

October 22, 2023

## Q2FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,250		2,250	
NII (Rs. m)	2,53,228	2,91,926	2,53,714	2,95,300
% Chng.	(0.2)	(1.1)		
Op. Profit (Rs. m)	1,89,008	2,09,117	1,78,011	1,99,971
% Chng.	6.2	4.6		
EPS (Rs.)	65.5	71.7	62.0	69.3
% Chng.	5.6	3.5		

### Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
NII (Rs m)	2,15,519	2,53,228	2,91,926	3,43,236
Op. Profit (Rs m)	1,48,480	1,89,008	2,09,117	2,44,382
PAT (Rs m)	1,09,393	1,30,191	1,42,594	1,66,353
EPS (Rs.)	51.9	65.5	71.7	83.7
Gr. (%)	24.0	26.2	9.5	16.7
DPS (Rs.)	1.2	3.3	3.6	4.2
Yield (%)	0.1	0.2	0.2	0.2
NIM (%)	4.9	4.9	4.8	4.8
RoAE (%)	14.0	14.5	13.9	14.2
RoAA (%)	2.4	2.4	2.3	2.2
P/BV (x)	4.5	3.7	3.2	2.8
P/ABV (x)	4.6	3.7	3.3	2.9
PE (x)	34.1	27.0	24.7	21.1
CAR (%)	21.8	21.3	20.7	20.0

### Key Data

KTKM.BO | KMB IN

52-W High / Low	Rs.2,064 / Rs.1,644
Sensex / Nifty	65,398 / 19,543
Market Cap	Rs.3,517bn/ \$ 42,313m
Shares Outstanding	1,987m
3M Avg. Daily Value	Rs.7285.49m

### Shareholding Pattern (%)

Promoter's	25.93
Foreign	40.97
Domestic Institution	20.04
Public & Others	13.06
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	(6.1)	(5.0)
Relative	1.0	(14.4)	(14.0)

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## Strong quarter; MD&CEO approved by RBI

### Quick Pointers:

- Core PAT beat of 13% led by higher NII, fees and lower opex.
- Incumbent CEO has a fintech and digital banking background.

**KMB saw a good quarter; core PPOp beat PLe by 12.5% owing to better NIM, fees and lower opex. Momentum continues in loan growth (+6.0% QoQ) that was broad based. Asset quality saw a minor blip as gross slippages were higher. SA was flat QoQ as focus is on scaling up 'AcitvMoney' and aim is to retain SA customers at rates lower to TD. Overhang relating to MD&CEO position goes away with Mr. Ashok Vaswani being approved by RBI. His nomination suggests bank's long term focus on digital retail banking. KMB is a solid banking franchise with strong balance sheet, prudent credit practices and attractive RoA profile of 2.2-2.3% (ICICIB 2.0%). However, over last 2-3 years, earnings quality of ICICIB has been superior with likely core RoE at 17% (KMB 14%). We trim multiple to 3.3x (3.5x earlier) but roll forward to Sep'25 core ABV, maintaining SOTP based TP at Rs2,250. Retain 'BUY'.**

- Core PPOp beat led by better NIM/lower opex; asset quality a slight miss:** NII was a tad higher at Rs63.0bn (PLe Rs61.1bn) due to better margins and loan growth. NIM was a beat yet again at 5.35% (PLe 5.18%), -15bps QoQ, due to higher yield on investments/cash. Credit growth was a beat at ~18.5% YoY (PLe 17.3%). Deposit accretion was in-line at 23.3% YoY. Other income was ahead at Rs23.15bn (PLe Rs22.75bn) due to fees and treasury. Opex was lower at Rs40.0bn (PLe Rs41.7bn) due to both, staff cost and other opex. PPOp was Rs46.1bn; core PPOp was 12.5% higher to PLe. Asset quality was a slight miss; while GNPA was in-line at 1.7%, gross slippages were higher at Rs13.14bn (PLe Rs10bn). Provisions were Rs3.67bn (PLe Rs3.4bn). PAT was Rs31.9bn while core PAT at Rs26.3bn was 13.2% ahead of PLe.
- Sequential credit growth was well spread:** Loan growth was 6.0% QoQ that was broad based led by corporate (+5.5%), consumer (10.7%), unsecured (9.8%), CV/CE (8.8%) and housing (4.2%). Wholesale growth was on account of strong demand from large corporate/SME while credit substitutes declined due to more focus on loans compared to bonds (with rates remaining elevated). We are factoring an overall loan CAGR of 18.4% over FY23-26E. Deposit growth was largely driven by TD (+5.3% QoQ); on a QoQ basis SA was flat while CASA fell by 75bps to 48.3%. Bank is focused on scaling up 'AcitvMoney' deposits which is cannibalizing SA. Aim is to retain SA at rates lower to TD via 'AcitvMoney' which grew by 28% QoQ led by shift from SA to 'AcitvMoney'.
- Benign credit costs to cushion NIM fall:** NIM declined by 15bps QoQ, due to faster rise in CoF and ICRR impact of 14-15bps. Bank suggested that majority of deposits are already reprised implying that CoF may rise at a slower pace in H2FY24; quarterly NIM may fall that would be offset by benign credit costs. We expect NIM for FY24E at 4.89% (vs 4.85% in FY23): Bank has received RBI approval to appoint Mr. Ashok Vaswani as MD&CEO. As Mr. Vaswani is set to join on 1st Jan' 24 and tenure of current MD & CEO ends on 1st Nov'23, bank would apply for extension of current MD from smooth transitioning.

