

# Kotak Mahindra Bank

Estimate change 

TP change 

Rating change 

**CMP: INR1,770**

**TP: INR1,900 (+7%)**

**Neutral**

## Business growth steady; NIMs contract 35bp QoQ

### Execution under new CEO to remain key monitorable

- KMB reported a mixed quarter, with a 4% beat in PAT and a 35bp QoQ drop in NIM. Standalone PAT grew 24% YoY to INR32b, driven by higher fee income and trading gains of INR1.5b. Consolidated PAT grew 24% YoY to INR44.6b.
- NII grew 23% YoY to INR63b (in line), aided by stronger-than-expected loan growth (19% YoY) as NIMs moderated 35bp QoQ.
- Deposit growth was steady, though the CASA mix moderated 70bp QoQ due to a shift in SA deposits toward the newly launched ActivMoney product.
- Gross slippages increased 9% QoQ to INR13b; however, healthy recoveries and upgrades enabled 5bp/3bp improvements in GNPA/NNPA ratios to 1.72%/0.37%.
- The RBI has approved the appointment of Mr. Ashok Vaswani as the next MD & CEO of the bank for three years. Mr. Vaswani has over three-and-a-half decades of experience working at multinational banks, initially at Citigroup and more recently at Barclays in executive positions. We believe that execution under the new CEO will remain a key monitorable to assess the stock's performance over the near term.
- We increase our FY24/FY25 PAT estimates by 5%/7%, reflecting strong other income and controlled opex. **Maintain Neutral with a TP of INR1,900.**

### Loan book grows 19% QoQ; Asset quality ratios improve

- KMB reported standalone PAT of INR32b (+24% YoY; 4% beat), driven by higher other income. Consol. PAT grew 24% YoY to INR44.6b.
- NII grew 24% YoY (in line), while margins compressed 35bp QoQ to 5.22%. Other income increased 26% YoY, aided by higher fee-based income (up 11% QoQ) and treasury gains of INR1.5b in 2QFY24.
- Opex growth was in control at 19% YoY (2% lower than MOFSLe) and was driven by an increase in commercial and marketing expenses. PPop grew 29% YoY, while core PPop grew 23% YoY.
- Loan book grew 6% QoQ (+19% YoY), led by healthy traction across segments. KMB reported healthy sequential trends in Personal loans, CV/CE, Consumer loans and Credit Cards. Deposits jumped 23% YoY (+4% QoQ), led by term loans (up 46% YoY/5.3% QoQ), while the CASA mix moderated 70bp QoQ to 48.3%. Mix of unsecured loans increased to 11% and the management expects it to rise to mid-teens by FY24-end.
- Gross slippages increased 9% QoQ to INR13b; however, healthy recoveries and upgrades led to 5bp/3bp improvements in GNPA/NNPA ratios to 1.72%/0.37%. KMB utilized INR160m of Covid provisions and now has o/s provisions of INR3.21b.
- SMA-2 advances stood at INR1.5b (4bp of advances), while the outstanding restructured portfolio stood at INR5.3b (20bp of advances).

Bloomberg	KMB IN
Equity Shares (m)	1980
M.Cap.(INRb)/(USDb)	3517.1 / 42.3
52-Week Range (INR)	2064 / 1644
1, 6, 12 Rel. Per (%)	1/-17/-16
12M Avg Val (INR M)	7916

### Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
NII	215.5	256.6	293.4
OP	148.5	192.7	220.3
NP	109.4	134.7	151.1
Cons. NP	150.9	182.0	208.4
NIM (%)	5.1	5.2	5.1
EPS (INR)	55.1	67.8	76.0
EPS Gr. (%)	27.5	23.1	12.1
ABV. (INR)	398	461	533
Cons. BV. (INR)	563	653	757

### Ratios

Cons. RoE (%)	13.5	14.0	13.8
RoE (%)	14.1	15.0	14.6
RoA (%)	2.4	2.5	2.4

### Valuations

P/BV (X) (Cons.)	3.1	2.7	2.3
P/ABV (X) (Adj.)	3.1	2.7	2.3
P/E(X) (Adj.)	22.5	18.3	16.3

\*Adjusted for Investment subs

### Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	25.9	26.0	26.0
DII	19.6	23.0	17.3
FII	41.5	37.8	40.6
Others	12.9	13.3	16.2

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Subs performance: Kotak Securities reported net earnings growth of 45% YoY, while Kotak AMC reported PAT growth of 17% YoY.

### Highlights from the management commentary

- KMB has received approval from the RBI for the acquisition of MFI Sonata Finance.
- The pickup in deposits is driven by the newly launched ActivMoney product (up 28% QoQ). The long-term flow of deposits will increase due to this product.
- NIMs declined 35bp QoQ to 5.22%. The management suggested that ~14-15bp of decline was due to one-off factors (ICRR impact and liquidity buffer that the bank is carrying) and that the pace of moderation will moderate going forward.
- KMB has maintained restructuring provisions higher than the regulatory requirement of INR1.4b in 2QFY24.

### Valuation and view

KMB delivered a mixed quarter, with a beat in earnings and a 35bp QoQ contraction in NIMs. The earnings beat was driven by higher other income and controlled opex. Asset quality improved slightly, aided by healthy recoveries, even as slippages increased sequentially. KMB carries additional Covid-related provisions of ~INR3.2b. The bank continues to guide for steady trends in retail delinquencies and aims to further increase the mix of unsecured loans to mid-teens from 11% currently. While we remain constructive on the bank's business growth outlook and its ability to deliver superior RoA, we believe that execution under the new CEO will remain a key monitorable to assess the stock's performance over the near term. We increase our FY24/FY25 PAT estimates by 5%/7%, reflecting strong other income and controlled opex. **Maintain Neutral with a TP of INR1,900 (2.5x FY'25E BV).**

### Quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	V/s Our Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Interest Income</b>	<b>47.0</b>	<b>51.0</b>	<b>56.5</b>	<b>61.0</b>	<b>62.3</b>	<b>63.0</b>	<b>64.7</b>	<b>66.6</b>	<b>215.5</b>	<b>256.6</b>	<b>63.1</b>	<b>0%</b>
% Change (Y-o-Y)	19.2	26.8	30.4	35.0	32.7	23.5	14.4	9.2	28.1	19.1	23.7	
Other Income	12.4	18.3	19.5	21.9	26.8	23.1	23.3	25.1	70.8	98.5	21.6	7%
<b>Total Income</b>	<b>59.4</b>	<b>69.3</b>	<b>76.0</b>	<b>82.9</b>	<b>89.2</b>	<b>86.1</b>	<b>88.0</b>	<b>91.8</b>	<b>286.3</b>	<b>355.0</b>	<b>84.7</b>	<b>2%</b>
Operating Expenses	31.6	33.6	37.5	36.4	39.7	40.0	40.9	41.7	137.9	162.3	41.0	-2%
<b>Operating Profit</b>	<b>27.8</b>	<b>35.7</b>	<b>38.5</b>	<b>46.5</b>	<b>49.5</b>	<b>46.1</b>	<b>47.1</b>	<b>50.0</b>	<b>148.5</b>	<b>192.7</b>	<b>43.7</b>	<b>6%</b>
% Change (Y-o-Y)	-3.7	14.3	42.5	39.1	77.8	29.2	22.3	7.7	23.2	29.8	22.4	
Provisions	0.2	1.4	1.5	1.5	3.6	3.7	3.5	3.3	4.6	14.0	2.9	25%
<b>Profit before Tax</b>	<b>27.6</b>	<b>34.3</b>	<b>37.0</b>	<b>45.0</b>	<b>45.9</b>	<b>42.4</b>	<b>43.6</b>	<b>46.8</b>	<b>143.9</b>	<b>178.7</b>	<b>40.7</b>	<b>4%</b>
Tax	6.9	8.5	9.1	10.0	11.3	10.5	10.7	11.4	34.5	44.0	10.0	5%
<b>Net Profit</b>	<b>20.7</b>	<b>25.8</b>	<b>27.9</b>	<b>35.0</b>	<b>34.5</b>	<b>31.9</b>	<b>32.9</b>	<b>35.4</b>	<b>109.4</b>	<b>134.7</b>	<b>30.7</b>	<b>4%</b>
% Change (Y-o-Y)	26.1	27.0	31.0	26.3	66.7	23.6	17.8	1.3	27.6	23.2	19.0	
Deposits (INRb)	3,165	3,252	3,447	3,631	3,863	4,010	4,117	4,270	3,631	4,270	3,966	
Loans (INRb)	2,802	2,940	3,107	3,199	3,286	3,483	3,626	3,768	3,199	3,768	3,416	
Deposit growth (%)	10.4	11.5	12.9	16.5	22.0	23.3	19.4	17.6	16.5	17.6	22.0	
Loan growth (%)	28.8	25.1	22.9	17.9	17.3	18.5	16.7	17.8	17.9	17.8	16.2	
<b>Asset Quality</b>												
Gross NPA (%)	2.24	2.08	1.90	1.78	1.77	1.72	1.61	1.56	1.78	1.56	1.68	
Net NPA (%)	0.62	0.55	0.43	0.37	0.40	0.37	0.34	0.34	0.37	0.34	0.37	
PCR (%)	72.6	73.7	77.6	79.3	78.0	79.1	78.9	78.7	79.3	78.7	78.4	

E: MOFSL Estimates

**Consolidated earnings snapshot (INR m)**

Y/E March	FY22				FY23				FY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Kotak Bank	16,420	20,320	21,310	27,670	20,710	25,810	27,920	34,960	34,520	31,910
Kotak Prime	790	2,400	2,540	3,130	1,570	2,220	2,250	2,240	2,180	2,080
Kotak Securities	2,360	2,430	2,700	2,520	2,190	2,240	2,410	1,820	2,190	3,240
KMCC	420	580	1,030	420	510	220	280	480	550	270
Kotak Life	(2,430)	1,550	2,470	2,670	2,480	2,700	3,300	2,050	1,930	2,470
AMC & Trustee	1,070	970	1,490	1,020	1,060	1,060	1,500	1,920	1,060	1,240
Intl. subs	300	270	410	200	140	50	220	360	320	410
KIL	710	890	1,110	1,010	630	780	860	1,000	1,020	1,260
Others	230	130	310	230	440	630	920	490	1,070	1,350
<b>Kotak Consol</b>	<b>19,870</b>	<b>29,540</b>	<b>33,370</b>	<b>38,870</b>	<b>29,730</b>	<b>35,710</b>	<b>39,660</b>	<b>45,320</b>	<b>44,840</b>	<b>44,230</b>
Minority/associate adjustments	(1,810)	350	660	40	(2,180)	370	290	340	(3,340)	380
<b>Kotak Cons. Reported PAT</b>	<b>18,060</b>	<b>29,890</b>	<b>34,030</b>	<b>38,910</b>	<b>27,550</b>	<b>36,080</b>	<b>39,950</b>	<b>45,660</b>	<b>41,500</b>	<b>44,610</b>
<b>Contribution of bank in total profits</b>	<b>91%</b>	<b>68%</b>	<b>63%</b>	<b>71%</b>	<b>75%</b>	<b>72%</b>	<b>70%</b>	<b>77%</b>	<b>83%</b>	<b>72%</b>

**Highlights from the management commentary****Balance sheet and P&L**

- The RBI has approved the appointment of Mr. **Ashok Vaswani** as the **next MD & CEO** of the bank.
- NIMs contracted 35bp (higher than expected) to 5.22% in 2QFY24 vs. 5.57% in 1QFY24.
- About 14-15bp of decline in NIMs was due to ICRR impact and liquidity buffer that the bank is carrying and will reduce going forward. The cost of deposits was also up 20bp, with the yield on advances remaining stable.
- Other income included trading gains of INR1.5b due to MTM reversals during the quarter. The dividend from subsidiaries amounted to INR3.7b for the standalone bank.
- The bank has received approval from the RBI for the **acquisition of MFI Sonata Finance**.
- About 75% of book is in AFS and HFT and has a modified duration of 1.2 years.
- Unsecured book accounts for 11% of total advances as on 2QFY24.
- The total customer base stood at 45.8m as of 2QFY24 vs. 36.6m in 2QFY23.
- The cost of fixed-rate SA stood at 3.60% in 2QFY24 vs. 3.63% in 2QFY23.
- SA continues to be a challenge for the bank; however, if government-related SA is removed, then it is an industry-wide problem.
- Most of the book has already been repriced, with an average liability cycle of ~10-11 months.
- Advances grew 18.5% YoY; however, credit substitute book witnessed a reduction of 7% QoQ in 2QFY24.
- LCR stood at 120% for the bank and 127% for the group level in 2QFY24.
- About 58-59% of the book is repo-linked and the balance is linked to MCLR.
- The CASA ratio stood at 48.3% in 2QFY24 vs. 49% in 1QFY24 and the bank expects it to move up once the growth rate stabilizes.
- Over 75% of CA-OD transaction volumes and over 98% of savings account transaction volumes were in digital mode.
- The wholesale book performed well, especially MNC and NBFC segments, which outperformed others during the quarter.

