

23 October 2023

India | Equity Research | Q2FY24 result review

Kotak Mahindra Bank

Banking

Appointment of external MD & CEO could mean transition may be a long-drawn process

Kotak Mahindra Bank (KMB) has reported a mixed set of Q2FY24 result with strong growth, but steep decline in NIM. More importantly, RBI has approved the candidature of Mr Ashok Vaswani (ex-Barclays / Citigroup) as MD & CEO of the bank for three years. Appointment of Mr Vaswani brings clarity on management succession. However, appointment of an external candidate appears to be in contrast to street expectations. This may also mean management transition and cultural acclimatisation could be a long-drawn process, in our view. While the current valuations are in-expensive in comparison to historical mean, the stock is likely to remain sideways till investors get comfortable with the new MD & CEO's broad vision and strategy. Maintain **HOLD** with revised TP of INR 1,800 (vs INR 1,850 earlier).

Mr Ashok Vaswani (ex-Barclays / Citigroup) appointed as MD & CEO; seamless transition is crucial

RBI has approved Mr Ashok Vaswani as MD & CEO of the bank for three years. Mr Vaswani is the president of Pagaya Technologies Ltd – a US-Israeli AI fintech. Earlier, he was the Chief Executive Officer of Barclays Bank, UK and subsequently the CEO of their global consumer, private, corporate and payment businesses. Appointment of Mr Vaswani brings the clarity on management succession. However, appointment of an external candidate may mean management transition and cultural assimilation could be a long-drawn process.

Q2FY24 – a mixed bag with strong growth, but NIM declines

Despite a sharp decline in NIM (down 35bps QoQ), KMB has reported healthy Q2FY24 PAT at INR 31.91bn (5% beat), driven by strong loan growth (up 6% QoQ) and contained opex (up 1% QoQ). Share of unsecured loans continues to rise and stood at 11.0% vs 8.7% YoY. Home loan growth has cooled-off from 40-45% YoY earlier to 15.4% YoY. Corporate growth has improved sharply though including substitutes, growth is stable at 10% YoY. Cost of deposits increased by ~20bps while yields were stable QoQ. NIM, however, declined sharply by 35bps QoQ to 5.22% leading to just 1% QoQ rise in NII. Headline GNPA / NNPA was stable QoQ. We are building-in ~18% CAGR in loan growth for FY24-26E. Due to likely pressure on NIM and credit costs, we estimate FY25E RoA settling at ~1.9%.

Financial Summary

Y/E March	FY23A	FY24E	FY25E	FY26E
NII (INR bn)	215.5	251.7	281.4	322.9
Op. profit (INR bn)	148.5	181.1	190.5	214.5
Net Profit (INR bn)	109.4	120.7	120.5	135.7
EPS (INR)	55.1	60.8	60.7	68.3
EPS % change YoY	28.1	10.3	(0.2)	12.6
ABV (INR)	413.4	471.7	528.7	593.2
P/BV (x)	4.2	3.7	3.3	2.9
P/ABV (x)	3.3	2.7	2.4	2.0
Return on Assets (%)	2.4	2.3	1.9	1.9
Return on Equity (%)	14.1	13.6	12.0	12.0

Jai Prakash Mundhra

jai.mundhra@icicisecurities.com
+91 22 6807 7572

Chintan Shah

chintan.shah@icicisecurities.com

Renish Bhuva

renish.bhuva@icicisecurities.com

Vaibhav Arora

vaibhav.arora@icicisecurities.com

Market Data

Market Cap (INR)	3,517bn
Market Cap (USD)	42,325mn
Bloomberg Code	KMB IN
Reuters Code	KTKM.BO
52-week Range (INR)	2,064 / 1,644
Free Float (%)	74.0
ADTV-3M (mn) (USD)	87.6

Price Performance (%)	3m	6m	12m
Absolute	(9.5)	(6.0)	(5.0)
Relative to Sensex	(6.6)	(16.8)	(16.9)

ESG Disclosure	2021	2022	Change
ESG score	33.8	36.4	2.5
Environment	3.5	3.5	-
Social	14.3	21.8	7.5
Governance	83.6	83.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
PAT	5	5

