

### Strong Profitability despite loan de-growth

- KMB reported NII, PPOP, and PAT growth of 17%, 31%, and 27% YoY respectively despite advances de-growth of 4% YoY, led by improvement in CoF, higher fee lines, elevated treasury gains and lower provisions.
- Including standstill NPAs, slippages would have been ~1.1% and gross NPA would be stable QoQ at 2.7%. PCR increased by ~700 bps QoQ to 76% and stood at ~72% on a pro forma basis, implying healthy recoveries and low write-offs during the quarter.
- Standard loan cover stood at 0.6% of advances as of Sep-end, same as last quarter. Management noted that the stock of provisions the bank held was adequate and conservative.
- Despite weak growth trends, continued moderation in CoF has aided NII growth. Growth should not be a challenge eventually, given the comfort on CoF. We expect incremental asset quality risks to be limited for KMB owing to its conservative stance on lending and strong risk practices.
- However, trading at 4.1x 1 year forward ABV, valuations factor in most positives. Rolling over our estimates to Sep22E, we maintain our **ACCUMULATE** rating with a revised TP of Rs1,580 (from Rs1450 earlier) based on 3.3x Sep-22E ABV for the standalone bank and value of subsidiaries, implying a P/ABV of 4.5x.

### Focus on Earnings growth and building customer franchise

With the low cost liability piece ready, the bank is all set to push the growth button, but without any compromise on risk practices, stressing that credit growth is not the sole lever to earnings. The key focus will be towards building a asset side customer franchise now- be it physical, digital, or inorganic. We factor in loan-book de-growth of 1% in FY21E. Incremental growth will mostly come from secured assets like HL, LAP, and CE, as the bank maintains its caution on unsecured segment.

### Asset quality risks contained

Overall collections is now closer to pre-COVID levels (mid-nineties), though CV and unsecured segments lag behind. Additionally, concerns on MSME book have tapered post the ECLGS scheme. With low pro forma slippages and strong execution, we expect asset quality risks to be contained and factor in incremental stress (slippages +RSA) at ~3.5% of loans.

### Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Net interest income	39,132	33,496	16.8	37,239	5.1
Other income	14,520	12,244	18.6	7,735	87.7
Total Net Income	53,652	45,740	17.3	44,974	19.3
Operating expenses	20,678	20,654	0.1	18,737	10.4
Pre-provision profits	32,975	25,086	31.4	26,237	25.7
Provisions	3,686	4,079	(9.6)	9,620	(61.7)
Tax expense	7,444	3,762	97.9	4,173	78.4
Reported Net Profit	21,845	17,245	26.7	12,445	75.5
			(bps)		(bps)
Advances Growth (%)	(4.0)	15.3	(1930)	(1.9)	(203)
NIM (%)	4.5	4.6	(9)	4.4	12
RoA (%)	2.4	2.2	18	1.3	103
RoE (%)	16.1	15.6	49	9.4	674
Gross NPA (%)	2.6	2.3	23	2.7	(15)

CMP	Rs 1,417
Target / Upside	Rs 1,580 / 12%
NIFTY	11,930

### Scrip Details

Equity / FV	Rs 14,890mn / Rs 5
Market Cap	Rs 2,803bn
	USD 38bn
52-week High/Low	Rs 1,740/ 1,001
Avg. Volume (no)	4,114,860
Bloom Code	KMB IN

Price Performance	1M	3M	12M
Absolute (%)	13	7	(11)
Rel to NIFTY (%)	6	1	(14)

### Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	30.0	26.1	26.1
MF/Banks/FIs	12.0	12.0	14.9
FIIIs	39.0	39.0	42.2
Public / Others	19.0	22.9	16.8

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	49.7	35.4	30.0
P/ABV	5.0	4.4	3.8
ROAA	1.5	2.0	2.1
ROAE	10.2	12.0	12.5

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
NII	157,755	171,146	194,092
PPOP	116,013	124,713	143,286
PAT	56,419	79,179	93,564
Adj BV	285.1	325.5	374.0

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## Other Important Highlights

- While the bank was most worried earlier on SME loans, ECLGS has been extremely effective in both enabling banks to lend and ensuring survival of the MSMEs, helping save the principal lent by banks. Management feels much more confident with the MSME book now.
- On wholesale business- including corp and SME- the bank avoided large concentrated low spread businesses. Including credit substitutes, decline in advances is less - Credit substitutes are viable even at low spreads.
- The bank has not yet seen a significant surge in restructuring requests, but borrowers still have time to apply.
- Most subsidiaries (ex- NBFC) continued to report strong performance during the quarter, contributing to ~26% of consolidated profits. Kotak Prime's performance was marred by weak growth and elevated provisions.