- The pickup in deposits was driven by the newly launched ActivMoney product (up 28% QoQ). In the long term, the flow of deposits will increase due to this product.
- Opex grew 19% YoY, primarily due to higher commercial and marketing expenses in 2QFY24.
- Consolidated PAT grew 24% YoY to INR45b in 2QFY24 vs. INR36b in 2QFY23.
- The standalone balance sheet crossed INR5.3t as on 2QFY24.
- Unsecured retail advances as a % of net advances stood at 11% as on 2QFY24 vs. 8.7% in 2QFY23, and the portfolio continues to hold well.
- Credit card advances grew 59% YoY to INR126b as on 2QFY24. KMB participated in the Big Billion Sale on Flipkart and Myntra and is also live with its Rupay credit card on UPI to increase its active card base.
- QR acquisition for the bank is gaining pace. The bank also provides a platform for customers to accept digital rupee as well.
- On the conglomerate side, the bank's book is shifting from bonds to advances. Also, the movement from SA to ActivMoney can be seen in the bank.
- CV disbursements grew 30% YoY with steady collection efficiency.
- Construction Equipment book grew 23% YoY, with stable collection efficiency; the bank expects to sustain healthy growth momentum in 2H as well.
- MFI book disbursements grew 65% YoY, with a customer base of 1.7m unique borrowers.
- Growth in Agriculture SME was muted; however, collections remained strong in terms of asset quality.
- Unsecured advances grew 44% YoY and 9% QoQ, whereas mortgage lending business grew 15% YoY in 2QFY24.
- Delinquencies in both secured and unsecured business banking remained stable. Demand from new working capital has been strong.

### Asset Quality

- GNPA/NNPA ratios improved by 5bp/3bp to 1.72%/0.37% in 2QFY24.
- PCR improved 109bp QoQ to 79.1% in 2QFY24.
- The bank reported slippages amounting to INR13.1b as on 2QFY24, while upgrades stood at INR3b.
- SMA 2 book stood at INR1.6b as on 2QFY24.
- KMB reported a credit cost of 47bp in 2QFY24 and expects this to remain low going forward.
- The bank holds outstanding Covid-related provisions of INR3.21b.
- It has maintained restructuring provisions higher than the regulatory requirement of INR1.4b in 2QFY24.

### Subsidiaries

- Kotak Securities reported PAT of INR3.2b in 2QFY24, with its market share increasing to 8.8% in 2QFY24 from 5.0% in 2QFY23.
- Kotak Securities: 88% of customer service requests served digitally with no human intervention in 2QFY24.
- Self-trading customers accounted for 63% of cash market volume and 98% of derivatives market volume for Kotak Securities.

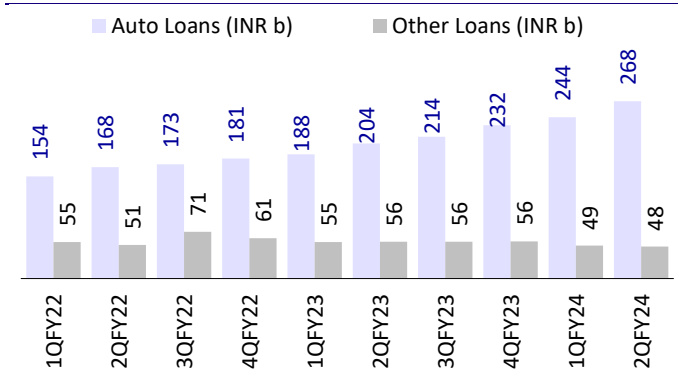
- Kotak Prime reported PAT of INR2.1b in 2QFY24, with the vehicle book growing by 31% YoY.
- Kotak AMC reported PAT of INR1.2b in 2QFY24, with a 24% YoY increase in Equity-AUM.
- BSS Microfinance crossed the INR1b mark for the first time.

**Mixed performance across subsidiaries**

Equity AUM makes up 56% of overall AUM vs. 53.6% in 1QFY24

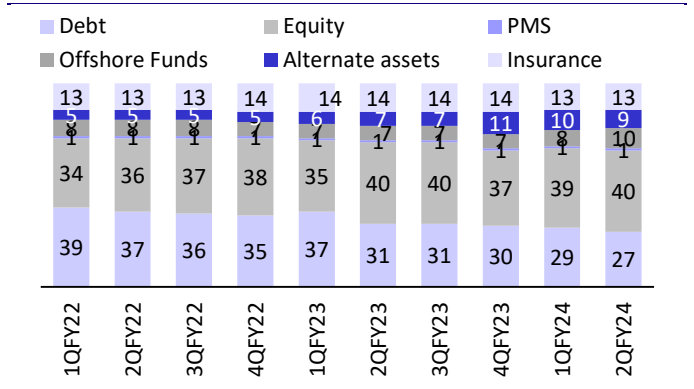
- PAT for the Securities business grew 45% YoY to INR3.2b (up 48%QoQ).
- Market share of Kotak Securities improved sharply to ~8.8%.
- Kotak Prime reported PAT of INR2.0b (down 5% QoQ). NNPA remained stable at 0.8%. Auto loans grew 31% YoY and 10% QoQ.
- PAT in the Asset Management business grew 17% YoY to INR1.2b (up 17% QoQ), while average AUM rose 8% QoQ (18% YoY), led by an increase in equity AUM (up 24% YoY and 13% QoQ), constituting 56% of total AUM.
- Kotak Life reported PAT of INR2.5b (9% YoY decline). Premium income grew 11% YoY (up 37% QoQ), while the solvency ratio stood at 2.7%.

