

# Kotak Mahindra Bank

Estimate change	↔
TP change	↑
Rating change	↔

**CMP: INR1,871**      **TP: INR1,950 (+4%)**      **Neutral**

## Operating performance inline; Card delinquencies drive an increase in slippage run-rate

### NIMs decline 11bp QoQ; CASA showing signs of stability

- Kotak Mahindra Bank (KMB) posted a standalone PAT of ~INR33.4b (5% miss, 5% YoY growth). Consol. PAT stood at INR50.4b (13% YoY growth) in 2QFY25.
- NII grew 11.5% YoY to INR70.2b (inline). NIM moderated 11bp QoQ to 4.91%. Other income grew 16% YoY to INR26.8b (11% miss). Total revenue thus grew 12.7% YoY.
- Advances rose 14.7% YoY/2.5% QoQ to ~INR4t while deposits grew 15.1% YoY/3.1% QoQ. CASA mix improved 20bp QoQ to 43.6%.
- Fresh slippages were elevated at INR18.7b (INR13.6b in 1QFY25). GNPA/NNPA ratio rose 10bp/8bp QoQ to 1.49%/0.43%. PCR declined 344bp QoQ to 71.4%.
- KMB entered into an agreement to acquire the personal loan book of Standard Chartered Bank (INR41b) to further fortify its position in the retail credit market. The acquisition is likely to be completed in the next three months, subject to regulatory/other approvals.
- KMB is navigating well through the limitations that regulator has imposed on the bank and potential lifting of the ban will further aid operating performance. We fine-tune our earnings and estimate KMB's RoA/RoE at 2.2%/13.6% by FY26. **Reiterate Neutral with a TP of INR1,950 (based on 2.2x FY26E ABV).**

### Deposit growth healthy; other income misses estimate

- KMB reported a standalone PAT of ~INR33.4b (5% miss, 5% YoY growth) led by lower other income. Consolidated PAT stood at INR50.4b (13% YoY growth). KMB's 1HFY25 earnings grew 3.3% YoY (including exceptional items, it rose 44% YoY). We estimate 2HFY25 earnings to grow ~3.4% YoY to INR74b.
- NII grew 11.5% YoY to INR70.2b (inline). NIMs moderated 11bp QoQ to 4.91%. Other income grew 16% YoY to INR26.8b (11% miss). Treasury gain was INR0.9b vs. INR1.05b in 1QFY25.
- Opex grew 15% YoY to INR46b (inline). C/I ratio thus increased 122bp QoQ to 47.5%. PPop grew 10.6% YoY at INR51b (4% lower than MOFSLe).
- Loan book grew 14.7% YoY (up 2.5% QoQ). KMB reported a healthy sequential trend in business banking and home loans. Deposit grew 15.1% YoY/3.1% QoQ. CASA mix improved 20bp QoQ to 43.6%.
- Fresh slippages increased 38% QoQ to INR18.7b, with a large chunk of slippages from credit cards. GNPA/NNPA ratio increased 10bp/8bp QoQ to 1.49%/0.43%. PCR declined 344bp QoQ to 71.4%. SMA-2 advances stood at INR1.76b (4bp of loans). CAR stood at 22.6%, while CET-1 was 21.5%.
- **Performance of subsidiaries:** Kotak Securities reported net earnings growth of 37% YoY, while KIL reported PAT growth of 12% YoY.

Bloomberg	KMB IN
Equity Shares (m)	1988
M.Cap.(INRb)/(USDb)	3719.9 / 44.2
52-Week Range (INR)	1953 / 1544
1, 6, 12 Rel. Per (%)	4/-8/-20
12M Avg Val (INR M)	10335

### Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	259.9	287.1	327.7
OP	195.9	217.5	246.4
NP	137.8	144.3	161.0
Cons. NP	182.1	189.9	215.8
NIM (%)	5.2	4.9	4.9
EPS (INR)	69.4	72.6	81.0
EPS Gr. (%)	25.9	4.7	11.6
ABV. (INR)	462	528	603
Cons. BV. (INR)	654	747	854

### Ratios

RoA (%)	2.5	2.3	2.2
RoE (%)	15.3	13.9	13.6
Cons. RoE (%)	14.0	12.8	12.7

### Valuations

P/BV (X) (Cons.)	2.9	2.5	2.2
P/ABV (X) (Adj)	2.7	2.4	2.1
P/E(X) (Adj)	18.1	17.3	15.5
P/E(X)	27.0	25.8	23.1

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	25.9	25.9	25.9
DII	29.4	25.1	19.6
FII	31.5	35.9	41.5
Others	13.2	13.1	12.9

FII Includes depository receipts

**Highlights from the management commentary**

- The bank has cut the savings account deposit rate (up to 0.5m) by ~50bp, which will expand its NIM by ~4bp and will improve yield.
- Reduction in yield on advances and deterioration in NIM are due to the change in asset mix more towards secured products.
- A larger chunk (~30-35%) of slippages was from credit cards; the recoveries from rural and secured businesses will help the bank reduce slippages going forward.

**Valuation and view**

KMB reported a slight miss on earnings due to lower other income and 11bp sequential contraction in margin. Asset quality ratios deteriorated slightly, affected by higher slippages in unsecured and credit card segments. However, the bank expects recoveries from rural and secured businesses to mitigate the overall impact. Changes in the asset mix more towards secured products have affected the yields and margins, but the management continues to guide for mid-teen growth in unsecured lending. Growth in deposits was healthy, leading to moderation in the CD ratio to 86.6%. However, we will closely monitor the pace of deposit accretion for the bank and the impact on margins over the coming quarters. In this quarter, the full effect of the embargo has adversely affected the business, and we believe that the removal of the ban remains critical for KMB to deliver sustainable growth and earnings going forward. KMB is navigating well through the limitations that regulator has imposed on the bank and potential lifting of the ban will further aid operating performance. We fine-tune our earnings and estimate KMB's RoA/RoE at 2.2%/13.6% by FY26.