**Exhibit 1: PAT beat at Rs39.9bn led by higher NIM and lower opex.**

*NII growth of 38.3% YoY driven by higher margins and advances growth.*

*Other income grew 18.4% YoY led fee income.*

*Opex was a miss at Rs40.1bn led by lower employee cost and other opex.*

*Deposits growth was strong at 23.3%YoY was driven by higher TD. While credit growth at 18.5% YoY was broad based across segments.*

*NIMs were beat at 5.1% led by higher yield on loans and investments.*

*Asset quality was in-line with GNPA/NNPA at 1.7%/0.4% even as slippages were higher.*

*Bank's CASA ratio fell sequentially at 46.5% due to strong TD growth.*

Standalone Financials (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)
Interest Income	111,928	80,928	38.3	105,000	6.6
Interest Expense	48,962	29,934	63.6	42,663	14.8
<b>Net interest income (NII)</b>	<b>62,966</b>	<b>50,994</b>	<b>23.5</b>	<b>62,337</b>	<b>1.0</b>
Other income	23,145	19,542	18.4	26,833	(13.7)
<b>Total income</b>	<b>86,112</b>	<b>70,536</b>	<b>22.1</b>	<b>89,170</b>	<b>(3.4)</b>
Operating expenses	40,011	34,861	14.8	39,674	0.8
-Staff expenses	16,346	14,147	15.5	16,470	(0.8)
-Other expenses	23,665	20,714	14.2	23,204	2.0
<b>Operating profit</b>	<b>46,101</b>	<b>35,675</b>	<b>29.2</b>	<b>49,496</b>	<b>(6.9)</b>
Total provisions	3,666	1,370	167.6	3,643	0.6
<b>Profit before tax</b>	<b>42,436</b>	<b>34,305</b>	<b>23.7</b>	<b>45,853</b>	<b>(7.5)</b>
Tax	10,526	8,498	23.9	11,330	(7.1)
<b>Profit after tax</b>	<b>31,910</b>	<b>25,807</b>	<b>23.6</b>	<b>34,523</b>	<b>(7.6)</b>
<b>Balance sheet (Rs mn)</b>					
Deposits	4,009,629	3,252,032	23.3	3,862,540	3.8
Advances	3,482,841	2,940,232	18.5	3,285,820	6.0
<b>Ratios (%)</b>			<b>Change (bps)</b>	<b>Change (bps)</b>	
<b>Profitability ratios</b>					
RoaA	2.6	2.4	19	2.9	(33)
RoaE - Calc	15.3	14.3	99	17.1	(181)
<b>NIM</b>	<b>5.1</b>	<b>5.2</b>	<b>(6)</b>	<b>5.6</b>	<b>(46)</b>
<b>Asset Quality ratios</b>					
Gross NPL	60,872	62,102	(2.0)	59,092	3.0
Net NPL	12,748	16,304	(21.8)	13,018	(2.1)
<b>Gross NPL ratio</b>	<b>1.7</b>	<b>2.1</b>	<b>(36)</b>	<b>1.8</b>	<b>(5)</b>
<b>Net NPL ratio</b>	<b>0.4</b>	<b>0.6</b>	<b>(19)</b>	<b>0.4</b>	<b>(3)</b>
Coverage ratio	79.1	73.7	531	78.0	109
<b>Business &amp; Other Ratios</b>					
Low-cost deposit mix	48.3	56.2	N.A.	49.0	(75)
Cost-income ratio	46.5	49.4	N.A.	44.5	197
Non int. inc / total income	26.9	27.7	(83)	30.1	N.A.
Credit deposit ratio	86.9	90.4	N.A.	85.1	179
CAR	22.9	22.6	30	22.0	90
Tier-I	21.9	21.5	40	20.9	100