**Exhibit 1: Kotak Prime | Auto loans up 10% QoQ and 31% YoY**



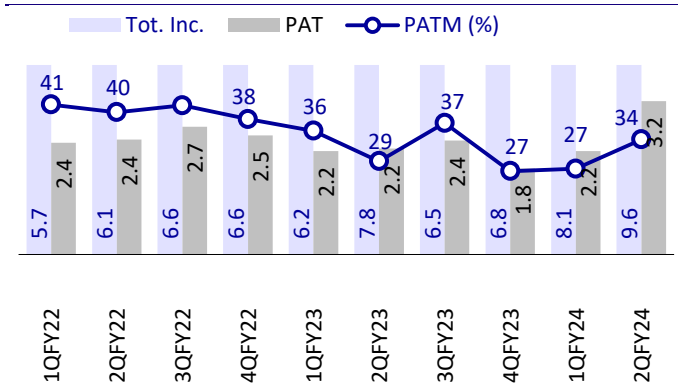
Source: MOFSL, Company

**Exhibit 2: Domestic AUM grew 13% QoQ (up 24% YoY)**



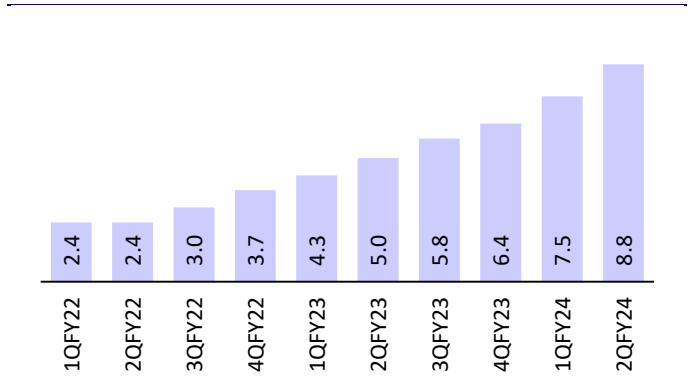
Source: MOFSL, Company

**Exhibit 3: Kotak Securities PAT grew 45% YoY to INR3.2b**



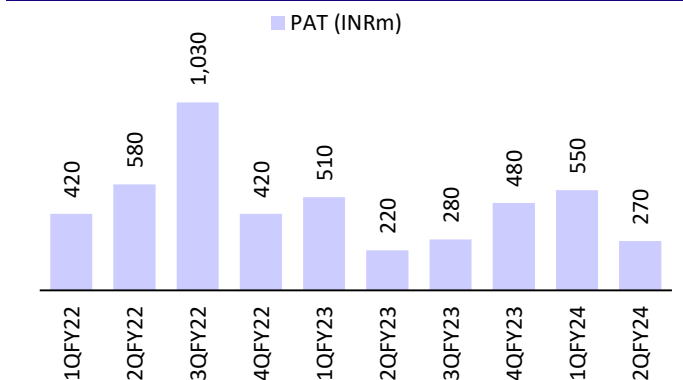
Source: MOFSL, Company

**Exhibit 4: Market share for Kotak Securities expands to 8.8%**



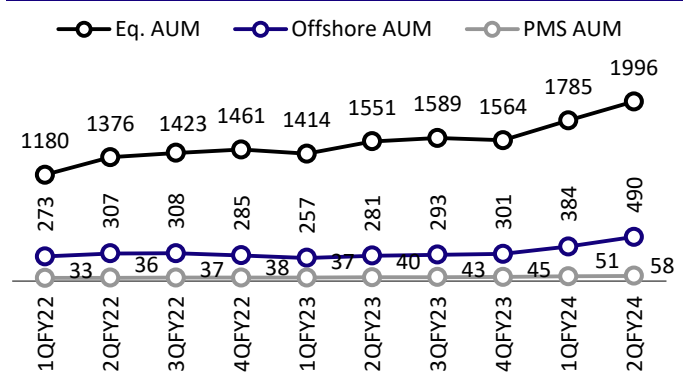
Source: MOFSL, Company

Exhibit 5: PAT stands at INR270m in Investment Banking



Source: MOFSL, Company

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



Source: MOFSL, Company

## Valuation and view

- Loan book grew 6% QoQ (+19% YoY), led by healthy traction across segments. KMB reported healthy sequential trends in Home loans, Personal loans, Business loans, Consumer Durable loans, Credit Cards, Agri and MFI. Deposits jumped 23% YoY (+4% QoQ) led by term loans, which grew 46% YoY (+5.3% QoQ). The CASA mix moderated 70bp QoQ to 48.3%. The mix of unsecured loans increased to 11% and the management expects it to rise to mid-teens by FY24-end.
- Gross slippages increased 9% QoQ to INR13b; however, healthy recoveries and upgrades led to 5bp/3bp improvements in GNPA/NNPA ratios to 1.72%/0.37%. KMB utilized INR160m of Covid provisions and now has o/s provisions of INR3.21b.
- SMA-2 advances stood at INR1.5b (4bp of advances), while the outstanding restructured portfolio stood at INR5.3b (20bp of advances).
- The bank has healthy capitalization levels with Tier I of 20.6%, which is likely to provide growth opportunities and help manage stress. The capital-light nature of KMB's Capital Market and Asset Management businesses can provide a further boost to the bank's RoE as they scale up further.
- **Retain Neutral with a TP of INR1,900:** KMB delivered a mixed quarter, with a beat in earnings and a 35bp QoQ contraction in NIMs. The earnings beat was driven by higher other income and controlled opex. Asset quality improved slightly, aided by healthy recoveries, even as slippages increased sequentially. KMB carries additional Covid-related provisions of ~INR3.2b. The bank continues to guide for steady trends in retail delinquencies and aims to further increase the mix of unsecured loans to mid-teens from 11% currently. While we remain constructive on the bank's business growth outlook and its ability to deliver superior RoA, we believe that execution under the new CEO will remain a key monitorable to assess the stock's performance over the near term. We increase our FY24/FY25 PAT estimates by 5%/7%, reflecting strong other income and controlled opex. Maintain Neutral with a TP of INR1,900 (2.5x FY'25E BV).