**Risks to our View:** Higher than expected impact of COVID-19 on asset quality and growth, higher-than-expected slippages from corporate/SME portfolio.

### Exhibit 1: Actual v/s estimates

(Rs mn)	Actual	Estimated	% Variance	Comments
NII	39,132	37,799	3.5	Lower cost of funds, better fee lines, and elevated treasury gains.
Operating Profit	32,975	29,229	12.8	
PAT	21,852	15,239	43.4	Lower provisions.

Source: Company, DART

### Exhibit 2: Change in estimates

Particulars	Previous		Revised		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Net Operating Revenue	2,07,351	2,24,649	2,09,505	2,25,684	1.0	0.5
Pre Provision Profits	1,13,859	1,23,166	1,16,013	1,24,713	1.9	1.3
PAT	57,163	73,549	56,419	79,179	(1.3)	7.7

Source: Company, DART

### Exhibit 3: SOTP Valuation

Entity	Stake	Per Share Value	Methodology
Standalone Bank (A)	100%	1,168	3.3x Sept FY22E ABV
Kotak Mahindra Prime	100%	75	2x Net Worth
Kotak Mahindra Life Insurance	100%	238	3.5x EV
Kotak Securities	100%	71	18x P/E
Kotak Mahindra Capital	100%	11	21x P/E
Asset Management Business	100%	78	8x AUM
Kotak Mahindra Investments	100%	11	1x Net Worth
Value of Subsidiaries (B)		<b>483</b>	
Holdco. Discount	15%		
Value of the bank (A+B)		<b>1,579</b>	
Contribution of subs to total (%)		31	

Source: Company, DART

## Quarterly Financials

Profit and Loss (Rs mn)	Q2 FY21	Q2 FY20	% yoy / bps	Q1 FY21	% qoq / bps	1H FY21	1H FY20	% yoy / bps
<b>Interest Inc.</b>	<b>68,361</b>	<b>67,616</b>	<b>1.1</b>	<b>69,119</b>	<b>(1.1)</b>	<b>1,37,479</b>	<b>1,34,015</b>	<b>2.6</b>
<b>Interest Expenses</b>	<b>29,228</b>	<b>34,120</b>	<b>(14.3)</b>	<b>31,880</b>	<b>(8.3)</b>	<b>61,109</b>	<b>68,789</b>	<b>(11.2)</b>
<b>Net Interest Income</b>	<b>39,132</b>	<b>33,496</b>	<b>16.8</b>	<b>37,239</b>	<b>5.1</b>	<b>76,371</b>	<b>65,226</b>	<b>17.1</b>
NII to Net Operative Income	72.9	73.2	(29)	82.8	(986)	77.4	72.1	538
NIM (%)	4.52	4.61	(9)	4.4	12	4.5	4.6	(9)
Commission, exchange, and brokerage	10,580	11,620	(9.0)	7,760	36.3	18,340	23,120	(20.7)
<b>Other Income - Total</b>	<b>14,520</b>	<b>12,244</b>	<b>18.6</b>	<b>7,735</b>	<b>87.7</b>	<b>22,256</b>	<b>25,291</b>	<b>(12.0)</b>
Other Inc to Net Oper. Income (%)	27.1	26.8	29	17.2	986	22.6	27.9	(538)
<b>Net Operating Revenue</b>	<b>53,652</b>	<b>45,740</b>	<b>17.3</b>	<b>44,974</b>	<b>19.3</b>	<b>98,626</b>	<b>90,518</b>	<b>9.0</b>
Employee Expenses	9,901	9,150	8.2	9,109	8.7	19,010	18,165	4.6
Empl. Cost/Oper. Exps. (%)	18.5	20.0	(155)	20.3	(180)	19.3	20.1	(79)
Other Opex	10,777	11,504	(6.3)	9,628	11.9	20,405	23,278	(12.3)
Other Opex/ Assets (%)	0.3	0.4	(7)	0.3	3	0.6	0.7	(18)
<b>Total Opex</b>	<b>20,678</b>	<b>20,654</b>	<b>0.1</b>	<b>18,737</b>	<b>10.4</b>	<b>39,414</b>	<b>41,443</b>	<b>(4.9)</b>
Cost to Income Ratio (%)	38.5	45.2	(662)	41.7	(312)	40.0	45.8	(582)
<b>Pre-Provision Profits</b>	<b>32,975</b>	<b>25,086</b>	<b>31.4</b>	<b>26,237</b>	<b>25.7</b>	<b>59,212</b>	<b>49,075</b>	<b>20.7</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>3,686</b>	<b>4,079</b>	<b>(9.6)</b>	<b>9,620</b>	<b>(61.7)</b>	<b>13,306</b>	<b>7,247</b>	<b>83.6</b>
NPA Provisions as % PPP	11.2	16.3	(508)	36.7	(2,548)	22.5	14.8	770
<b>Profit Before Tax</b>	<b>29,296</b>	<b>21,013</b>	<b>39.4</b>	<b>16,623</b>	<b>76.2</b>	<b>45,919</b>	<b>41,840</b>	<b>9.7</b>
Current period tax	7,444	3,762	97.9	4,089	82.0	11,533	10,981	5.0
<b>Tax</b>	<b>7,444</b>	<b>3,762</b>	<b>97.9</b>	<b>4,173</b>	<b>78.4</b>	<b>11,533</b>	<b>10,981</b>	<b>5.0</b>
Effective Tax Rate (%)	25.4	17.9	751	25.1	30.9	25.1	26.2	(113)
<b>Reported Profits</b>	<b>21,852</b>	<b>17,251</b>	<b>26.7</b>	<b>12,450</b>	<b>75.5</b>	<b>34,385</b>	<b>30,859</b>	<b>11.4</b>
RoA (%)	2.4	2.2	16	1.4	100.0	1.9	2.0	(12)
Basic EPS (Rs)	11.0	9.0	22.3	6.4	71.7	17.5	16.2	8.1
Diluted EPS (Rs)	11.0	9.0	22.0	6.4	71.3	17.4	16.1	7.9