Source: Company, PL

## Key Q2FY24 Conference Call highlights

### Assets/ Liabilities

- **Deposits grew 6.4% QoQ / 23% YoY** driven by TD, while SA has been subdued. Bank focused on scaling up 'AcitvMoney' deposits, although it has resulted in cannibalization of CASA, the aim is to retain SA at rates lower to TD via 'AcitvMoney' which grew by 28% QoQ. Growth was led by shift of deposits from SA to 'AcitvMoney'. CASA declined by 75bps QoQ to 48.3%.
- **Advances grew by 6%QoQ/21% YoY** led by broad base growth across segments like corporate, CV/CE, and unsecured loans, retail MFI, Agri and SME segment.

  - **Wholesale Book** grew by 17% YoY on account of stronger demand from large corporate and SME. Credit substitute's book witnessed a decline as there was higher focus on advances with better spreads compared to loan yielding bonds. With rates remaining elevated, focus on credit substitutes is likely to remain subdued. With new segment for mid-corporate the book grew by 10%QoQ while SME book growth moderated at 16% YoY led by competitive pressure. On liabilities side, balance has been strong driven by custody flows whereas non-custody flows witnessed decline in growth. Focus would be on increasing granular deposits and wallet share.
  - **Vehicle Finance: CV** – Industry volume de-grew 7% YoY, but bank's disbursements grew 30% YoY leading to market share gains. Freight demand and availability continues to be stable although expected to pick up in H2FY24. **CE** – Industry growth was 23% YoY due to infrastructure projects and road building. Thrust in infra project helped in the growth of industry, disbursements for CE increased 39% YoY. **Tractor** – Impact of monsoon affected the business resulting in decline to the tune of 6.6% YoY. **MFI** – strong growth momentum continues, resulting in disbursement growth of 65% YoY, bank expanded presence to 12 states in Q2FY24 with +800 BC branches. Management expects rural credit demand to remain stable.
  - **Agri business remained muted in Q2FY24** led by lower utilization due to high commodity prices and reduction in demand. However, bank continues to remain focused in this segment and is looking to add new customers across geographies.
  - **Consumer Banking:** Unsecured products showed healthy traction growing 44% YoY. **Mortgage** – witnessed a strong growth of 15% YoY with good traction in LAP which is strong suit for the bank. **Credit Card** grew by 59% YoY. Aim would be to grow market share steadily both in spends and Cards-in-force, tie up with co-brands and participation in online platform during festival sales. LOS platform witnessed good traction in Q2FY24.
  - **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.

## Margins/Other Inc./Opex

- **NIM** – stood at 5.2% for Q2FY24 vs 5.6% in Q1FY24 led faster growth in CoF. There were one-offs to the tune of ~14-15bps on account of impact of CRR, liquidity buffers which bank provided for in Q2FY24 and short term inflows which had to be invested in short term assets. Management guided majority of reprising on cost of deposits has already taken place.
- Growth to NIM tradeoff would be better than growth to credit cost tradeoff in H2FY24, as the trade cycle is playing well in the industry and growth opportunities for the bank remained strong.
- **Opex** – increased marginally by 1% QoQ led by decline in employee expenses by 0.8%. Other expenses included businesses related expenses towards promotion and marketing. With increasing digital initiatives, processes would get optimized and result in reduction of C/I ratios.
- **Other income declined by 13.7% QoQ** majorly led by decrease in dividend from subsidiaries and decline in treasury profits.
- **Digital Initiatives:** Focus is on strengthening backend platforms in all the segments which is done in-house rather than outsourcing to have more control on execution. In PL and CC segment, significant portion of sourcing is done through digital channels.
- **Bank has received approval for new MD & CEO Mr. Ashok Vaswani.** Tenure of current MD & CEO ends on 1<sup>st</sup> November 2023, bank would apply for extension of tenure from smooth transitioning of leadership. Mr. Vaswani is expected to join on 1<sup>st</sup> January 2024,