**Reiterate Neutral with a TP of INR1,950 (based on 2.2x FY26E ABV).**

**Quarterly performance****(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Interest Income</b>	<b>62.3</b>	<b>63.0</b>	<b>65.5</b>	<b>69.1</b>	<b>68.4</b>	<b>70.2</b>	<b>72.9</b>	<b>75.6</b>	<b>259.9</b>	<b>287.1</b>	<b>69.5</b>	<b>1%</b>
% Change (Y-o-Y)	32.7	23.5	15.9	13.2	9.8	11.5	11.3	9.4	20.6	10.5	10.4	
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	28.2	33.8	102.7	118.1	30.3	-11%
<b>Total Income</b>	<b>89.2</b>	<b>86.1</b>	<b>88.5</b>	<b>98.9</b>	<b>97.7</b>	<b>97.0</b>	<b>101.2</b>	<b>109.3</b>	<b>362.7</b>	<b>405.2</b>	<b>99.9</b>	<b>-3%</b>
Operating Expenses	39.7	40.0	42.8	44.3	45.2	46.0	46.9	49.6	166.8	187.7	46.7	-1%
<b>Operating Profit</b>	<b>49.5</b>	<b>46.1</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>54.2</b>	<b>59.8</b>	<b>195.9</b>	<b>217.5</b>	<b>53.2</b>	<b>-4%</b>
% Change (Y-o-Y)	77.8	29.2	18.6	17.5	6.2	10.6	18.8	9.4	31.9	11.1	15.3	
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	7.1	6.7	15.7	26.1	6.4	2%
<b>Profit before Tax</b>	<b>45.9</b>	<b>42.4</b>	<b>39.9</b>	<b>52.0</b>	<b>46.8</b>	<b>44.4</b>	<b>47.2</b>	<b>53.1</b>	<b>180.1</b>	<b>191.4</b>	<b>46.7</b>	<b>-5%</b>
Tax	11.3	10.5	9.8	10.6	11.6	11.0	11.6	13.0	42.3	47.1	11.5	-5%
<b>Net Profit</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>35.2</b>	<b>33.4</b>	<b>35.6</b>	<b>40.1</b>	<b>137.8</b>	<b>144.3</b>	<b>35.2</b>	<b>-5%</b>
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	18.4	-2.9	26.0	4.7	10.4	
Exceptional item					27.3					27.3		
<b>PAT including exceptionals</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>62.5</b>	<b>33.4</b>	<b>35.6</b>	<b>40.1</b>	<b>137.8</b>	<b>171.6</b>	<b>35</b>	
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	18.4	-2.9	26.0	24.5	10.4	
Deposits (INRb)	3,863	4,010	4,086	4,490	4,474	4,615	4,880	5,109	4,490	5,109	4,651	
Loans (INRb)	3,286	3,483	3,596	3,761	3,900	3,995	4,134	4,310	3,761	4,310	4,024	
Deposit growth (%)	22.0	23.3	18.6	23.6	15.8	15.1	19.4	13.8	23.6	13.8	16.0	
Loan growth (%)	17.3	18.5	15.7	17.6	18.7	14.7	15.0	14.6	17.6	14.6	15.5	
<b>Asset Quality</b>												
Gross NPA (%)	1.77	1.72	1.73	1.39	1.39	1.49	1.53	1.57	1.39	1.57	1.38	
Net NPA (%)	0.40	0.37	0.34	0.34	0.35	0.43	0.43	0.44	0.34	0.44	0.36	
PCR (%)	78.0	79.1	80.6	75.9	74.9	71.4	72.3	72.7	75.9	72.7	74.4	

E: MOFSL Estimates

## Quarterly snapshot

Profit and Loss (INRb)	FY24				FY25		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Interest Income</b>	<b>105.0</b>	<b>111.9</b>	<b>118.0</b>	<b>123.1</b>	<b>127.5</b>	<b>132.2</b>	<b>18</b>	<b>4</b>
<b>Interest Expenses</b>	<b>42.7</b>	<b>49.0</b>	<b>52.5</b>	<b>54.0</b>	<b>59.0</b>	<b>62.0</b>	<b>27</b>	<b>5</b>
<b>Net Interest Income</b>	<b>62.3</b>	<b>63.0</b>	<b>65.5</b>	<b>69.1</b>	<b>68.4</b>	<b>70.2</b>	<b>11</b>	<b>3</b>
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	16	-8
<b>Total Income</b>	<b>89.2</b>	<b>86.1</b>	<b>88.5</b>	<b>98.9</b>	<b>97.7</b>	<b>97.0</b>	<b>13</b>	<b>-1</b>
<b>Operating Expenses</b>	<b>39.7</b>	<b>40.0</b>	<b>42.8</b>	<b>44.3</b>	<b>45.2</b>	<b>46.0</b>	<b>15</b>	<b>2</b>
Employee	16.5	16.3	17.5	18.3	18.7	19.5	19	4
Others	23.2	23.7	25.4	26.0	26.5	26.5	12	0
<b>Operating Profits</b>	<b>49.5</b>	<b>46.1</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>11</b>	<b>-3</b>
<b>Core PPOp</b>	<b>47.1</b>	<b>44.6</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>14</b>	<b>-3</b>
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	80	14
<b>PBT</b>	<b>45.9</b>	<b>42.4</b>	<b>39.9</b>	<b>52.0</b>	<b>46.8</b>	<b>44.4</b>	<b>5</b>	<b>-5</b>
Taxes	11.3	10.5	9.8	10.6	11.6	11.0	4	-5
<b>PAT</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>35.2</b>	<b>33.4</b>	<b>5</b>	<b>-5</b>
<b>Exceptional item</b>					<b>27.3</b>			
<b>Total PAT</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>62.5</b>	<b>33.4</b>	<b>5</b>	<b>-46</b>
<b>Balance Sheet (INR b)</b>								
<b>Loans</b>	<b>3,286</b>	<b>3,483</b>	<b>3,596</b>	<b>3,761</b>	<b>3,900</b>	<b>3,995</b>	<b>15</b>	<b>2</b>
<b>Deposits</b>	<b>3,863</b>	<b>4,010</b>	<b>4,086</b>	<b>4,490</b>	<b>4,474</b>	<b>4,615</b>	<b>15</b>	<b>3</b>
CASA Deposits	1,893	1,935	1,950	2,043	1,942	2,013	4	4
-Savings	1,246	1,247	1,263	1,291	1,241	1,300	4	5
-Current	647	688	688	752	701	713	4	2
<b>Loan Mix (%)</b>								
Retail	68.0	68.1	68.2	68.3	67.7	67.8	0	0
- HL	28.2	27.8	27.4	27.2	27.3	27.8	0	2
- PL, BL and CD	5.0	5.0	5.2	5.1	5.0	5.0	0	-1
Corporate	29.9	29.8	29.5	29.2	30.0	29.8	0	-1
Others	2.1	2.1	2.2	2.4	2.3	2.4	14	4
<b>Asset Quality (INR b)</b>								
GNPA	59.1	60.9	63.0	52.7	54.8	60.3	-1	10
NNPA	13.0	12.7	12.3	12.7	13.8	17.2	35	25
Slippages	12.1	13.1	11.8	13.1	13.6	18.8	43	38
<b>Asset Quality Ratios (%)</b>								
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>
GNPA	1.8	1.7	1.7	1.4	1.4	1.5	-23	10
NNPA	0.4	0.4	0.3	0.3	0.4	0.4	6	8
Slippage	1.6	1.6	1.4	1.4	1.4	3.8	212	234
PCR (Exc TWO)	78.0	79.1	80.6	75.9	74.9	71.4	-763	-344
Credit Cost	0.5	0.5	0.7	0.3	0.6	0.7	25	6
<b>Business Ratios (%)</b>								
CASA	49.0	48.3	47.7	45.5	43.4	43.6	-470	20
Loan / Deposit	85.1	86.9	88.0	83.8	87.2	86.6	-28	-58
Cost to Income	44.5	46.5	48.4	44.8	46.2	47.5	99	122
Cost to Assets	3.4	3.3	3.4	3.2	3.2	3.2	-10	-5
Other income/Total Income	30.1	26.9	26.0	30.1	30.0	27.7	78	-231
Tax Rate	24.7	24.8	24.6	20.5	24.7	24.7	-13	-5
<b>Profitability Ratios (%)</b>								
Yield on loans	10.9	10.8	11.0	10.9	10.9	10.8	3	-5
Yield On Investments	7.5	7.6	7.1	7.1	7.2	7.3	-26	5
Yield on Funds	10.2	10.3	10.2	10.1	10.1	10.1	-24	-10
Cost of funds	4.5	4.8	0.0	0.0	5.1	5.2	37	5
Margins	5.6	5.2	5.2	5.3	5.0	4.9	-31	-11
<b>Other Details</b>								
Branches	1,788	1,850	1,869	1,948	1,965	2,013	163	48
ATM	3,047	3,170	3,239	3,291	3,279	3,329	159	50