Previous Reports

04-09-2023: [Company update](#)

24-07-2023: [Q1FY24 results review](#)

Maintain HOLD with target price revised to INR 1,800

The bank has shown uncharacteristically growth aggression and has been delivering strong RoAs, while valuation premium vs peers has come down significantly. While the valuations are in-expensive as compared to historical mean, the stock is likely to remain sideways till investors get comfortable with the new MD & CEO's broad vision and strategy. Maintain HOLD with target price revised to INR 1,800 (vs INR 1,850 earlier) valuing the stock at ~2.4x (2.5x earlier) FY25E core banking book and INR 554 per share of subs value. Key upside is better than expected growth / NIM and downside risk is hiccups, if any, in management transition.

Exhibit 1: Q2FY24 result review

	Q2FY23	Q2FY24	YoY (%)	Q1FY24	QoQ (%)
Financial Highlights (INR mn)					
Interest Earned	80,928	1,11,928	38.3	1,05,000	6.6
Interest Expended	29,934	48,962	63.6	42,663	14.8
Net Interest Income	50,994	62,966	23.5	62,337	1.0
Other Income	18,324	23,145	26.3	26,833	-13.7
Total Income	99,252	1,35,074	36.1	1,31,833	2.5
Total Net Income	69,318	86,112	24.2	89,170	-3.4
Staff Expenses	14,147	16,346	15.5	16,470	-0.8
Other operating expenses	19,496	23,665	21.4	23,204	2.0
Operating Profit	35,675	46,101	29.2	49,496	-6.9
Provision & Contingencies	1,370	3,666	167.6	3,643	0.6
Provision for tax	8,498	10,526	23.9	11,330	-7.1
Net Profit	25,807	31,910	23.6	34,523	-7.6
Other Highlights (INR bn)					
Advances	2,940.2	3,483	18.5	3,286	6.0
Deposits	3,252.0	4,010	23.3	3,863	3.8
Gross NPA	62.1	60.9	-2.0	59.1	3.0
Gross NPA (%)	2.1	1.72	-36 bps	1.77	-5 bps
Net NPA	16.3	12.7	-21.8	13.0	-2.1
Net NPA (%)	0.6	0.37	-18 bps	0.40	-3 bps
Provision Coverage (%)	73.7	79.1	531 bps	78.0	109 bps

Source: Company data, I-Sec research

Q2FY24 Other highlights and earnings call takeaways

Announcement of new MD & CEO - Mr. Ashok Vaswani

- RBI has approved the candidature of Mr. Ashok Vaswani as the MD & CEO of the bank.
- **He is a veteran banker and has a proven track record initially at Citi and more recently at Barclays.** Recent stint as CEO of Barclays UK and Global and Consumer Digital Head. **He has experience of building consumer and corporate book across geographies.**
- **RBI has approved his joining on or before Jan 1, '24.**

Opening remarks

- **KMB would be in favour of growth to NIM trade and does not see scenario of growth impacting credit costs at this point of time.**
- SA mobilisation, especially higher balance SA remains a challenge. Except government business, SA mobilisation would be a challenge.
- No major changes are needed for unsecured portfolio as the underlying risk metrics are under control.
- **Consolidated PAT came in at INR 44.6bn, up 24% YoY. KMB contributed 72% of total consolidated PAT for the quarter.**

Margin

- Yield was stable QoQ. Yield on advances is unlikely to rise ~58-59% of loans are linked to policy rates.
- Cost of deposits increased ~20bps QoQ. However, NIM decline was much steeper at 35bps QoQ (up 7 bps YoY) to 5.22%. **As per the bank, NIM should have ideally declined by ~20bps. The additional 13-15bps dip appears due to certain one-off and is less likely to repeat.**
- NIM decline included some one-offs to the tune of 13-15bps. Reasons are as under:
 - ICRR impact
 - Excess liquidity buffer which resulted in higher LCR QoQ
 - Short-term inflows that had to be invested in short-term investments
- Average tenure of liabilities at KMB is 10-11 months and even interest rate cycle is now 8-9 months. Hence, KMB does not expect much pressure of deposit repricing going ahead. Steep decline in margin, similar to Q3FY24 is highly unlikely going ahead.