Source: DART, Company

Asset Quality (Rs mn)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	QoQ % / bps	YoY % / bps
Gross Advances	21,06,630	21,69,634	22,00,488	22,34,173	20,81,233	20,92,529	0.5	(3.6)
Gross NPA	46,135	50,336	54,132	50,269	56,193	53,360	(5.0)	6.0
<b>Gross NPA Ratio (%)</b>	<b>2.19</b>	<b>2.32</b>	<b>2.46</b>	<b>2.25</b>	<b>2.70</b>	<b>2.55</b>	<b>(15)</b>	<b>23</b>
PCR - Calculated (%)	67.0	64.0	64.4	69.0	68.4	75.6	719	1,155
Net Advances	20,88,192	21,31,059	21,63,011	21,94,211	20,42,644	20,37,156	(0.3)	(4.4)
Net NPA	15,244	18,114	19,251	15,579	17,771	13,038	(26.6)	(28.0)
<b>Net NPAs Ratio (%)</b>	<b>0.73</b>	<b>0.85</b>	<b>0.89</b>	<b>0.71</b>	<b>0.87</b>	<b>0.64</b>	<b>(23)</b>	<b>(21)</b>
Reported Profits	13,608	17,251	15,965	12,672	12,450	21,852	75.5	26.7
RoA (%)	1.76	2.20	2.00	1.87	1.36	2.36	100	16

