

Rating: BUY | CMP: Rs1,970 | TP: Rs2,250

July 23, 2023

## Q1FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	2,250		2,220	
NII (Rs. m)	2,56,812	3,03,331	2,40,006	2,84,523
% Chng.	7.0	6.6		
Op. Profit (Rs. m)	1,75,933	2,03,826	1,65,419	1,95,345
% Chng.	6.4	4.3		
EPS (Rs.)	61.4	70.9	58.0	68.2
% Chng.	5.9	3.9		

### Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
NII (Rs m)	1,68,179	2,15,519	2,56,812	3,03,331
Op. Profit (Rs m)	1,20,509	1,48,480	1,75,933	2,03,826
PAT (Rs m)	85,727	1,09,393	1,22,001	1,40,883
EPS (Rs.)	41.9	51.9	61.4	70.9
Gr. (%)	19.4	24.0	18.3	15.5
DPS (Rs.)	1.1	1.2	3.1	3.5
Yield (%)	0.1	0.1	0.2	0.2
NIM (%)	4.3	4.9	4.9	4.9
RoAE (%)	12.6	14.0	13.6	13.8
RoAA (%)	2.1	2.4	2.3	2.2
P/BV (x)	5.6	5.0	4.1	3.6
P/ABV (x)	5.7	5.1	4.2	3.7
PE (x)	47.1	38.0	32.1	27.8
CAR (%)	22.7	21.8	21.1	20.6

### Key Data

KTKM.BO | KMB IN

52-W High / Low	Rs.2,064 / Rs.1,644
Sensex / Nifty	66,684 / 19,745
Market Cap	Rs.3,915bn/ \$ 47,771m
Shares Outstanding	1,987m
3M Avg. Daily Value	Rs.12050.59m

### Shareholding Pattern (%)

Promoter's	26.95
Foreign	40.43
Domestic Institution	22.35
Public & Others	10.27
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	6.8	11.8	9.4
Relative	1.7	1.6	(8.6)

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## Mixed quarter; unsecured momentum sustaining

### Quick Pointers:

- NIM beat although higher PPOp was led by higher treasury and dividend.
- Higher yielding unsecured share at 10.4% is consistently improving.

**KMB saw a mixed quarter. NIM beat of 16bps resulted in better NII that was offset by lower fees and higher opex. PPOp beat of 13.3% was mainly led by higher treasury and dividend income. Business growth QoQ was also more wholesale driven as corporate credit grew by 7.0%, while wholesale deposit growth was 18%. RTD share was 80% (vs 88% a year ago). A key positive has been continuing traction in unsecured segments with PL/CC/MFI share touching 10.4% (7.8% YoY). Healthy credit environment could further propel unsecured growth cushioning NIM, although opex would continue to remain elevated. Hence for FY24/25E we raise NIM by 17/19bps and increase opex by ~5.4% resulting in PAT upgrade of 5.0%. Valuation is at 3.0x; maintaining multiple at 3.5x on Mar'25 core ABV we slightly raise SOTP based TP to Rs2,250 from Rs2,220. Retain 'BUY'.**

- Core PAT miss due to more provisions; treasury/dividend protected PAT:** NII was a tad higher at Rs62.3bn (PLe Rs60bn), due to better margins as loan growth was largely in-line. NIM was a beat yet again at 5.5% (PLe 5.34%), led by higher yield on loans and investments. Credit growth was ~17.3% YoY (PLe 17.6%). Deposit accretion was stronger at 22.0% YoY (PLe 17.0%). Other income was ahead at Rs26.8bn (PLe Rs21.9bn) due to higher treasury and dividend. Opex was a miss at Rs39.7bn (PLe Rs37.9bn) due to both, staff cost and other opex. PPOp came in at Rs49.5bn (PLe Rs43.7) while core PPOp was higher to PLe by (1.2%). GNPA/NNPA at 1.77%/0.4% was 4/5bps above PLe due to higher slippages leading to more provisions at Rs3.64bn (PLe Rs2.1bn). PAT was a beat at Rs34.5bn, while core PAT was 2.2% below PLe.
- Sequential credit growth led by corporate, PL/CC:** Loan growth was 2.7% QoQ led by corporate (+7.1%), CC (12.6%), PL (5.8%) and home (2.6%). Corporate growth emanated from large companies, MNC and NBFC. Large portion of PL/CC sourcing is done through digital channels. Unsecured share has risen YoY from 7.8% to 10.4% (guidance mid-teens). Bank is increasingly relying on bulk deposits, as its rates have reduced by 30-50bps since Mar'23. Share of RTD has reduced to 80% from 88% a year ago. KMB has started a new TD sweep product called 'ActivMoney' which grew by a healthy 24% QoQ. While this could cannibalize CASA, bank is confident of higher deposit flow in long term as this product would meet customer requirements.
- Raise opex by ~5.4% for FY24/25, factoring a ~25% CAGR:** Employee cost increased sharply by 13.2% QoQ as benefits from drop in annuity interest rates resulting in lower retiral costs was not available. While attrition rate for FY23 at 46% is a bit concerning it was more at junior level; attrition split is—senior level: <10%, mid-level: 20% and juniors: 50% (mainly in sales and call centers). Other opex was higher due to increased IT spends and promotion expenses related to 'ActivMoney'. Management expects opex to remain elevated in near term as there will be significant investment in technology.