Source: Company, MOFSL

**Consolidated earnings snapshot (INR m)**

Y/E March	FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	2Q
Kotak Bank	34,520	31,910	30,050	41,330	35,200	33,440
Kotak Prime	2,180	2,080	(0)	2,230	2,320	2,690
Kotak Securities	2,190	3,240	3,060	3,780	4,000	4,440
KMCC	550	270	350	970	810	900
Kotak Life	1,930	2,470	1,400	1,090	1,740	3,600
AMC & Trustee	1,060	1,240	1,460	1,500	1,750	1,970
Intl. subs	320	410	570	590	680	760
KIL	1,020	1,260	1,570	1,290	1,380	1,410
Others	1,070	1,350	1,220	240	340	650
<b>Kotak Consol</b>	<b>44,840</b>	<b>44,230</b>	<b>39,680</b>	<b>53,020</b>	<b>44,840</b>	<b>49,860</b>
Minority/associate adjustments	(3,340)	380	580	350	(3,870)	580
PAT on KGI investment					30,130	
<b>Kotak Cons. Reported PAT</b>	<b>41,500</b>	<b>44,610</b>	<b>40,260</b>	<b>53,370</b>	<b>74,480</b>	<b>50,440</b>
<b>Contribution of bank in total profits</b>	<b>83%</b>	<b>72%</b>	<b>75%</b>	<b>77%</b>	<b>83%</b>	<b>66%</b>

Source: Company, MOFSL

**Highlights from the management commentary****Opening remarks**

- KMB reported a standalone PAT of ~INR33.4b (5% miss, 5% YoY growth) led by lower other income. Consolidated PAT stood at INR50.4b (13% YoY growth) in 2QFY25.
- Advances and deposits grew 14.7%/15.1% YoY, respectively.
- The bank has entered into an agreement to acquire the personal loan portfolio of Standard Chartered bank, India.
- Its RoE/RoA at consolidated level stood at 13.88%/2.53%.
- NIM moderated 11bp QoQ to 4.91% during this quarter.
- On MFI growth, the bank has strained the growth and expects slower growth in the next two quarters as well.
- On credit cards, stress can be seen due to overleveraging and because the bank was not able to issue new credit cards.
- CRAR stood at 22.6% of which CET-1 was 21.7% at consolidated level.
- Consolidated ROE to be at 14.28% if the bank excludes the impact on reserves due to new investment guideline.
- CASA ratio improved 20bp QoQ to 43.6%. Cost of funds rose 5bp QoQ.

**The RBI order and technology**

- KMB has made notable progress on core banking resilience, business continuity action plan, and digital payment frameworks.
- The potential financial impact continues to be in line with the initial estimate.
- Due to the RBI order, there was no impact on existing business operations, with a firm commitment to developing world-class technology infrastructure.
- Key technology initiatives include enriching the mobile banking app, 811 App, Neo App, automating front line processes, and enhancing customer journey automation.
- KMB is systematically locking out any points of failure; the external auditor is validating every step that the bank is taking.

### Business related

- KMB's customer assets grew 18% YoY/3% QoQ to INR4.5t in 2QFY25.
- The mortgage lending business has grown by a healthy 17.8% YoY/5.3% QoQ.
- Secured and SME segments witnessed faster growth compared to others.
- Secured business grew 6% QoQ which includes home loan, LAP, etc.
- Disbursements grew in line with the industry and the bank expects 2H to grow well.
- Seasonal impact on tractor business was due to the slow rural economy, which led to slower growth. Revival of tractor demand and collection efficiencies are expected in 2HFY25.
- MFI declined 4% YoY and expected to decline in next quarter as well. Management will remain watchful of this trend.
- Corporate SME grew 31% YoY and mid-market saw a number of new activations and grew healthy.
- In large corporate, the growth was modest; growth occurred as credit substitute grew 18% YoY.
- Gift City has initiated various initiatives and the business grew 80% YoY in both trade and new trade businesses.
- In the debt syndication business, KMB closed various debts in diverse range of the sector.
- The bank is seeing some green shoots in saving deposits in this quarter.
- The bank has re-launched Activ money this quarter and saw strong growth of 9% QoQ and 45% YoY.
- It launched the Kotak API developer portal, which facilitates seamless experience.
- The bank has cut the savings account (upto 0.5m) deposit rate by ~50bp, which will expand NIM by ~4bp and will improve yield.
- It has cut savings account rate to bring deposit rate in line with the competition.
- About 60% of the book is linked to EBLR.
- Unsecured book grew 1% QoQ with credit card declining 1.4% QoQ. The full impact of the embargo on the credit card has led to lower growth.
- KMB has bundled proposition for certain key segments and has relaunched active-money with an outreach program.
- Focus on deposit growth, with more focus on CASA and active-money.
- The bank aims to expand across various segments, while maintaining business as usual.

### CoF, yields, and margins

- Bank will continue to spend what they are incurring in IT.
- Reduction in yield on advances and reduction in NIM are due to change in asset mix more towards secured products.

### Asset quality

- The bank will maintain prudence in its underwriting approach, ensuring quality without compromising on standards.
- On unsecured retail, stress is seen in unsecured credit cards. On MFI, the bank has acted much earlier also and from now on fresh onboarding will be better.
- GNPA/NNPA ratio increased 10bp/8bp QoQ to 1.49%/0.43%. PCR declined 344bp QoQ to 71.4%.
- Credit costs are likely to stabilize and over two to three quarters, credit costs will come down.

- 270 DPD is when the bank writes off an account, as KMB believes this is a better accounting approach.
- Improvement in credit costs in 6-9 months in portfolios such as credit cards is expected by the bank.
- Larger chunk of slippages are from credit card (30-35%), recoveries from rural and secured business will help bank reduce slippages going forward.
- Unsecured retail advances (including retail microcredit) as a % of net advance stood at 11.3% in 2QFY25.