Source: DART, Company

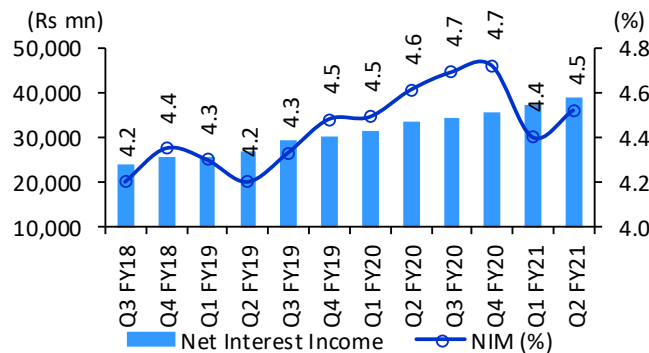
Customer Assets (Rs bn)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	% Share	% QoQ	% YoY
Home Loans and LAP	458.2	460.3	485.2	471.7	477.3	21.8	1.2	4.2
Consumer Bank WC	195.7	198.6	198.4	182.4	195.6	8.9	7.2	(0.0)
PL/BL/ Consumer Durables	96.7	98.4	97.5	90.9	81.8	3.7	(10.0)	(15.4)
Credit Cards	46.2	48.9	47.0	43.4	43.8	2.0	0.8	(5.3)
CV / CE	196.9	189.9	192.5	184.4	183.6	8.4	(0.4)	(6.7)
Agri	201.9	204.8	211.9	195.5	209.3	9.6	7.0	3.7
Tractor	68.8	72.6	75.7	75.0	81.5	3.7	8.6	18.4
Corporate Banking	604.5	834.2	645.6	581.2	561.2	25.6	(3.4)	(7.2)
SME	219.3		202.9	180.5	181.2	8.3	0.4	(17.4)
Others	44.9	60.1	40.7	35.0	33.2	1.5	(5.1)	(26.1)
<b>Total Advances</b>	<b>2,133.0</b>	<b>2,167.7</b>	<b>2,197.5</b>	<b>2,040.0</b>	<b>2,048.5</b>	<b>93.6</b>	<b>0.4</b>	<b>(4.0)</b>
Credit Substitutes	100.1	NA	92.2	128.2	139.5	6.4	8.8	39.4
<b>Total Customer Assets</b>	<b>2,233.1</b>	<b>NA</b>	<b>2,289.7</b>	<b>2,168.2</b>	<b>2,187.9</b>	<b>100</b>	<b>0.9</b>	<b>(2.0)</b>
<b>Kotak Prime</b>	<b>273.0</b>	<b>258.6</b>	<b>248.6</b>	<b>228.3</b>	<b>227.1</b>	<b>100</b>	<b>(0.5)</b>	<b>(16.8)</b>
- Cars	190.4	180.0	174.8	161.4	161.3	71	(0.1)	(15.3)
- Others	82.6	78.6	73.8	66.9	65.8	29	(1.6)	(20.3)

Source: DART, Company

Balance Sheet Analysis (Rs mn)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	QoQ % / bps	YoY % / bps
Net Worth	4,57,350	4,59,119	4,76,060	4,90,153	5,77,090	5,99,229	3.8	30.5
Tier 1 (%)	17.3	17.6	17.1	17.3	20.6	21.4	80	380
<b>Total CAR (%)</b>	<b>17.8</b>	<b>18.2</b>	<b>18.2</b>	<b>17.9</b>	<b>21.2</b>	<b>22.1</b>	<b>82</b>	<b>390</b>
Advances - Total	20,80,300	21,32,994	21,67,740	21,97,482	20,39,980	20,48,446	0.4	(4.0)
Investments	7,72,590	7,43,306	7,66,010	7,50,515	10,26,930	11,67,237	13.7	57.0
Total Assets	31,51,090	31,68,897	32,34,810	36,02,517	37,82,790	37,47,651	(0.9)	18.3
RoA (%)	1.76	2.20	2.00	1.87	1.36	2.36	100	16
Deposits	23,29,310	23,30,715	23,93,540	26,28,205	26,15,240	26,15,636	0.0	12.2
<b>CASA Deposits</b>	<b>11,81,230</b>	<b>12,49,120</b>	<b>12,85,170</b>	<b>14,76,220</b>	<b>14,83,480</b>	<b>14,94,440</b>	<b>0.7</b>	<b>19.6</b>
CASA Ratio (%)	50.7	53.6	53.7	56.2	56.7	57.1	40	350
Term Deposits	11,48,080	10,81,595	11,08,370	11,51,985	11,31,760	11,21,196	(0.9)	3.7

