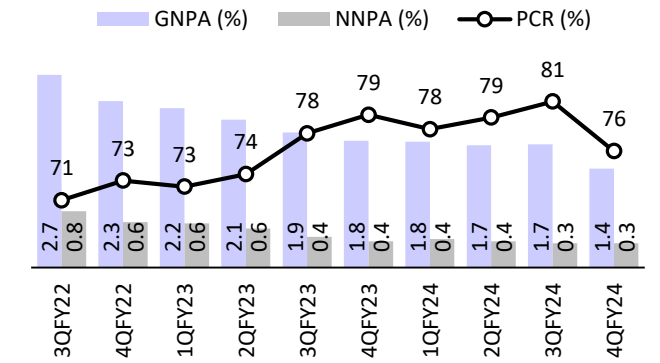
Source: MOFSL, Company

Exhibit 7: Slippages increased to 1.5%, credit costs at 0.3%



Source: MOFSL, Company

Exhibit 8: GNPA improved to 1.4%, NNPA stable at 0.3%



Source: MOFSL, Company

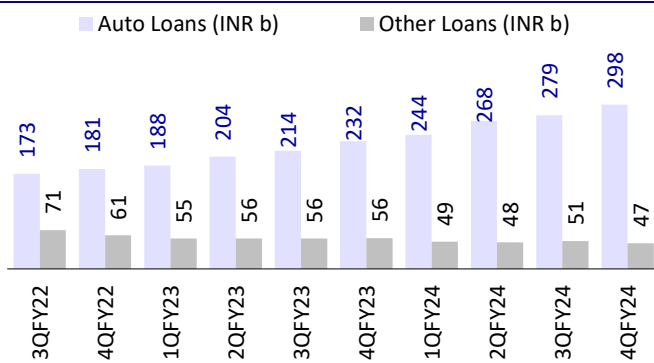
Subsidiaries' performance and consolidated earnings snapshot

Equity AUM comprises 62% of overall AUM vs. 59% in 3QFY24

Mixed performance across subsidiaries

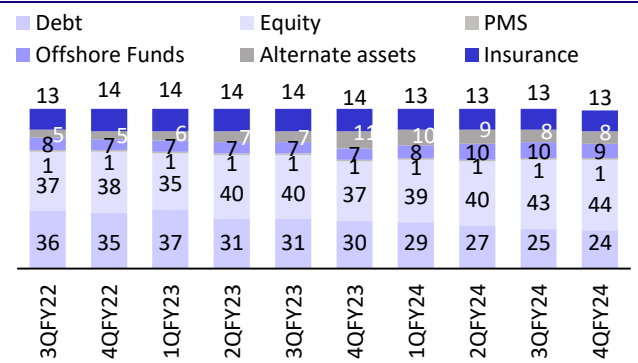
- PAT of the securities business grew 108% YoY to INR3.8b (up 23.5% QoQ).
- Market share of Kotak Securities stood at 10.2% in 4QFY24.
- Kotak Prime reported a PAT of INR2.2b (flat YoY, down 6.7% QoQ). NNPA remained stable at 0.8%. Auto loans grew 28.5% YoY and 7% QoQ.
- PAT of the Asset Management business grew 2.7% QoQ to INR1.5b (down 21.9% YoY). The average AUM rose 8.5% QoQ (31.7% YoY), led by an increase in equity AUM (up 50% YoY and 13.4% QoQ), constituting 62% of total AUM.
- Kotak Life reported a PAT of INR1.1b (down 47% YoY). Premium income grew 21% YoY (up 88% QoQ), while the solvency ratio stood at 2.6%.