### **Subsidiaries**

#### **Kotak Securities:**

- Kotak securities grew 37% YoY in PAT at INR2.4b.
- Witnessed a significant adoption on the new NEO Mutual Fund platform; new MF orders grew 3.7X YoY.
- Derivate market share stood at 13%.
- Total orders have experienced remarkable growth, boasting a 96% YoY increase, mainly driven by Kotak Neo platform

#### **Kotak Mahindra Life:**

- Gross written premium grew 10.2% YoY whereas Individual APE NB premium grew 19% in 2QFY25.
- Overall protection premium for 2QFY25, at 35.2% of Individual new business and group premium.
- 2QFY25 Share of Traditional Product mix at 72.8% of regular premium.

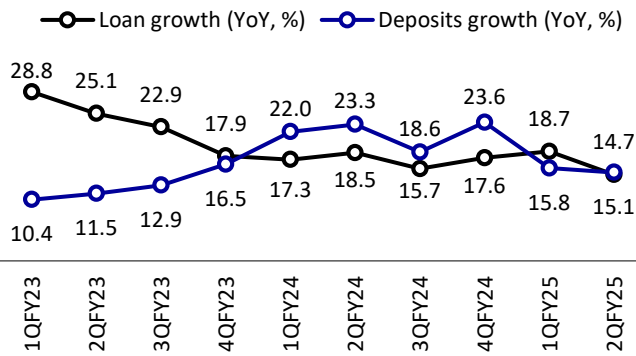
#### **Other Subsidiaries:**

- Kotak Prime had PAT of INR2.69b in 2QFY25, is well capitalized with a CRAR of 24.2%.
- BSS microfinance has PAT of INR0.16b in 2QFY25 due to increase in delinquencies.



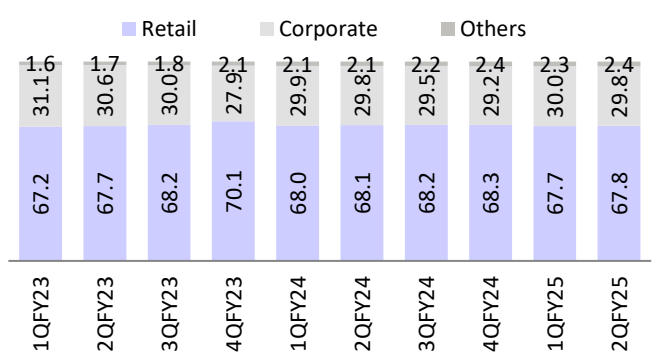
## Story in charts

**Exhibit 1: Advances/deposits grew 15% YoY**



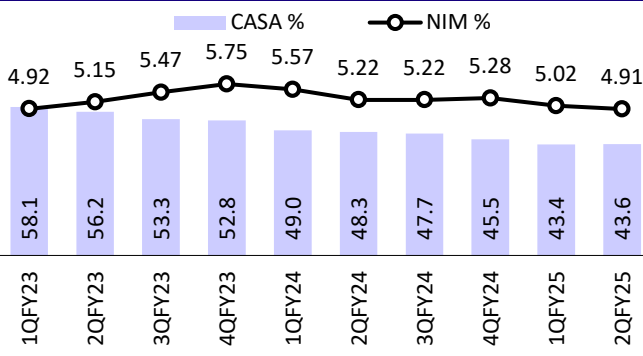
Source: MOFSL, Company

**Exhibit 2: Retail loan mix stood at 67.8% in 2QFY25**



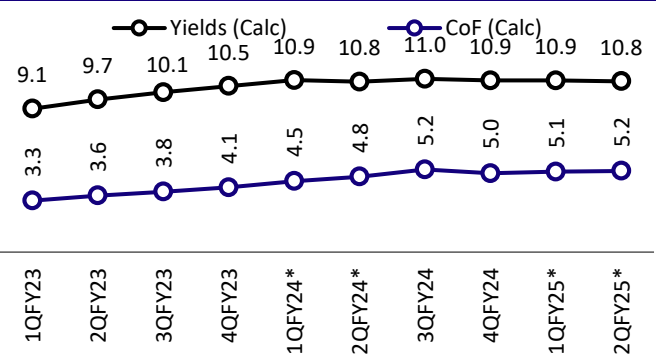
Source: MOFSL, Company

**Exhibit 3: NIMs moderated 11bp QoQ to 4.91%**



Source: MOFSL, Company

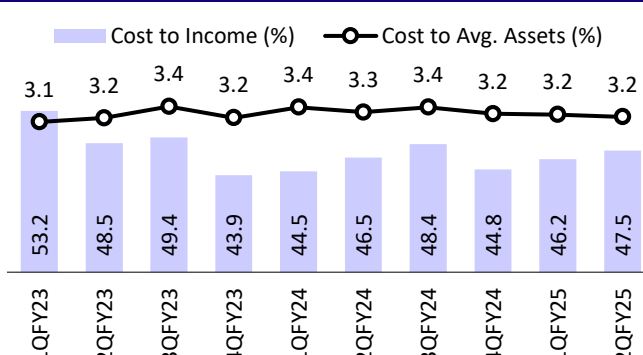
**Exhibit 4: Yields/CoF stood at 10.8%/5.2% in 2QFY25**