**Exhibit 1: PAT beat led by higher NII and other income.**

*NII growth of 43.1% YoY driven by yield expansion.*

*Other income grew 22.7% YoY led treasury and higher recoveries from w/off.*

*Opex increased to Rs39.7bn led by both employee and other expense*

*Deposits growth was strong at 22% YoY was driven by higher TD.*

*NIMs were beat at 5.5% led by higher yield on loans and investments.*

*Asset quality was steady even as slippages were higher*

*Bank's CASA ratio fell sequentially at 49% due to strong TD growth.*

<b>Standalone Financials (Rs mn)</b>	<b>Q1FY24</b>	<b>Q1FY23</b>	<b>YoY gr. (%)</b>	<b>Q4FY23</b>	<b>QoQ gr. (%)</b>
Interest Income	105,000	73,385	43.1	98,209	6.9
Interest Expense	42,663	26,415	61.5	37,184	14.7
<b>Net interest income (NII)</b>	<b>62,337</b>	<b>46,970</b>	<b>32.7</b>	<b>61,026</b>	<b>2.1</b>
Other income	26,833	12,438	N.A.	21,863	22.7
<b>Total income</b>	<b>89,170</b>	<b>59,408</b>	<b>50.1</b>	<b>82,888</b>	<b>7.6</b>
Operating expenses	39,674	31,575	25.6	36,415	8.9
-Staff expenses	16,470	11,728	40.4	14,545	13.2
-Other expenses	23,204	19,847	16.9	21,870	6.1
<b>Operating profit</b>	<b>49,496</b>	<b>27,833</b>	<b>77.8</b>	<b>46,474</b>	<b>6.5</b>
Total provisions	3,643	236	N.A.	1,476	N.A.
<b>Profit before tax</b>	<b>45,853</b>	<b>27,597</b>	<b>66.2</b>	<b>44,998</b>	<b>1.9</b>
Tax	11,330	6,885	64.6	10,042	12.8
<b>Profit after tax</b>	<b>34,523</b>	<b>20,712</b>	<b>66.7</b>	<b>34,956</b>	<b>(1.2)</b>
<b>Balance sheet (Rs mn)</b>					
Deposits	3,862,540	3,164,830	22.0	3,630,961	6.4
Advances	3,285,820	2,801,710	17.3	3,198,612	2.7
<b>Ratios (%)</b>			<b>Change (bps)</b>	<b>Change (bps)</b>	
<b>Profitability ratios</b>					
RoaA	2.9	2.0	92	3.0	(10)
RoaE - Calc	17.1	11.8	526	17.9	(85)
<b>NIM</b>	<b>5.6</b>	<b>4.8</b>	<b>81</b>	<b>5.8</b>	<b>(18)</b>
<b>Asset Quality ratios</b>					
Gross NPL	59,092	63,786	(7.4)	57,683	2.4
Net NPL	13,018	17,493	(25.6)	11,933	9.1
<b>Gross NPL ratio</b>	<b>1.8</b>	<b>2.2</b>	<b>(47)</b>	<b>1.8</b>	<b>(0)</b>
<b>Net NPL ratio</b>	<b>0.4</b>	<b>0.6</b>	<b>(23)</b>	<b>0.4</b>	<b>2</b>
Coverage ratio	78.0	72.6	540	79.3	(134)
<b>Business &amp; Other Ratios</b>					
Low-cost deposit mix	49.0	58.1	N.A.	52.8	N.A.
Cost-income ratio	44.5	53.2	N.A.	43.9	56
Non int. inc / total income	30.1	20.9	N.A.	26.4	372
Credit deposit ratio	85.1	88.5	N.A.	88.1	N.A.
CAR	22.0	22.1	(10)	21.8	20
Tier-I	20.9	21.0	(10)	20.6	30

Source: Company, PL

## Key Q1FY24 Conference Call highlights

### Assets/ Liabilities

- **Deposit grew 6.4% QoQ/22% YoY** driven by TD and CA deposits, while SA has been subdued. Bank started a new product – ‘AcivMoney’ deposits which is a mix of TD as well as SA deposits. It offers rates upto 7% on certain terms and conditions. Although this could have cannibalization impact on CASA, management is confident of higher flow of deposits in the long term. As on Q1FY24, this product grew by 24% and could grow more than 100% on annual basis. CASA declined to 49%, whereas TD sweep showed robust 24% QoQ growth due this product.
- **Advances grew by 3.5%QoQ/19% YoY** led by corporate, CV/CE, unsecured loans, retail MFI (albeit lower base), however bank faced challenges in Agri and SME segment. Maintain growth guidance at 1.5-2x of nominal GDP.