Wholesale business

- **Corporate book saw strong growth of 17.3% YoY and 5.5% QoQ. However, cumulatively corporate + credit substitutes growth came in at ~10.0% YoY (which seems to be quite normalised) and ~3.0% QoQ.**
- **On combining advances and credit substitutes, there is no dramatic change in corporate loan growth. Credit substitute book saw reduction as KMB focused more on high-yielding loans vs low-yielding bonds.**
- On conglomerate side, KMB saw a shift from bonds to advances.

Commercial banking

- CV - disbursement volume grew 30% YoY and outpaced industry, thereby, gaining market share.
- CE – industry saw strong 23% YoY growth. Banks' disbursements were up 39% YoY. Macro environment and thrust in infra aided CE growth.
- Micro-credit business continued its momentum.
- Foresees healthy credit demand in rural economy.
- **Sonata Finance is UP-based MFI with presence in 10 states, 540 branches and 1mn customers.**
- **Sonata Finance would most likely be added to loan book by year-end.**

Consumer banking

- Unsecured portfolio is adequately priced for risk which now constitutes 11.0% of the loan book vs 8.7% a year ago.
- **Pace of growth in home loans has moderated significantly to 15.4% in Q2FY24 and 17.5% in Q1FY24 vs an average of 34% for the 4 quarters of FY23.** KMB highlighted home loans are working well on demand and disbursements. However, part repayments and foreclosure may lead to slower growth. *There are no issues with respect to risk in home loans.*
- Continues to invest in cards franchise.
- 92% of credit cards come from existing customers.
- Risk metrics on cards business is under control.
- Investments in technology have helped improved productivity.

Deposits

- Deposits growth was reasonable at 3.8% QoQ (and strong at 23% YoY). Within this, CASA grew 2.2% QoQ (up 6% YoY) while TD grew 5% QoQ (and ~46% YoY).
- SA continues to be a challenge, especially higher ticket sized ones.
- Average LCR stands at 127% at group level and 120% for bank.
- Cost of fixed rate SA has reduced 3bps QoQ to 3.6% while cost of total SA is 4.05%.

Asset quality

- Slippages rose QoQ to INR 13.1bn vs INR 12.0bn QoQ and INR 9.8bn YoY. This translated into annualised slippage run-rate of ~150bps, flat QoQ but up from ~130bps a year ago.
- KMB has also highlighted that of the total slippages, INR 3bn of slippages were upgraded in Q2FY24 itself.
- GNPA was up 3% QoQ, while NNPA was lower 2% QoQ; PCR also inched up during the quarter on YoY as well as QoQ basis.
- Delinquencies in secured as well as unsecured remain stable in business banking.
- The bank has consumed INR 160mn of covid provisions; o/s now at INR 3.21bn (9bps of loans).
- Excluding covid-19 buffer utilisation, credit cost was 47bps.
- SMA 2 remains miniscule at 4bps.

Q1FY24 earnings call takeaways

Mr. Uday Kotak's remarks and commentary

- There is positive alignment of stars for India - Strong geopolitics, Strong macro
- India is in a benign and positive macro situation on many fronts
- Great time for building and nurturing business in India from a medium term perspective
- Continue to be very optimistic about India's future
- See multi decade opportunity for growth in India
- Kotak would Dare to be different, Dare to be bold
- Kotak continues to strive and grow and feeling pretty confident about how things are shaping

Deposits

- Deposits have really picked up driven by a product which is bold and disruptive i.e. ActivMoney
- See ActivMoney as a sustained program for building customer franchise as well
- Believe that there is a huge opportunity between CASA and traditional TD

Advances

- Maintaining a loan growth target which is 1.5-2x of nominal GDP growth rate

SME and wholesale

- Seeing good growth in NBFC segment
- **Demand for new working capital loans has shown healthy growth, but improvement in utilisation of existing limits has been slow**
- SME growth was lower than expected due to lower utilisation of limits
- Volume growth has been reasonable, but see spreads compression due to competition in wholesale
- Continue to focus on fee income in SME and corporate portfolio

Digital

- Tech strategy is aligned with what customers want from the bank
- It will continue to invest in technology

