

# Kotak Mahindra Bank

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	KMB IN
Equity Shares (m)	1,980
M.Cap.(INRb)/(USDb)	3526 / 46.1
52-Week Range (INR)	2252 / 1627
1, 6, 12 Rel. Per (%)	5/-6/-13
12M Avg Val (INR M)	6669

## Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
NII	168.2	198.4	234.4
OP	120.5	142.1	168.8
NP	85.7	95.9	113.8
Cons. NP	120.9	137.3	163.9
NIM (%)	4.5	4.6	4.7
EPS (INR)	43.2	48.3	57.3
EPS Gr. (%)	20.9	11.8	18.7
ABV. (INR)	343.9	388.6	441.2
Cons. BV. (INR)	487.1	555.1	636.2

## Ratios

Cons. RoE (%)	12.5	12.4	13.0
RoE (%)	12.7	12.5	13.1
RoA (%)	2.1	2.1	2.1

## Valuations

P/BV (X) (Cons.)	3.6	3.2	2.8
P/ABV (X) (Adj.)	3.5	3.1	2.7
P/E(X) (Adj.)	27.5	24.6	20.7

\*Adjusted for Investment subs

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	26.0	26.0	26.0
DII	16.6	15.5	13.5
FII	40.9	42.1	44.2
Others	16.6	16.5	16.2

FII Includes depository receipts

**CMP: INR1,777 TP: INR2,000 (+13%) Neutral**

**Growth momentum steady; high CASA positions it well in a rising rate cycle**

## Provisioning reversal drives a strong beat in earnings

- KMB reported a strong 4QFY22, with a 64% YoY growth in standalone PAT to INR27.7b. This was driven by provision write-back in 4QFY22 as PPOP growth stood at 13% YoY. Healthy loan growth and improving margin supported traction in PPOP. Consolidated PAT stood at INR39b, up 50% YoY.
- Loan book grew 7% QoQ and 21% YoY to INR2.7t, led by sustained momentum across Home loans and the LAP business (+39% QoQ), while the Unsecured book (PL, BL, Consumer Durables, and Credit Cards) grew 42% YoY. This is a reflection of the huge opportunity in this segment and its comfort in growing the portfolio within the guardrails of risk applied by the bank. CASA mix improved by 80bp QoQ to 60.7%.
- Asset quality improved, with fresh slippages declining to INR7.4b (similar to 3QFY22), while healthy recoveries and upgrades enabled a 37bp/15bp QoQ decline in the GNPA/NNPA ratio. KMB reversed INR4.53b of COVID-related provisions and it now has outstanding COVID-related provisions to the tune of INR5.5b (0.2% of loans). **We maintain our Neutral rating.**

## Robust loan growth; NIM improves by 16bp QoQ (33bp in 2HFY22)

- KMB reported a standalone PAT of INR27.7b, aided by a reversal of COVID-related provisions of INR4.5b. Consolidated PAT grew 50% YoY to INR39b.
- NII grew 18% YoY (in line), led by healthy loan growth of 7% QoQ and 21% YoY, along with a 16bp QoQ expansion in margin to 4.78%. Other income jumped 34% QoQ, driven by higher distribution income and fees. The bank posted a MTM gain of INR1.3b in 4Q v/s a loss of INR1.3b in 3QFY22.
- This resulted in a robust 19% YoY growth in total revenue. Growth in OPEX stood higher as the bank continues to invest in building a digitally savvy franchise, with hiring in technology and other functions. As a result, PPOP grew at 13% YoY (in line).
- Loan book grew 7% QoQ and 21% YoY led by a pick-up across Secured and Unsecured Retail. This is the third consecutive quarter of strong growth in Home, PL/BL, and Consumer Durable loans. Deposits grew 11% YoY and 2% QoQ, while the CASA mix improved by 80bp QoQ to 60.7%. However, CASA + TDs (below INR50m) fell to 89% in 4QFY22 v/s 91% in 4QFY21.
- Fresh slippages stood at INR7.4b (similar to 3QFY22). The GNPA/NNPA ratio improved by 37bp/15bp QoQ to 2.34%/0.64%, aided by higher recoveries/upgrades of INR9b. Provisions stood negative at INR3.1b as the bank reversed INR4.53b of COVID-related provisions. PCR improved 185bp QoQ to 73%. KMB carries outstanding COVID-related provisions of INR5.5b.
- SMA-2 advances fell to INR1.86b (v/s INR2.98b in 3QFY22). The outstanding restructured portfolio (under COVID-19 and MSME) stood at INR12.05b (0.44% of advances) with the bank holding an additional provision of 10% on its restructured book.

- **Subsidiary performance:** While PAT for the standalone bank jumped 65% YoY in 4QFY22, profitability of all subsidiaries grew 24%. Within this, Kotak Prime, Kotak Capital, Kotak Life, and Kotak Investments reported a 70%, 68%, 38%, and 38% YoY growth in earnings, respectively.

#### Highlights from the management commentary

- The bank is taking appropriate steps towards management transition and is comfortable with its current strength and depth of its senior management.
- The quality of its Balance Sheet, low cost of funds, and historic ability to raise liability make it confident of growing its Secured as well as Unsecured book.
- KMB has made significant inroads in the cost of funds. The same is at a historic low and therefore allows it to be well positioned for growth.
- Collection efficiency is back to normal. It held up well in Apr'22 as well.

#### Valuation and view

KMB delivered a healthy core operating performance and broad-based loan growth. NIM inched up further sequentially and is at the higher end of the range in recent years. The bank continues to demonstrate steady progress in building a strong liability franchise, with CASA ratio standing ~61% (highest in the industry). This positions it favorably in a rising rate environment and will enable it to grow competitively in its chosen business segments. Asset quality stays robust, with a further dip in GNPA/NNPA and an improvement in PCR, while the restructured book remains under control ~0.44% of loans. KMB carries additional COVID-related provisions of INR5.5b (0.2% of loans). We fine-tune our earnings and estimate the bank to deliver 15% earnings CAGR over FY22-24. **We maintain our Neutral rating with a TP of INR2,000/share (3.1x FY24E ABV + INR587 for its subsidiaries).**