**Exhibit 7: We have raised our Standalone PAT estimates for FY24/FY25 by 5%/7%**

INR b	Old Est.		Revised Est.		Change (%) /bps	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Interest Income	255.9	289.2	256.6	293.4	0.3	1.4
Other Income	95.6	110.9	98.5	116.2	3.0	4.7
<b>Total Income</b>	<b>351.5</b>	<b>400.1</b>	<b>355.0</b>	<b>409.5</b>	<b>1.0</b>	<b>2.4</b>
Operating Expenses	169.4	196.6	162.3	189.3	-4.2	-3.7
<b>Operating Profits</b>	<b>182.1</b>	<b>203.5</b>	<b>192.7</b>	<b>220.3</b>	<b>5.8</b>	<b>8.2</b>
Provisions	11.6	16.0	14.0	19.9	20.6	24.3
<b>PBT</b>	<b>170.5</b>	<b>187.5</b>	<b>178.7</b>	<b>200.4</b>	<b>4.8</b>	<b>6.9</b>
Tax	41.9	46.1	44.0	49.3	4.8	6.9
<b>Standalone PAT</b>	<b>128.5</b>	<b>141.4</b>	<b>134.7</b>	<b>151.1</b>	<b>4.8</b>	<b>6.9</b>
Loans	3,742	4,379	3,768	4,427	0.7	1.1
Deposits	4,241	4,962	4,270	5,017	0.7	1.1
<b>Margins (%)</b>	<b>5.19</b>	<b>5.02</b>	<b>5.19</b>	<b>5.06</b>	<b>(0)</b>	<b>4</b>
<b>SA RoA (%)</b>	<b>2.43</b>	<b>2.29</b>	<b>2.53</b>	<b>2.43</b>	<b>11</b>	<b>14</b>
<b>Core RoE (%)</b>	<b>14.4</b>	<b>13.8</b>	<b>15.0</b>	<b>14.6</b>	<b>64</b>	<b>79</b>
<b>EPS</b>	<b>88.5</b>	<b>100.0</b>	<b>91.6</b>	<b>104.9</b>	<b>3.6</b>	<b>4.9</b>
<b>BV</b>	<b>481.0</b>	<b>550.4</b>	<b>484.1</b>	<b>558.4</b>	<b>0.6</b>	<b>1.5</b>
<b>Consol BV</b>	<b>650.2</b>	<b>748.8</b>	<b>653.2</b>	<b>756.7</b>	<b>0.5</b>	<b>1.1</b>

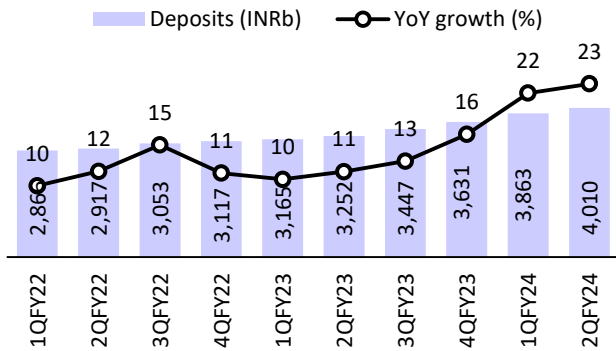
Source: MOFSL, Company

**Exhibit 8: FY25E SoTP-based pricing**

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
<b>Lending Business</b>	<b>3,074</b>	<b>37.5</b>	<b>1,548</b>	<b>81</b>	
Kotak Mahindra Bank	2,718	33.1	1,368	72	2.5x FY25E Network
Kotak Prime (Car and other loans)	263	3.2	132	7	2.5x FY25E Network
Kotak Investment Company (LAS)	93	1.1	47	2	2.5x FY25E Network
<b>Asset Management Business</b>	<b>273</b>	<b>3.3</b>	<b>137</b>	<b>7</b>	5% of FY25E AUMs
Domestic Mutual Fund	218	2.7	110	6	
Alternative Assets	33	0.4	17	1	
Offshore Funds	22	0.3	11	1	
<b>Capital Markets related Business</b>	<b>256</b>	<b>3.1</b>	<b>129</b>	<b>7</b>	
Kotak Securities	220	2.7	111	6	18x FY25E PAT
Kotak Investment Banking (KMCC)	35	0.4	18	1	2.5x FY25E Network
<b>Kotak Life Insurance</b>	<b>436</b>	<b>5.3</b>	<b>219</b>	<b>12</b>	2.5x FY25E EV
<b>Subs value @ 20% discount</b>	<b>1,056</b>	<b>12.9</b>	<b>532</b>	<b>28</b>	
<b>Target Value (Post 20% holding discount)</b>	<b>3,774</b>	<b>46.0</b>	<b>1,900</b>	<b>100</b>	
<b>- contribution of subs/associates to total PT</b>			<b>28%</b>		

