

Kotak Mahindra Bank

Estimate change 

TP change 

Rating change 

CMP: INR1,810

TP: INR2,000 (+10%)

Neutral

AIF provisions, treasury loss contribute to slight earnings miss

Margins stable QoQ

| Bloomberg | KMB IN |
|-----------------------|---------------|
| Equity Shares (m) | 1980 |
| M.Cap.(INRb)/(USDb) | 3591.3 / 43.2 |
| 52-Week Range (INR) | 2064 / 1644 |
| 1, 6, 12 Rel. Per (%) | -3/-16/-17 |
| 12M Avg Val (INR M) | 8480 |

Financials & Valuations (INR b)

| Y/E MARCH | FY23 | FY24E | FY25E |
|-----------------|-------|-------|-------|
| NII | 215.5 | 257.2 | 291.4 |
| OP | 148.5 | 190.2 | 214.6 |
| NP | 109.4 | 131.0 | 148.0 |
| Cons. NP | 150.9 | 178.3 | 205.3 |
| NIM (%) | 5.1 | 5.2 | 5.1 |
| EPS (INR) | 55.1 | 65.9 | 74.5 |
| EPS Gr. (%) | 27.5 | 19.7 | 12.9 |
| ABV. (INR) | 398 | 459 | 529 |
| Cons. BV. (INR) | 563 | 651 | 753 |

Ratios

| | | | |
|---------------|------|------|------|
| Cons. RoE (%) | 13.5 | 13.7 | 13.7 |
| RoE (%) | 14.1 | 14.7 | 14.4 |
| RoA (%) | 2.4 | 2.5 | 2.4 |

Valuations

| | | | |
|------------------|------|------|------|
| P/BV (X) (Cons.) | 3.2 | 2.8 | 2.4 |
| P/ABV (X) (Adj.) | 3.1 | 2.7 | 2.3 |
| P/E(X) (Adj.) | 22.4 | 18.7 | 16.6 |

*Adjusted for Investment subs

Shareholding pattern (%)

| As On | Dec-23 | Sep-23 | Dec-22 |
|----------|--------|--------|--------|
| Promoter | 25.9 | 25.9 | 26.0 |
| DII | 21.4 | 20.0 | 21.8 |
| FII | 39.7 | 41.0 | 39.3 |
| Others | 12.9 | 12.9 | 13.0 |

FII Includes depository receipts

- Kotak Mahindra Bank (KMB) reported standalone PAT growth of 7.6% YoY to INR30b (11% miss) due to AIF provisions (INR1.9b) and treasury loss. Consolidated PAT stood at ~INR42.7b (7% YoY growth).
- NII grew 16% YoY to INR65.5b (in line; up 4.1% QoQ). NIMs stood stable QoQ at 5.22%. Opex grew 14% YoY to INR42.8b, thereby, resulting in a 19% YoY growth in PPOp at INR45.7b (5% miss).
- Advances grew 16% YoY/3% QoQ to INR3.6t, while deposits grew 19% YoY/2% QoQ, led by term deposits. CASA mix moderated 60bp QoQ to 47.7%.
- Fresh slippages declined 10% QoQ to INR11.7b. GNPA ratio stood largely stable at 1.7%, while Net NPA improved 3bp QoQ to 0.34%. PCR improved 150p QoQ to 80.6%.
- We cut our FY24/FY25 PAT estimates by 3.2%/2.7%. We estimate RoA/RoE at 2.4%/14.4% by FY25E. We **maintain our Neutral stance on the stock with a TP of INR2,000.**

Loan book grew 16% YoY; Asset quality ratios stable

- KMB reported a standalone PAT of INR30b (up 7.6% YoY; 11% miss), due to higher provisions as the bank provided INR1.9b toward AIF exposure. Consol PAT grew 7% YoY to INR42.7b.
- While NII grew 16% YoY (in line), margins stood stable at 5.22%. Other income grew 18% YoY (down 1% QoQ). Treasury loss stood at INR1.7b vs. a treasury gain of INR1.5b in 2QFY24.
- Opex growth was slightly higher than expected at 14% YoY (5% higher than MOSLe) and was driven by an increase in commercial and marketing expenses and employee-related expenses, thus, resulting in a 19% YoY growth in PPOp at INR45.7b (5% miss).
- Loan book grew 16% YoY (up 3% QoQ) led by healthy traction across segments. KMB reported healthy sequential trends in Personal loans, CV/CE and Credit Cards. Deposits grew 19% YoY (up 2% QoQ), led by term loans, which grew 33% YoY (up 3% QoQ), while the CASA mix moderated 60bp QoQ to 47.7%. Mix of unsecured loans increased to 11.6% and the management expects it to rise to mid-teens by FY24-end.
- Fresh slippages declined 10% QoQ to INR11.7b. GNPA ratio stood largely stable at 1.7%, while Net NPA improved 3bp QoQ to 0.34%. PCR improved 150p QoQ to 80.6%. KMB has o/s Covid provisions of INR2.95b.
- SMA-2 advances stood at INR2.1b (6bp of advances), while the outstanding restructured portfolio stood at INR4.6b (13bp of advances).
- **Subs performance:** Kotak Securities reported net earnings growth of 27% YoY, while KIL reported a PAT growth of 83% YoY.

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Highlights from the management commentary

- The bank expects RoA to sustain at ~2-2.1% going forward.
- Unsecured retail advances (incl. Retail Micro Finance) as a % of net advances stood at 11.6% as on 3QFY24 vs. 9.3% in 3QFY23 and the portfolio continues to hold well.
- The provision of INR649m in respect of Security Receipts is classified as Non Performing Investments (NPI) during the quarter, which was earlier accounted as Mark-to-Market losses under Other Income. Accordingly, this has no impact on profit after tax.
- LCR stood at 120% for the bank and 127% for the group level in 3QFY24.