  - **Wholesale Book** increased 9% YoY on account of stronger demand from large corporate groups. Traction was seen from NTB customers in MNC space and NBFCs, as credit demand remains robust across retail assets. Bank has carved out a separate segment for mid-corporate lending with a dedicated team for acquiring new customers. Despite growth, spread compression continues to persist due to competitive intensity. DCM business has shown growth with completion of large deals in credit bonds, high grade bonds, REITs and INVITs. Focus to be on fee income and developing structuring and advisory services to get new customers.
  - **Vehicle Finance: CV** – Industry volume de-grew 3% YoY, but bank’s disbursements grew 21% YoY leading to market share gains. Freight demand and availability continues to be stable. **CE** – Industry growth was 17% YoY due to infrastructure projects and road building under Bharatmala and PM Gati Shakti projects. **Tractor** – Impact of monsoon to be monitored on demand and collections. Used tractor disbursal showing good traction **MFI** – strong growth momentum continues, expanded presence from 5 states to 11 states in Q1FY24 and added 719 BC branches. Management expects rural credit demand to remain stable.
  - **Agri de-grew 3.8% QoQ** there was reduction in rabi peak procurement getting utilised. Traders and processor held onto stock in anticipation of higher prices. However, bank continues to remain focused in this segment and is looking to add new customers across geographies.
  - **Consumer Banking:** Focus on gradually building the unsecured business. **Mortgage** – witnessed a strong growth of 18% YoY with good traction in home loans and LAP. **Credit Card** grew by 67% YoY. Aim would be to grow market share steadily both in spends and Cards-in-force, strengthening co-brand product suite - launched co-brand card with Myntra to tap millennial and genZ customers and create value for them. Implemented new LOS to improve TAT and portfolio management.
  - **Business Banking** – Focus on growing both assets & liabilities, demand for new WC loans have been healthy, however WC utilization remains subdued. Formalization of MSME units has enabled to improve speed and

quality of underwriting. Digital CA opening assisted for small businesses has improved resource level productivity and customer experience. Revamped start-up proposition with banking and non-banking features

### Margins/Other Inc./Opex

- **NIM** – stood at 5.57% for Q1FY24. Management suggested, NIMs to be +5% basis the current situation. Miscellaneous income included dividend from subsidiaries of >Rs3bn.
- **Opex** – Employee cost increased sharply by 40.4% YoY/13.2% QoQ as benefits from drop in annuity interest rates resulting in lower retiral costs was not available in this quarter. Employee attrition split – Senior management: <10%; mid-level: 20% and junior staff: 50%( mainly in sales and call center).
- **Other expense** was higher due to increased IT expenditure and promotion expenses related to 'ActivMoney'. Management expects opex to remain elevated in near term. Q4FY23 had a favorable tax order which led to lower tax expense. It has normalized in this quarter.
- **Digital Initiatives:** There will be significant investment on technical front by hiring senior talents for building digital infrastructure and architecture. In PL and CC segment, significant portion of sourcing is done through digital channels. Linking or bank's RuPay cards has gone live during the quarter.

### Asset Quality

- During Q1FY24, slippages stood at Rs12.05bn or 0.4% of advances, of which Rs2.88bn have been upgraded during Q1FY24. Provisioning coverage ratio stood at 78%. Fund based restructured advances under Covid and MSME resolution framework were Rs5.84bn (0.19% of advances). SMA2 as of 30<sup>th</sup> June'23 stood at Rs2.03bn.
- Credit cost for Q1FY24 increased sharply to 48bps from 20bps in Q4FY23. Management believes that credit environment is getting normalized after a spell of benign credit conditions. Also, credit costs tend to go up with increase in unsecured loan in the mix.