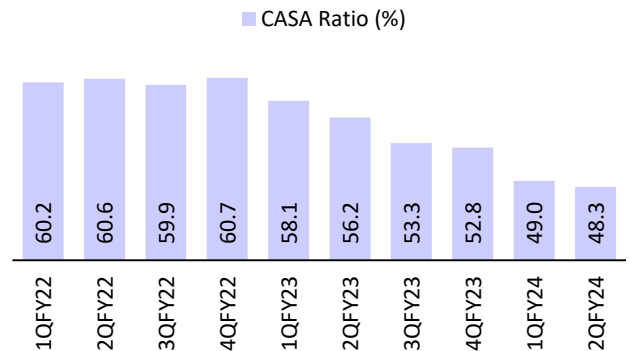
## Story in charts

**Exhibit 9: Deposits up 23% YoY and 4% QoQ to INR4t**



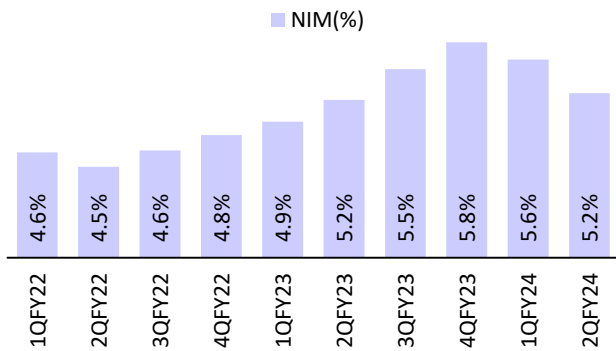
Source: MOFSL, Company

**Exhibit 10: CASA ratio moderates 70bp QoQ to 48.3%**



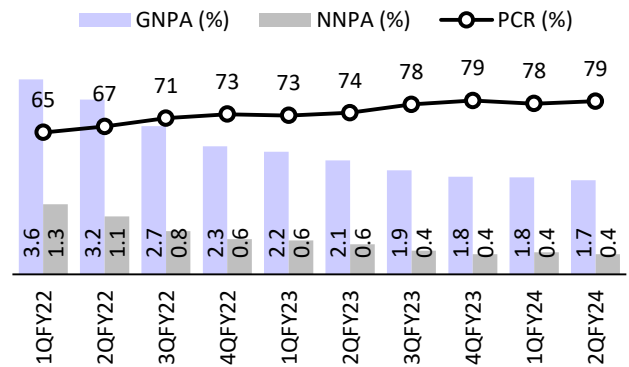
Source: MOFSL, Company

**Exhibit 11: Margin moderates 35bp QoQ to 5.2%**



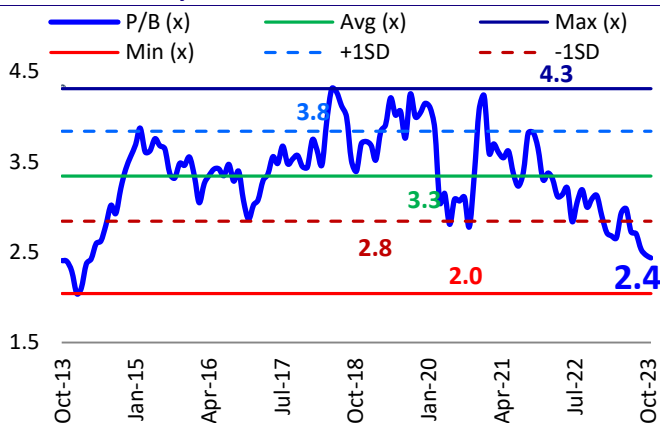
Source: MOFSL, Company

**Exhibit 12: GNPA/NNPA improved to 1.7%/0.4%**



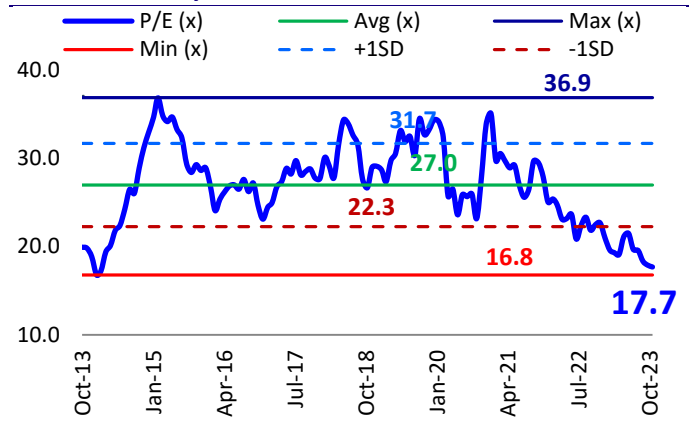
Source: MOFSL, Company

**Exhibit 13: One-year forward P/B ratio**



Source: MOFSL, Company

**Exhibit 14: One-year forward P/E ratio**



Source: MOFSL, Company



**Exhibit 15: DuPont Analysis – Expect KMB to report FY25E RoA/RoE of 2.4%/14.5%**

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Interest Income	8.24	8.28	8.01	7.22	6.65	7.45	8.44	8.39	8.35
Interest Expense	4.26	4.40	3.99	3.09	2.51	2.76	3.62	3.67	3.58
<b>Net Interest Income</b>	<b>3.98</b>	<b>3.88</b>	<b>4.02</b>	<b>4.13</b>	<b>4.14</b>	<b>4.69</b>	<b>4.82</b>	<b>4.72</b>	<b>4.78</b>
Fee income	1.60	1.59	1.45	1.39	1.70	1.75	2.09	2.13	2.17
Trading and others	0.09	0.02	0.14	-0.05	-0.23	-0.21	-0.24	-0.27	-0.30
<b>Non Interest income</b>	<b>1.69</b>	<b>1.61</b>	<b>1.60</b>	<b>1.35</b>	<b>1.47</b>	<b>1.54</b>	<b>1.85</b>	<b>1.87</b>	<b>1.87</b>
<b>Total Income</b>	<b>5.67</b>	<b>5.50</b>	<b>5.61</b>	<b>5.47</b>	<b>5.61</b>	<b>6.23</b>	<b>6.68</b>	<b>6.58</b>	<b>6.65</b>
<b>Operating Expenses</b>	<b>2.68</b>	<b>2.60</b>	<b>2.63</b>	<b>2.31</b>	<b>2.65</b>	<b>3.00</b>	<b>3.05</b>	<b>3.04</b>	<b>3.05</b>
Employee cost	1.23	1.10	1.16	1.01	1.14	1.21	1.20	1.18	1.17
Others	1.45	1.50	1.47	1.30	1.51	1.79	1.85	1.86	1.88
<b>Operating Profits</b>	<b>2.99</b>	<b>2.89</b>	<b>2.98</b>	<b>3.16</b>	<b>2.96</b>	<b>3.23</b>	<b>3.62</b>	<b>3.54</b>	<b>3.60</b>
<b>Core operating Profits</b>	<b>2.90</b>	<b>2.87</b>	<b>2.84</b>	<b>3.21</b>	<b>3.19</b>	<b>3.44</b>	<b>3.86</b>	<b>3.81</b>	<b>3.89</b>
<b>Provisions</b>	<b>0.39</b>	<b>0.33</b>	<b>0.66</b>	<b>0.66</b>	<b>0.17</b>	<b>0.10</b>	<b>0.26</b>	<b>0.32</b>	<b>0.36</b>
NPA	0.26	0.29	0.42	0.49	0.27	0.11	0.23	0.29	0.33
Others	0.13	0.04	0.24	0.17	-0.10	-0.01	0.03	0.03	0.03
<b>PBT</b>	<b>2.59</b>	<b>2.56</b>	<b>2.32</b>	<b>2.50</b>	<b>2.80</b>	<b>3.13</b>	<b>3.36</b>	<b>3.22</b>	<b>3.23</b>
Tax	0.89	0.87	0.55	0.63	0.69	0.75	0.83	0.79	0.80
<b>RoA</b>	<b>1.70</b>	<b>1.69</b>	<b>1.77</b>	<b>1.87</b>	<b>2.11</b>	<b>2.38</b>	<b>2.53</b>	<b>2.43</b>	<b>2.44</b>
Leverage (x)	7.4	7.2	7.3	6.6	6.0	5.9	5.9	6.0	6.1
<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>15.0</b>	<b>14.5</b>	<b>14.8</b>