Valuation and view

KMB delivered a mixed quarter with a miss in earnings due to high provisions (AIF exposure); however, NIMs remained stable at 5.5% QoQ. Asset quality remained stable with slippages declining sequentially. KMB carries additional Covid-related provisions of ~INR2.95b. The bank continues to guide for steady growth trend and aims to improve the mix of unsecured loans to mid-teens, expressing confidence in the quality of the underlying portfolio. We cut our FY24/FY25 PAT estimates by 3.2%/2.7% and estimate bank to deliver RoA/RoE of 2.4%/14.4% by FY25. We **maintain our Neutral stance on the stock with a TP of INR2,000 (2.5x Sep'25E ABV).**

Quarterly performance

| Y/E March | FY23 | | | | FY24E | | | | FY23 | FY24E | FY24E | V/s |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | 3QE | Our Est | |
| Net Interest Income | 47.0 | 51.0 | 56.5 | 61.0 | 62.3 | 63.0 | 65.5 | 66.4 | 215.5 | 257.2 | 65.1 | 1% |
| % Change (Y-o-Y) | 19.2 | 26.8 | 30.4 | 35.0 | 32.7 | 23.5 | 15.9 | 8.8 | 28.1 | 19.4 | 15.2 | |
| Other Income | 12.4 | 18.3 | 19.5 | 21.9 | 26.8 | 23.1 | 23.0 | 24.8 | 70.8 | 97.7 | 24.1 | -5% |
| Total Income | 59.4 | 69.3 | 76.0 | 82.9 | 89.2 | 86.1 | 88.5 | 91.2 | 286.3 | 355.0 | 89.2 | -1% |
| Operating Expenses | 31.6 | 33.6 | 37.5 | 36.4 | 39.7 | 40.0 | 42.8 | 42.2 | 137.9 | 164.7 | 40.9 | 5% |
| Operating Profit | 27.8 | 35.7 | 38.5 | 46.5 | 49.5 | 46.1 | 45.7 | 49.0 | 148.5 | 190.2 | 48.3 | -5% |
| % Change (Y-o-Y) | -3.7 | 14.3 | 42.5 | 39.1 | 77.8 | 29.2 | 18.6 | 5.4 | 23.2 | 28.1 | 25.5 | |
| Provisions | 0.2 | 1.4 | 1.5 | 1.5 | 3.6 | 3.7 | 5.8 | 3.2 | 4.6 | 16.3 | 3.8 | 53% |
| Profit before Tax | 27.6 | 34.3 | 37.0 | 45.0 | 45.9 | 42.4 | 39.9 | 45.8 | 143.9 | 174.0 | 44.5 | -10% |
| Tax | 6.9 | 8.5 | 9.1 | 10.0 | 11.3 | 10.5 | 9.8 | 11.3 | 34.5 | 43.0 | 11.0 | -10% |
| Net Profit | 20.7 | 25.8 | 27.9 | 35.0 | 34.5 | 31.9 | 30.1 | 34.5 | 109.4 | 131.0 | 33.6 | -11% |
| % Change (Y-o-Y) | 26.1 | 27.0 | 31.0 | 26.3 | 66.7 | 23.6 | 7.6 | -1.2 | 27.6 | 19.8 | 20.3 | |
| Deposits (INRb) | 3,165 | 3,252 | 3,447 | 3,631 | 3,863 | 4,010 | 4,086 | 4,234 | 3,631 | 4,234 | 4,149 | |
| Loans (INRb) | 2,802 | 2,940 | 3,107 | 3,199 | 3,286 | 3,483 | 3,596 | 3,726 | 3,199 | 3,726 | 3,622 | |
| Deposit growth (%) | 10.4 | 11.5 | 12.9 | 16.5 | 22.0 | 23.3 | 18.6 | 16.6 | 16.5 | 16.6 | 20.4 | |
| Loan growth (%) | 28.8 | 25.1 | 22.9 | 17.9 | 17.3 | 18.5 | 15.7 | 16.5 | 17.9 | 16.5 | 16.6 | |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 2.24 | 2.08 | 1.90 | 1.78 | 1.77 | 1.72 | 1.73 | 1.66 | 1.78 | 1.66 | 1.63 | |
| Net NPA (%) | 0.62 | 0.55 | 0.43 | 0.37 | 0.40 | 0.37 | 0.34 | 0.32 | 0.37 | 0.32 | 0.34 | |
| PCR (%) | 72.6 | 73.7 | 77.6 | 79.3 | 78.0 | 79.1 | 80.6 | 80.7 | 79.3 | 80.7 | 79.4 | |

E: MOFSL Estimates

Consolidated earnings snapshot (INR m)

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

**Highlights from the management commentary****Balance sheet and P&L**

- Opex grew 14% YoY, primarily due to higher employee-related expenses (majorly due to retiral cost) in 3QFY24 and also because of commercial and marketing expenses.
- Consolidated PAT grew 6.1% YoY to INR42b as on 3QFY24 vs. INR39.5b as on 3QFY23.
- Provision of INR649m with respect to Security Receipts is classified as Non Performing Investments (NPI) during the quarter, which was earlier accounted as Mark-to-Market losses under 'Other Income'. Accordingly, this has no impact on profit after tax.
- AFS+HFT book as a % of investment book stood at 81% and modified duration is 1.1 years.
- Unsecured book accounts for 11.6% of the total advances as on 3QFY24.
- Total customers of the bank as on 3QFY24 stood at 48m vs 39m in 3QFY23.
- 3QFY24 results include INR1.4b provision (post tax) on applicable Alternate Investment Fund (AIF) investments pursuant to RBI's circular.
- AIF investments totaling INR1.9b, with downstream exposure to debtor companies of the bank, has been fully provided. As of 3QFY24, the bank's funded o/s to such companies stands at INR650m.
- The bank has no investments in subordinated units with priority distribution.
- LCR stood at 120% for the bank and 127% for the group level in 3QFY24.
- 56-58% of the book are repo linked. If the repo rate falls, the deposits are likely to be repriced.
- Over 76% of CA-OD transaction volumes and over 98% of savings account transaction volume occurred through digital channels.
- Deposits have picked up, driven by ActivMoney product launched by KMB 6 months ago. CASA ratio stood at 47.7% in 3QFY24 vs 48.3% in 2QFY24.
- Unsecured retail advances (incl. Retail Micro Finance) as a % of net advances stood at 11.6% as on 3QFY24 vs. 9.3% in 3QFY23 and the portfolio continues to hold well.
- CV disbursements have grown 30% YoY and the Collection Efficiency continues to be stable for this book.