### Subsidiaries

- On subsidiaries, Kotak AMC, Life and Prime saw decline in profit, General insurance business loss came down significantly, while securities was flat QoQ. Non-banking entities contributed 30% to the consolidated profits in FY23.
- **AMC** – AAUM grew by 10%YoY and stood at Rs3.12trn, Active Equity AAUM grew by 16% YoY to Rs1.67trn, SIP inflows grew 21% YoY to Rs9.1bn, Retail AUM stood at 55% of total AUM. **Prime** – Profits declined QoQ. Demand may be subdued in Q2 mainly due to 1) heavy monsoon and 2) delay of festival season **Life** – Profits decreased to Rs1.93bn in Q1FY24 vs Rs2.05bn in Q4FY23, as premium growth has been relatively slow compared to peers.

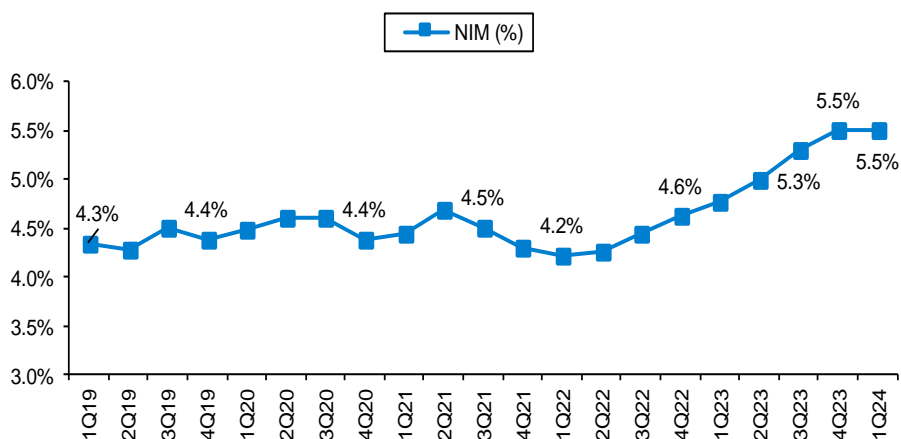
**Exhibit 2: Unsecured loans drive in retail growth, corporate growth muted**

Loan Book (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)
Corp Banking	775,690	710,610	9.2	724,050	7.1
SME	223,720	192,090	16.5	221,530	1.0
Home loans	951,470	809,750	17.5	927,310	2.6
CV/CE	285,260	232,460	22.7	277,860	2.7
Cons Bank WC (secured)	308,460	263,910	16.9	303,430	1.7
PL, BL, Cons Durables	166,920	117,120	42.5	157,730	5.8
Credit Cards	113,600	68,190	66.6	100,900	12.6
Agri	265,130	246,040	7.8	275,470	(3.8)
Tractor Finance	139,160	110,150	26.3	139,090	0.1
Retail Micro Finance	69,630	36,500	90.8	62,250	11.9
Others	71,270	45,970	55.0	65,810	8.3
<b>Total</b>	<b>3,370,310</b>	<b>2,832,790</b>	<b>19.0</b>	<b>3,255,430</b>	<b>3.5</b>

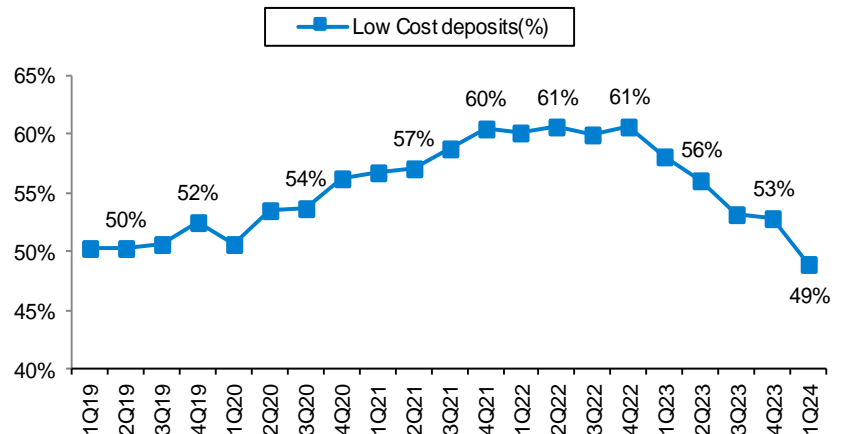
Loan Book mix (%)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)
Corp Banking	23.0	25.1	(8.3)	22.2	3.5
SME	6.6	6.8	(2.1)	6.8	(2.5)
Home loans	28.2	28.6	(1.2)	28.5	(0.9)
CV/CE	8.5	8.2	3.1	8.5	(0.8)
Cons Bank WC (secured)	9.2	9.3	(1.8)	9.3	(1.8)
PL, BL, Cons Durables	5.0	4.1	19.8	4.8	2.2
Credit Cards	3.4	2.4	40.0	3.1	8.7
Agri	7.9	8.7	(9.4)	8.5	(7.0)
Tractor Finance	4.1	3.9	6.2	4.3	(3.4)
Others	2.1	1.1	0.0	1.8	0.0