## Financials and valuations

Income Statement									(INRb)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	
Interest Income	238.9	269.3	268.4	270.4	342.5	449.0	521.6	607.2	
Interest Expense	126.8	134.3	115.0	102.2	127.0	192.5	228.3	260.1	
<b>Net Interest Income</b>	<b>112.1</b>	<b>135.0</b>	<b>153.4</b>	<b>168.2</b>	<b>215.5</b>	<b>256.6</b>	<b>293.4</b>	<b>347.1</b>	
Growth (%)	17.6	20.5	13.6	9.6	28.1	19.1	14.3	18.3	
Non Interest Income	46.6	53.7	50.1	59.9	70.8	98.5	116.2	135.9	
<b>Total Income</b>	<b>158.6</b>	<b>188.7</b>	<b>203.5</b>	<b>228.0</b>	<b>286.3</b>	<b>355.0</b>	<b>409.5</b>	<b>483.1</b>	
Growth (%)	16.8	19.0	7.8	12.1	25.6	24.0	15.4	18.0	
Operating Expenses	75.1	88.5	85.8	107.5	137.9	162.3	189.3	221.5	
<b>Pre Provision Profits</b>	<b>83.5</b>	<b>100.2</b>	<b>117.6</b>	<b>120.5</b>	<b>148.5</b>	<b>192.7</b>	<b>220.3</b>	<b>261.5</b>	
Growth (%)	16.6	20.0	17.4	2.5	23.2	29.8	14.3	18.7	
<b>Core PPOp</b>	<b>82.8</b>	<b>95.4</b>	<b>119.4</b>	<b>129.9</b>	<b>158.2</b>	<b>205.4</b>	<b>236.8</b>	<b>283.0</b>	
Growth (%)	19.2	15.2	25.2	8.7	21.9	29.8	15.3	19.5	
Provisions	9.6	22.2	24.6	6.9	4.6	14.0	19.9	26.4	
<b>PBT</b>	<b>73.9</b>	<b>78.0</b>	<b>93.0</b>	<b>113.6</b>	<b>143.9</b>	<b>178.7</b>	<b>200.4</b>	<b>235.1</b>	
Tax	25.2	18.6	23.4	27.9	34.5	44.0	49.3	57.8	
Tax Rate (%)	34.1	23.8	25.1	24.5	24.0	24.6	24.6	24.6	
<b>PAT</b>	<b>48.7</b>	<b>59.5</b>	<b>69.6</b>	<b>85.7</b>	<b>109.4</b>	<b>134.7</b>	<b>151.1</b>	<b>177.3</b>	
Growth (%)	19.1	22.2	17.1	23.1	27.6	23.2	12.1	17.3	
<b>Consolidated PAT</b>	<b>72.0</b>	<b>85.9</b>	<b>99.9</b>	<b>117.2</b>	<b>150.9</b>	<b>182.0</b>	<b>208.4</b>	<b>247.0</b>	
Growth (%)	16.2	19.3	16.3	17.3	28.7	20.7	14.5	18.5	

### Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	9.5	9.6	9.9	9.9	9.9	9.9	9.9	9.9
Preference Share Capital	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Reserves & Surplus	414.5	475.6	622.4	710.0	820.3	951.8	1,099.4	1,273.2
<b>Net Worth</b>	<b>429.0</b>	<b>490.2</b>	<b>637.3</b>	<b>724.9</b>	<b>835.2</b>	<b>966.7</b>	<b>1,114.3</b>	<b>1,288.1</b>
- Equity Networkth	424.0	485.2	632.3	719.9	830.2	961.7	1,109.3	1,283.1
<b>Deposits</b>	<b>2,258.8</b>	<b>2,628.2</b>	<b>2,801.0</b>	<b>3,116.8</b>	<b>3,631.0</b>	<b>4,270.0</b>	<b>5,017.3</b>	<b>5,895.3</b>
Growth (%)	17.3	16.4	6.6	11.3	16.5	17.6	17.5	17.5
- CASA Dep	1,185.9	1,476.2	1,693.1	1,891.3	1,918.2	2,024.0	2,363.1	2,776.7
Growth (%)	21.3	24.5	14.7	11.7	1.4	5.5	16.8	17.5
Borrowings	322.5	379.9	236.5	259.7	234.2	279.8	325.3	375.8
Other Liabilities & Prov.	111.4	104.2	159.9	192.9	198.3	220.1	246.5	276.1
<b>Total Liabilities</b>	<b>3,121.7</b>	<b>3,602.5</b>	<b>3,834.7</b>	<b>4,294.3</b>	<b>4,898.6</b>	<b>5,736.7</b>	<b>6,703.4</b>	<b>7,835.3</b>
Current Assets	246.8	532.9	396.3	429.2	325.4	345.8	400.7	470.3
<b>Investments</b>	<b>711.9</b>	<b>750.5</b>	<b>1,051.0</b>	<b>1,005.8</b>	<b>1,214.0</b>	<b>1,414.4</b>	<b>1,640.6</b>	<b>1,903.2</b>
Growth (%)	10.3	5.4	40.0	-4.3	20.7	16.5	16.0	16.0
<b>Loans</b>	<b>2,056.9</b>	<b>2,197.5</b>	<b>2,236.7</b>	<b>2,712.5</b>	<b>3,198.6</b>	<b>3,768.0</b>	<b>4,427.4</b>	<b>5,193.3</b>
Growth (%)	21.2	6.8	1.8	21.3	17.9	17.8	17.5	17.3
Fixed Assets	16.5	16.2	15.4	16.4	19.2	20.5	22.0	23.5
Other Assets	89.6	105.4	135.4	130.3	141.3	188.0	212.7	245.0
<b>Total Assets</b>	<b>3,121.7</b>	<b>3,602.5</b>	<b>3,834.7</b>	<b>4,294.3</b>	<b>4,898.6</b>	<b>5,736.7</b>	<b>6,703.4</b>	<b>7,835.3</b>