CV/CE/Tractor

- CV volume (at industry level) were lower 3% YoY
- CE continues to be stable in CV portfolio
- CE volume (at industry level) up 17% YoY. Bank's disbursements were in-line with market growth
- Disbursements were up in tractor (old as well as used)

Microfinance

- Microfinance disbursements up 69% YoY
- 719 BC branches
- 1.6mn women borrowers
- Asset quality continues to be strong

Consumer banking

- Gone live with co-brand credit card with Myntra
- Also went live with UPI on credit card
- Story on digital acquisition continues

Asset quality

- Gross slippages increased QoQ. Credit costs came at 54bps for the Q1. The bank mentioned that the Credit cost environment has become more or less normalised.
- **Don't see any issue or stress in unsecured segment**

Profit and Loss

- Favourable interest rate environment has also aided MTM gains on investment portfolio
- Cost to assets would continue to be elevated for sometime
- **Other income includes Rs3 bn of dividend income.**
- Sharp rise in staff costs at 40% YoY and 13% QoQ. The bank mentioned that the retiral costs for Q1FY23 and Q4FY23 increase in interest rates and change in pension annuity rates respectively. However, Q1FY24 saw higher retiral costs. Staff costs ex of retirals were ~20% YoY.
- Other opex was higher at 6% QoQ on higher promotional spends.

Miscellaneous

- Attrition - At senior management level, it is less than 10%. At middle management, it is less than 20% and only at junior management, it was elevated.
- **On track for our leadership transition and will share details at an appropriate time**
- Always open for inorganic opportunities

Subsidiaries

Kotak Prime

- Car industry - Wholesale industry is up 9% YoY while retail industry is down 10% YoY
- Entry level car is still a problem on the demand side
- SUV/Luxury segment is seeing reasonably good demand wherein waiting periods are rising for these segments

Kotak Life

- Premium growth has been relatively slow as compared to peers
- It plans to catch up in Q2

Kotak Securities

- Cash market volumes this quarter have been pretty subdued while some improvement seen in June and July
- Derivative market volumes have almost more than doubled YoY and up 15-20% QoQ
- On digital side, there are a lot of developments

Kotak AMC

- Total AUM at Rs3.12trn
- Total Equity AUM at Rs1.67trn
- Retail AUM stands at 55% of total AUM
- PAT was flat YoY at Rs1.06bn as economies of scale was shared with unitholders
- Kotak MidCap fund has crossed USD2.5bn, making one of the largest India dedicated fund
- Manages largest India dedicated offshore fund

Exhibit 2: Loan mix

INR Mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	% YoY	% QoQ	% Mix
Corporate Banking	9,07,060	9,55,610	9,45,580	10,08,810	10,64,130	17.3	5.5	28.0
Corporate Banking	6,95,310	7,24,070	7,24,050	7,75,690	8,18,440	17.7	5.5	21.5
SME	2,11,750	2,31,540	2,21,530	2,33,120	2,45,690	16.0	5.4	6.5
CV/CE	2,46,040	2,58,140	2,77,860	2,85,260	3,10,460	26.2	8.8	8.2
Agriculture Division	3,70,170	3,91,140	4,14,560	4,04,290	4,14,070	11.9	2.4	10.9
Agriculture Division	2,50,020	2,61,280	2,75,470	2,65,130	2,70,310	8.1	2.0	7.1
Tractor Financing	1,20,150	1,29,860	1,39,090	1,39,160	1,43,760	19.7	3.3	3.8
Business Banking	-	-	-	-	-	NA	NA	-
Home Loans and LAP	8,58,430	8,91,120	9,27,310	9,51,470	9,91,000	15.4	4.2	26.1
Small Business, PL CC	5,29,470	5,79,790	6,24,310	6,49,210	7,15,410	35.1	10.2	18.8
Consumer Bank WC (Secured)	2,74,040	2,89,400	3,03,430	2,99,060	3,30,950	20.8	10.7	8.7
PL, BL and Consumer Durables	1,31,970	1,45,420	1,57,730	1,66,920	1,78,620	35.3	7.0	4.7
Credit Cards	79,030	91,590	1,00,900	1,13,600	1,25,970	59.4	10.9	3.3
Retail Micro Finance	44,430	53,380	62,250	69,630	79,870	79.8	14.7	2.1
Others	50,000	55,740	65,810	71,270	75,050	50.1	5.3	2.0
Total	29,61,170	31,31,540	32,55,430	33,70,310	35,70,120	20.6	5.9	93.8
Credit Substitutes	2,73,010	2,85,790	2,71,090	2,51,730	2,34,000	(14.3)	(7.0)	6.2
Total Customer Assets	32,34,180	34,17,330	35,26,520	36,22,040	38,04,120	17.6	5.0	100.0