Exhibit 9: Kotak Prime | Auto loans up 7% QoQ and 29% YoY



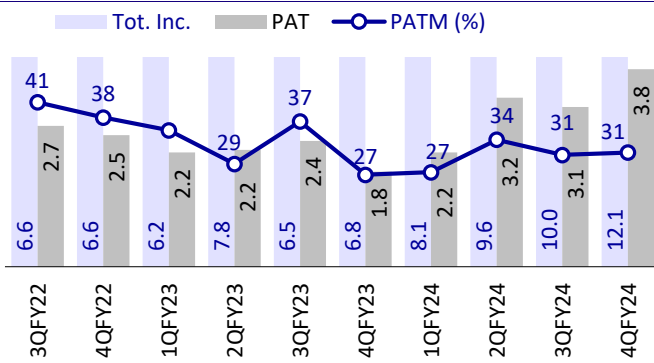
Source: MOFSL, Company

Exhibit 10: Domestic mutual fund grew 5.5% QoQ



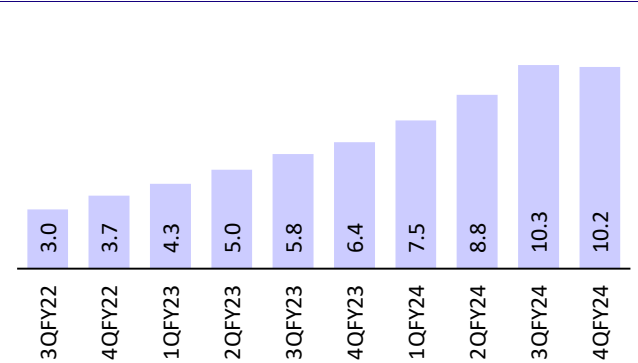
Source: MOFSL, Company

Exhibit 11: Kotak Securities' PAT grew 108% YoY to INR3.8b



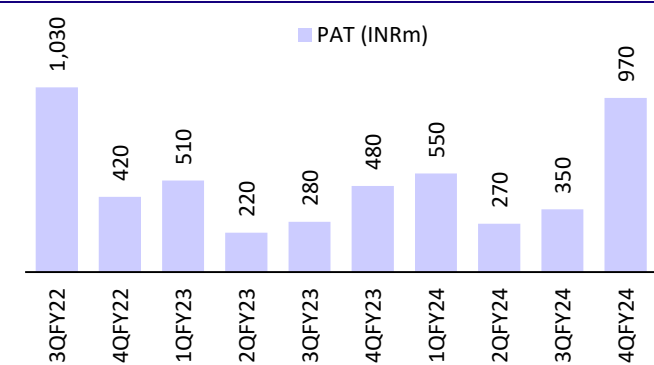
Source: MOFSL, Company

Exhibit 12: Market share for Kotak Securities was at 10.2%



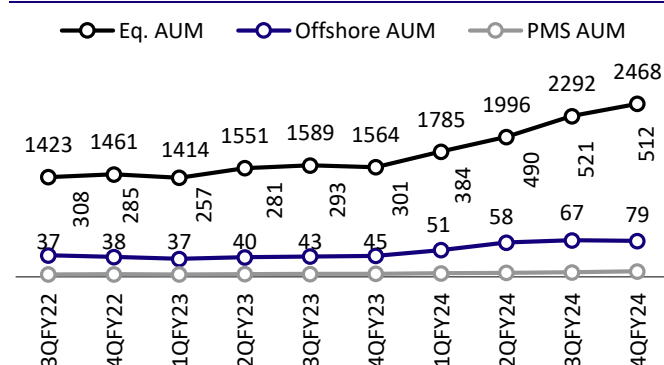
Source: MOFSL, Company

Exhibit 13: PAT stood at INR970m in Investment Banking



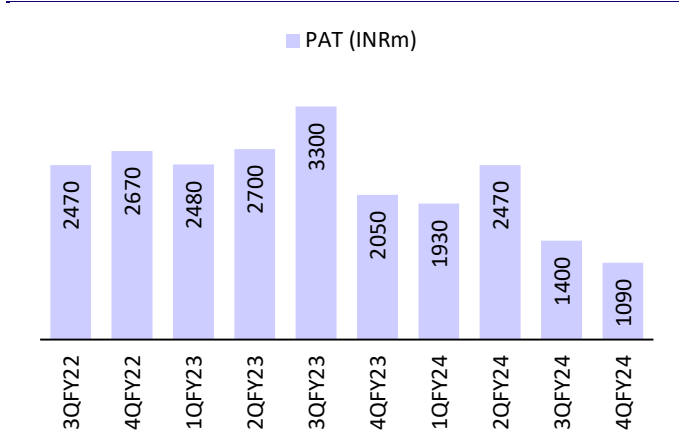
Source: MOFSL, Company

Exhibit 14: AUM mix for Kotak AMC (INR b)