Source: Company, PL

**Exhibit 3: NIMs were largely stable at 5.5% due to higher unsecured growth**


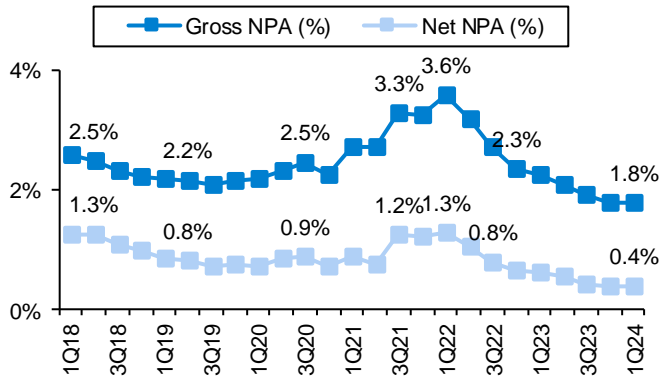
Source: Company, PL

**Exhibit 4: CASA ratio fell to 49% owing to higher TD growth**



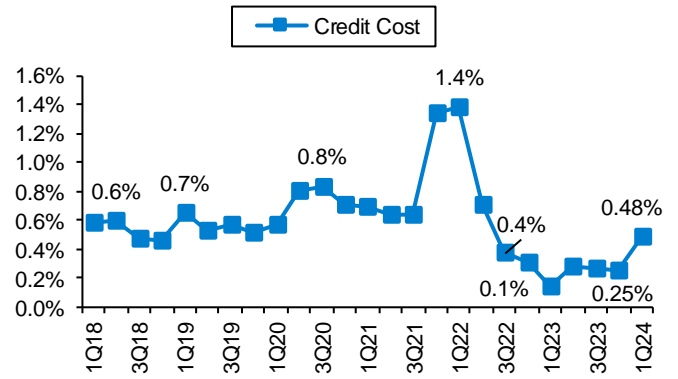
Source: Company, PL

**Exhibit 5: Asset quality largely stable with GNPA at 1.77%**



Source: Company, PL **Note:** Q3FY21 on pro-forma basis

**Exhibit 6: Credit cost was higher by 23bps QoQ at 0.48%**

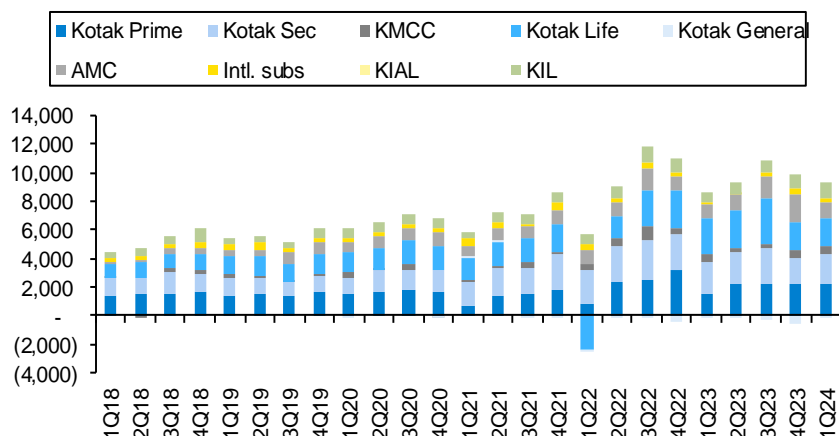


Source: Company, PL

**Exhibit 7: Consolidated earnings performance declined QoQ to Rs41.5bn**

Consolidated Financials (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)
Standalone Bank	34,523	20,712	66.7	34,956	(1.2)
Kotak Prime	2,180	1,570	38.9	2,240	(2.7)
KMCC	550	510	7.8	480	14.6
Kotak Securities	2,190	2,190	-	1,820	20.3
International Subs	320	140	N.A	360	(11.1)
Kotak AMC	1,060	1,060	-	1,920	(44.8)
Kotak Mah. Investments	1,020	630	61.9	1,000	2.0
<b>Lending business</b>	<b>36,703</b>	<b>22,282</b>	<b>64.7</b>	<b>37,196</b>	<b>(1.3)</b>
Flow business	5,140	4,530	13.5	5,580	(7.9)
<b>Consol PAT (ex - insurance)</b>	<b>39,630</b>	<b>27,860</b>	<b>42.2</b>	<b>44,160</b>	<b>(10.3)</b>
Insurance*	1,880	2,300	(18.3)	1,500	25.3
<b>Consolidated PAT</b>	<b>41,510</b>	<b>30,160</b>	<b>37.6</b>	<b>45,660</b>	<b>(9.1)</b>