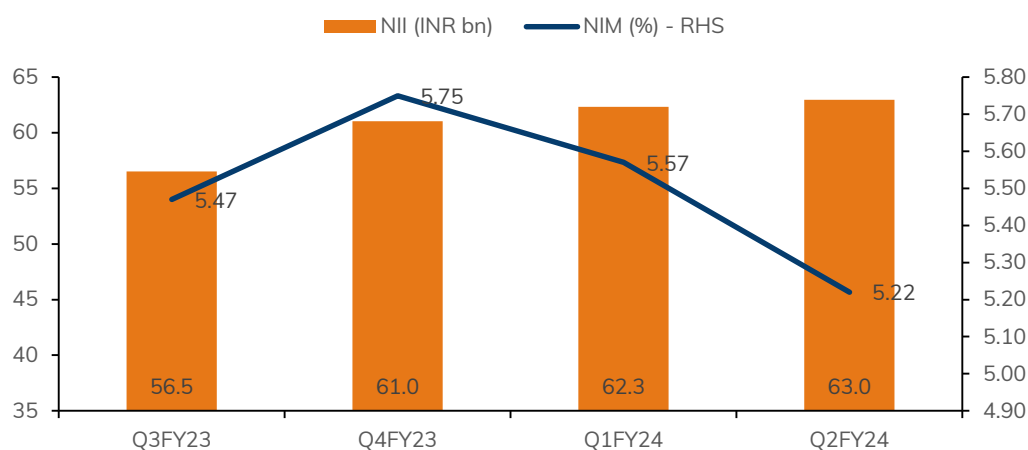
Source: Company data, I-Sec research

Exhibit 3: Deposit mix

Deposit mix	Q2FY23		Q3FY23		Q4FY23		Q1FY24			Q2FY24			
	INR mn	% of total	INR mn	% of total	INR mn	% of total	INR mn	YoY % chg	QoQ % chg	INR mn	% of total	YoY % chg	QoQ % chg
Total Deposits	32,52,032	100.0%	34,46,660	100.0%	36,30,961	100.0%	38,62,540	22.0%	6.4%	40,09,629	100.0%	23.3%	3.8%
CA	6,01,620	18.5%	6,36,010	18.5%	7,00,300	19.3%	6,47,220	13.4%	-7.6%	6,88,240	17.2%	14.4%	6.3%
SA	12,24,480	37.7%	11,99,780	34.8%	12,17,850	33.5%	12,45,670	-1.8%	2.3%	12,46,550	31.1%	1.8%	0.1%
Fixed rate SA	11,43,510	35.2%	11,40,720	33.1%	11,14,000	30.7%	11,14,940	-5.2%	0.1%	10,87,220	27.1%	-4.9%	-2.5%
Floating rate SA	80,970	2.5%	59,060	1.7%	1,03,850	2.9%	1,30,730	40.9%	25.9%	1,59,330	4.0%	96.8%	21.9%
CASA	18,26,100	56.2%	18,35,790	53.3%	19,18,150	52.8%	18,92,890	2.9%	-1.3%	19,34,790	48.3%	6.0%	2.2%
Term Deposits	14,25,932	43.8%	16,10,870	46.7%	17,12,811	47.2%	19,69,650	48.5%	15.0%	20,74,839	51.7%	45.5%	5.3%
of which TD sweep	2,31,130	7.1%	2,38,910	6.9%	2,33,390	6.4%	2,89,900	23.6%	24.2%	3,71,360	9.3%	60.7%	28.1%