Source: MOFSL, Company

Exhibit 15: PAT was at INR1,090m in Kotak Life Insurance



Source: MOFSL, Company

Exhibit 16: Profitability across banks and subsidiaries

INRb	1QFY24	2QFY24	3QFY24	4QFY24	YoY gr(%)	QoQ gr(%)
Kotak Bank	34.5	31.9	30.0	41.3	18	38
Kotak Prime	2.1	2.0	2.3	2.2	0	-7
Kotak Securities	2.1	3.2	3.0	3.7	108	24
KMCC	0.5	0.2	0.3	0.9	102	177
Kotak Life	1.9	2.4	1.4	1.0	-47	-22
AMC & Trustee	1.0	1.2	1.4	1.5	-22	3
Intl. subs	0.3	0.4	0.5	0.5	64	4
KIL	1.0	1.2	1.5	1.2	29	-18
Others	1.0	1.3	1.2	0.2	-51	-80
Kotak Consol	45	44	42	53	17	26
Minority	-3.3	0.3	0.5	0.3		
Kotak Cons.PAT	42	45	43	53		
	83%	72%	70%	77%		

Source: MOFSL, Company

Valuation and view

- Loan book grew 17.6% YoY (up 4.6% QoQ), led by healthy traction across segments. KMB reported healthy sequential trends in CV/CE, Agri, and Consumer bank. Deposits grew 23.6% YoY (up 10% QoQ) led by term deposits, which increased 42.8% YoY (up 14.5% QoQ). Conversely, the CASA mix moderated 220bp QoQ to 45.5% during the quarter.
- Fresh slippages increased 11% QoQ to INR13.1b. However, GNPA ratio improved 34bp QoQ to 1.4%, while NNPA was stable at 0.34%. PCR moderated 464bp QoQ to 75.9% in 4QFY24.
- SMA-2 advances stood at INR1.99b (5bp of advances), while the outstanding restructured portfolio stood at INR3.8b (10bp of advances).
- **Reiterate Neutral with a TP of INR1,700:** KMB delivered a steady quarter with a beat on earnings and margins improving sequentially. The asset quality ratio improved supported by aggressive write-offs, while slippages rose slightly. The bank continues to guide for a steady growth trend, with the unsecured lending trajectory remaining consistent with mid-teen growth, expressing confidence in the quality of the underlying portfolio. Management has indicated a limited business impact from the recent RBI restrictions and mentioned that the top priority of the management team will be to restore operations to business as usual. The stock has corrected sharply over the past few days (while the de-rating has been on for years), and we find the risk-reward turning more favorable. However, the absence of any near-term triggers and a watchful stance on execution, the lifting of the RBI restrictions, and management stability will limit the near-term performance. We tweak our earnings estimate; we also estimate KMB's RoA/RoE at 2.3%/14.1% by FY26. **Reiterate Neutral with a TP of INR1,700 (based on 1.8x FY26E ABV + INR565 for subsidiaries).**

Exhibit 17: We tweak our earnings estimates with FY26E RoA/RoE at 2.3%/14.1%**Change in Estimates Standalone**

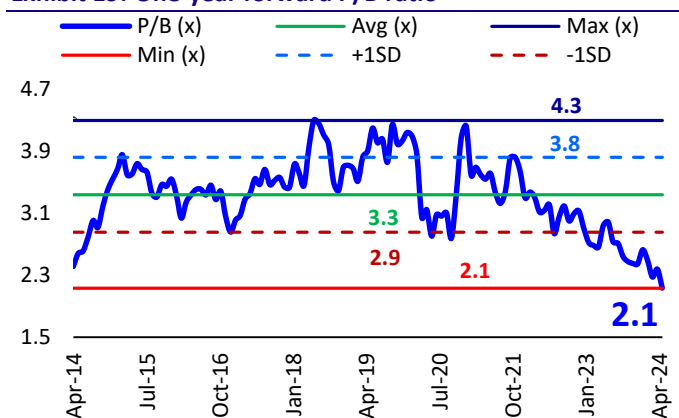
INR b	Old Est.		Revised Est.		Change (%) /bps	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	287.4	339.3	297.1	346.9	3.4	2.2
Other Income	116.2	135.9	121.2	144.3	4.3	6.1
Total Income	403.6	475.3	418.4	491.1	3.7	3.3
Operating Expenses	192.8	225.6	203.0	241.9	5.3	7.2
Operating Profits	210.8	249.7	215.4	249.2	2.2	-0.2
Provisions	18.4	24.6	20.9	25.6	13.6	4.0
PBT	192.4	225.1	194.5	223.7	1.1	-0.6
Tax	47.3	55.4	47.8	55.0	1.1	-0.6
Standalone PAT	145.1	169.7	146.6	168.6	1.1	-0.6
Loans	4,360	5,114	4,378	5,122	0.4	0.1
Deposits	4,975	5,845	5,217	6,125	4.9	4.8
Margins (%)	5.00	5.06	5.01	5.00	0	(5)
SA RoA (%)	2.35	2.35	2.27	2.26	(8)	(10)
Core RoE (%)	14.1	14.4	14.1	14.1	1	(21)
EPS	101.9	120.5	100.2	116.6	-1.7	-3.2
BV	553.4	637.0	558.5	641.6	0.9	0.7
Consol BV	751.6	870.6	752.5	867.6	0.1	-0.3