Source: Company, PL; \*Note: Insurance includes both Life and General Insurance

**Exhibit 8: Robust earnings of the group with 22% share from non-banking cos**


Source: Company, PL

**Exhibit 9: Standalone return ratios to remain close to 14% over FY24/25E**

Du-Pont Analysis	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Interest Income</b>	4.0	3.9	4.0	4.1	4.1	4.7	4.8	4.8
Other income	1.7	1.6	1.6	1.3	1.6	1.6	1.8	1.8
<b>Total Income</b>	<b>5.7</b>	<b>5.5</b>	<b>5.6</b>	<b>5.5</b>	<b>5.7</b>	<b>6.3</b>	<b>6.6</b>	<b>6.6</b>
Operating Expense	2.7	2.6	2.6	2.3	2.7	3.1	3.3	3.4
<b>PPOP</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>	<b>3.2</b>	<b>3.0</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>
Provisions	0.4	0.3	0.7	0.7	0.2	0.1	0.3	0.3
Taxes	0.9	0.9	0.6	0.6	0.7	0.8	0.8	0.7
<b>ROA</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>
<b>ROE</b>	<b>12.5</b>	<b>12.1</b>	<b>12.9</b>	<b>12.4</b>	<b>12.6</b>	<b>14.0</b>	<b>13.6</b>	<b>13.8</b>

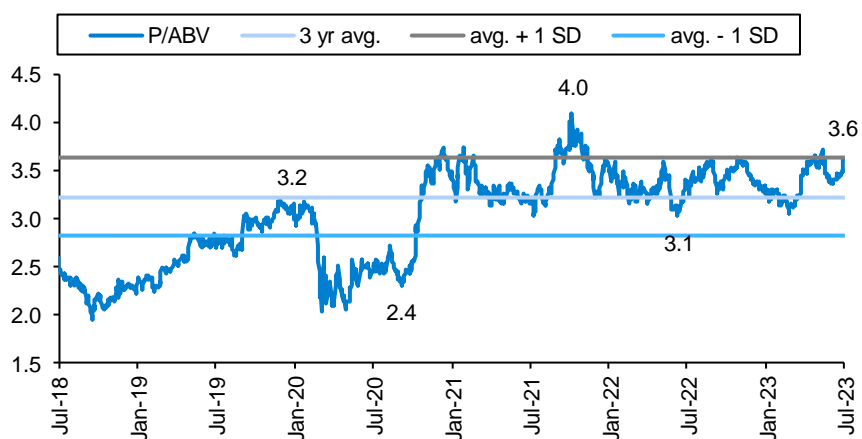
Source: Company, PL

**Exhibit 10: SOTP Valuation of Rs2,250, core bank valued at 3.5x on FY25E**

Particulars	Per Share (Rs)	% of total	Valuation	Basis
Lending biz valuation	1,842	80.3	3.5x	Mar-25 Book
Insurance	184	8.0	3.0x	EV on Mar-23
Kotak Prime	86	3.7	2.1x	Mar-23 Book
Kotak Securities	63	2.8	15.0x	Mar-23 Earnings
Asset Management	76	3.3	5.5	% of Mar FY23 AUMs
KMCC	11	0.5	15.0x	Mar-23 Earnings
International subsidiaries	9	0.4	1.0x	Mar-22 Book
Others	24	1.0	15x	Mar-22 Earnings
<b>Total Subsidiary Valuation</b>	<b>453</b>	<b>100</b>		
Hold Co Discount	45			
<b>Sep24 based TP</b>	<b>2,250</b>			