\* CoF are reported

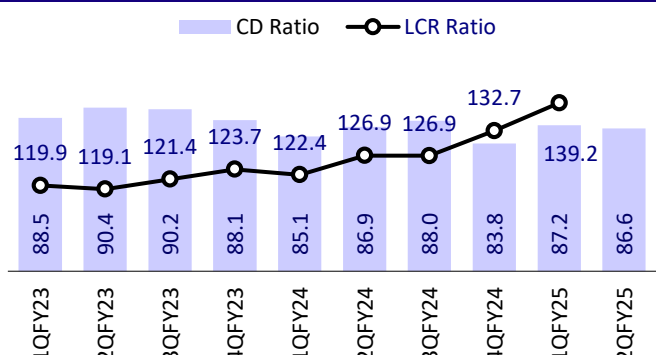
Source: MOFSL, Company

**Exhibit 5: C/I ratio increased 122bp QoQ to 47.5%**



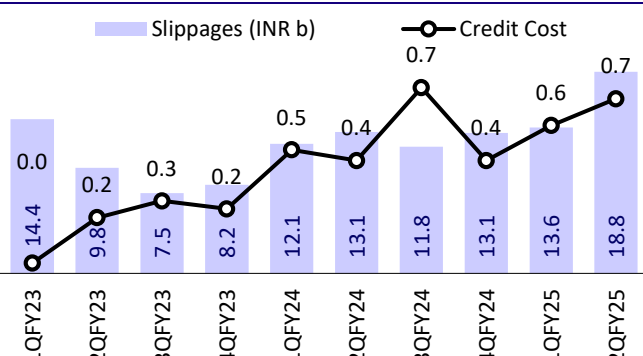
Source: MOFSL, Company

**Exhibit 6: CD ratio moderated to 86.6% vs 87.2% in 1QFY25**



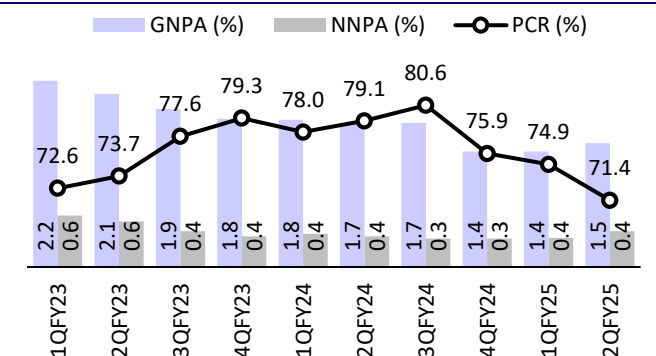
Source: MOFSL, Company

**Exhibit 7: Slippages rose to INR18.8b, credit costs at 0.7%**



Source: MOFSL, Company

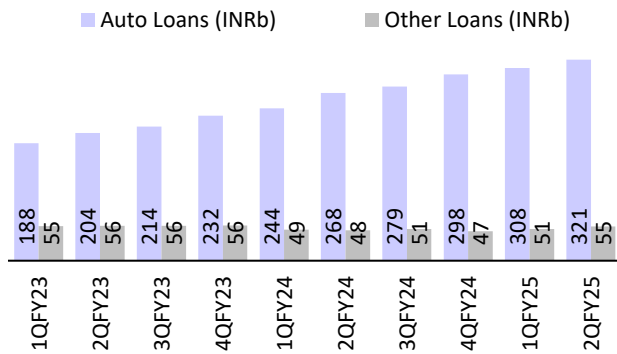
**Exhibit 8: GNPA/NNPA ratio increased to 1.5%/0.4%**



Source: MOFSL, Company

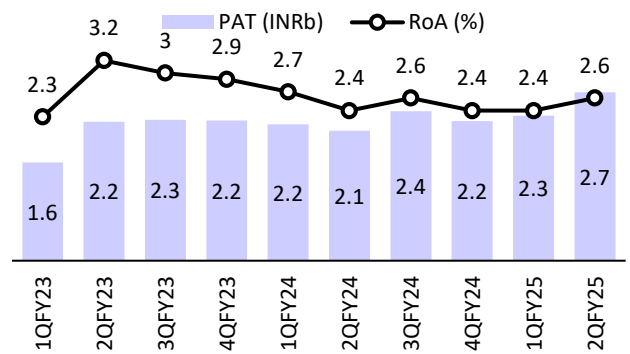
## Subsidiaries' performance and consolidated earnings snapshot