Source: MOFSL, Company

Exhibit 18: SoTP-based valuation

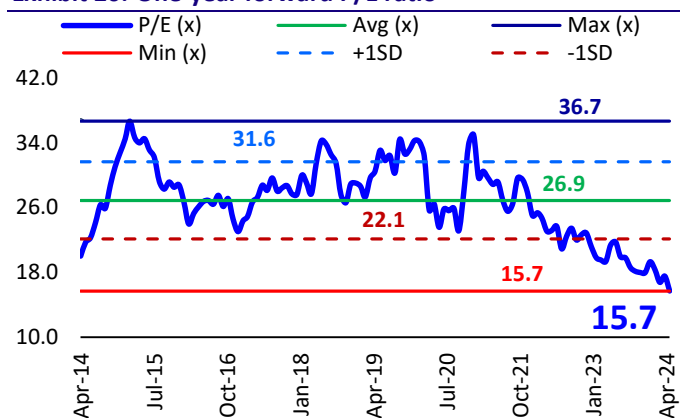
	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	2,552	30.6	1,284	76	
Kotak Mahindra Bank	2,256	27.1	1,135	67	1.8x FY26E Network
Kotak Prime (Car and other loans)	210	2.5	106	6	1.8x FY26E Network
Kotak Investment Company (LAS)	86	1.0	43	3	1.8x FY26E Network
Asset Management Business	314	3.8	158	9	5% of FY26E AUMs
Domestic Mutual Fund	245	2.9	123	7	
Alternative Assets	31	0.4	16	1	
Offshore Funds	37	0.4	19	1	
Capital Markets related Business	318	3.8	160	9	
Kotak Securities	286	3.4	144	8	16x FY26E PAT
Kotak Investment Banking (KMCC)	32	0.4	16	1	1.8x FY26E Network
Kotak Life Insurance	477	5.7	240	14	2.2x FY26E EV
Subs value @ 20% discount	1,124	13.5	565	33	
Target Value (Post 20% holding discount)	3,380	40.6	1,700	100	
- contribution of subs/associates to total PT			33%		

Exhibit 19: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 20: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 21: DuPont Analysis – We estimate KMB to report FY26 RoA/RoE of 2.3%/14.1%

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	8.01	7.22	6.65	7.45	8.40	8.38	8.39
Interest Expense	3.99	3.09	2.51	2.76	3.63	3.78	3.75
Net Interest Income	4.02	4.13	4.14	4.69	4.77	4.60	4.64
Fee income	1.45	1.39	1.70	1.75	2.12	2.13	2.22
Trading and others	0.14	(0.05)	-0.23	-0.21	-0.23	-0.26	-0.29
Non-Interest income	1.60	1.35	1.47	1.54	1.88	1.88	1.93
Total Income	5.61	5.47	5.61	6.23	6.65	6.48	6.57
Operating Expenses	2.63	2.31	2.65	3.00	3.06	3.14	3.24
Employee cost	1.16	1.01	1.14	1.21	1.26	1.25	1.27
Others	1.47	1.30	1.51	1.79	1.80	1.89	1.97
Operating Profits	2.98	3.16	2.96	3.23	3.59	3.33	3.33
Core operating Profits	2.84	3.21	3.19	3.44	3.83	3.59	3.62
Provisions	0.66	0.66	0.17	0.10	0.29	0.32	0.34
PBT	2.32	2.50	2.80	3.13	3.30	3.01	2.99
Tax	0.55	0.63	0.69	0.75	0.78	0.74	0.74
RoA	1.77	1.87	2.11	2.38	2.53	2.27	2.26
Leverage (x)	7.3	6.6	6.0	5.9	6.0	6.2	6.3
RoE	12.9	12.4	12.6	14.0	15.3	14.1	14.1