Source: Company, PL

**Exhibit 11: KMB Standalone – one year forward P/ABV trades at 3.6x**



Source: Company, PL



**Income Statement (Rs. m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
Int. Earned from Adv.	1,93,787	2,69,784	3,71,172	4,39,829
Int. Earned from invt.	66,893	64,587	87,672	99,404
Others	2,474	2,635	2,985	3,095
<b>Total Interest Income</b>	<b>2,70,388</b>	<b>3,42,509</b>	<b>4,65,672</b>	<b>5,46,938</b>
Interest Expenses	1,02,209	1,26,989	2,08,860	2,43,607
<b>Net Interest Income</b>	<b>1,68,179</b>	<b>2,15,519</b>	<b>2,56,812</b>	<b>3,03,331</b>
<i>Growth(%)</i>	9.6	28.1	19.2	18.1
Non Interest Income	59,859	70,831	97,895	1,15,067
<b>Net Total Income</b>	<b>2,28,038</b>	<b>2,86,350</b>	<b>3,54,707</b>	<b>4,18,398</b>
<i>Growth(%)</i>	3.7	25.2	36.3	17.5
Employee Expenses	46,134	55,478	74,216	87,757
Other Expenses	57,586	77,775	1,04,559	1,26,814
Operating Expenses	1,07,530	1,37,870	1,78,775	2,14,571
<b>Operating Profit</b>	<b>1,20,509</b>	<b>1,48,480</b>	<b>1,75,933</b>	<b>2,03,826</b>
<i>Growth(%)</i>	2.5	23.2	18.5	15.9
NPA Provision	11,120	5,077	10,062	14,219
Total Provisions	6,896	4,570	13,443	15,983
<b>PBT</b>	<b>1,13,613</b>	<b>1,43,910</b>	<b>1,62,489</b>	<b>1,87,844</b>
Tax Provision	27,886	34,517	40,489	46,961
<i>Effective tax rate (%)</i>	24.5	24.0	24.9	25.0
<b>PAT</b>	<b>85,727</b>	<b>1,09,393</b>	<b>1,22,001</b>	<b>1,40,883</b>
<i>Growth(%)</i>	23.1	27.6	11.5	15.5

**Balance Sheet (Rs. m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
Face value	5	5	5	5
No. of equity shares	2,047	2,107	1,987	1,987
Equity	10,236	10,536	9,936	9,936
Networth	7,19,878	8,30,202	9,52,588	10,80,816
<i>Growth(%)</i>	13.9	15.3	14.7	13.5
Adj. Networth to NNPA's	17,367	11,933	13,165	15,176
Deposits	31,16,841	36,30,961	43,76,208	52,86,816
<i>Growth(%)</i>	11.3	16.5	20.5	20.8
CASA Deposits	18,91,341	19,18,153	20,98,681	25,08,436
<i>% of total deposits</i>	60.7	52.8	48.0	47.4
<b>Total Liabilities</b>	<b>42,94,284</b>	<b>48,98,625</b>	<b>58,20,345</b>	<b>69,42,286</b>
Net Advances	27,12,536	31,98,612	38,07,301	45,30,688
<i>Growth(%)</i>	21.3	17.9	19.0	19.0
Investments	10,05,802	12,14,037	14,26,644	17,29,053
<b>Total Assets</b>	<b>42,94,284</b>	<b>48,98,625</b>	<b>58,20,345</b>	<b>69,42,286</b>
<i>Growth (%)</i>	12.0	14.1	18.8	19.3

**Asset Quality**

Y/e Mar	FY22	FY23	FY24E	FY25E
Gross NPAs (Rs m)	64,697	57,683	59,842	69,102
Net NPAs (Rs m)	17,367	11,933	13,165	15,176
<i>Gr. NPAs to Gross Adv.(%)</i>	2.3	1.8	1.6	1.5
<i>Net NPAs to Net Adv. (%)</i>	0.6	0.4	0.3	0.3
<i>NPA Coverage %</i>	73.2	79.3	78.0	78.0

**Profitability (%)**

Y/e Mar	FY22	FY23	FY24E	FY25E
NIM	4.3	4.9	4.9	4.9
RoAA	2.1	2.4	2.3	2.2
RoAE	12.6	14.0	13.6	13.8
Tier I	21.7	20.8	21.0	20.5
CRAR	22.7	21.8	21.1	20.6

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Interest Income	80,928	89,986	98,209	1,05,000
Interest Expenses	29,934	33,457	37,184	42,663
<b>Net Interest Income</b>	<b>50,994</b>	<b>56,529</b>	<b>61,026</b>	<b>62,337</b>
<i>YoY growth (%)</i>	26.8	30.4	35.0	32.7
CEB	17,600	18,470	19,280	18,270
Treasury	-	-	-	-
Non Interest Income	19,542	21,000	21,863	26,833
<b>Total Income</b>	<b>1,00,470</b>	<b>1,10,986</b>	<b>1,20,072</b>	<b>1,31,833</b>
Employee Expenses	14,147	14,778	14,545	16,470
Other expenses	20,714	24,253	21,870	23,204
Operating Expenses	34,861	39,031	36,415	39,674
<b>Operating Profit</b>	<b>35,675</b>	<b>38,498</b>	<b>46,474</b>	<b>49,496</b>
<i>YoY growth (%)</i>	14.3	42.5	39.1	77.8
Core Operating Profits	36,305	39,008	46,484	47,096
NPA Provision	1,810	1,864	1,820	3,650
Others Provisions	1,370	1,488	1,476	3,643
Total Provisions	1,370	1,488	1,476	3,643
<b>Profit Before Tax</b>	<b>34,305</b>	<b>37,010</b>	<b>44,998</b>	<b>45,853</b>
Tax	8,498	9,091	10,042	11,330
<b>PAT</b>	<b>25,807</b>	<b>27,919</b>	<b>34,956</b>	<b>34,523</b>
<i>YoY growth (%)</i>	27.0	31.0	26.3	66.7
<b>Deposits</b>	<b>32,52,032</b>	<b>34,46,660</b>	<b>36,30,961</b>	<b>38,62,540</b>
<i>YoY growth (%)</i>	11.5	12.9	16.5	22.0
<b>Advances</b>	<b>29,40,232</b>	<b>31,07,340</b>	<b>31,98,612</b>	<b>32,85,820</b>
<i>YoY growth (%)</i>	25.1	22.9	17.9	17.3