- Construction Equipment book grew 38% YoY and the Collection Efficiency for this book also continues to be stable with the bank expecting 4QFY24 growth momentum to remain healthy.
- MFI book disbursements grew 66% YoY, serving a customer base of 1.8m unique borrowers.
- Agriculture SME side growth was muted and the management expects this to increase going forward.
- Overall, the risk matrix is stable in unsecured advances and is appropriately priced; however, there is some observed risk on the credit card side, which is also taken care of by the bank.
- Unsecured advances grew 40% YoY and 9% QoQ. Delinquencies in both secured and unsecured business banking remains stable.
- NIM stood stable at 5.22% in 3QFY24, with a 3-4bp differential attributed to the CRR impact addressed in the previous quarter with the major reason for stable NIMs being change in the mix of advances.
- Overall, funded asset grew 7.7% QoQ, including credit substitutes.
- Among various segments, mid-market and the SME segment grew robust. A majority of mid corporate book is working capital intensive. However, some pricing-related challenges can be seen in the SME side.
- The bank has seen some challenges in deal closure, therefore income was subdued this quarter.
- KMB has been successful in migrating all CMS customers to the new CMS platform.
- Cost of term deposits stood at 6.5-6.7%. SA account deposit starts to see some positive growth.
- CD ratio stood at 88% in 3QFY24, however, the bank's industry-leading tier-1 ratio, consisting entirely of equity, remains a positive factor.
- The bank expects RoA to sustain at ~2-2.1% going forward.
- There has been no recent change in the PSL framework. The bank largely fulfills the PSL requirements, with only a slight shortfall in one category.
- While the majority of unsecured loans have fixed rates, there is a potential 20-30bp increase in rates for unsecured personal loans. The bank has adjusted prices for loans to NBFCs where needed.
- The bank has guided for the unsecured mix to be around mid-teens.
- About 85-89% of cards are issued to existing bank customers. For the lower-end cards with reduced limits, the bank has rationalized their sourcing, resulting in a decline in card issuance in November.
- The bank is comfortable with its liquidity condition and is fairly balanced in its investment; therefore, it has been able to maintain its LCR.

Asset Quality

- NNPA ratio improved 3bp to 0.34% with GNPA ratio remaining stable at 1.7% in 3QFY24.
- PCR improved 150bp QoQ to 80.6% in 3QFY24.
- The bank reported slippages amounting to INR11.8b as on 3QFY24, while upgrades stood at INR2.9b.
- SMA 2 book stood at INR2.1b as on 3QFY24.
- The bank reported a credit cost of 40bp in 3QFY24 (incl. standard provision, excluding the reversal of Covid & restructuring).

- The bank holds outstanding Covid provisions of INR2.95b.

Subsidiaries

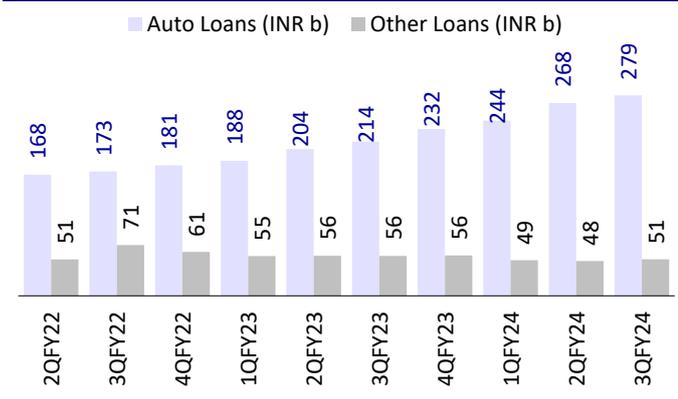
- Kotak Securities reported a PAT of INR3.1b in 3QFY24 with its market share increasing to 10.3% in 3QFY24 vs. 5.8% in 3QFY23.
- Self-trading customers accounted for 65% of cash market volume and 99% of derivatives market volume of Kotak Securities.
- Kotak General Insurance had an agreement with Zurich Insurance for the company to take majority stake (51%) and increase that to 70% over the coming years.
- Kotak prime reported a PAT of INR2.4b in 3QFY24 with the vehicle book growing by 30% YoY.
- Kotak AMC reported a PAT of INR1.5b in 3QFY24 with a 32% YoY increase in Equity-AUM.
- With an AUM of USD3.9b, Kotak Funds – India Midcap Fund continues to be the largest India focused offshore funds (actively managed with daily liquidity).

Equity AUM comprises 59.3% of overall AUM vs. 56% in 2QFY24

Mixed performance across subsidiaries

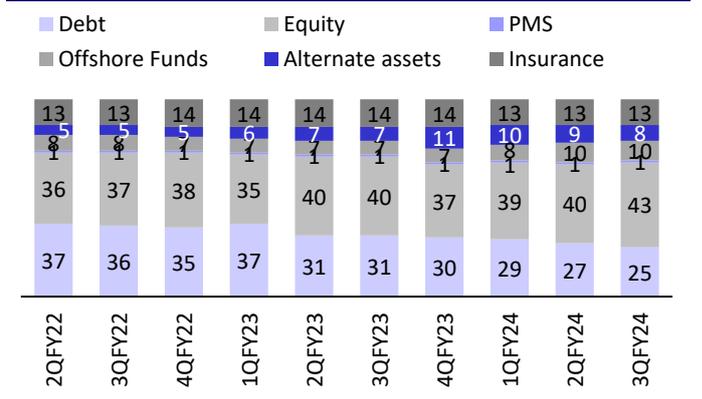
- PAT for the Securities business grew 27% YoY to INR3.0b (down 5.6% QoQ).
- Market share of Kotak Securities improved sharply to ~10.3%.
- Kotak Prime reported PAT of INR2.4b (up 14.9% QoQ). NNPA remained stable at 0.8%. Auto loans grew 30% YoY and 4% QoQ.
- PAT in the Asset Management business grew 17% QoQ to INR1.5b (down 2.7% YoY), while average AUM rose 5.2% QoQ (22.6% YoY), led by an increase in equity AUM (up 32% YoY and 11% QoQ), constituting 59% of total AUM.
- Kotak Life reported PAT of INR1.4b (57% YoY decline). Premium income grew 9.7% YoY (up 9.9% QoQ), while the solvency ratio stood at 2.7%.