Financials and valuations

Income Statement						(INRb)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	269.3	268.4	270.4	342.5	458.0	541.4	626.9
Interest Expense	134.3	115.0	102.2	127.0	198.1	244.2	280.0
Net Interest Income	135.0	153.4	168.2	215.5	259.9	297.1	346.9
Growth (%)	20.5	13.6	9.6	28.1	20.6	14.3	16.7
Non-Interest Income	53.7	50.1	59.9	70.8	102.7	121.2	144.3
Total Income	188.7	203.5	228.0	286.3	362.7	418.4	491.1
Growth (%)	19.0	7.8	12.1	25.6	26.7	15.4	17.4
Operating Expenses	88.5	85.8	107.5	137.9	166.8	203.0	241.9
Pre Provision Profits	100.2	117.6	120.5	148.5	195.9	215.4	249.2
Growth (%)	20.0	17.4	2.5	23.2	31.9	9.9	15.7
Core PPOp	95.4	119.4	129.9	158.2	208.6	231.9	270.7
Growth (%)	15.2	25.2	8.7	21.9	31.8	11.2	16.8
Provisions	22.2	24.6	6.9	4.6	15.7	20.9	25.6
PBT	78.0	93.0	113.6	143.9	180.1	194.5	223.7
Tax	18.6	23.4	27.9	34.5	42.3	47.8	55.0
Tax Rate (%)	23.8	25.1	24.5	24.0	23.5	24.6	24.6
PAT	59.5	69.6	85.7	109.4	137.8	146.6	168.6
Growth (%)	22.2	17.1	23.1	27.6	26.0	6.4	15.0
Consolidated PAT	85.9	99.9	117.2	150.9	179.8	199.2	231.8
Growth (%)	19.3	16.3	17.3	28.7	19.2	10.8	16.3
Balance Sheet							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	9.6	9.9	9.9	9.9	9.9	9.9	9.9
Preference Share Capital	5.0	5.0	5.0	5.0	0.0	0.0	0.0
Reserves & Surplus	475.6	622.4	710.0	820.3	957.2	1,100.4	1,265.6
Net Worth	490.2	637.3	724.9	835.2	967.2	1,110.3	1,275.5
- Equity Networth	485.2	632.3	719.9	830.2	967.2	1,110.3	1,275.5
Deposits	2,628.2	2,801.0	3,116.8	3,631.0	4,489.5	5,216.8	6,124.6
Growth (%)	16.4	6.6	11.3	16.5	23.6	16.2	17.4
- CASA Dep	1,476.2	1,693.1	1,891.3	1,918.2	2,119.1	2,436.3	2,884.7
Growth (%)	24.5	14.7	11.7	1.4	10.5	15.0	18.4
Borrowings	379.9	236.5	259.7	234.2	283.7	295.5	316.8
Other Liabilities & Prov.	104.2	159.9	192.9	198.3	263.2	289.5	318.4
Total Liabilities	3,602.5	3,834.7	4,294.3	4,898.6	6,003.6	6,912.2	8,035.3
Current Assets	532.9	396.3	429.2	325.4	527.9	523.7	579.7
Investments	750.5	1,051.0	1,005.8	1,214.0	1,554.0	1,822.9	2,125.5
Growth (%)	5.4	40.0	-4.3	20.7	28.0	17.3	16.6
Loans	2,197.5	2,236.7	2,712.5	3,198.6	3,760.8	4,377.5	5,121.7
Growth (%)	6.8	1.8	21.3	17.9	17.6	16.4	17.0
Fixed Assets	16.2	15.4	16.4	19.2	21.6	24.2	27.9
Other Assets	105.4	135.4	130.3	141.3	139.3	163.9	180.5
Total Assets	3,602.5	3,834.7	4,294.3	4,898.6	6,003.6	6,912.2	8,035.3
Asset Quality							
Y/E MARCH	FY20	FY20	FY22	FY23	FY24	FY25E	FY25E
GNPA	50.3	74.3	64.7	57.7	52.7	56.8	64.6
NNPA	15.6	27.1	17.4	11.9	12.7	14.4	16.3
GNPA Ratio (%)	2.25	3.25	2.34	1.78	1.39	1.28	1.25
NNPA Ratio (%)	0.71	1.21	0.64	0.37	0.34	0.33	0.32
Slippage Ratio (%)	1.38	2.19	1.55	1.20	1.36	1.33	1.30
Credit Cost (%)	0.66	0.82	0.45	0.17	0.40	0.47	0.49
PCR (Excl Tech. write off) (%)	69.0	63.6	73.2	79.3	75.9	74.6	74.7