#### Quarterly performance

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
<b>Net Interest Income</b>	<b>37.2</b>	<b>39.0</b>	<b>38.8</b>	<b>38.4</b>	<b>39.4</b>	<b>40.2</b>	<b>43.3</b>	<b>45.2</b>	<b>153.4</b>	<b>168.2</b>	<b>46.0</b>	<b>-2%</b>
Change (YoY %)	17.4	16.4	13.0	8.0	5.8	3.2	11.8	17.7	13.6	9.6	19.7	
Other Income	7.7	14.3	12.9	15.0	13.5	18.1	13.6	18.3	54.6	63.5	18.0	1%
<b>Total Income</b>	<b>45.0</b>	<b>53.3</b>	<b>51.7</b>	<b>53.5</b>	<b>52.9</b>	<b>58.3</b>	<b>57.0</b>	<b>63.5</b>	<b>208.0</b>	<b>231.7</b>	<b>64.0</b>	<b>-1%</b>
Operating Expenses	18.7	20.7	22.6	23.8	24.0	27.1	30.0	30.1	85.8	111.2	31.2	-4%
<b>Operating Profit</b>	<b>26.2</b>	<b>32.6</b>	<b>29.1</b>	<b>29.6</b>	<b>28.9</b>	<b>31.2</b>	<b>27.0</b>	<b>33.4</b>	<b>122.1</b>	<b>120.5</b>	<b>32.8</b>	<b>2%</b>
Change (YoY %)	9.4	30.0	21.8	8.7	10.1	-4.4	-7.1	12.7	21.9	-1.3	-3.7	
Other Provisions	9.6	3.3	4.2	7.3	7.0	4.2	-1.3	-3.1	29.1	6.9	3.3	-194%
<b>Profit before Tax</b>	<b>16.6</b>	<b>29.3</b>	<b>24.8</b>	<b>22.3</b>	<b>21.9</b>	<b>27.0</b>	<b>28.3</b>	<b>36.5</b>	<b>93.0</b>	<b>113.6</b>	<b>29.6</b>	<b>23%</b>
Tax Provisions	4.2	7.4	6.3	5.5	5.4	6.6	7.0	8.8	23.4	27.9	7.6	16%
<b>Net Profit</b>	<b>12.4</b>	<b>21.8</b>	<b>18.5</b>	<b>16.8</b>	<b>16.4</b>	<b>20.3</b>	<b>21.3</b>	<b>27.7</b>	<b>69.6</b>	<b>85.7</b>	<b>22.0</b>	<b>26%</b>
Change (YoY %)	-8.5	26.7	16.1	32.8	31.9	-7.0	15.0	64.5	17.1	23.1	30.7	
Deposits (INR b)	2,615	2,616	2,653	2,801	2,866	2,917	3,053	3,117	2,801	3,117	3,207	(0)
Loans (INR b)	2,040	2,048	2,141	2,237	2,175	2,350	2,529	2,713	2,237	2,713	2,684	0
Deposit growth (%)	12.3	12.2	10.8	6.6	9.6	11.5	15.1	11.3	6.6	11.3	14.5	-322
Loan growth (%)	-1.9	-4.0	-1.2	1.8	6.6	14.7	18.1	21.3	1.8	21.3	20.0	127
<b>Asset quality</b>												
Gross NPA (%)	2.7	2.6	2.3	3.3	3.6	3.2	2.7	2.3	3.3	2.3	2.5	-14
Net NPA (%)	0.9	0.6	0.5	1.2	1.3	1.1	0.8	0.6	1.2	0.6	0.8	-12
PCR (%)	68.4	75.6	78.4	63.6	64.8	67.5	71.3	73.2	63.6	73.2	70.0	311

E: MOFSL estimates

**Consolidated earnings snapshot**

Y/E March	FY20				FY21				FY22			
(INR m)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Kotak Bank	13,600	17,240	15,960	12,670	12,440	21,840	18,540	16,820	16,420	20,320	21,310	27,670
Kotak Prime	1,530	1,720	1,870	1,610	680	1,330	1,490	1,840	790	2,400	2,540	3,130
Kotak Securities	1,100	1,490	1,280	1,630	1,690	1,990	1,840	2,410	2,360	2,430	2,700	2,520
KMCC	450	10	400	(70)	60	140	380	250	420	580	1,030	420
Kotak Life	1,340	1,440	1,660	1,650	1,610	1,710	1,670	1,930	(2,430)	1,550	2,470	2,670
AMC and Trustee	730	850	910	880	710	840	910	1,000	1,070	970	1,490	1,020
International subsidiaries	290	340	260	300	540	450	50	500	300	270	410	200
KIL	630	670	640	770	430	740	680	730	710	890	1,110	1,010
Others	170	220	300	70	350	280	170	210	230	130	310	230
<b>Kotak consolidated</b>	<b>19,840</b>	<b>23,980</b>	<b>23,280</b>	<b>19,510</b>	<b>18,510</b>	<b>29,320</b>	<b>25,730</b>	<b>25,690</b>	<b>19,870</b>	<b>29,540</b>	<b>33,370</b>	<b>38,870</b>
Minority/associate adj.	(520)	90	210	(460)	20	150	290	200	(1,810)	350	660	40
<b>Kotak cons. reported PAT</b>	<b>19,320</b>	<b>24,070</b>	<b>23,490</b>	<b>19,050</b>	<b>18,530</b>	<b>29,470</b>	<b>26,020</b>	<b>25,890</b>	<b>18,060</b>	<b>29,890</b>	<b>34,030</b>	<b>38,910</b>
<b>Contribution in total PAT</b>	<b>70%</b>	<b>72%</b>	<b>68%</b>	<b>67%</b>	<b>67%</b>	<b>74%</b>	<b>71%</b>	<b>65%</b>	<b>91%</b>	<b>68%</b>	<b>63%</b>	<b>71%</b>

**Highlights from the management commentary****With respect to operating environment and the business****Additional responsibilities of directors**