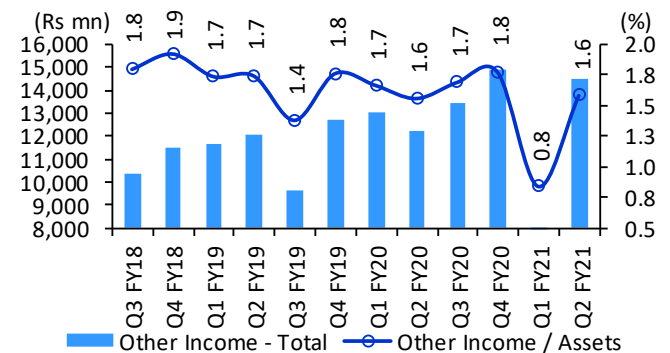
Source: DART, Company

**Exhibit 4: NIM impacted by lower CD ratio and surplus liquidity**



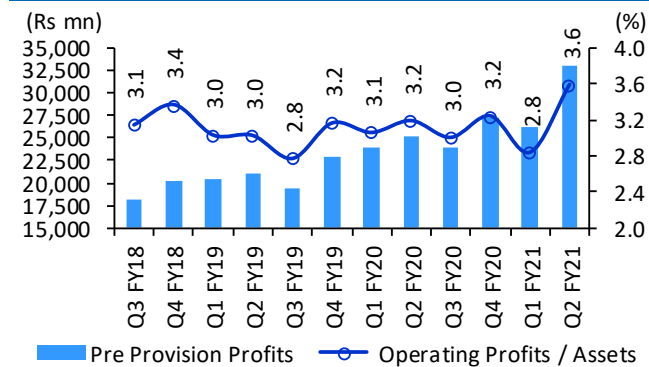
Source: Company, DART

**Exhibit 5: Other income aided by higher fee lines and elevated treasury gains**



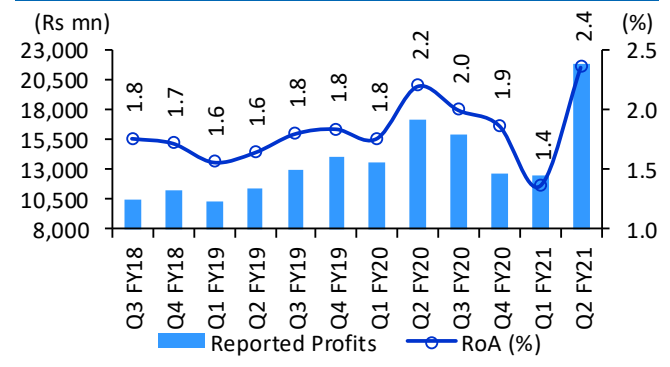
Source: Company, DART

**Exhibit 6: PPOP strengthens**



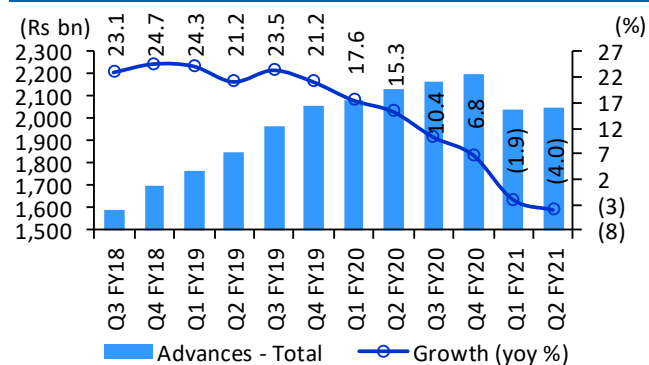
Source: Company, DART

**Exhibit 7: Lower provisions and higher other income aid profitability**



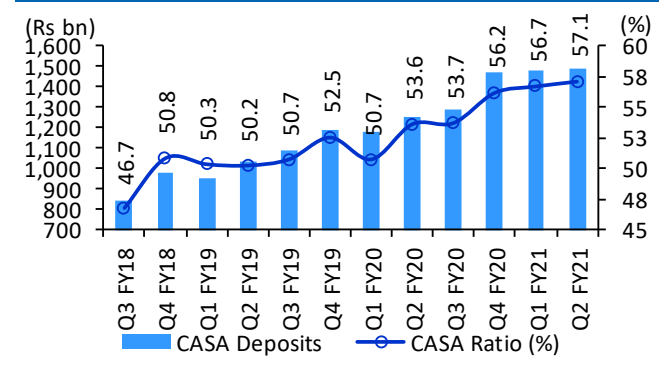
Source: Company, DART

**Exhibit 8: Decline in loan growth a key concern**



Source: Company, DART

**Exhibit 9: CASA trends continue to remain healthy**



Source: Company, DART

## Conference Call Highlights

### 4 key levers of growth

- Earnings and sustainable earnings growth
  - Risk and credit risk assets are only one lever for earnings growth
  - Balance sheet growth and quality
  - Changing business models and its sustainability
- Quality of balance sheet – Non-specific Provisions cover is now at 177% of NNPA's and should be looked in the context of asset mix and as such the bank remains very conservative and well placed.
  - Major strategic drive undertaken in 2011 to build a strong and sustainable liability franchise has helped the bank reach 57% CASA ratio while 65% of deposits are low cost, granular and stable.
  - Historically bank's engine of customer acquisition was leaning towards liability first and then cross selling asset products, but the bank is now opening the asset-side products for NTB customers. The approach will continue to be driven by strict standards; however, bank is comfortable undertaking expenditure for building its asset franchise just as it has built its liability franchise over the last decade (starting 2011).
  - Seeing strong traction in overall gamut of financial services businesses the group has to offer. Post-COVID world is giving the bank an opportunity to grow on the asset side.
  - Fee income has shown a sharp growth on sequential basis. General banking fees however remain lower YoY as business activities are still slow. Non fee income driven by sale of investments/assets and recoveries
  - Opex levels remain the same as last year despite a hit on annuities. The bank does not plan to open excessive branches. As long as liability costs remain low, the bank will continue to spend incrementally on building its customer franchise.