## Asset Quality

- During Q1FY24, slippages stood at Rs13.14bn or 0.4% of advances, of which Rs3bn have been upgraded during Q2FY24. Provisioning coverage ratio stood at 79%. Fund based restructured advances under Covid and MSME resolution framework were Rs5.8426 (0.15% of advances). SMA2 as of 30<sup>th</sup> Sep'23 stood at Rs1.5bn.
- Credit cost for Q2FY24 remained stable to 47bps from 48bps in Q1FY24. 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 securities, investments, Life witnessed increase in profit sequentially while Kotak Prime saw decline in profit. Non-banking entities contributed 28% to the consolidated profits in FY23. Kotak BSS microfinance witness profit growth of 13.6% YoY and has also acquired sonata finance.
- **AMC** – AAUM grew by 18%YoY and stood at Rs3.36trn, Active Equity AAUM grew by 24% YoY to Rs1.88trn, SIP inflows grew 22% YoY to Rs10.2bn, Retail AUM stood at 57% of total AUM, Kotak Multi-Asset allocation fund NFO launched in the quarter collected Rs36.2bn. **Prime** – Profits declined 4.5 YoY as Q2FY23 had acquisition of large corporate portfolio. Vehicle finance business would be the focus with festive season in H2FY24. **Life** – Profits increased to Rs2.47bn in Q2FY24 vs Rs1.93bn in Q1FY24.

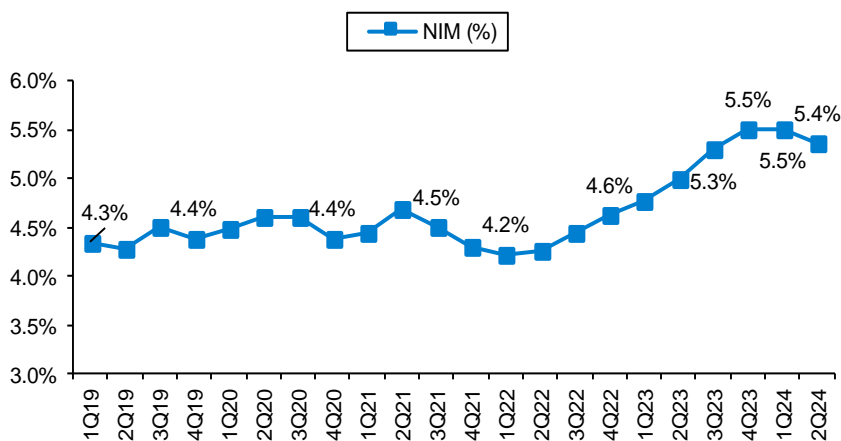
**Exhibit 2: Unsecured loans drive in retail growth; corporate witness uptick**

Loan Book (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)
Corp Banking	818,440	655,240	24.9	775,690	5.5
SME	245,690	223,100	10.1	233,120	5.4
Home loans	991,000	858,430	15.4	951,470	4.2
CV/CE	310,460	246,040	26.2	285,260	8.8
Cons Bank WC (secured)	330,950	281,810	17.4	299,060	10.7
PL, BL, Cons Durables	178,620	131,970	35.3	166,920	7.0
Credit Cards	125,970	79,030	59.4	113,600	10.9
Agri	270,310	250,020	8.1	265,130	2.0
Tractor Finance	143,760	120,150	19.7	139,160	3.3
Retail Micro Finance	79,870	44,440	79.7	69,630	14.7
Others	75,050	50,000	50.1	71,270	5.3
<b>Total</b>	<b>3,570,120</b>	<b>2,940,230</b>	<b>21.4</b>	<b>3,370,310</b>	<b>5.9</b>

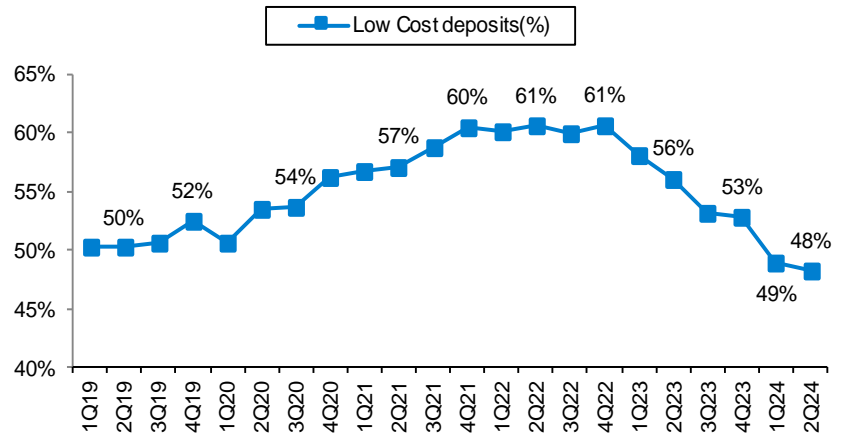
Loan Book mix (%)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)
Corp Banking	22.9	22.3	2.9	23.0	(0.4)
SME	6.9	7.6	(9.3)	6.9	(0.5)
Home loans	27.8	29.2	(4.9)	28.2	(1.7)
CV/CE	8.7	8.4	3.9	8.5	2.7
Cons Bank WC (secured)	9.3	9.6	(3.3)	8.9	4.5
PL, BL, Cons Durables	5.0	4.5	11.5	5.0	1.0
Credit Cards	3.5	2.7	31.3	3.4	4.7
Agri	7.6	8.5	(11.0)	7.9	(3.8)
Tractor Finance	4.0	4.1	(1.5)	4.1	(2.5)
Others	2.1	1.7	23.6	2.1	(0.6)