- Ms. Shanti Ekambaram has been appointed to the Board of KMB with effect from 1st Nov'22. She has been with the group for over 30 years.
- Joint MD Mr. Dipak Gupta has been appointed as Chairman of Kotak Investment Advisors.
- Group President Mr. D. Kannan has been appointed as Chairman of BSS Microfinance and will continue to supervise the growth in various segments, particularly Microfinance.
- Mr. Gaurang Shah, a Whole-Time Director in the bank, has decided not to renew his appointment. However, he will continue to be on the Board of other group companies. He was also appointed as Chairman of Kotak General Insurance.
- The bank is taking appropriate steps towards management transition and is comfortable with its current strength and depth of its senior management.
- Its business model is best-in-class, with a higher focus on risk management and growth.
- The quality of its Balance Sheet, low cost of funds, and historic ability to raise liability make it confident of growing its Secured as well as Unsecured book.
- In the early stage of an interest rate hike, the management said that Banks with a strong risk management and high CASA ratio perform well.
- Low duration of slightly over one-year on fixed income book positions the Bank well as the interest rate scenario changes.
- Out of consolidated PAT, 30% accrues from subsidiaries.
- Despite the 21% growth in its loan book, capital adequacy ratio is at a similar level as FY21. This reflects on the mix of its book and the quality of its earnings.
- Loans with a fixed rate comprise 30% of the book. Within this, there is an equal split between loans less than one year and more than one year. Out of the non-fixed, 50% are linked to EBLR, while the balance is linked to MCLR. Therefore, the ability to re-price is higher as interest rates change.
- The outlook for tractor demand is positive, with an improvement in the cash flows for farmers and an increase in rural spending.
- Overdraft is an insignificant part in Personal loans.

- The bank continues to invest in Digital and Cloud, with robust growth in all Digital channels
- Risk-adjusted pricing is offering significant NIM benefits.

#### With respect to deposits

- Savings growth has slowed as the bank has begun to offer competitive rates.
- To get back to the growth track, the management is planning to increase its customer engagement frequency.
- It has no plans to increase the saving rate at present.
- Digital on the consumer side is here to stay. More than 97% of its Saving Account transactions in volume terms were Digital in nature.
- The bank has made significant inroads in the cost of funds. The same is at a historic low and therefore allows it to be well positioned for growth.

#### With respect to asset quality

- Collection efficiency is back to normal. It held up well in Apr'22 as well.
- Similarly, bounce rates are better than pre-COVID levels.
- As a result, the bank witnessed a sharp drop in its slippage ratio.
- The combined COVID-19 and MSME restructuring book stood at just 0.44% of advances. This reflects in the strong quality of its book, coming out of the COVID-19 pandemic.
- All this has resulted in record low levels of credit cost. The management credits its risk-adjusted model of doing business for the same.

#### With respect to its subsidiaries

- The Life Insurance business began FY22 with a lot of challenges, but ended the fiscal well.
- It posted industry-leading VNB margin, with a balanced product mix and distribution (between agency and banca).
- Profitability remains strong across subsidiaries.
- Its 100% ownership of subsidiaries makes their profit contribution significant.

Corporate and Business  
Banking constitutes 32.1%  
of the overall book

#### Loan book up 7.2% QoQ and 21.3% YoY, strong traction across segments

- Loan book grew a sharp 7.2% QoQ and 21.3% YoY, led by strong traction across segments, barring Corporate/Business Banking, which was flat. The CV/CE book rose 10.3% QoQ and 10.4% YoY.
- Within Retail, Home loans and LAP grew at a robust 10.5% QoQ and 39% YoY and the Credit Card book rose 12.6% QoQ and 40.4% YoY. Personal loans, Small Business, and Consumer Durables grew 17.7% QoQ and 43.4% YoY. The Agri book grew 11.1% QoQ and 17.7% YoY to INR390b.
- Personal loans, Credit Cards, and Small Business loans constituted 15.5% of overall loans v/s 14.7% in 4QFY21. Home loans constituted 28% of the total book.

Average SA/CA balances up  
11%/26% YoY

#### Traction in deposits continue; CASA ratio robust ~60.7%

- SA deposits grew 6.2% YoY (-1.1% QoQ) to ~INR1.24t. CA deposits grew 24.1% YoY and 13.2% QoQ to INR647b. SA deposits, as a proportion of overall deposits, moderated to 39.9% v/s 41.9% in 4QFY21.
- Average SA balance grew 11% YoY to INR111k. The weighted average SA rate stood at 3.52% in 4QFY22 v/s 3.74% in 4QFY21.
- TD grew 10.6% YoY (flat QoQ) to INR1.2t. TD sweeps constituted 7% of total deposits.

- CASA and Retail TDs constituted 89% of total deposits v/s 91% in 4QFY21.

### Robust asset quality; PCR improves to ~73%; SMA-2 book at 7bp of advances

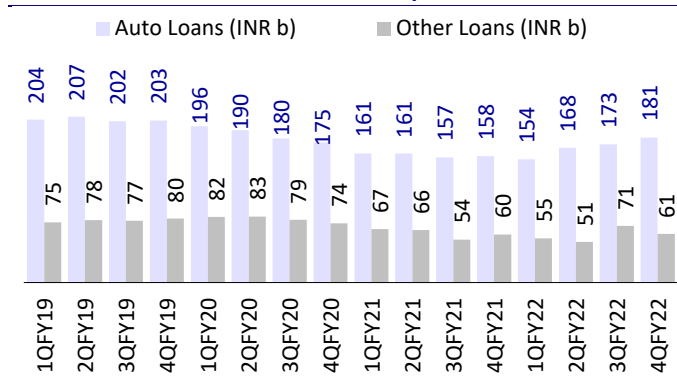
- Absolute GNPA/NNPA fell 7%/13% QoQ to INR64.7b/INR17.4b as slippages moderated to INR7.3b, with healthy recoveries and upgrades of INR8.97b. As a result, the GNPA/NNPA ratio moderated by 37bp/15bp QoQ to 2.34%/0.64%. PCR improved to 73.2%.
- The bank reversed INR4.53b of COVID-related provisions in 4QFY22. It carries total provisions of INR5.47b (0.2% of loans). Total provisions, including specific, standard, UFCE, and COVID-related stood at INR67.1b.
- SMA 2 outstanding fell to INR1.86b, corresponding to 7bp of advances. Total restructuring stood at INR12.1b (0.44% of loans) v/s INR13.6b (0.54% of loans) in 3QFY22.