Exhibit 1: Kotak Prime | Auto loans up 4% QoQ and 30% YoY



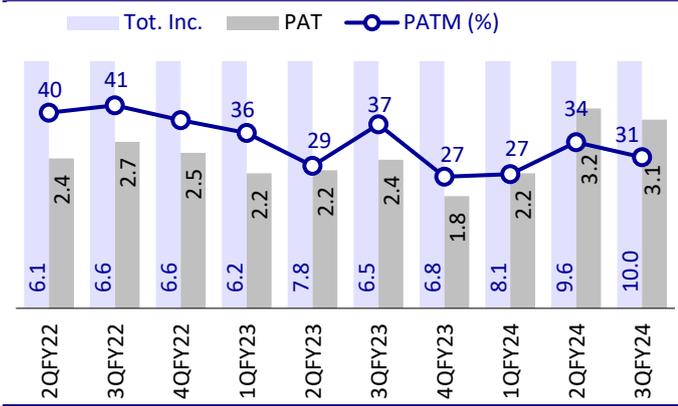
Source: MOFSL, Company

Exhibit 2: Domestic Mutual fund grew 8.3% QoQ (up 28% YoY)



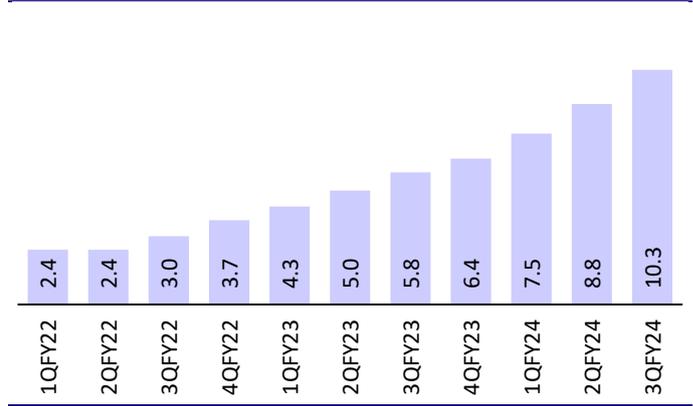
Source: MOFSL, Company

Exhibit 3: Kotak Securities' PAT grew 27% YoY to INR3.1b



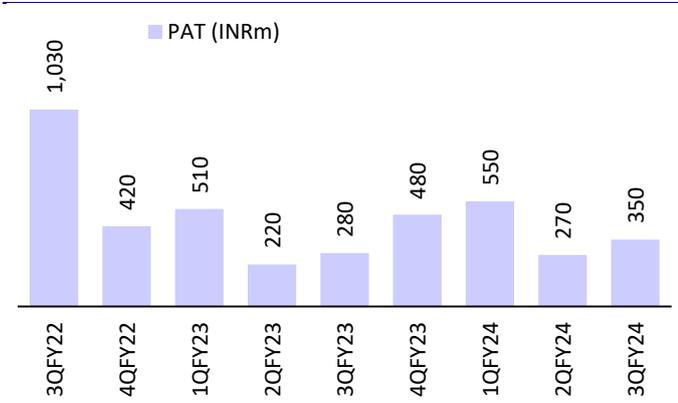
Source: MOFSL, Company

Exhibit 4: Market share for Kotak Securities expands to 10.3%



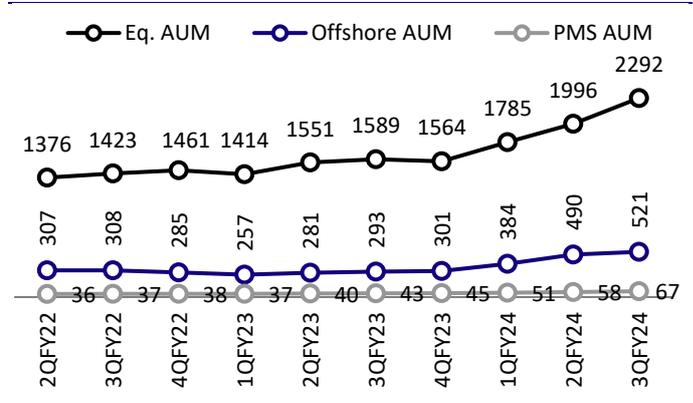
Source: MOFSL, Company

Exhibit 5: PAT stands at INR350m in Investment Banking



Source: MOFSL, Company

Exhibit 6: AUM mix for Kotak AMC (INR b)



Source: MOFSL, Company

Valuation and view

- Loan book grew 16% YoY (up 3% QoQ) led by healthy traction across segments. KMB reported healthy sequential trends in Personal loans, CV/CE, and Credit Cards. Deposits grew 19% YoY (up 2% QoQ), led by term loans, which grew 33% YoY (up 3% QoQ), while the CASA mix moderated 60bp QoQ to 47.7%. We expect advances to report 17% CAGR over FY24-26E.
- Fresh slippages declined 10% QoQ to INR11.7b. GNPA ratio stood largely stable at 1.7%, while Net NPA improved 3bp QoQ to 0.34%. PCR improved 150p QoQ to 80.6%. KMB has o/s provisions of INR2.95b.
- SMA-2 advances stood at INR2.1b (6bp of advances), while the outstanding restructured portfolio stood at INR4.6b (13bp of advances).
- The bank has healthy capitalization levels with Tier I of 20.1%, which is likely to provide growth opportunities and help manage stress. The capital-light nature of KMB's Capital Market and Asset Management businesses can provide a further boost to the bank's RoE as these businesses scale up further.
- **Retain Neutral with a TP of INR2,000:** KMB delivered a mixed quarter with miss in earnings due to high provisions (AIF exposure) though NIMs remained stable at 5.5% QoQ. Asset quality remained stable with slippages declining sequentially. KMB carries additional Covid-related provisions of ~INR2.95b. The bank continues to guide for steady growth trend and aims to improve the mix of unsecured loans to mid-teens, expressing confidence in the quality of the

underlying portfolio. We cut our FY24/FY25 PAT estimates by 3.2%/2.7% and estimate bank to deliver RoA/RoE of 2.4%/14.4% by FY25. We maintain our Neutral stance on the stock with a TP of INR2,000 (2.5x Sep'25E ABV).