Source: Company, PL

**Exhibit 3: NIMs decline to 5.4% as CoF grew faster than yields**


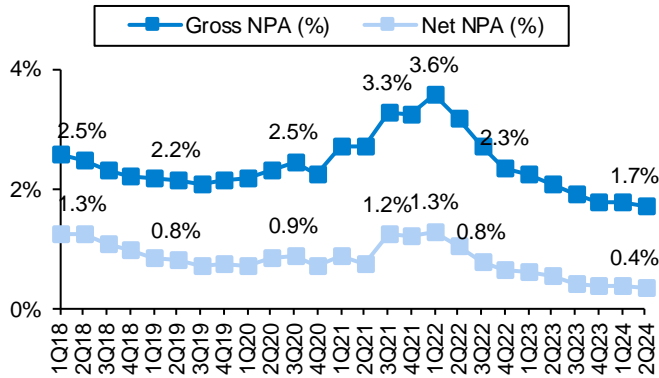
Source: Company, PL

**Exhibit 4: CASA ratio fell to 48% owing to higher TD growth**



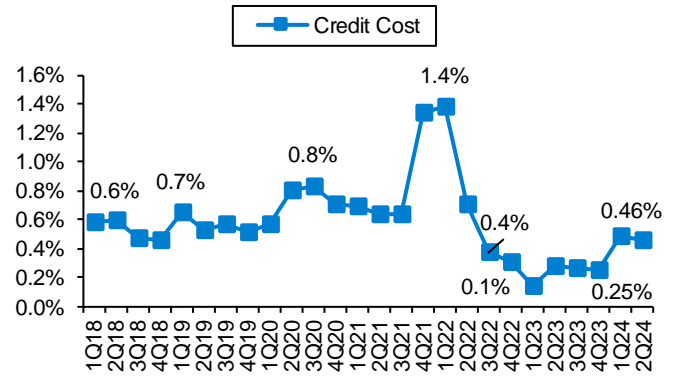
Source: Company, PL

**Exhibit 5: Asset quality largely stable with GNPA at 1.7%**



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

**Exhibit 6: Credit cost declines by 2bps QoQ at 0.46%**

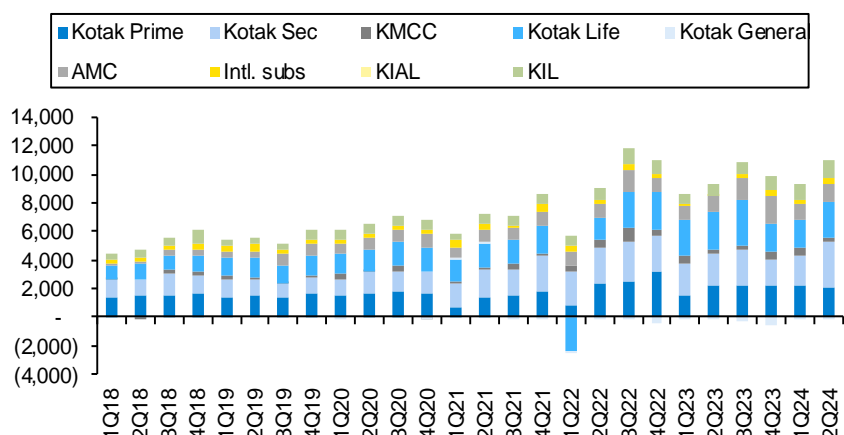


Source: Company, PL

**Exhibit 7: Consolidated earnings performance increased QoQ to Rs446.1bn**

Consolidated Financials (Rs mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)
Standalone Bank	31,910	25,807	23.6	34,523	(7.6)
Kotak Prime	2,080	2,220	(6.3)	2,180	(4.6)
KMCC	270	220	22.7	550	(50.9)
Kotak Securities	3,240	2,240	44.6	2,190	47.9
International Subs	410	50	N.A.	320	28.1
Kotak AMC	1,240	1,060	17.0	1,060	17.0
Kotak Mah. Investments	1,260	780	61.5	1,020	23.5
<b>Lending business</b>	<b>33,990</b>	<b>28,027</b>	<b>21.3</b>	<b>36,703</b>	<b>(7.4)</b>
Flow business	6,420	4,350	47.6	5,140	24.9
<b>Consol PAT (ex - insurance)</b>	<b>42,210</b>	<b>33,480</b>	<b>26.1</b>	<b>39,630</b>	<b>6.5</b>
Insurance*	2,400	2,530	(5.1)	1,880	27.7
<b>Consolidated PAT</b>	<b>44,610</b>	<b>36,010</b>	<b>23.9</b>	<b>41,510</b>	<b>7.5</b>

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

**Exhibit 8: Robust earnings of the group with 25% 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>	<b>4.0</b>	<b>3.9</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.7</b>	<b>4.7</b>	<b>4.6</b>
Other income	1.7	1.6	1.6	1.3	1.5	1.5	1.9	1.8
<b>Total Income</b>	<b>5.7</b>	<b>5.5</b>	<b>5.6</b>	<b>5.5</b>	<b>5.6</b>	<b>6.2</b>	<b>6.6</b>	<b>6.4</b>
Operating Expense	2.7	2.6	2.6	2.3	2.6	3.0	3.1	3.1
<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>3.5</b>	<b>3.3</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	0.8