**Exhibit 9: Kotak Prime: Auto loans up 20% YoY and 4% QoQ**



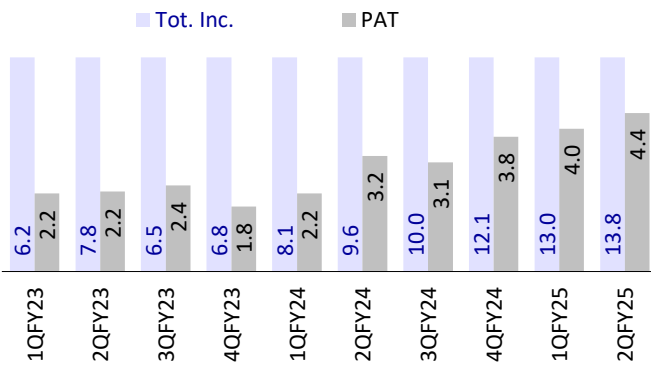
Source: MOFSL, Company

**Exhibit 10: Kotak Prime – PAT stood at INR2.7b in 2QFY25**



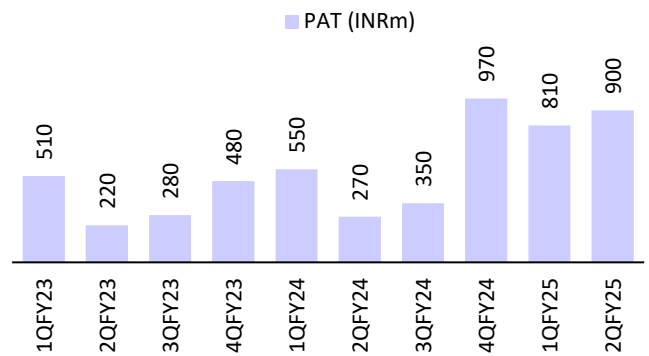
Source: MOFSL, Company

**Exhibit 11: Kotak Securities – PAT grew 37% YoY to INR4.4b**



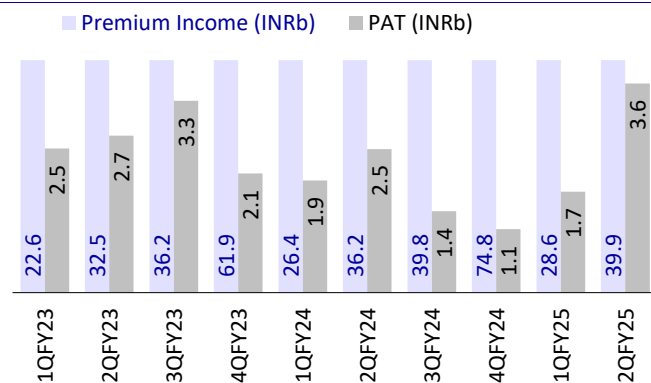
Source: MOFSL, Company

**Exhibit 12: PAT stood at INR900m in Investment Banking**



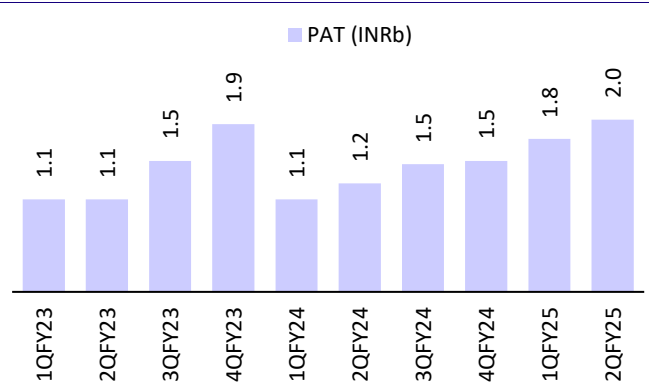
Source: MOFSL, Company

**Exhibit 13: Kotak Life Ins. – PAT was INR3.6b in 2QFY25**



Source: MOFSL, Company

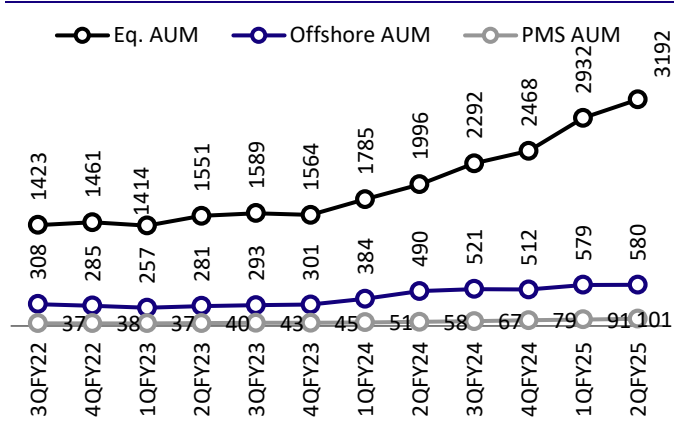
**Exhibit 14: Kotak AMC – PAT stood at INR2b in 2QFY25**



Source: MOFSL, Company



Exhibit 15: AUM mix for Kotak AMC (INR b)



Source: MOFSL, Company

Exhibit 16: KMB – Consolidated PAT details

KMB Group: Qtrly. Performance	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
Kotak Bank	33.4	31.9	5	35.2	-5
Kotak Prime	2.7	2.1	29	2.3	16
Kotak Securities	4.4	3.2	37	4.0	11
KMCC	0.9	0.3	233	0.8	11
Kotak Life	3.6	2.5	46	1.7	107
AMC & Trustee	2.0	1.2	59	1.8	13
Intl. subs	1.4	1.8	-20	1.0	38
KIL	1.4	1.3	12	1.4	2
<b>Kotak Consol</b>	<b>49.9</b>	<b>44.2</b>	<b>13</b>	<b>48.2</b>	<b>3</b>
Minority adjustments	0.6	0.4	53	-3.9	-115
PAT on KGI Investment				30.1	
<b>Consol PAT (after minority interest)</b>	<b>50.4</b>	<b>44.6</b>	<b>13</b>	<b>74.5</b>	<b>-32</b>

Source: MOFSL, Company

### Valuation and view

- KMB reported a slight miss on earnings due to lower other income and 11bp sequential contraction in margin. Asset quality ratios deteriorated slightly, affected by higher slippages in unsecured and credit card segments. However, the bank expects recoveries from rural and secured businesses to mitigate the overall impact. Changes in the asset mix more towards secured products have affected the yields and margins, but the management continues to guide for mid-teen growth in unsecured lending.
- Growth in deposits was healthy, leading to moderation in the CD ratio to 86.6%. However, we will closely monitor the pace of deposit accretion for the bank and the impact on margins over the coming quarters. In this quarter, the full effect of the embargo has adversely affected the business, and we believe that the removal of the ban remains critical for KMB to deliver sustainable growth and earnings going forward.
- KMB is navigating well through the limitations that regulator has imposed on the bank and potential lifting of the ban will further aid operating performance. We fine-tune our earnings and estimate KMB's RoA/RoE at 2.2%/13.6% by FY26.

**Reiterate Neutral with a TP of INR1,950 (based on 2.2x FY26E ABV).**

Exhibit 17: We fine tune our earnings estimate with FY26E RoA/RoE at 2.2%/13.6%

INR b	Old Est.		Revised Est.		Change (%)/bps	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	280.8	325.9	287.1	327.7	2.2	0.5
Other Income	123.3	144.5	118.1	138.2	-4.2	-4.3
<b>Total Income</b>	<b>404.1</b>	<b>470.4</b>	<b>405.2</b>	<b>465.9</b>	<b>0.3</b>	<b>-1.0</b>
Operating Expenses	192.1	224.3	187.7	219.6	-2.3	-2.1
<b>Operating Profits</b>	<b>211.9</b>	<b>246.1</b>	<b>217.5</b>	<b>246.4</b>	<b>2.6</b>	<b>0.1</b>
Provisions	23.0	27.5	26.1	32.8	13.5	19.4
<b>PBT</b>	<b>188.9</b>	<b>218.7</b>	<b>191.4</b>	<b>213.6</b>	<b>1.3</b>	<b>-2.3</b>
Tax	46.5	53.8	47.1	52.5	1.3	-2.3
<b>Standalone PAT</b>	<b>142.5</b>	<b>164.9</b>	<b>144.3</b>	<b>161.0</b>	<b>1.3</b>	<b>-2.3</b>
Loans	4,332	5,060	4,310	5,021	-0.5	-0.8
Deposits	5,109	5,891	5,109	5,891	0.0	0.0
<b>Margins (%)</b>	<b>4.76</b>	<b>4.77</b>	<b>4.90</b>	<b>4.87</b>	<b>14</b>	<b>11</b>
<b>RoA (%)</b>	<b>2.22</b>	<b>2.26</b>	<b>2.25</b>	<b>2.20</b>	<b>3</b>	<b>(5)</b>
<b>Core RoE (%)</b>	<b>13.7</b>	<b>13.9</b>	<b>13.9</b>	<b>13.6</b>	<b>17</b>	<b>(32)</b>
<b>EPS</b>	<b>94.6</b>	<b>110.5</b>	<b>95.5</b>	<b>108.5</b>	<b>1.0</b>	<b>-1.8</b>
<b>BV</b>	<b>556.6</b>	<b>637.7</b>	<b>557.5</b>	<b>636.8</b>	<b>0.2</b>	<b>-0.2</b>
<b>Consol BV</b>	<b>746.5</b>	<b>855.5</b>	<b>747.4</b>	<b>854.5</b>	<b>0.1</b>	<b>-0.1</b>