### Asset Quality:

- The bank did not make additional provisions made for COVID during the quarter and holds Rs 12.79bn of total covid provisions (0.62% of loans) on book. Overall, total provisions including those made against unhedged forex, COVID, NPI, stressed assets, stood at ~1.1% of loans. For the bank's book and exposures, level of provisions is adequate to tide over any disruption.
- ECLGS scheme has provided a safety net to banks to lend and an opportunity for the MSME sector to grow.
- Consumers especially in urban India who hold some form of collateral tend to continue servicing their loans, however the unsecured consumer loans have been the worst impacted segment. As per internal data, employees with lower levels of salaries across companies (big or small) are more vulnerable to COVID related disruptions. The bank will continue to be cautious on its unsecured portfolio and has also winded down the portfolio.
- However, the bank is comfortable with and will continue to grow its Home loans, LAP, working capital, construction equipment, and agri MSME portfolios.



### Retail Banking:

- The bank is now completely onboarding customers digitally in all segments and can process twice the number of applications. A gamut of services is being provided via mobile app, net banking, whatsapp and other digital channels. UPI and digital payments ecosystem continue to witness an increase in volumes over the previous quarter.
- Collections have seen improvement across verticals month on month; however, bank will keep a watch on unsecured bounce rates for the next few months. On the secured side, bounce levels are nearly close to pre-COVID levels. Investments in technology and enhancements in analytics/processes have helped the bank improve collection efficiency.
- Bouquet of offers during the festive season on various platforms across merchant categories. Distribution and fee income also continue to grow
- **Mortgages** – home loans saw traction across metros and tier 1 cities. The bank now offers a complete digital journey for home loan applications. Bounce rates are back to pre-COVID levels. Bank will continue to focus on growing the business
- **MSME** also remains a key focus area. ECLGS scheme has given a boost to lending. Seeing MoM growth in cash flows along with improvement in utilization levels (vs 1QFY21) as business activities pick up. The bank also started new acquisitions which have been steadily growing
- **Unsecured** – while origination has started across will continue to grow in a calibrated and targeted manner as the economy opens while maintaining strict underwriting standards. Two new credit cards launched for the mass affluent segment. Considering the cricket season, a personalized photo credit card was also launched during the quarter.
- Secured collection efficiency is inching up and doing well, while on the unsecured side MoM collections have been improving but are yet to hit pre-COVID levels
- On the **liabilities** side, bank is witnessing a strong growth in granular customer deposits (both CA and SA across all customer segments) despite a cut in deposit rates. 811 accounts also continue to perform well.
- Room for deposits rate cut exists but will be done in a strategic manner rather than taking a short-term view/approach. The bank has continuously focused on granular deposits and deposit rates have been reduced in a phased manner. Some attrition witnessed in some of the large value deposit customers, however no significant change witnessed in customer behaviour (especially lower ticket sizes).

### Commercial Banking:

- **CV** sales have been better sequentially as goods movement has been improving. For large operators seeing ~70-75% utilization levels depending on the segments being serviced. Good harvest and festive season will help spur the levels of utilization levels. However, recovery is still some time away. Improved utilization of fleets and availability of ECLGS loans has improved liquidity in the hands of the operators.
- **Passenger vehicles** segment however continues to suffer and demand revival could take time.
- Demand for **CE and CE financing** is rising MoM. Customer cash flows have been good while collections have also seen improvement

- **Agri division** is largely involved in SMEs in non-urban locations (largely for essential services), thus activity and utilization levels have been good. Collection efficiency is normal while demand for credit is getting better. Disbursements have begun in select markets.
- **Tractors'** disbursements have grown 18% YoY given the prospect of good harvest and cash flows, and business is expected to do well. Hoping to grab market share. Collection efficiency continues to improve.
- CV customer collections are closer to pre-covid levels but will take time to revert to normal levels. CE collections are behaving better than CVs, while for tractors the levels are closer to normal.