### Healthy performance across all subsidiaries

Equity AUM comprises 50.2% of overall AUM v/s 49.1% in 3QFY22

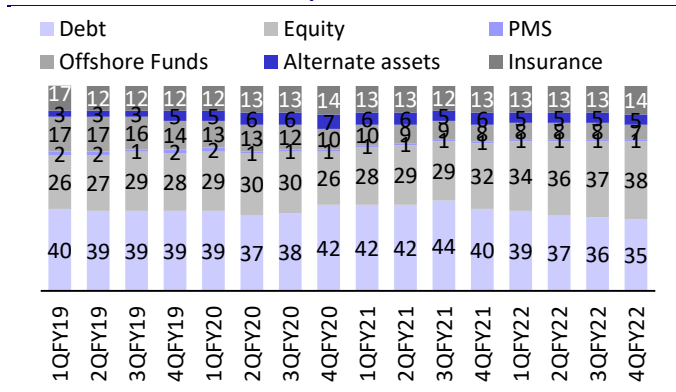
- PAT in the Securities business stood healthy at INR2.5b (+5% YoY and -7% QoQ).
- Kotak Securities' market share improved to ~3.7%.
- Profitability improved by 70% YoY and 23.2% QoQ to INR3.13b in the Prime business, while NNPA moderated to 1.7% v/s 2.1% in Dec'21. Loans grew 11.1% YoY (flat QoQ).
- PAT in the Asset Management business stood at INR1b (+2% YoY), while average AUM rose 22% YoY (flat QoQ), led by an improvement in equity AUM (up 47% YoY and 2% QoQ), constituting 50.2% of total AUM.
- Profitability of the Life Insurance business improved as Kotak Life reported a PAT of INR2.67b (up 38% YoY and 8% QoQ). Premium income grew 9% YoY (+72% QoQ), while the solvency ratio stood at 273%.

Exhibit 1: Kotak Prime: Auto loans up 5% QoQ and 15% YoY

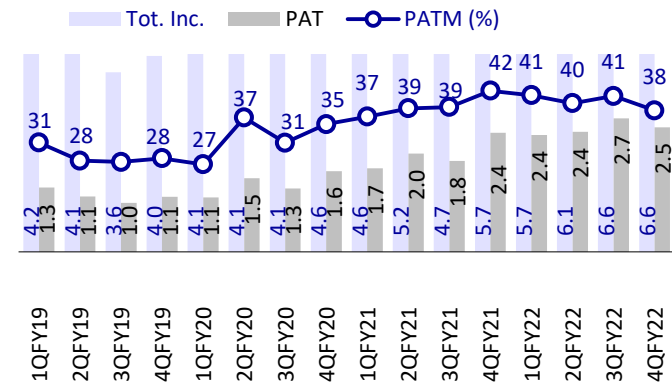


Source: MOFSL, Company

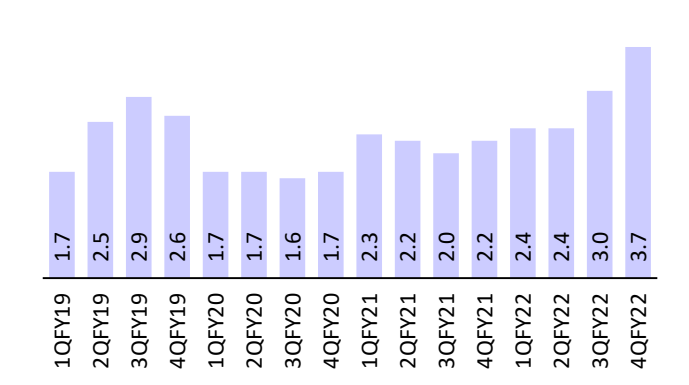
Exhibit 2: Domestic AUM up 20% YoY



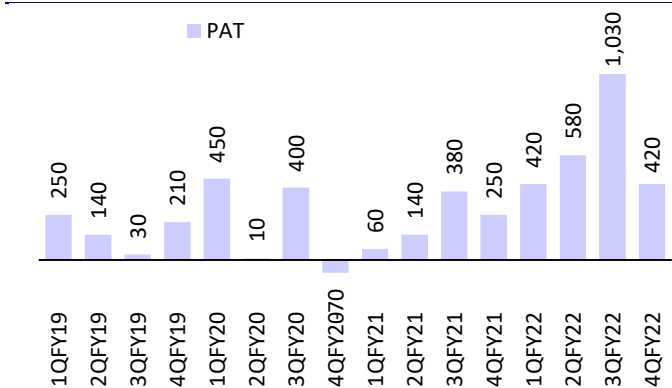
Source: MOFSL, Company

**Exhibit 3: Kotak Securities: PAT up 4.6% YoY to INR2.5b**

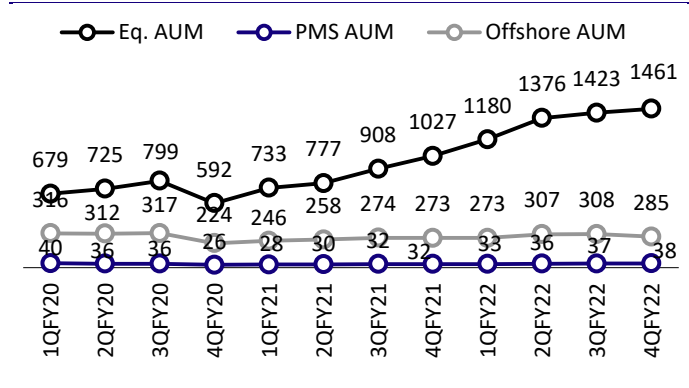
Source: MOFSL, Company

**Exhibit 4: Kotak Securities' market share expands to 3.7%**

Source: MOFSL, Company

**Exhibit 5: PAT at INR420m in Investment Banking**

Source: MOFSL, Company

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

Source: MOFSL, Company

## Valuation and view

- Loan growth has picked up sharply over the past few quarters, led by healthy traction across segments. Home loans, Credit Cards, and Personal loans witnessed robust traction, while the CV/CE and the Agri business too recorded a strong sequential growth. A strong liability franchise will improve the bank's competitive position and aid asset growth as the management remains focused on maintaining strong traction in loan growth. We expect KMB's loan book to grow at 19% CAGR over FY22-24.
- The bank continues to strengthen its liability franchise, with a robust CASA ratio (60.7% – the highest among its peers). This has enabled KMB to reduce its CoF v/s large Banks and is likely to aid margin over the medium-term.
- On the asset quality front, the GNPA/NNPA ratio moderated to 2.34%/0.64% v/s 2.71%/0.79% as of Dec'21. The restructured book moderated further and stands controlled at 44bp of total loans. We expect the asset quality ratio to remain broadly stable and estimate credit cost of 0.4-0.5% over FY22-24.
- The bank has healthy capitalization levels, with a Tier I of 21.7%, which is likely to provide growth opportunities and help manage stress. The capital-light nature of KMB's Capital Market and Asset Management business could provide a further boost to the bank's RoE as these businesses scale up further.
- **Maintain Neutral with a TP of INR2,000:** KMB delivered a healthy core operating performance and broad-based loan growth. NIM inched up further sequentially and is at the higher end of the range in recent years. The bank