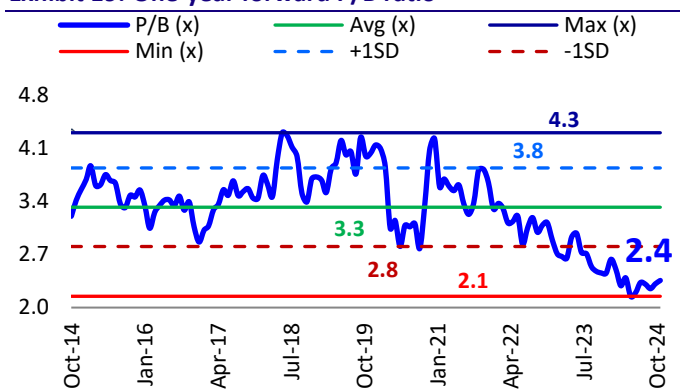
Source: MOFSL, Company

## Exhibit 18: SoTP-based valuation

	Stake (%)	Total value (INR b)	Attributed Value (INR b)	Value (USD B)	INR per share	% To Total	Rationale
<b>Lending Business</b>		<b>3,001</b>	<b>3,001</b>	<b>36.0</b>	<b>1,510</b>	<b>77</b>	
Kotak Mahindra Bank		2,652	2,652	31.8	1,334	68	2.2x FY26E NW
Kotak Prime (Car and other loans)	100%	247	247	3.0	124	6	2.2x FY26E NW
Kotak Investment Company (LAS)	100%	101	101	1.2	51	3	2.2x FY26E NW
<b>Asset Management Business</b>		<b>295</b>	<b>295</b>	<b>3.5</b>	<b>148</b>	<b>8</b>	4.7% of FY26E AUMs
Domestic Mutual Fund	100%	231	231	2.8	116	6	
Alternative Assets	100%	29	29	0.4	15	1	
Offshore Funds	100%	35	35	0.4	17	1	
<b>Capital Markets related Business</b>		<b>338</b>	<b>338</b>	<b>4.1</b>	<b>170</b>	<b>9</b>	
Kotak Securities	100%	300	300	3.6	151	8	17x FY26E PAT
Kotak Investment Banking (KMCC)	100%	38	38	0.5	19	1	2.2x FY26E NW
<b>Kotak Life Insurance</b>	100%	<b>549</b>	<b>549</b>	<b>6.6</b>	<b>276</b>	<b>14</b>	2.5x FY26E EV
<b>Subs value @ 20% discount</b>		<b>1,224</b>	<b>1,224</b>	<b>14.7</b>	<b>616</b>	<b>32</b>	
<b>Target Value (Post 20% holding discount)</b>		<b>3,876</b>	<b>3,876</b>	<b>46.5</b>	<b>1,950</b>	<b>100</b>	
- contribution of subs/associates to total PT					32%		

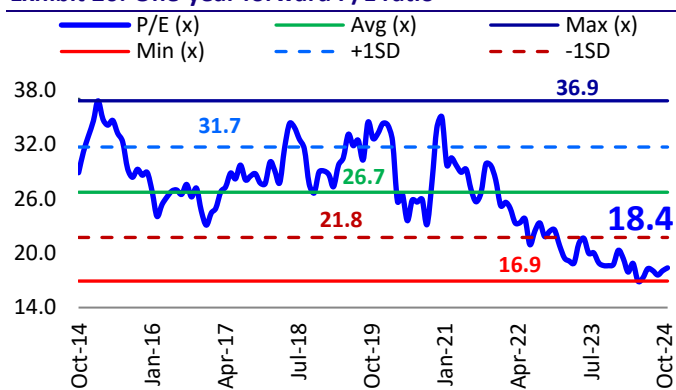
Source: Company, MOFSL

## Exhibit 19: One-year forward P/B ratio



Source: MOFSL, Company

## Exhibit 20: One-year forward P/E ratio



Source: MOFSL, Company

## Exhibit 21: DuPont Analysis – We estimate KMB to report FY27 RoA/RoE of 2.3%/14.2%

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	7.45	8.40	8.27	8.17	8.24
Interest Expense	2.76	3.63	3.79	3.69	3.60
<b>Net Interest Income</b>	<b>4.69</b>	<b>4.77</b>	<b>4.48</b>	<b>4.48</b>	<b>4.64</b>
Fee income	1.75	1.72	1.66	1.68	1.68
Trading and others	-0.21	0.17	0.19	0.21	0.24
<b>Non Interest income</b>	<b>1.54</b>	<b>1.88</b>	<b>1.84</b>	<b>1.89</b>	<b>1.92</b>
<b>Total income</b>	<b>6.23</b>	<b>6.65</b>	<b>6.32</b>	<b>6.37</b>	<b>6.56</b>
<b>Operating Expenses</b>	<b>3.00</b>	<b>3.06</b>	<b>2.93</b>	<b>3.00</b>	<b>3.07</b>
Employee cost	1.21	1.26	1.20	1.22	1.24
Others	1.79	1.80	1.72	1.78	1.83
<b>Operating Profits</b>	<b>3.23</b>	<b>3.59</b>	<b>3.40</b>	<b>3.37</b>	<b>3.48</b>
<b>Core operating Profits</b>	<b>3.44</b>	<b>3.42</b>	<b>3.21</b>	<b>3.15</b>	<b>3.24</b>
<b>Provisions</b>	<b>0.10</b>	<b>0.29</b>	<b>0.41</b>	<b>0.45</b>	<b>0.44</b>
NPA	0.11	0.27	0.39	0.41	0.41
Others	-0.01	0.02	0.02	0.03	0.03
<b>PBT</b>	<b>3.13</b>	<b>3.30</b>	<b>2.99</b>	<b>2.92</b>	<b>3.04</b>
Tax	0.75	0.78	0.73	0.72	0.75
<b>RoA</b>	<b>2.38</b>	<b>2.53</b>	<b>2.25</b>	<b>2.20</b>	<b>2.29</b>
Leverage (x)	5.9	6.0	6.2	6.2	6.2
<b>RoE</b>	<b>14.0</b>	<b>15.3</b>	<b>13.9</b>	<b>13.6</b>	<b>14.2</b>

Source: Company, MOFSL

## Financials and valuations

<b>Income Statement</b>					
	<b>(INRb)</b>				
<b>Y/E March</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Interest Income	342.5	458.0	530.0	597.6	694.8
Interest Expense	127.0	198.1	242.9	269.9	303.9
<b>Net Interest Income</b>	<b>215.5</b>	<b>259.9</b>	<b>287.1</b>	<b>327.7</b>	<b>390.9</b>
-growth (%)	28.1	20.6	10.5	14.1	19.3
Non Interest Income	70.8	102.7	118.1	138.2	161.7
<b>Total Income</b>	<b>286.3</b>	<b>362.7</b>	<b>405.2</b>	<b>465.9</b>	<b>552.6</b>
-growth (%)	25.6	26.7	11.7	15.0	18.6
Operating Expenses	137.9	166.8	187.7	219.6	258.9
<b>Pre Provision Profits</b>	<b>148.5</b>	<b>195.9</b>	<b>217.5</b>	<b>246.4</b>	<b>293.7</b>
-growth (%)	23.2	31.9	11.1	13.3	19.2
<b>Core PPOP</b>	<b>158.2</b>	<b>186.7</b>	<b>205.5</b>	<b>230.8</b>	<b>273.4</b>
-growth (%)	21.9	18.0	10.1	12.3	18.5
Provisions	4.6	15.7	26.1	32.8	37.2
<b>PBT</b>	<b>143.9</b>	<b>180.1</b>	<b>191.4</b>	<b>213.6</b>	<b>256.5</b>
Tax	34.5	42.3	47.1	52.5	63.1
Tax Rate (%)	24.0	23.5	24.6	24.6	24.6
<b>PAT</b>	<b>109.4</b>	<b>137.8</b>	<b>144.3</b>	<b>161.0</b>	<b>193.4</b>
-growth (%)	27.6	26.0	4.7	11.6	20.1
<b>Consolidated PAT</b>	<b>149.3</b>	<b>182.1</b>	<b>189.9</b>	<b>215.8</b>	<b>259.5</b>
-growth (%)	27.3	22.0	4.3	13.6	20.3