Exhibit 7: We have cut our Standalone PAT estimates for FY24/FY25 by 3.2%/2.7%

| INR b | Old Est. | | Revised Est. | | Change (%)/bps | |
|--------------------------|--------------|--------------|--------------|--------------|----------------|-------------|
| | FY24 | FY25 | FY24 | FY25 | FY24 | FY25 |
| Net Interest Income | 257.0 | 292.4 | 257.2 | 291.4 | 0.1 | -0.3 |
| Other Income | 99.9 | 117.8 | 97.7 | 115.3 | -2.1 | -2.1 |
| Total Income | 356.8 | 410.2 | 355.0 | 406.7 | -0.5 | -0.8 |
| Operating Expenses | 162.3 | 189.3 | 164.7 | 192.1 | 1.5 | 1.5 |
| Operating Profits | 194.5 | 220.9 | 190.2 | 214.6 | -2.2 | -2.8 |
| Provisions | 15.0 | 19.3 | 16.3 | 18.4 | 8.5 | -4.8 |
| PBT | 179.5 | 201.6 | 174.0 | 196.2 | -3.1 | -2.7 |
| Tax | 44.2 | 49.6 | 43.0 | 48.3 | -2.7 | -2.7 |
| Standalone PAT | 135.4 | 152.0 | 131.0 | 148.0 | -3.2 | -2.7 |
| Loans | 3,749 | 4,386 | 3,726 | 4,360 | -0.6 | -0.6 |
| Deposits | 4,270 | 5,017 | 4,234 | 4,975 | -0.9 | -0.9 |
| Margins (%) | 5.21 | 5.07 | 5.23 | 5.07 | 2 | 1 |
| SA RoA (%) | 2.55 | 2.44 | 2.47 | 2.40 | (7) | (5) |
| Core RoE (%) | 15.1 | 14.7 | 14.7 | 14.4 | (45) | (30) |
| EPS | 92.0 | 105.4 | 89.7 | 103.3 | -2.4 | -2.0 |
| BV | 484.5 | 559.2 | 482.2 | 555.0 | -0.5 | -0.8 |
| Consol BV | 653.6 | 757.5 | 651.3 | 753.2 | -0.3 | -0.6 |

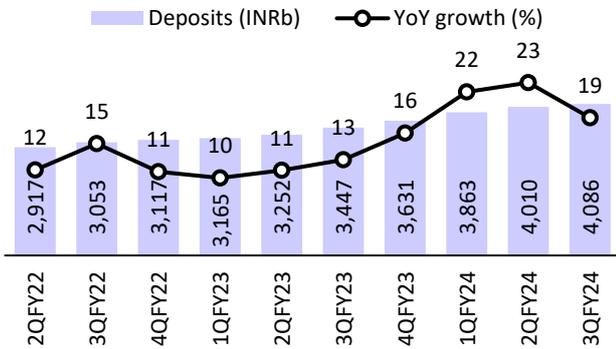
Source: MOFSL, Company

Exhibit 8: SoTP-based pricing

| | Value (INR B) | Value (USD B) | INR per share | % To Total | Rationale |
|---|---------------|---------------|---------------|------------|----------------------|
| Lending Business | 3,203 | 38.4 | 1,612 | 81 | |
| Kotak Mahindra Bank | 2,833 | 34.0 | 1,426 | 71 | 2.5x Sep'25E Network |
| Kotak Prime (Car and other loans) | 272 | 3.3 | 137 | 7 | 2.5x Sep'25E Network |
| Kotak Investment Company (LAS) | 98 | 1.2 | 49 | 2 | 2.5x Sep'25E Network |
| Asset Management Business | 300 | 3.6 | 151 | 8 | 5% of Sep'25E AUMs |
| Domestic Mutual Fund | 240 | 2.9 | 121 | 6 | |
| Alternative Assets | 36 | 0.4 | 18 | 1 | |
| Offshore Funds | 24 | 0.3 | 12 | 1 | |
| Capital Markets related Business | 280 | 3.4 | 141 | 7 | |
| Kotak Securities | 243 | 2.9 | 122 | 6 | 18x Sep'25E PAT |
| Kotak Investment Banking (KMCC) | 38 | 0.5 | 19 | 1 | 2.5x Sep'25E Network |
| Kotak Life Insurance | 475 | 5.7 | 239 | 12 | 2.5x Sep'25E EV |
| Subs value @ 20% discount | 1,140 | 13.7 | 574 | 29 | |
| Target Value (Post 20% holding discount) | 3,973 | 47.7 | 2,000 | 100 | |
| - contribution of subs/associates to total PT | | | 29% | | |