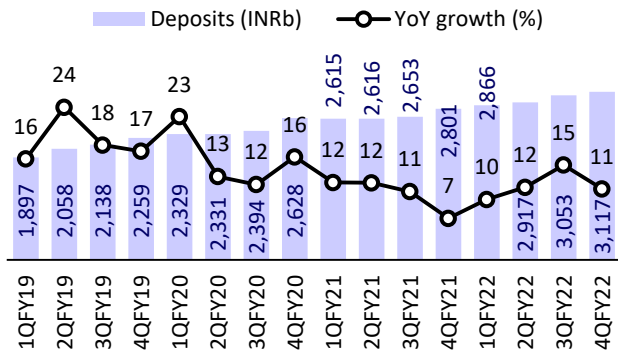
continues to demonstrate steady progress in building a strong liability franchise, with CASA ratio standing ~61% (highest in the industry). This positions it favorably in a rising rate environment and will enable it to grow competitively in its chosen business segments. Asset quality stays robust, with a further dip in GNPA/NNPA and an improvement in PCR, while the restructured book remains under control ~0.44% of loans. KMB carries additional COVID-related provisions of INR5.5b (0.2% of loans). We fine-tune our earnings and estimate the bank to deliver 15% earnings CAGR over FY22-24. **We maintain our Neutral rating with a TP of INR2,000/share (3.1x FY24E ABV + INR587 for its subsidiaries).**

**Exhibit 7: FY24E based SoTP-based pricing**

	Value (INR b)	Value (USD b)	INR per share	As a percentage of total	Rationale
<b>Lending business</b>	<b>3,217</b>	<b>42.0</b>	<b>1,621</b>	<b>81</b>	
Kotak Mahindra Bank	2,805	36.7	1,413	71	❖ 3.1x FY24E net worth
Kotak Prime (Car and other loans)	303	4.0	153	8	❖ 3.1x FY24E net worth
Kotak Investment Company (LAS)	109	1.4	55	3	❖ 3.1x FY24E net worth
<b>Asset Management business</b>	<b>305</b>	<b>4.0</b>	<b>154</b>	<b>8</b>	❖ 6% of FY24E AUM
Domestic Mutual Fund	264	3.5	133	7	
Alternative Assets	16	0.2	8	0	
Offshore Funds	25	0.3	12	1	
<b>Capital Market-related business</b>	<b>334</b>	<b>4.4</b>	<b>168</b>	<b>8</b>	
Kotak Securities	288	3.8	145	7	❖ 20x FY24E PAT
Kotak Investment Banking (KMCC)	46	0.6	23	1	❖ 3x FY24E net worth
<b>Kotak Life Insurance</b>	<b>406</b>	<b>5.3</b>	<b>204</b>	<b>10</b>	❖ 2.8x FY24E EV
<b>Value subsidiaries at a 20% discount</b>	<b>1,165</b>	<b>15.2</b>	<b>587</b>	<b>29</b>	
<b>Target value (post a 20% holding discount)</b>	<b>3,970</b>	<b>51.9</b>	<b>2,000</b>	<b>100</b>	
<b>– Contribution of subsidiaries/associates to total TP</b>			<b>29%</b>		