#### Wholesale banking:

- **Corporate banking book** – bank continues to be alert and is avoiding large concentrated low spread business to maintain and improve profitability of the book. Focusing on increased customer interaction. Debt capital markets are now offering all time low rates along with sufficient liquidity which has had an impact on the bank's book –
  - 1) Credit substitutes have grown and are more viable than building the corporate book due to a higher level of risk control
  - 2) Syndication business has been doing better and is driving fees as well. Overall, high focus on quality of the book. Feel reasonably comfortable with book quality
- **SME** – ECLGS and moratorium has helped keep asset quality under check. Average utilizations of clients are ~15-20% lower than last year. Under the ECLGS scheme while overall banking sector share of the bank is ~2%, the bank has managed to disburse over 6% of the banking sector share (~Rs 81.5bn in October). As the loans under ECLGS are backed by the sovereign, there is minimal risk and nil capital consumption.
- Under **ECLGS** scheme, the bank sanctioned ~Rs 65bn of loans, of which ~6% translated to disbursements
- The SME book declined by ~Rs 38bn YoY of which ~Rs 12bn is due to migration of customers from SME to corporate book while ~Rs 24bn is due to lower utilization levels.
- The bank has started onboarding new customers while remaining cautious on underwriting and maintain profitability. Looking to scale the business as economic activity revives.
- Sectoral exposures movement in CRE and LRD remained stable. The NBFC exposure is largely to HFCs that are large and amongst the best rated in the industry

#### Subsidiary performance:

- Bank contributed 74% to overall consolidated PAT. Kotak Prime saw lower PAT due to higher provisions and lower growth.

#### Kotak PRIME:

- Rs 227bn of closing book AUM, margins improved YoY.
- MoM disbursements improving, especially in cars. Expect volumes to keep growing.
- Collection efficiency across buckets is improving, however, remain cautious on disbursements.



**Kotak Life:**

- GWP grew 10% YoY while single premium products have done well. Individual renewal premiums grew 21% YoY. 18.5% YoY growth in AUM
- Digitization is a focus area for empowering the institution, employees and enhancing customer experience. Digital onboarding at 98%. Launched a new completely digital process.

**Kotak Securities:**

- Rs 5.16bn of top line vs Rs 4.59bn in the last quarter. PAT at Rs 1.99bn vs Rs 1.69bn in the last quarter
- Cash ADVs has nearly doubled while the daily options t/o jumped ~40% sequentially. Online and mobile ADV witnessed a growth of 64% and 68% YoY respectively.
- Market share in cash segment stood at 7.7%; 2.3mn new accounts opened during the quarter

**Kotak Capital:**

- Have been involved in various marquee transactions during the quarter, especially in the financial sector. Also saw launch of a new REIT issue.
- Building advisory capabilities as well.

**Kotak AMC:**

- MF AUM grew 13% YoY, while equity AUM grew 12% YoY
- Overall market share stood at 6.9%, while equity market share rose to 4.9%. Equity SIP share improved to 5.4%
- Overall AUM (wealth + priority + investment advisory) grew to ~Rs 3trn

**Profit and Loss Account (Rs Mn)**

Particulars	FY20A	FY21E	FY22E	FY23E
Interest Income	269,296	279,749	303,301	342,351
Interest expenses	128,888	121,994	132,155	148,259
<b>Net interest income</b>	<b>140,408</b>	<b>157,755</b>	<b>171,146</b>	<b>194,092</b>
Other incomes	53,721	51,750	54,538	60,358
Total expenses	88,509	93,491	100,971	111,164
- Employee cost	38,776	42,266	45,647	49,756
- Other	49,733	51,225	55,323	61,409
<b>Pre provisioning profit</b>	<b>105,620</b>	<b>116,013</b>	<b>124,713</b>	<b>143,286</b>
Provisions	22,162	40,618	18,901	18,250
Profit before taxes	83,458	75,396	105,812	125,036
Tax provision	18,575	18,977	26,633	31,472
Profit after tax	64,883	56,419	79,179	93,564
<b>Adjusted profit</b>	<b>64,883</b>	<b>56,419</b>	<b>79,179</b>	<b>93,564</b>

**Balance Sheet (Rs Mn)**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Capital	14,565	14,890	14,890	14,890
Reserves & Surplus	475,608	605,810	684,989	778,554
Minority Interest	0	0	0	0
Net worth	490,174	620,700	699,879	793,444
Borrowings	379,933	379,402	377,113	427,159
- Deposits	2,628,205	2,782,280	3,051,189	3,456,101
- Other interest bearing liabilities	0	0	0	0
Current liabilities & provisions	104,197	4,134	(28,496)	(62,515)
<b>Total Liabilities</b>	<b>3,602,509</b>	<b>3,786,516</b>	<b>4,099,687</b>	<b>4,614,188</b>
<b>Application of Funds</b>				
Cash and balances with RBI	532,923	392,085	359,610	367,450
Investments	750,515	1,091,867	1,159,527	1,280,720
Advances	2,197,482	2,175,507	2,436,568	2,802,053
Fixed assets	16,231	16,423	16,753	17,652
Other current assets, loans and advances	105,365	110,633	127,228	146,313
<b>Total Assets</b>	<b>3,602,517</b>	<b>3,786,516</b>	<b>4,099,687</b>	<b>4,614,188</b>