<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>2.4</b>	<b>2.3</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>14.5</b>	<b>13.9</b>

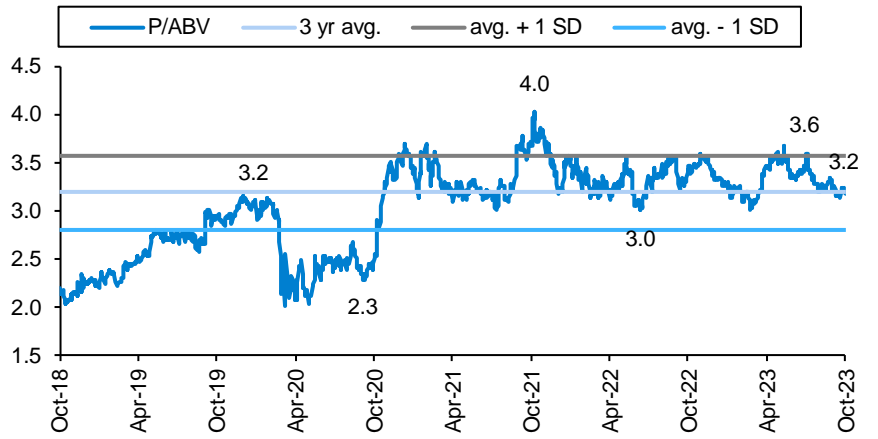
Source: Company, PL

**Exhibit 10: SOTP Valuation of Rs2,250, core bank valued at 3.3x on FY25E**

Particulars	Per Share (Rs)	% of total	Valuation	Basis
Lending biz valuation	1,848	80.6	3.3x	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	69	3.0	5.0x	% 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>446</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 3.2x



Source: Company, PL



**Income Statement (Rs. m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
Int. Earned from Adv.	2,69,784	3,55,422	4,23,648	4,94,981
Int. Earned from invt.	64,587	89,044	95,687	1,08,916
Others	2,635	3,231	3,056	3,304
<b>Total Interest Income</b>	<b>3,42,509</b>	<b>4,53,317</b>	<b>5,26,957</b>	<b>6,12,361</b>
Interest Expenses	1,26,989	2,00,090	2,35,031	2,69,126
<b>Net Interest Income</b>	<b>2,15,519</b>	<b>2,53,228</b>	<b>2,91,926</b>	<b>3,43,236</b>
<i>Growth(%)</i>	28.1	17.5	15.3	17.6
Non Interest Income	70,831	1,01,588	1,14,105	1,31,700
<b>Net Total Income</b>	<b>2,86,350</b>	<b>3,54,815</b>	<b>4,06,031</b>	<b>4,74,936</b>
<i>Growth(%)</i>	25.2	34.2	15.5	16.1
Employee Expenses	55,478	68,001	80,409	93,200
Other Expenses	77,775	97,806	1,16,506	1,37,354
Operating Expenses	1,37,870	1,65,807	1,96,914	2,30,554
<b>Operating Profit</b>	<b>1,48,480</b>	<b>1,89,008</b>	<b>2,09,117</b>	<b>2,44,382</b>
<i>Growth(%)</i>	23.2	27.3	10.6	16.9
NPA Provision	5,077	13,982	17,237	20,508
Total Provisions	4,570	15,709	18,991	22,578
<b>PBT</b>	<b>1,43,910</b>	<b>1,73,299</b>	<b>1,90,126</b>	<b>2,21,804</b>
Tax Provision	34,517	43,108	47,531	55,451
<i>Effective tax rate (%)</i>	24.0	24.9	25.0	25.0
<b>PAT</b>	<b>1,09,393</b>	<b>1,30,191</b>	<b>1,42,594</b>	<b>1,66,353</b>
<i>Growth(%)</i>	27.6	19.0	9.5	16.7