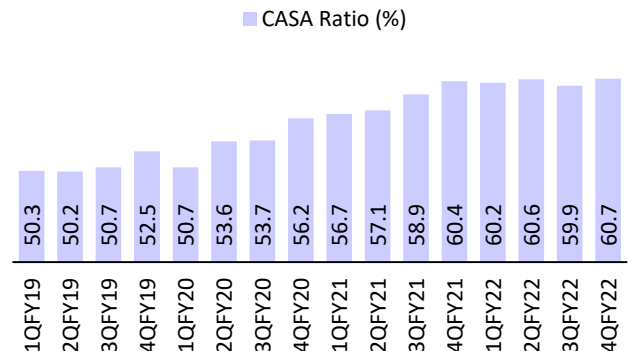
## Story in charts

**Exhibit 8: Deposits up 11.3% YoY and 2.1% QoQ to INR3.1t**



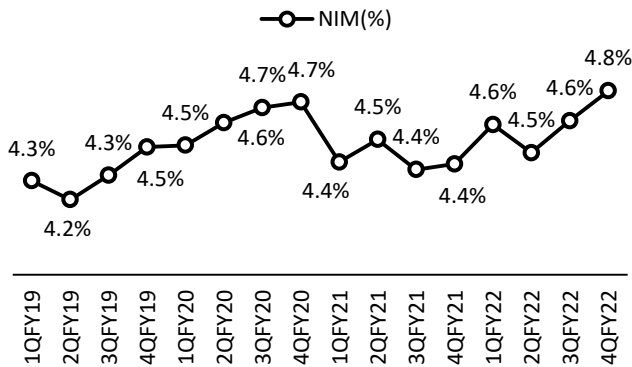
Source: MOFSL, Company

**Exhibit 9: CASA ratio improves by 80bp QoQ to 60.7%**



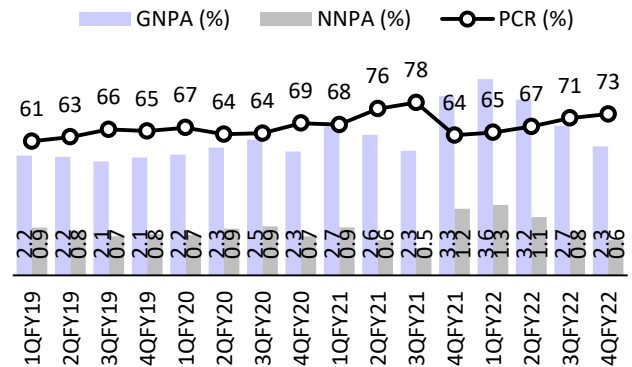
Source: MOFSL, Company

**Exhibit 10: Margin expands by 16bp QoQ to 4.78%**



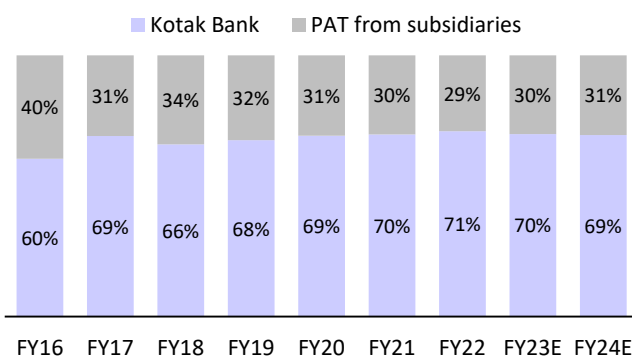
Source: MOFSL, Company

**Exhibit 11: GNPA/NNPA moderates by 37bp/15bp QoQ to 2.34%/0.64%; PCR improves to 73.2%**



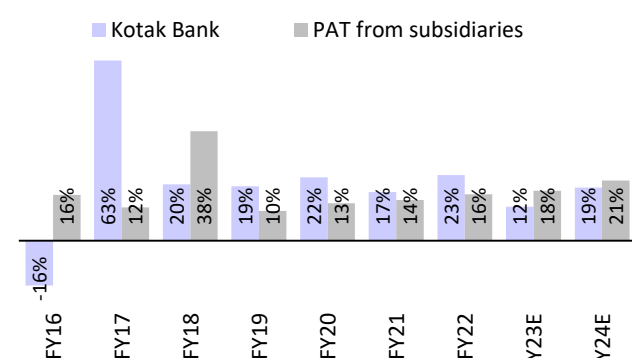
Source: MOFSL, Company

**Exhibit 12: Trend in PAT composition**



Source: MOFSL, Company

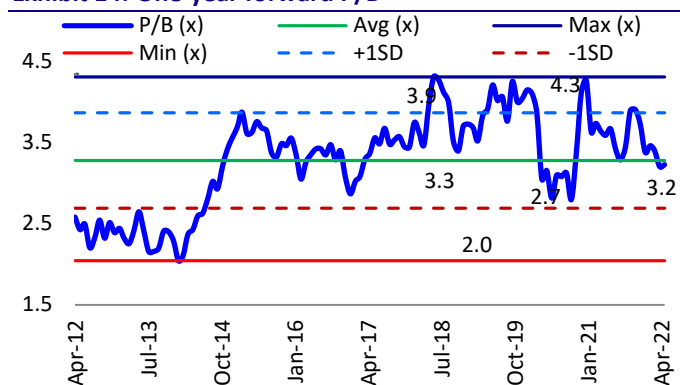
**Exhibit 13: Growth in standalone PAT v/s that of its subsidiaries**



Source: MOFSL, Company

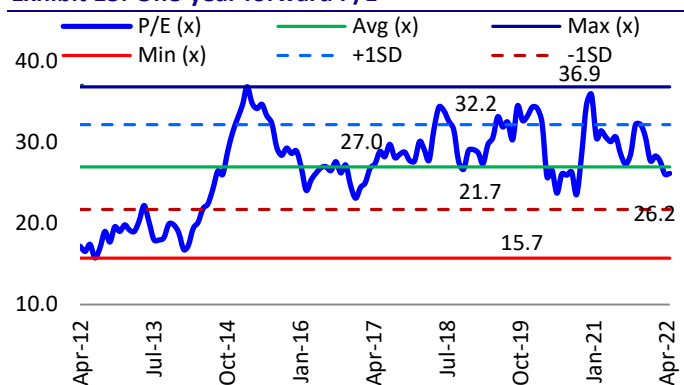


Exhibit 14: One-year forward P/B



Source: MOFSL, Company

Exhibit 15: One-year forward P/E



Source: MOFSL, Company

Exhibit 16: DuPont Analysis: Expect KMB to deliver a FY24 RoA/RoE of 2.1%/13%

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest income	8.70	8.24	8.28	8.01	7.22	6.65	7.27	7.46
Interest expense	4.71	4.26	4.40	3.99	3.09	2.51	2.98	3.07
<b>Net Interest Income</b>	<b>3.99</b>	<b>3.98</b>	<b>3.88</b>	<b>4.02</b>	<b>4.13</b>	<b>4.14</b>	<b>4.30</b>	<b>4.39</b>
Fee income	1.49	1.60	1.59	1.45	1.39	1.49	1.52	1.53
Trading and others	0.22	0.09	0.02	0.14	0.07	0.07	0.05	0.05
<b>Non-Interest income</b>	<b>1.71</b>	<b>1.69</b>	<b>1.61</b>	<b>1.60</b>	<b>1.47</b>	<b>1.56</b>	<b>1.57</b>	<b>1.59</b>
<b>Total income</b>	<b>5.70</b>	<b>5.67</b>	<b>5.50</b>	<b>5.61</b>	<b>5.59</b>	<b>5.70</b>	<b>5.87</b>	<b>5.98</b>
<b>Operating expenses</b>	<b>2.76</b>	<b>2.68</b>	<b>2.60</b>	<b>2.63</b>	<b>2.31</b>	<b>2.74</b>	<b>2.79</b>	<b>2.82</b>
Employee cost	1.36	1.23	1.10	1.16	1.01	1.13	1.14	1.15
Others	1.40	1.45	1.50	1.47	1.30	1.61	1.65	1.67
<b>Operating profit</b>	<b>2.94</b>	<b>2.99</b>	<b>2.89</b>	<b>2.98</b>	<b>3.28</b>	<b>2.96</b>	<b>3.08</b>	<b>3.16</b>
<b>Core operating profit</b>	<b>2.72</b>	<b>2.90</b>	<b>2.87</b>	<b>2.84</b>	<b>3.21</b>	<b>2.90</b>	<b>3.03</b>	<b>3.11</b>
<b>Provisions</b>	<b>0.41</b>	<b>0.39</b>	<b>0.33</b>	<b>0.66</b>	<b>0.78</b>	<b>0.17</b>	<b>0.32</b>	<b>0.34</b>
NPA	0.30	0.26	0.29	0.42	0.49	0.17	0.23	0.30
Others	0.11	0.13	0.04	0.24	0.29	0.00	0.09	0.04
<b>PBT</b>	<b>2.53</b>	<b>2.59</b>	<b>2.56</b>	<b>2.32</b>	<b>2.50</b>	<b>2.80</b>	<b>2.76</b>	<b>2.83</b>
Tax	0.85	0.89	0.87	0.55	0.63	0.69	0.68	0.70
<b>RoA</b>	<b>1.68</b>	<b>1.70</b>	<b>1.69</b>	<b>1.77</b>	<b>1.87</b>	<b>2.11</b>	<b>2.08</b>	<b>2.13</b>
Leverage (x)	7.9	7.4	7.2	7.3	6.6	6.0	6.0	6.1
<b>RoE</b>	<b>13.2</b>	<b>12.5</b>	<b>12.1</b>	<b>12.9</b>	<b>12.4</b>	<b>12.6</b>	<b>12.4</b>	<b>13.0</b>