Source: Company data, I-Sec research

Exhibit 4: Steep decline in margins QoQ



Source: Company data, I-Sec research

Exhibit 5: Stable asset quality

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24
GNPA	1.90	1.78	1.77	1.72
NNPA	0.43	0.37	0.40	0.37
PCR	77.6	79.3	78.0	79.1
Ann. slippages (as a % of loans)	0.96	1.03	1.47	1.51

Source: Company data, I-Sec research

Exhibit 6: Subsidiaries accounted for 28% of consolidated PAT in Q2FY24

(INR mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Mix	YoY % change	QoQ % change
Kotak Mahindra Bank	25,810	27,920	34,960	34,520	31,910	72%	24%	-8%
Kotak Mahindra Prime	2,220	2,250	2,240	2,180	2,080	5%	-6%	-5%
Kotak Mahindra Investments	780	860	1,000	1,020	1,260	3%	62%	24%
Kotak Mahindra Securities	2,240	2,410	1,820	2,190	3,240	7%	45%	48%
Kotak Mahindra Capital	220	280	480	550	270	1%	23%	-51%
Kotak Mahindra Life Insurance	2,700	3,300	2,050	1,930	2,470	6%	-9%	28%
Kotak Mahindra General Insurance	(170)	(270)	(550)	(50)	(70)	0%	-59%	40%
Kotak Mahindra AMC & TC	1,060	1,500	1,920	1,060	1,240	3%	17%	17%
Kotak Mahindra International Subs	50	220	360	320	410	1%	720%	28%
Others	810	1,190	1,040	1,130	1,420	3%	75%	26%
Total	35,720	39,660	45,320	44,850	44,230	99%	24%	-1%
Affiliates & others	370	290	340	(3,350)	380	1%	3%	-111%
Consolidated PAT	36,090	39,950	45,660	41,500	44,610	100%	24%	7%
Subs PAT	9,910	11,740	10,360	10,330	12,320	28%	24%	19%
Subs PAT as a % of Cons. PAT	28%	30%	23%	23%	28%			

Source: Company data, I-Sec research

Exhibit 7: SOTP valuation

Parameters	Value of Business (INR bn)	Stake (%)	Value per share	Comments
Kotak Prime (Cars)	246	100	124	2.5x FY25E Adj NW
Kotak Life Insurance	525	100	264	3.2x FY25E EV
Kotak AMC	242	100	122	6% FY25E AUM
Kotak Securities	116	100	58	15x FY25E PAT
Kotak Investments	52	100	26	1.5x FY25E Adj NW
Kotak Mahindra Capital	18	100	9	15x FY25E PAT
Kotak Offshore AMC	34	100	17	9% FY25E AUM
Kotak Investment Advisors - Alternate Assets	62	100	31	10% FY25E AUM
Value of Subsidiaries			651	
Holding Co. discount			98	
Holding Co. discount (in %)			15	
Subs Value post Holdo Disc.			554	
KMB Bank - Core book			1,246	2.4x FY25 ABV
Target Price			1,800	

Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	26.0	25.9	25.9
Institutional investors	60.8	61.1	60.8
MFs and other	11.0	9.5	9.6
Banks/ FIs	1.6	1.5	1.6
Insurance Cos.	8.6	8.4	8.6
FIIIs	39.6	41.7	41.0
Others	13.2	13.0	13.3

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Interest income	342,509	443,722	522,210	609,642
Interest expense	126,989	192,030	240,818	286,697
Net interest income	215,519	251,692	281,392	322,945
Non-interest income	70,831	96,638	106,429	122,531
Operating income	286,350	348,329	387,821	445,476
Operating expense	137,870	167,278	197,323	231,000
Staff expense	55,478	69,091	81,061	95,066
Operating profit	148,480	181,051	190,498	214,476
Core operating profit	158,248	173,551	187,198	209,476
Provisions & Contingencies	4,570	19,674	29,356	33,040
Pre-tax profit	143,910	161,377	161,141	181,436
Tax (current + deferred)	34,517	40,667	40,608	45,722
Net Profit	109,393	120,710	120,534	135,714
Adjusted net profit	109,393	120,710	120,534	135,714