**Balance Sheet (Rs. m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
Face value	5	5	5	5
No. of equity shares	2,107	1,988	1,988	1,988
Equity	10,536	9,938	9,938	9,938
Networth	8,30,202	9,58,322	10,90,224	12,48,259
<i>Growth(%)</i>	15.3	15.4	13.8	14.5
Adj. Networth to NNPA's	11,933	14,217	15,913	18,735
Deposits	36,30,961	43,76,504	51,44,984	60,84,618
<i>Growth(%)</i>	16.5	20.5	17.6	18.3
CASA Deposits	19,18,153	20,49,151	23,66,144	28,14,919
<i>% of total deposits</i>	52.8	46.8	46.0	46.3
<b>Total Liabilities</b>	<b>48,98,625</b>	<b>58,17,071</b>	<b>68,21,591</b>	<b>80,25,439</b>
Net Advances	31,98,612	38,10,576	44,96,252	53,05,350
<i>Growth(%)</i>	17.9	19.1	18.0	18.0
Investments	12,14,037	14,01,591	16,36,105	19,34,908
<b>Total Assets</b>	<b>48,98,625</b>	<b>58,20,539</b>	<b>68,21,591</b>	<b>80,25,439</b>
<i>Growth (%)</i>	14.1	18.8	17.2	17.6

**Asset Quality**

Y/e Mar	FY23	FY24E	FY25E	FY26E
Gross NPAs (Rs m)	57,683	64,622	72,388	85,084
Net NPAs (Rs m)	11,933	14,217	15,913	18,735
<i>Gr. NPAs to Gross Adv.(%)</i>	1.8	1.7	1.6	1.6
<i>Net NPAs to Net Adv. (%)</i>	0.4	0.4	0.4	0.4
<i>NPA Coverage %</i>	79.3	78.0	78.0	78.0

**Profitability (%)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
NIM	4.9	4.9	4.8	4.8
RoAA	2.4	2.4	2.3	2.2
RoAE	14.0	14.5	13.9	14.2
Tier I	20.8	21.1	20.6	19.9
CRAR	21.8	21.3	20.7	20.0

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Interest Income	89,986	98,209	1,05,000	1,11,928
Interest Expenses	33,457	37,184	42,663	48,962
<b>Net Interest Income</b>	<b>56,529</b>	<b>61,026</b>	<b>62,337</b>	<b>62,966</b>
<i>YoY growth (%)</i>	30.4	35.0	32.7	23.5
CEB	18,470	19,280	18,270	20,260
Treasury	-	-	-	-
Non Interest Income	21,000	21,863	26,833	23,145
<b>Total Income</b>	<b>1,10,986</b>	<b>1,20,072</b>	<b>1,31,833</b>	<b>1,35,074</b>
Employee Expenses	14,778	14,545	16,470	16,346
Other expenses	24,253	21,870	23,204	23,665
Operating Expenses	39,031	36,415	39,674	40,011
<b>Operating Profit</b>	<b>38,498</b>	<b>46,474</b>	<b>49,496</b>	<b>46,101</b>
<i>YoY growth (%)</i>	42.5	39.1	77.8	29.2
Core Operating Profits	39,008	46,484	47,096	44,601
NPA Provision	1,864	1,820	3,650	3,660
Others Provisions	1,488	1,476	3,643	3,666
Total Provisions	1,488	1,476	3,643	3,666
<b>Profit Before Tax</b>	<b>37,010</b>	<b>44,998</b>	<b>45,853</b>	<b>42,436</b>
Tax	9,091	10,042	11,330	10,526
<b>PAT</b>	<b>27,919</b>	<b>34,956</b>	<b>34,523</b>	<b>31,910</b>
<i>YoY growth (%)</i>	31.0	26.3	66.7	23.6
<b>Deposits</b>	<b>34,46,660</b>	<b>36,30,961</b>	<b>38,62,540</b>	<b>40,09,629</b>
<i>YoY growth (%)</i>	12.9	16.5	22.0	23.3
<b>Advances</b>	<b>31,07,340</b>	<b>31,98,612</b>	<b>32,85,820</b>	<b>34,82,841</b>
<i>YoY growth (%)</i>	22.9	17.9	17.3	18.5