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	177.0	197.5	238.9	269.3	268.4	270.4	335.9	398.3
Interest Expense	95.7	102.2	126.8	134.3	115.0	102.2	137.5	164.0
<b>Net Interest Income</b>	<b>81.3</b>	<b>95.3</b>	<b>112.1</b>	<b>135.0</b>	<b>153.4</b>	<b>168.2</b>	<b>198.4</b>	<b>234.4</b>
Growth (%)	17.8	17.3	17.6	20.5	13.6	9.6	18.0	18.1
Non-Interest Income	34.8	40.5	46.6	53.7	54.6	63.5	72.4	84.8
<b>Total Income</b>	<b>116.0</b>	<b>135.8</b>	<b>158.6</b>	<b>188.7</b>	<b>208.0</b>	<b>231.7</b>	<b>270.8</b>	<b>319.1</b>
Growth (%)	22.0	17.1	16.8	19.0	10.2	11.4	16.9	17.8
Operating Expenses	56.2	64.3	75.1	88.5	85.8	111.2	128.7	150.3
<b>Pre Provision Profit</b>	<b>59.8</b>	<b>71.6</b>	<b>83.5</b>	<b>100.2</b>	<b>122.1</b>	<b>120.5</b>	<b>142.1</b>	<b>168.8</b>
Growth (%)	48.1	19.6	16.6	20.0	21.9	-1.3	17.9	18.8
<b>Core Operating Profit</b>	<b>55.4</b>	<b>69.5</b>	<b>82.8</b>	<b>95.4</b>	<b>119.4</b>	<b>117.7</b>	<b>139.9</b>	<b>166.0</b>
Growth (%)	44.8	25.3	19.2	15.2	25.2	-1.4	18.8	18.6
Provisions (excl. tax)	8.4	9.4	9.6	22.2	29.1	6.9	14.9	17.9
<b>PBT</b>	<b>51.5</b>	<b>62.2</b>	<b>73.9</b>	<b>78.0</b>	<b>93.0</b>	<b>113.6</b>	<b>127.2</b>	<b>150.9</b>
Tax	17.4	21.3	25.2	18.6	23.4	27.9	31.3	37.1
Tax Rate (%)	33.7	34.3	34.1	23.8	25.1	24.5	24.6	24.6
<b>PAT</b>	<b>34.1</b>	<b>40.8</b>	<b>48.7</b>	<b>59.5</b>	<b>69.6</b>	<b>85.7</b>	<b>95.9</b>	<b>113.8</b>
Growth (%)	63.2	19.7	19.1	22.2	17.1	23.1	11.9	18.7
<b>Consolidated PAT</b>	<b>49.4</b>	<b>62.0</b>	<b>72.0</b>	<b>85.9</b>	<b>99.9</b>	<b>120.9</b>	<b>137.3</b>	<b>163.9</b>
Growth (%)	42.8	25.5	16.2	19.3	16.3	21.0	13.5	19.4

Balance Sheet								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	9.2	9.5	9.5	9.6	9.9	9.9	9.9	9.9
Preference Share Capital	0.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0
Reserves and Surplus	267.0	365.3	414.5	475.6	622.4	710.0	803.0	913.4
<b>Net Worth</b>	<b>276.2</b>	<b>374.8</b>	<b>429.0</b>	<b>490.2</b>	<b>637.3</b>	<b>724.9</b>	<b>817.9</b>	<b>928.3</b>
<i>Of which Equity Net worth</i>	<i>276.2</i>	<i>374.8</i>	<i>424.0</i>	<i>485.2</i>	<i>632.3</i>	<i>719.9</i>	<i>812.9</i>	<i>923.3</i>
<b>Deposits</b>	<b>1,574.3</b>	<b>1,926.4</b>	<b>2,258.8</b>	<b>2,628.2</b>	<b>2,801.0</b>	<b>3,116.8</b>	<b>3,584.4</b>	<b>4,193.7</b>
Growth (%)	13.5	22.4	17.3	16.4	6.6	11.3	15.0	17.0
<b>of which CASA Deposits</b>	<b>692.6</b>	<b>977.7</b>	<b>1,185.9</b>	<b>1,476.2</b>	<b>1,693.1</b>	<b>1,891.3</b>	<b>2,136.3</b>	<b>2,537.2</b>
Growth (%)	31.2	41.2	21.3	24.5	14.7	11.7	13.0	18.8
Borrowings	211.0	251.5	322.5	379.9	236.5	259.7	328.9	390.4
Other Liabilities and Prov.	84.5	96.5	111.4	104.2	160.1	192.9	208.3	225.0
<b>Total Liabilities</b>	<b>2,145.9</b>	<b>2,649.3</b>	<b>3,121.7</b>	<b>3,602.5</b>	<b>3,834.9</b>	<b>4,294.3</b>	<b>4,939.5</b>	<b>5,737.4</b>
Current Assets	225.7	196.2	246.8	532.9	396.3	429.2	418.7	453.8
<b>Investments</b>	<b>450.7</b>	<b>645.6</b>	<b>711.9</b>	<b>750.5</b>	<b>1,051.0</b>	<b>1,005.8</b>	<b>1,113.4</b>	<b>1,280.4</b>
Growth (%)	-12.1	43.2	10.3	5.4	40.0	-4.3	10.7	15.0
<b>Loans</b>	<b>1,360.8</b>	<b>1,697.2</b>	<b>2,056.9</b>	<b>2,197.5</b>	<b>2,236.9</b>	<b>2,712.5</b>	<b>3,255.0</b>	<b>3,841.0</b>
Growth (%)	14.7	24.7	21.2	6.8	1.8	21.3	20.0	18.0
Fixed Assets	15.4	15.3	16.5	16.2	15.4	16.4	17.6	18.8
Other Assets	93.2	95.1	89.6	105.4	135.4	130.3	134.8	143.4
<b>Total Assets</b>	<b>2,145.9</b>	<b>2,649.3</b>	<b>3,121.7</b>	<b>3,602.5</b>	<b>3,834.9</b>	<b>4,294.3</b>	<b>4,939.5</b>	<b>5,737.4</b>