**Key Ratios**

Y/e Mar	FY22	FY23	FY24E	FY25E
CMP (Rs)	1,970	1,970	1,970	1,970
EPS (Rs)	41.9	51.9	61.4	70.9
Book Value (Rs)	352	394	479	544
Adj. BV (Rs)	343	388	473	536
P/E (x)	47.1	38.0	32.1	27.8
P/BV (x)	5.6	5.0	4.1	3.6
P/ABV (x)	5.7	5.1	4.2	3.7
DPS (Rs)	1.1	1.2	3.1	3.5
<i>Dividend Payout Ratio (%)</i>	2.6	2.4	5.0	5.0
<i>Dividend Yield (%)</i>	0.1	0.1	0.2	0.2

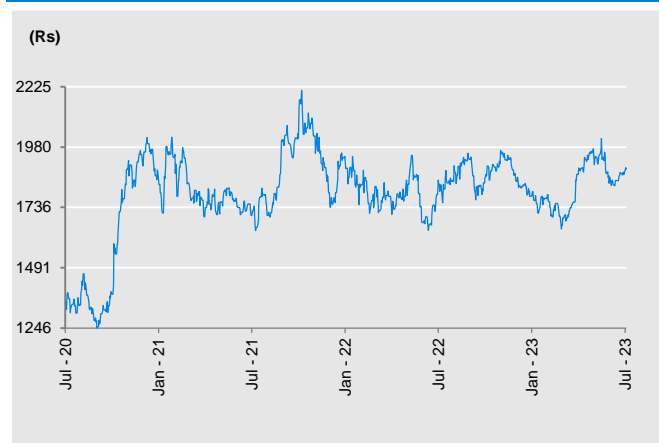
**Efficiency**

Y/e Mar	FY22	FY23	FY24E	FY25E
<i>Cost-Income Ratio (%)</i>	47.2	48.1	50.4	51.3
<i>C-D Ratio (%)</i>	87.0	88.1	87.0	85.7
Business per Emp. (Rs m)	109	124	144	168
Profit per Emp. (Rs lacs)	16	20	22	24
Business per Branch (Rs m)	3,429	3,837	4,240	4,697
Profit per Branch (Rs m)	50	61	63	67

**Du-Pont**

Y/e Mar	FY22	FY23	FY24E	FY25E
NII	4.14	4.69	4.79	4.75
Total Income	5.61	6.23	6.62	6.56
Operating Expenses	2.65	3.00	3.34	3.36
PPoP	2.96	3.23	3.28	3.19
Total provisions	0.17	0.10	0.25	0.25
RoAA	2.11	2.38	2.28	2.21
RoAE	12.76	15.00	13.54	13.73

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	2,220	1,877
2	01-May-23	BUY	2,220	1,938
3	11-Apr-23	BUY	2,100	1,757
4	22-Jan-23	BUY	2,100	1,763
5	05-Jan-23	Accumulate	2,100	1,820
6	23-Oct-22	Accumulate	2,100	1,903
7	05-Oct-22	Accumulate	1,950	1,823
8	24-Jul-22	Accumulate	1,950	1,827

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,560	1,538
2	Axis Bank	BUY	1,140	981
3	Bank of Baroda	BUY	235	205
4	Can Fin Homes	BUY	950	831
5	City Union Bank	Accumulate	160	131
6	DCB Bank	BUY	150	129
7	Federal Bank	BUY	175	127
8	HDFC	BUY	3,200	2,862
9	HDFC Asset Management Company	BUY	2,100	2,260
10	HDFC Bank	BUY	2,025	1,679
11	ICICI Bank	BUY	1,130	959
12	IDFC First Bank	UR	-	54
13	IndusInd Bank	BUY	1,530	1,390
14	Kotak Mahindra Bank	BUY	2,220	1,877
15	LIC Housing Finance	Hold	410	398
16	Punjab National Bank	UR	-	47
17	State Bank of India	BUY	770	593
18	UTI Asset Management Company	BUY	830	811

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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