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Cash and balance with RBI/Banks	325,423	438,519	491,815	541,197
Investments	1,214,037	1,319,543	1,472,129	1,651,043
Advances	3,198,612	3,775,001	4,445,379	5,203,967
Fixed assets	19,203	21,124	23,236	25,560
Other assets	141,349	174,467	223,528	280,359
Total assets	4,898,625	5,728,653	6,656,087	7,702,126
Deposits	3,630,961	4,375,824	5,223,453	6,124,863
Borrowings	239,163	240,163	241,163	242,163
Other liabilities and provisions	198,299	165,372	127,260	139,245
Share capital	9,933	9,936	9,936	9,936
Reserve & surplus	820,270	937,359	1,054,276	1,185,919
Total equity & liabilities	4,898,625	5,728,653	6,656,087	7,702,126
% Growth	14.1	16.9	16.2	15.7

Source Company data, I-Sec research

Exhibit 12: Growth ratios

(% , year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Interest Income	28.1	16.8	11.8	14.8
Operating profit	23.2	21.9	5.2	12.6
Core operating profit	21.9	9.7	7.9	11.9
Profit after tax	27.6	10.3	(0.1)	12.6
EPS	28.1	10.3	(0.2)	12.6
Advances	17.6	18.0	17.7	17.0
Deposits	16.5	20.5	19.4	17.3
Book value per share	15.2	14.1	12.3	12.4
Adj Book value per share	16.1	14.1	12.1	12.2

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per share data				
Adjusted EPS	55.1	60.8	60.7	68.3
Book Value per share	418	477	536	602
Adjusted BVPS	413	472	529	593
Valuation ratio				
PER (x)	32.1	29.1	29.2	25.9
Price/ Book (x)	4.2	3.7	3.3	2.9
Price/ Adjusted book (x)	3.3	2.7	2.4	2.0
Dividend Yield (%)	0.1	0.1	0.1	0.1
Profitability ratios (%)				
Yield on advances	9.1	10.0	10.1	10.2
Yields on Assets	7.5	8.4	8.4	8.5
Cost of deposits	3.5	4.5	4.8	4.9
Cost of funds	2.8	3.6	3.9	4.0
NIMs	4.9	4.9	4.7	4.7
Cost/Income	48.1	48.0	50.9	51.9
Dupont Analysis (as % of Avg Assets)				
Interest Income	7.5	8.4	8.4	8.5
Interest expended	2.8	3.6	3.9	4.0
Net Interest Income	4.7	4.7	4.5	4.5
Non-interest income	1.5	1.8	1.7	1.7
Trading gains	(0.2)	0.1	0.1	0.1
Fee income	1.6	1.6	1.6	1.6
Total Income	6.2	6.6	6.3	6.2
Total Cost	3.0	3.1	3.2	3.2
Staff costs	1.2	1.3	1.3	1.3
Non-staff costs	1.8	1.8	1.9	1.9
Operating Profit	3.2	3.4	3.1	3.0
Core Operating Profit	3.4	3.3	3.0	2.9
Non-tax Provisions	0.1	0.4	0.5	0.5
PBT	3.1	3.0	2.6	2.5
Tax Provisions	0.8	0.8	0.7	0.6
Return on Assets (%)	2.4	2.3	1.9	1.9
Leverage (x)	5.9	6.0	6.2	6.4
Return on Equity (%)	14.1	13.6	12.0	12.0
Asset quality ratios (%)				
Gross NPA	1.8	1.7	1.7	1.7
Net NPA	0.4	0.4	0.4	0.4
PCR	79.3	80.0	77.0	75.0
Gross Slippages	1.5	1.7	1.6	1.5
LLP / Avg loans	0.2	0.7	0.7	0.6
Total provisions / Avg loans	0.2	0.6	0.7	0.7
Net NPA / Networth	1.4	1.4	1.7	1.9
Capitalisation ratios (%)				
Core Equity Tier 1	20.6	20.4	19.6	18.9
Tier 1 cap. adequacy	20.8	20.5	19.7	19.0
Total cap. adequacy	21.8	21.4	20.5	19.7

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Jai Prakash Mundhra, MBA; Chintan Shah, CA; Renish Bhuva, CFA (ICFAI); Vaibhav Arora, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report.

Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