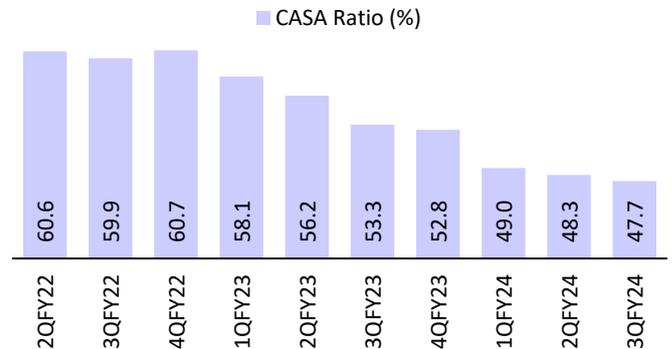
Story in charts

Exhibit 9: Deposits up 19% YoY and 2% QoQ to INR4.1t



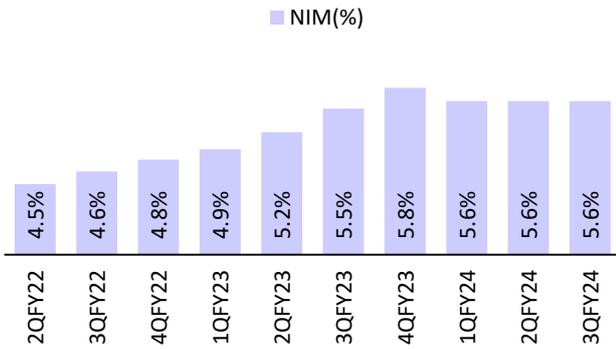
Source: MOFSL, Company

Exhibit 10: CASA ratio moderates 60bp QoQ to 47.7%



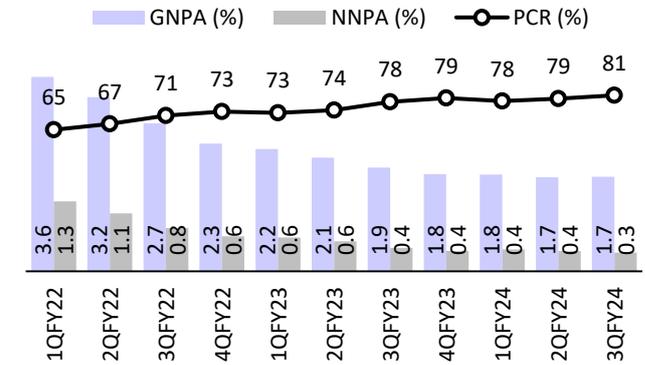
Source: MOFSL, Company

Exhibit 11: Margin remained stable at 5.6%



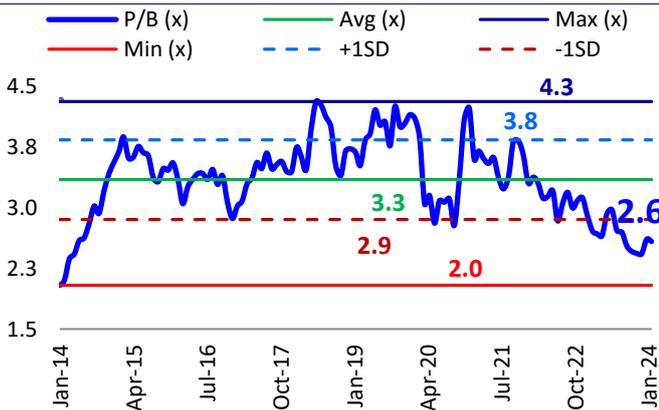
Source: MOFSL, Company

Exhibit 12: GNPA/NNPA improved to 1.7%/0.3%



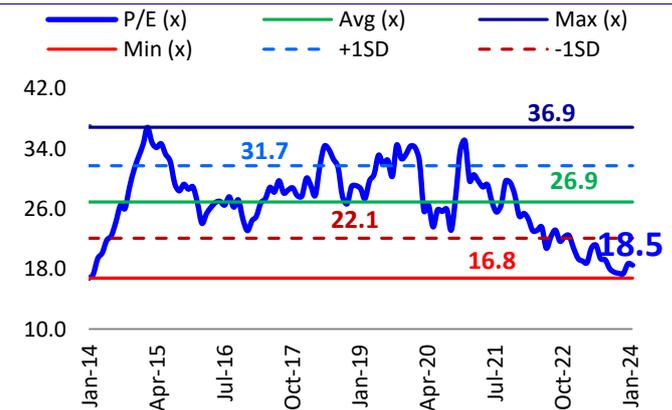
Source: MOFSL, Company

Exhibit 13: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 14: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 15: DuPont Analysis – Expect KMB to report FY25E RoA/RoE of 2.4%/14.4%

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 8.28 | 8.01 | 7.22 | 6.65 | 7.45 | 8.47 | 8.39 | 8.32 |
| Interest Expense | 4.40 | 3.99 | 3.09 | 2.51 | 2.76 | 3.62 | 3.67 | 3.58 |
| Net Interest Income | 3.88 | 4.02 | 4.13 | 4.14 | 4.69 | 4.86 | 4.72 | 4.74 |
| Fee income | 1.59 | 1.45 | 1.39 | 1.70 | 1.75 | 2.08 | 2.14 | 2.17 |
| Trading and others | 0.02 | 0.14 | -0.05 | -0.23 | -0.21 | -0.24 | -0.27 | -0.30 |
| Non Interest income | 1.61 | 1.60 | 1.35 | 1.47 | 1.54 | 1.85 | 1.87 | 1.87 |
| Total Income | 5.50 | 5.61 | 5.47 | 5.61 | 6.23 | 6.70 | 6.59 | 6.61 |
| Operating Expenses | 2.60 | 2.63 | 2.31 | 2.65 | 3.00 | 3.11 | 3.11 | 3.12 |
| Employee cost | 1.10 | 1.16 | 1.01 | 1.14 | 1.21 | 1.24 | 1.22 | 1.21 |
| Others | 1.50 | 1.47 | 1.30 | 1.51 | 1.79 | 1.87 | 1.89 | 1.91 |
| Operating Profits | 2.89 | 2.98 | 3.16 | 2.96 | 3.23 | 3.59 | 3.48 | 3.49 |
| Core operating Profits | 2.87 | 2.84 | 3.21 | 3.19 | 3.44 | 3.83 | 3.74 | 3.79 |
| Provisions | 0.33 | 0.66 | 0.66 | 0.17 | 0.10 | 0.31 | 0.30 | 0.34 |
| NPA | 0.29 | 0.42 | 0.49 | 0.27 | 0.11 | 0.27 | 0.27 | 0.31 |
| Others | 0.04 | 0.24 | 0.17 | -0.10 | -0.01 | 0.03 | 0.03 | 0.03 |
| PBT | 2.56 | 2.32 | 2.50 | 2.80 | 3.13 | 3.28 | 3.18 | 3.15 |
| Tax | 0.87 | 0.55 | 0.63 | 0.69 | 0.75 | 0.81 | 0.78 | 0.77 |
| RoA | 1.69 | 1.77 | 1.87 | 2.11 | 2.38 | 2.47 | 2.40 | 2.37 |
| Leverage (x) | 7.2 | 7.3 | 6.6 | 6.0 | 5.9 | 5.9 | 6.0 | 6.1 |
| RoE | 12.1 | 12.9 | 12.4 | 12.6 | 14.0 | 14.6 | 14.3 | 14.4 |