### Asset Quality

Y/E MARCH	FY19	FY20	FY20	FY22	FY23	FY24E	FY25E	FY25E
GNPA	44.7	50.3	74.3	64.7	57.7	59.7	66.0	76.0
NNPA	15.4	15.6	27.1	17.4	11.9	12.7	10.4	6.9
GNPA Ratio (%)	2.14	2.25	3.25	2.34	1.78	1.56	1.47	1.44
NNPA Ratio (%)	0.75	0.71	1.21	0.64	0.37	0.34	0.23	0.13
Slippage Ratio (%)	0.89	1.38	2.19	1.55	1.20	1.10	1.10	1.10
Credit Cost (%)	0.45	0.66	0.82	0.45	0.17	0.35	0.44	0.50
PCR (Excl Tech. write off) (%)	65.4	69.0	63.6	73.2	79.3	78.7	84.3	90.9

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY20	FY22	FY23	FY24E	FY24E	FY24E
<b>Yield and Cost Ratios (%)</b>								
<b>Avg. Yield-Earning Assets</b>	<b>8.9</b>	<b>8.6</b>	<b>7.7</b>	<b>7.2</b>	<b>8.0</b>	<b>9.1</b>	<b>9.0</b>	<b>8.9</b>
Avg. Yield on loans	9.8	9.9	8.4	7.8	9.1	10.3	10.1	10.0
Avg. Yield on Investments	7.6	7.6	7.9	6.8	6.1	6.5	6.7	6.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>5.3</b>	<b>4.8</b>	<b>3.8</b>	<b>3.2</b>	<b>3.5</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>
Avg. Cost of Deposits	5.3	4.9	3.7	3.1	3.5	4.6	4.7	4.5
<b>Interest Spread</b>	<b>4.5</b>	<b>4.9</b>	<b>4.7</b>	<b>4.7</b>	<b>5.6</b>	<b>5.7</b>	<b>5.4</b>	<b>5.5</b>
<b>Net Interest Margin</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>	<b>5.1</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>

### Capitalisation Ratios (%)

CAR	17.9	19.8	23.5	23.7	21.8	20.6	19.9	19.1
CET-1			22.5	21.5	20.6			
Tier I	17.4	19.2	22.6	22.8	20.6	19.9	19.3	18.4
Tier II	0.5	0.6	0.9	0.9	1.2	0.7	0.7	0.6

### Asset-Liability Profile (%)

Loans/Deposit Ratio	91.1	83.6	79.9	87.0	88.1	88.2	88.2	88.1
CASA Ratio	52.5	56.2	60.4	60.7	52.8	47.4	47.1	47.1
Cost/Assets	2.4	2.5	2.2	2.5	2.8	2.8	2.8	2.8
Cost/Total Income	47.4	46.9	42.2	47.2	48.1	45.7	46.2	45.9
Cost/Core Income	47.6	48.1	41.8	45.3	46.6	44.1	44.4	43.9
Int. Expense/Int.Income	53.1	49.9	42.8	37.8	37.1	42.9	43.8	42.8
Fee Income/Total Income	28.9	25.9	25.5	30.3	28.1	31.3	32.4	32.6
Non Int. Inc./Total Income	29.4	28.5	24.6	26.2	24.7	27.7	28.4	28.1
Empl. Cost/Total Expenses	42.4	44.2	43.9	42.9	40.2	39.3	38.8	38.4
Business per Employee (INR m)			97.4	87.7	102.7	119.7	139.3	161.9
Profit per Employee (INR m)			1.3	1.3	1.6	2.0	2.2	2.6
Investment/Deposit Ratio	31.5	28.6	37.5	32.3	33.4	33.1	32.7	32.3
G-Sec/Investment Ratio	81.6	82.5	81.2	74.7	74.0	74.0	74.0	74.0

### Profitability Ratios and Valuation

RoE (%)	12.2	13.1	12.5	12.7	14.1	15.0	14.6	14.8
RoA (%)	1.7	1.8	1.9	2.1	2.4	2.5	2.4	2.4
Consolidated ROE (%)	12.4	12.8	11.8	12.1	13.5	14.0	13.8	14.1
Consolidated ROA (%)	2.0	2.1	2.2	2.3	2.6	2.8	2.8	2.8
RoRWA (%)	1.6	1.9	2.0	2.2	2.4	2.4	2.3	2.3
Standalone BV (INR)	222	254	319	363	418	484	558	646
Growth (%)	12.9	14.2	25.8	13.7	15.2	15.8	15.3	15.7
Price-BV (x)	5.6	4.9	3.9	3.4	3.0	2.6	2.2	1.9
Standalone Adjusted BV (INR)	203	234	296	342	398	461	533	618
Growth (%)	14.4	15.3	26.4	15.3	16.4	15.9	15.6	16.0
Price-ABV (x)	6.1	5.3	4.2	3.6	3.1	2.7	2.3	2.0
Standalone EPS (INR)	25.5	31.1	35.8	43.2	55.1	67.8	76.0	89.2
Growth (%)	17.0	22.0	14.9	20.9	27.5	23.1	12.1	17.3
Price-Earnings (x)	48.5	39.8	34.6	28.6	22.5	18.3	16.3	13.9
Dividend Per Share (INR)	1.0	1.2	0.2	1.1	1.3	1.5	1.8	1.8
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1

E: MOFSL Estimates

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

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

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