E – Estimates

### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Yield on advances	9.9	9.0	9.1	9.3
Yields on interest earning assets	8.3	7.8	8.0	8.1
Yield on investments	7.2	7.2	7.5	7.3
Costs of funds	4.6	4.0	4.0	4.1
Cost of deposits	5.3	4.9	4.1	4.1
NIMs	4.3	4.4	4.5	4.6
<b>(B) Asset quality and capital ratios (%)</b>				
GNPA	2.3	3.8	3.3	2.6
NNPA	0.7	1.2	1.0	0.8
PCR	69.0	69.0	69.0	69.0
Slippages	1.7	3.0	2.0	1.7
NNPA to NW	3.2	4.1	3.5	2.8
CASA	56.2	56.0	56.0	56.0
CAR	16.9	20.7	19.8	19.5
Tier 1	16.4	20.2	19.3	19.2
Credit - Deposit	83.6	78.2	79.9	81.1
<b>(C) Dupont as a percentage of average assets</b>				
Interest income	8.0	7.6	7.7	7.9
Interest expenses	3.8	3.3	3.4	3.4
Net interest income	4.2	4.3	4.3	4.5
Non interest Income	1.6	1.4	1.4	1.4
Total expenses	2.6	2.5	2.6	2.6
- cost to income	45.6	44.6	44.7	43.7
Provisions	0.7	1.1	0.5	0.4
Tax	0.6	0.5	0.7	0.7
RoA	1.9	1.5	2.0	2.1
Leverage	7.3	6.1	5.9	5.8
RoE	14.1	10.2	12.0	12.5
RoRwa	1.6	2.0	1.7	2.2
<b>(D) Measures of Investments</b>				
EPS - adjusted	33.9	28.5	40.0	47.3
BV	239.9	298.0	338.1	385.4
ABV	231.8	285.1	325.5	374.0
DPS	-	-	-	-
Dividend payout ratio	0.0	0.0	0.0	0.0
<b>(E) Growth Ratios (%)</b>				
Net interest income	24.7	12.4	8.5	13.4
PPoP	26.5	9.8	7.5	14.9
Adj PAT	33.4	(13.0)	40.3	18.2
Advances	6.8	(1.0)	12.0	15.0
Total borrowings	17.8	(0.1)	(0.6)	13.3
Total assets	15.4	5.1	8.3	12.5
<b>(F) Valuation Ratios</b>				
Market Cap (Rs. mn)	2,802,685	2,802,685	2,802,685	2,802,685
CMP (Rs.)	1417	1417	1417	1417
P/E (x)	41.8	49.7	35.4	30.0
P/BV (x)	5.9	4.8	4.2	3.7
P/ABV (x)	6.1	5.0	4.4	3.8
Div Yield (%)				

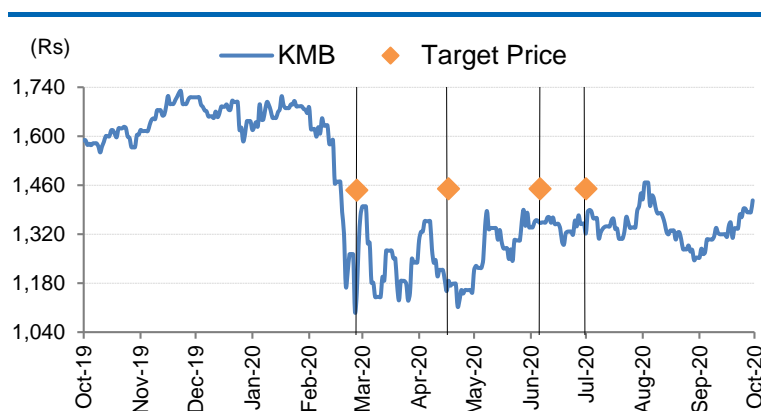
E – Estimates

## DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

## Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Mar-20	Buy	1,446	1,153
May-20	BUY	1,450	1,187
Jul-20	Accumulate	1,450	1,352
Jul-20	Accumulate	1,450	1,323

\*Price as on recommendation date

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