Asset quality								
Y/E MARCH	FY17	FY18	FY19	FY20	FY20	FY22	FY23E	FY24E
GNPA	35.8	38.3	44.7	50.3	74.3	64.7	70.5	81.4
NNPA	17.2	16.7	15.4	15.6	27.1	17.4	19.5	22.1
GNPA Ratio (%)	2.59	2.23	2.14	2.25	3.25	2.34	2.13	2.09
NNPA Ratio (%)	1.26	0.98	0.75	0.71	1.21	0.64	0.60	0.57
Slippage Ratio (%)	1.15	1.00	0.89	1.38	2.19	1.40	1.30	1.30
Credit Cost (%)	0.48	0.41	0.45	0.66	0.82	0.28	0.36	0.45
PCR (Excl. Tech. write off, %)	52.0	56.5	65.4	69.0	63.6	73.2	72.3	72.9

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY20	FY22	FY23E	FY24E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield on Earning Assets</b>	<b>9.6</b>	<b>9.0</b>	<b>8.9</b>	<b>8.6</b>	<b>7.7</b>	<b>7.2</b>	<b>7.8</b>	<b>8.0</b>
Avg. Yield on loans	10.5	9.6	9.8	9.9	8.4	7.8	8.6	8.6
Avg. Yield on Investments	7.9	7.5	7.6	7.6	7.9	6.8	7.0	7.1
<b>Avg. Cost of Int. Bear. Liab.</b>	<b>5.7</b>	<b>5.2</b>	<b>5.3</b>	<b>4.8</b>	<b>3.8</b>	<b>3.2</b>	<b>3.8</b>	<b>3.9</b>
Avg. Cost of Deposits	5.6	5.1	5.3	4.9	3.7	3.7	3.7	3.8
<b>Interest Spread</b>	<b>5.0</b>	<b>4.5</b>	<b>4.5</b>	<b>4.9</b>	<b>4.7</b>	<b>4.2</b>	<b>4.9</b>	<b>4.8</b>
<b>Net Interest Margin</b>	<b>4.4</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>	<b>4.6</b>	<b>4.7</b>

### Capitalization Ratios (%)

CAR	17.2	18.4	17.9	17.9	22.3	22.7	21.6	20.9
Tier I	16.5	17.8	17.4	17.3	21.4	21.7	20.7	20.0
Tier II	0.7	0.6	0.5	0.6	0.9	1.0	0.9	0.9

### Asset-Liability Profile (%)

Loans/Deposit Ratio	86.4	88.1	91.1	83.6	79.9	87.0	90.8	91.6
CASA Ratio	44.0	50.8	52.5	56.2	60.4	60.7	59.6	60.5
Cost/Assets	2.6	2.4	2.4	2.5	2.2	2.6	2.6	2.6
Cost/Total Income	48.4	47.3	47.4	46.9	41.3	48.0	47.5	47.1
Cost/Core Income	50.3	48.1	47.6	48.1	41.8	48.6	47.9	47.5
Int. Expense/Int. Income	54.1	51.7	53.1	49.9	42.8	37.8	40.9	41.2
Fee Income/Total Income	26.2	28.3	28.9	25.9	24.9	26.2	25.9	25.7
Non-Int. Inc./Total Income	30.0	29.8	29.4	28.5	26.2	27.4	26.7	26.6
Emp. Cost/Total Expenses	49.3	45.9	42.4	44.2	43.9	41.2	40.9	40.7
Investment/Deposit Ratio	28.6	33.5	31.5	28.6	37.5	32.3	31.1	30.5

### Profitability ratios and valuation

RoE (%)	13.2	12.5	12.2	13.1	12.5	12.7	12.5	13.1
RoA (%)	1.7	1.7	1.7	1.8	1.9	2.1	2.1	2.1
Consolidated RoE (%)	12.8	12.3	12.4	12.8	11.8	12.5	12.4	13.0
Consolidated RoA (%)	1.9	2.0	2.0	2.1	2.2	2.4	2.4	2.5
RoRWA (%)	1.5	1.5	1.6	1.9	2.0	2.0	1.9	2.0
Standalone BV (INR)	150.0	196.7	222.1	253.6	319.0	362.7	409.6	465.2
Growth (%)	14.8	31.1	12.9	14.2	25.8	13.7	12.9	13.6
Price-to-BV (x)	7.9	6.0	5.4	4.7	3.7	3.3	2.9	2.6
Consolidated BV (INR)	209.1	264.9	302.7	348.3	425.6	487.1	555.1	636.2
Growth (%)	15.0	26.7	14.3	15.1	22.2	14.5	14.0	14.6
Price-to-Consolidated BV (x)	8.5	6.7	5.9	5.1	4.2	3.6	3.2	2.8
Standalone Adjusted BV (INR)	138.8	177.6	203.2	234.2	296.2	343.9	388.6	441.2
Growth (%)	14.2	28.0	14.4	15.3	26.4	16.1	13.0	13.5
Price-to-ABV (x)	8.6	6.7	5.9	5.1	4.0	3.5	3.1	2.7
Consolidated Adjusted BV (INR)	197.7	253.5	291.3	337.1	410.2	475.5	542.2	622.0
Growth (%)	14.6	28.3	14.9	15.7	21.7	15.9	14.0	14.7
Price-to-Consolidated ABV (x)	9.0	7.0	6.1	5.3	4.3	3.7	3.3	2.9
Standalone EPS (INR)	18.6	21.8	25.5	31.1	35.8	43.2	48.3	57.3
Growth (%)	50.1	17.4	17.0	22.0	14.9	20.9	11.8	18.7
Price-to-Earnings (x)	64.1	54.6	46.6	38.2	33.3	27.5	24.6	20.7
Consolidated EPS (INR)	26.8	32.5	37.7	44.9	50.4	60.9	69.2	82.6
Change (%)	42.3	21.3	16.0	19.0	12.2	20.8	13.5	19.4
Price-to-Consolidated Earnings (x)	66.2	54.6	47.1	39.6	35.2	29.2	25.7	21.5

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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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