Financials and valuations

| Income Statement | | | | | | (INRb) | | |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Interest Income | 238.9 | 269.3 | 268.4 | 270.4 | 342.5 | 448.9 | 518.1 | 599.8 |
| Interest Expense | 126.8 | 134.3 | 115.0 | 102.2 | 127.0 | 191.7 | 226.7 | 258.2 |
| Net Interest Income | 112.1 | 135.0 | 153.4 | 168.2 | 215.5 | 257.2 | 291.4 | 341.6 |
| Growth (%) | 17.6 | 20.5 | 13.6 | 9.6 | 28.1 | 19.4 | 13.3 | 17.2 |
| Non Interest Income | 46.6 | 53.7 | 50.1 | 59.9 | 70.8 | 97.7 | 115.3 | 134.9 |
| Total Income | 158.6 | 188.7 | 203.5 | 228.0 | 286.3 | 355.0 | 406.7 | 476.6 |
| Growth (%) | 16.8 | 19.0 | 7.8 | 12.1 | 25.6 | 24.0 | 14.6 | 17.2 |
| Operating Expenses | 75.1 | 88.5 | 85.8 | 107.5 | 137.9 | 164.7 | 192.1 | 224.9 |
| Pre Provision Profits | 83.5 | 100.2 | 117.6 | 120.5 | 148.5 | 190.2 | 214.6 | 251.7 |
| Growth (%) | 16.6 | 20.0 | 17.4 | 2.5 | 23.2 | 28.1 | 12.8 | 17.3 |
| Core PPOp | 82.8 | 95.4 | 119.4 | 129.9 | 158.2 | 202.9 | 231.1 | 273.2 |
| Growth (%) | 19.2 | 15.2 | 25.2 | 8.7 | 21.9 | 28.2 | 13.9 | 18.2 |
| Provisions | 9.6 | 22.2 | 24.6 | 6.9 | 4.6 | 16.3 | 18.4 | 24.6 |
| PBT | 73.9 | 78.0 | 93.0 | 113.6 | 143.9 | 174.0 | 196.2 | 227.1 |
| Tax | 25.2 | 18.6 | 23.4 | 27.9 | 34.5 | 43.0 | 48.3 | 55.9 |
| Tax Rate (%) | 34.1 | 23.8 | 25.1 | 24.5 | 24.0 | 24.7 | 24.6 | 24.6 |
| PAT | 48.7 | 59.5 | 69.6 | 85.7 | 109.4 | 131.0 | 148.0 | 171.3 |
| Growth (%) | 19.1 | 22.2 | 17.1 | 23.1 | 27.6 | 19.8 | 12.9 | 15.7 |
| Consolidated PAT | 72.0 | 85.9 | 99.9 | 117.2 | 150.9 | 178.3 | 205.3 | 241.0 |
| Growth (%) | 16.2 | 19.3 | 16.3 | 17.3 | 28.7 | 18.2 | 15.2 | 17.4 |

Balance Sheet

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Equity Share Capital | 9.5 | 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 | 5.0 | 5.0 | 5.0 | 5.0 |
| Reserves & Surplus | 414.5 | 475.6 | 622.4 | 710.0 | 820.3 | 948.1 | 1,092.6 | 1,260.3 |
| Net Worth | 429.0 | 490.2 | 637.3 | 724.9 | 835.2 | 963.0 | 1,107.5 | 1,275.3 |
| - Equity Networth | 424.0 | 485.2 | 632.3 | 719.9 | 830.2 | 958.0 | 1,102.5 | 1,270.3 |
| Deposits | 2,258.8 | 2,628.2 | 2,801.0 | 3,116.8 | 3,631.0 | 4,233.7 | 4,974.6 | 5,845.2 |
| Growth (%) | 17.3 | 16.4 | 6.6 | 11.3 | 16.5 | 16.6 | 17.5 | 17.5 |
| - CASA Dep | 1,185.9 | 1,476.2 | 1,693.1 | 1,891.3 | 1,918.2 | 1,998.3 | 2,323.1 | 2,753.1 |
| Growth (%) | 21.3 | 24.5 | 14.7 | 11.7 | 1.4 | 4.2 | 16.3 | 18.5 |
| Borrowings | 322.5 | 379.9 | 236.5 | 259.7 | 234.2 | 279.8 | 325.3 | 375.8 |
| Other Liabilities & Prov. | 111.4 | 104.2 | 159.9 | 192.9 | 198.3 | 220.1 | 246.5 | 276.1 |
| Total Liabilities | 3,121.7 | 3,602.5 | 3,834.7 | 4,294.3 | 4,898.6 | 5,696.7 | 6,653.9 | 7,772.3 |
| Current Assets | 246.8 | 532.9 | 396.3 | 429.2 | 325.4 | 343.0 | 397.5 | 466.6 |
| Investments | 711.9 | 750.5 | 1,051.0 | 1,005.8 | 1,214.0 | 1,414.4 | 1,640.6 | 1,903.2 |
| Growth (%) | 10.3 | 5.4 | 40.0 | -4.3 | 20.7 | 16.5 | 16.0 | 16.0 |
| Loans | 2,056.9 | 2,197.5 | 2,236.7 | 2,712.5 | 3,198.6 | 3,726.4 | 4,359.9 | 5,114.1 |
| Growth (%) | 21.2 | 6.8 | 1.8 | 21.3 | 17.9 | 16.5 | 17.0 | 17.3 |
| Fixed Assets | 16.5 | 16.2 | 15.4 | 16.4 | 19.2 | 20.5 | 22.0 | 23.5 |
| Other Assets | 89.6 | 105.4 | 135.4 | 130.3 | 141.3 | 192.3 | 233.9 | 265.0 |
| Total Assets | 3,121.7 | 3,602.5 | 3,834.7 | 4,294.3 | 4,898.6 | 5,696.7 | 6,653.9 | 7,772.3 |

Asset Quality

| Y/E MARCH | FY19 | FY20 | FY20 | FY22 | FY23 | FY24E | FY25E | FY25E |
|--------------------------------|------|------|------|------|------|-------|-------|-------|
| GNPA | 44.7 | 50.3 | 74.3 | 64.7 | 57.7 | 62.8 | 66.4 | 75.4 |
| NNPA | 15.4 | 15.6 | 27.1 | 17.4 | 11.9 | 12.1 | 12.9 | 14.0 |
| GNPA Ratio (%) | 2.14 | 2.25 | 3.25 | 2.34 | 1.78 | 1.66 | 1.51 | 1.46 |
| NNPA Ratio (%) | 0.75 | 0.71 | 1.21 | 0.64 | 0.37 | 0.32 | 0.30 | 0.27 |
| Slippage Ratio (%) | 0.89 | 1.38 | 2.19 | 1.55 | 1.20 | 1.13 | 1.10 | 1.10 |
| Credit Cost (%) | 0.45 | 0.66 | 0.82 | 0.45 | 0.17 | 0.42 | 0.41 | 0.47 |
| PCR (Excl Tech. write off) (%) | 65.4 | 69.0 | 63.6 | 73.2 | 79.3 | 80.7 | 80.6 | 81.4 |