**Key Ratios**

Y/e Mar	FY23	FY24E	FY25E	FY26E
CMP (Rs)	1,770	1,770	1,770	1,770
EPS (Rs)	51.9	65.5	71.7	83.7
Book Value (Rs)	394	482	549	628
Adj. BV (Rs)	388	475	541	619
P/E (x)	34.1	27.0	24.7	21.1
P/BV (x)	4.5	3.7	3.2	2.8
P/ABV (x)	4.6	3.7	3.3	2.9
DPS (Rs)	1.2	3.3	3.6	4.2
<i>Dividend Payout Ratio (%)</i>	2.4	5.0	5.0	5.0
<i>Dividend Yield (%)</i>	0.1	0.2	0.2	0.2

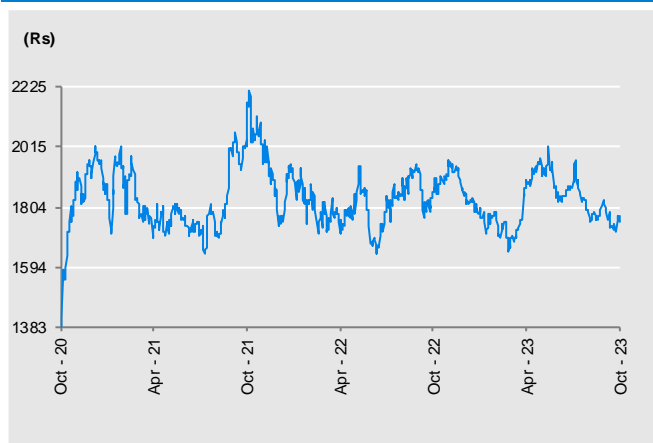
**Efficiency**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<i>Cost-Income Ratio (%)</i>	48.1	46.7	48.5	48.5
<i>C-D Ratio (%)</i>	88.1	87.1	87.4	87.2
Business per Emp. (Rs m)	124	144	165	191
Profit per Emp. (Rs lacs)	20	23	24	28
Business per Branch (Rs m)	3,837	4,242	4,613	5,085
Profit per Branch (Rs m)	61	67	68	74

**Du-Pont**

Y/e Mar	FY23	FY24E	FY25E	FY26E
NII	4.69	4.72	4.62	4.62
Total Income	6.23	6.62	6.42	6.40
Operating Expenses	3.00	3.09	3.12	3.11
PPoP	3.23	3.53	3.31	3.29
Total provisions	0.10	0.29	0.30	0.30
RoAA	2.38	2.43	2.26	2.24
RoAE	14.60	13.50	13.31	13.70

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	2,250	1,744
2	24-Jul-23	BUY	2,250	1,970
3	06-Jul-23	BUY	2,220	1,877
4	01-May-23	BUY	2,220	1,938
5	11-Apr-23	BUY	2,100	1,757
6	22-Jan-23	BUY	2,100	1,763
7	05-Jan-23	Accumulate	2,100	1,820
8	23-Oct-22	Accumulate	2,100	1,903

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,560	1,726
2	Axis Bank	BUY	1,170	1,001
3	Bank of Baroda	BUY	235	215
4	Can Fin Homes	BUY	900	763
5	City Union Bank	Accumulate	160	129
6	DCB Bank	BUY	150	123
7	Federal Bank	BUY	180	149
8	HDFC Asset Management Company	BUY	3,000	2,757
9	HDFC Bank	BUY	2,025	1,530
10	ICICI Bank	BUY	1,180	945
11	IndusInd Bank	BUY	1,620	1,420
12	Kotak Mahindra Bank	BUY	2,250	1,744
13	LIC Housing Finance	Hold	430	468
14	State Bank of India	BUY	770	594
15	UTI Asset Management Company	BUY	900	787

**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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