### Balance Sheet

<b>Y/E March</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity Share Capital	9.9	9.9	9.9	9.9	9.9
Preference Share Capital	5.0	0.0			
Reserves & Surplus	820.3	957.2	1,098.3	1,255.9	1,445.8
<b>Net Worth</b>	<b>835.2</b>	<b>967.2</b>	<b>1,108.3</b>	<b>1,265.8</b>	<b>1,455.8</b>
- Equity Network	830.2	967.2	1,108.3	1,265.8	1,455.8
<b>Deposits</b>	<b>3,631.0</b>	<b>4,489.5</b>	<b>5,109.1</b>	<b>5,890.8</b>	<b>6,821.5</b>
-growth (%)	16.5	23.6	13.8	15.3	15.8
- CASA Dep	1,918.2	2,043.0	2,150.9	2,527.1	2,974.2
-growth (%)	1.4	6.5	5.3	17.5	17.7
Borrowings	234.2	283.7	304.2	335.2	385.0
Other Liabilities & Prov.	198.3	263.2	289.5	327.1	379.5
<b>Total Liabilities</b>	<b>4,898.6</b>	<b>6,003.6</b>	<b>6,811.0</b>	<b>7,818.9</b>	<b>9,041.7</b>
Current Assets	325.4	527.9	552.2	579.0	634.2
<b>Investments</b>	<b>1,214.0</b>	<b>1,554.0</b>	<b>1,762.3</b>	<b>2,001.9</b>	<b>2,282.2</b>
-growth (%)	20.7	28.0	13.4	13.6	14.0
<b>Loans</b>	<b>3,198.6</b>	<b>3,760.8</b>	<b>4,309.8</b>	<b>5,020.9</b>	<b>5,874.5</b>
-growth (%)	17.9	17.6	14.6	16.5	17.0
Fixed Assets	19.2	21.6	25.4	29.3	33.7
Other Assets	141.3	139.3	161.3	187.7	217.1
<b>Total Assets</b>	<b>4,898.6</b>	<b>6,003.6</b>	<b>6,811.0</b>	<b>7,818.9</b>	<b>9,041.7</b>

### Asset Quality

<b>Y/E MARCH</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY25E</b>	<b>FY25E</b>
GNPA	57.7	52.7	68.6	86.2	95.8
NNPA	11.9	12.7	18.8	22.5	24.6
GNPA Ratio (%)	1.78	1.39	1.57	1.69	1.61
NNPA Ratio (%)	0.37	0.34	0.44	0.45	0.42
Slippage Ratio (%)	1.20	1.36	1.70	1.70	1.60
Credit Cost (%)	0.17	0.43	0.62	0.65	0.64
PCR (Excl Tech. write off) (%)	79.3	75.9	72.7	73.9	74.3

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY23	FY24E	FY25E	FY26E	FY26E
<b>Yield and Cost Ratios (%)</b>					
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>9.1</b>	<b>9.0</b>	<b>8.9</b>	<b>8.9</b>
Avg. Yield on loans	9.1	10.2	10.0	9.9	9.9
Avg. Yield on Investments	6.1	6.7	6.9	6.8	6.7
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>3.5</b>	<b>4.6</b>	<b>4.8</b>	<b>4.6</b>	<b>4.5</b>
Avg. Cost of Deposits	3.5	4.5	4.8	4.7	4.5
<b>Interest Spread</b>	<b>5.6</b>	<b>5.7</b>	<b>5.2</b>	<b>5.2</b>	<b>5.4</b>
<b>Net Interest Margin</b>	<b>5.1</b>	<b>5.2</b>	<b>4.9</b>	<b>4.9</b>	<b>5.0</b>

### Capitalisation Ratios (%)

CAR	21.8	20.5	19.3	18.4	17.5
CET-1	20.6	19.2	18.3	17.4	16.6
Tier I	20.6	19.2	18.3	17.4	16.6
Tier II	1.2	1.3	1.1	1.0	0.9

### Business Ratios (%)

Loans/Deposit Ratio	88.1	83.8	84.4	85.2	86.1
CASA Ratio	52.8	45.5	42.1	42.9	43.6
Cost/Assets	2.8	2.8	2.8	2.8	2.9
Cost/Total Income	48.1	46.0	46.3	47.1	46.9
Cost/Core Income	46.6	47.2	47.7	48.8	48.6
Int. Expense/Int. Income	37.1	43.2	45.8	45.2	43.7
Fee Income/Total Income	28.1	25.8	26.2	26.3	25.6
Non Int. Inc./Total Income	24.7	28.3	29.2	29.7	29.3
Empl. Cost/Total Expenses	40.2	41.3	41.1	40.8	40.5

### Efficiency Ratios (INRm)

Employee per branch (in nos)	37.3	40.0	41.2	42.3	43.6
Staff cost per employee (INR m)	0.8	0.9	0.9	1.0	1.1
CASA per branch	1,078	1,049	1,062	1,199	1,357
Deposits per branch	2,040	2,305	2,522	2,796	3,113
Business per Employee	103	106	113	122	133
Profit per Employee	1.6	1.8	1.7	1.8	2.0

### Profitability Ratios and Valuation

RoE (%)	14.1	15.3	13.9	13.6	14.2
RoA (%)	2.4	2.5	2.3	2.2	2.3
Consolidated ROE (%)	13.3	14.0	12.8	12.7	13.3
Consolidated ROA (%)	2.6	2.6	2.4	2.4	2.4
RoRWA (%)	2.4	2.4	2.2	2.1	2.2
Book Value (INR)	418	487	558	637	732
-growth (%)	15.2	16.4	14.6	14.2	15.0
Price-BV (x)	3.0	2.6	2.3	2.0	1.7
Adjusted BV (INR)	398	462	528	603	695
-growth (%)	16.4	16.3	14.3	14.2	15.1
Price-ABV (x)	3.2	2.7	2.4	2.1	1.8
EPS (INR)	55.1	69.4	72.6	81.0	97.3
-growth (%)	27.5	25.9	4.7	11.6	20.1
Price-Earnings (x)	22.8	18.1	17.3	15.5	12.9
Consolidated EPS (INR)	75.1	91.6	95.5	108.5	130.5
Change (%)	27.2	21.9	4.3	13.6	20.3
Price-Consolidated Earnings (x)	24.9	20.4	19.6	17.2	14.3
Dividend Per Share (INR)	1.3	1.7	1.8	1.8	1.8
Dividend Yield (%)	0.1	0.0	0.1	0.1	0.1

E: MOFSL Estimates

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Explanation of Investment Rating	
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SELL	< - 10%
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