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY20	FY20	FY22	FY23	FY24	FY25E	FY26E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	8.6	7.7	7.2	8.0	9.1	9.1	9.0
Avg. Yield on loans	9.9	8.4	7.8	9.1	10.2	10.3	10.2
Avg. Yield on Investments	7.6	7.9	6.8	6.1	6.7	6.7	6.8
Avg. Cost-Int. Bear. Liab.	4.8	3.8	3.2	3.5	4.6	4.7	4.7
Avg. Cost of Deposits	4.9	3.7	3.1	3.5	4.5	4.8	4.7
Interest Spread	4.9	4.7	4.7	5.6	5.7	5.5	5.5
Net Interest Margin	4.3	4.4	4.5	5.1	5.2	5.0	5.0
Capitalisation Ratios (%)							
CAR	19.8	23.5	23.7	21.8	20.5	19.5	18.5
CET-1		22.5	21.5	20.6			
Tier I	19.2	22.6	22.8	20.6	19.2	18.3	17.4
Tier II	0.6	0.9	0.9	1.2	1.3	1.2	1.1
Asset-Liability Profile (%)							
Loans/Deposit Ratio	83.6	79.9	87.0	88.1	83.8	83.9	83.6
CASA Ratio	56.2	60.4	60.7	52.8	47.2	46.7	47.1
Cost/Assets	2.5	2.2	2.5	2.8	2.8	2.9	3.0
Cost/Total Income	46.9	42.2	47.2	48.1	46.0	48.5	49.3
Cost/Core Income	48.1	41.8	45.3	46.6	44.4	46.7	47.2
Int. Expense/Int. Income	49.9	42.8	37.8	37.1	43.2	45.1	44.7
Fee Income/Total Income	25.9	25.5	30.3	28.1	31.8	32.9	33.7
Non Int. Inc./Total Income	28.5	24.6	26.2	24.7	28.3	29.0	29.4
Empl. Cost/Total Expenses	44.2	43.9	42.9	40.2	41.1	39.9	39.1
CASA per branch (INR m)	922.6	1055.6	1112.6	1077.6	1144.7	1265.4	1440.7
Deposits per branch (INR m)	1642.6	1746.3	1833.4	2039.9	2425.2	2709.7	3058.8
Business per Employee (INR m)		97.4	87.7	102.7	116.0	126.1	138.1
Profit per Employee (INR m)		1.3	1.3	1.6	1.9	1.9	2.1
Profitability Ratios and Valuation							
RoE (%)	13.1	12.5	12.7	14.1	15.3	14.1	14.1
RoA (%)	1.8	1.9	2.1	2.4	2.5	2.3	2.3
Consolidated ROE (%)	12.8	11.8	12.1	13.5	13.8	13.3	13.4
Consolidated ROA (%)	2.1	2.2	2.3	2.6	2.6	2.5	2.6
RoRWA (%)	1.9	2.0	2.2	2.4	2.5	2.3	2.2
Book Value (INR)	254	319	363	418	487	559	642
Growth (%)	14.2	25.8	13.7	15.2	16.4	14.8	14.9
Price-BV (x)	3.9	3.1	2.7	2.4	2.0	1.8	1.5
Adjusted BV (INR)	234	296	342	398	461	529	608
Growth (%)	15.3	26.4	15.3	16.4	16.1	14.7	14.8
Price-ABV (x)	4.2	3.3	2.9	2.5	2.1	1.9	1.6
EPS (INR)	31.1	35.8	43.2	55.1	69.4	73.8	84.8
Growth (%)	22.0	14.9	20.9	27.5	25.9	6.4	15.0
Price-Earnings (x)	31.6	27.5	22.8	17.9	14.2	13.3	11.6
Consolidated EPS (INR)	44.9	50.4	59.1	75.9	90.4	100.2	116.6
Change (%)	19.0	12.2	17.1	28.6	19.1	10.8	16.3
Price-Consolidated Earnings (x)	34.5	30.7	26.2	20.4	17.1	15.5	13.3
Dividend Per Share (INR)	1.2	0.2	1.1	1.3	1.5	1.8	1.8
Dividend Yield (%)	0.1	0.0	0.1	0.1	0.1	0.1	0.1

E: MOSFL Estimates

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

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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