E: MOSL Estimates

Financials and valuations

Ratios

| Y/E March | FY19 | FY20 | FY20 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Yield and Cost Ratios (%) | | | | | | | | |
| Avg. Yield-Earning Assets | 8.9 | 8.6 | 7.7 | 7.2 | 8.0 | 9.1 | 9.0 | 8.9 |
| Avg. Yield on loans | 9.8 | 9.9 | 8.4 | 7.8 | 9.1 | 10.4 | 10.2 | 10.0 |
| Avg. Yield on Investments | 7.6 | 7.6 | 7.9 | 6.8 | 6.1 | 6.5 | 6.7 | 6.8 |
| Avg. Cost-Int. Bear. Liab. | 5.3 | 4.8 | 3.8 | 3.2 | 3.5 | 4.6 | 4.6 | 4.5 |
| Avg. Cost of Deposits | 5.3 | 4.9 | 3.7 | 3.1 | 3.5 | 4.6 | 4.7 | 4.5 |
| Interest Spread | 4.5 | 4.9 | 4.7 | 4.7 | 5.6 | 5.8 | 5.5 | 5.5 |
| Net Interest Margin | 4.2 | 4.3 | 4.4 | 4.5 | 5.1 | 5.2 | 5.1 | 5.1 |

Capitalisation Ratios (%)

| | | | | | | | | |
|---------|------|------|------|------|------|------|------|------|
| CAR | 17.9 | 19.8 | 23.5 | 23.7 | 21.8 | 20.8 | 20.2 | 19.3 |
| CET-1 | | | 22.5 | 21.5 | 20.6 | | | |
| Tier I | 17.4 | 19.2 | 22.6 | 22.8 | 20.6 | 20.1 | 19.5 | 18.6 |
| Tier II | 0.5 | 0.6 | 0.9 | 0.9 | 1.2 | 0.7 | 0.7 | 0.7 |

Asset-Liability Profile (%)

| | | | | | | | | |
|-------------------------------|------|------|------|------|-------|-------|-------|-------|
| Loans/Deposit Ratio | 91.1 | 83.6 | 79.9 | 87.0 | 88.1 | 88.0 | 87.6 | 87.5 |
| CASA Ratio | 52.5 | 56.2 | 60.4 | 60.7 | 52.8 | 47.2 | 46.7 | 47.1 |
| Cost/Assets | 2.4 | 2.5 | 2.2 | 2.5 | 2.8 | 2.9 | 2.9 | 2.9 |
| Cost/Total Income | 47.4 | 46.9 | 42.2 | 47.2 | 48.1 | 46.4 | 47.2 | 47.2 |
| Cost/Core Income | 47.6 | 48.1 | 41.8 | 45.3 | 46.6 | 44.8 | 45.4 | 45.1 |
| Int. Expense/Int.Income | 53.1 | 49.9 | 42.8 | 37.8 | 37.1 | 42.7 | 43.8 | 43.0 |
| Fee Income/Total Income | 28.9 | 25.9 | 25.5 | 30.3 | 28.1 | 31.1 | 32.4 | 32.8 |
| Non Int. Inc./Total Income | 29.4 | 28.5 | 24.6 | 26.2 | 24.7 | 27.5 | 28.4 | 28.3 |
| Empl. Cost/Total Expenses | 42.4 | 44.2 | 43.9 | 42.9 | 40.2 | 39.7 | 39.2 | 38.8 |
| Business per Employee (INR m) | | | 97.4 | 87.7 | 102.7 | 118.6 | 137.7 | 160.0 |
| Proft per Employee (INR m) | | | 1.3 | 1.3 | 1.6 | 2.0 | 2.2 | 2.5 |
| Investment/Deposit Ratio | 31.5 | 28.6 | 37.5 | 32.3 | 33.4 | 33.4 | 33.0 | 32.6 |
| G-Sec/Investment Ratio | 81.6 | 82.5 | 81.2 | 74.7 | 74.0 | 74.0 | 74.0 | 74.0 |

Profitability Ratios and Valuation

| | | | | | | | | |
|------------------------------|------|------|------|------|------|------|------|------|
| RoE (%) | 12.2 | 13.1 | 12.5 | 12.7 | 14.1 | 14.7 | 14.4 | 14.4 |
| RoA (%) | 1.7 | 1.8 | 1.9 | 2.1 | 2.4 | 2.5 | 2.4 | 2.4 |
| Consolidated ROE (%) | 12.4 | 12.8 | 11.8 | 12.1 | 13.5 | 13.7 | 13.7 | 13.9 |
| Consolidated ROA (%) | 2.0 | 2.1 | 2.2 | 2.3 | 2.6 | 2.8 | 2.8 | 2.7 |
| RoRWA (%) | 1.6 | 1.9 | 2.0 | 2.2 | 2.4 | 2.4 | 2.3 | 2.2 |
| Standalone BV (INR) | 222 | 254 | 319 | 363 | 418 | 482 | 555 | 639 |
| Growth (%) | 12.9 | 14.2 | 25.8 | 13.7 | 15.2 | 15.4 | 15.1 | 15.2 |
| Price-BV (x) | 5.6 | 4.9 | 3.9 | 3.4 | 3.0 | 2.6 | 2.2 | 1.9 |
| Standalone Adjusted BV (INR) | 203 | 234 | 296 | 342 | 398 | 459 | 529 | 609 |
| Growth (%) | 14.4 | 15.3 | 26.4 | 15.3 | 16.4 | 15.5 | 15.1 | 15.2 |
| Price-ABV (x) | 6.1 | 5.3 | 4.2 | 3.6 | 3.1 | 2.7 | 2.3 | 2.0 |
| Standalone EPS (INR) | 25.5 | 31.1 | 35.8 | 43.2 | 55.1 | 65.9 | 74.5 | 86.2 |
| Growth (%) | 17.0 | 22.0 | 14.9 | 20.9 | 27.5 | 19.7 | 12.9 | 15.7 |
| Price-Earnings (x) | 48.5 | 39.7 | 34.6 | 28.6 | 22.4 | 18.7 | 16.6 | 14.3 |
| Dividend Per Share (INR) | 1.0 | 1.2 | 0.2 | 1.1 | 1.3 | 1.5 | 1.8 | 1.8 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

E: MOFSL Estimates

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|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
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