

Research Report

Kotak Mahindra Bank Limited



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About

Kotak Mahindra Bank Limited is an Indian banking and financial services company headquartered in Mumbai. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, and wealth management. As a group, Kotak also operates in overseas markets through international subsidiaries and branches in key geographies.

Key Business

- Wholesale Banking
- Commercial Banking
- Consumer Banking
- Other Financial Services

Synopsis of Financials

- Increase in Interest/ discount on advances/ bills and Income on Investments
- Increase in Commissions, exchange and brokerage; dividend income; NPA recoveries

Stock data (as 8th November 2023)

Nifty Price	: 19421.50
52 week High (in Rs.)	: 2,064
52 week Low (in Rs.)	: 1,644
Market Cap. (in Crore)	: 3,46,626
NSE Code	: <u>KOTAKBANK</u>

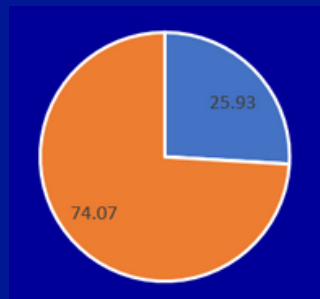
Stock data



-NIFTY50

- Kotak Mahindra Bank Limited

Shareholding Pattern (June 2023)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2023	March 2022	March 2021
Sales	42,151	33,741	32,820
Interest	14,411	11,554	12,967
Operating Profit	-5,746	-8,512	-9,958
OPM %	-14%	-25%	-30%
Profit after tax	14,780	11,932	9,903
EPS in Rs	75.13	60.91	60.91

Quarterly Results

Particular	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Sales	8,838	9,164	9,994	11,011	11,982	12,869	13,717
Interest	2,904	3,004	3,375	3,802	4,230	4,834	5,536
Operating Profit	-2,620	1,281	-2,694	-1,941	-2,796	-2,269	-1,955
OPM %	-30%	14%	-27%	-18%	-23%	-18%	-14%
Other Income	7,838	2,405	7,441	7,319	8,785	7,855	7,843
Depreciation	131	0	0	153	0	0	0
Profit before tax	5,087	3,686	4,747	5,224	5,989	5,586	5,888
Tax %	24%	26%	25%	24%	24%	26%	25%
Net Profit	3,892	2,755	3,608	3,995	4,566	4,150	4,461

Source: Screener

Key Ratios

Particulars	FY 2022-23	FY 2021-22
Return on Average Assets (RoAA) %	2.62%	2.36%
Return on Average Networth %	14.36%	13.42%
Earnings per equity share (diluted) (₹)	74.94	60.73
Book-value per equity share (₹)	562.55	486.90
Net Interest Margin (NIM) %	5.36%	4.69%
Gross NPA %	1.76%	2.37%
Net NPA %	0.41%	0.71%
Consolidated Capital Adequacy Ratio (CAR) %*	23.25%	23.68%
CET I*	22.27%	22.70%

Source: Annual Report

Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Share Capital	1,493	1,492	1,491
Reserves	1,10,821	95,673	83,348
Borrowings	4,18,307	3,65,247	3,26,610
Other Liabilities	90,309	84,586	67,905
Total Liabilities	6,20,430	5,46,498	4,78,854
Fixed Assets	3,075	2,723	2,554
CWIP	0	0	0
Investments	1,95,338	1,64,529	1,56,946
Other Assets	4,22,017	3,79,245	3,19,355
Total Assets	6,20,430	5,46,498	4,78,854

Synopsis Quater Results

Con-Call OCT 23: Key Highlights

1. Leadership and Management:

- Ashok Vaswani approved as the next MD and CEO of Kotak Mahindra Bank
- Applying for an extension of the current CEO's term
- New CEO expected to join before January 2024

3. Financial Performance:

- Q2 FY24 financials balanced and comfortable across all parameters
- Net interest margin (NIM) dropped more than expected, but a portion is unlikely to be repeated
- Consolidated post-tax profit for Q2 FY24 increased by 24% YoY
- Bank's contribution to overall profits is 72%, with Kotak Securities being the other major contributor
- Kotak Securities' market share grew to 8.8% in Q2 FY24

4. Asset Quality and Growth:

- Bank's customer asset at the consolidated level increased by 19% YoY
- Asset quality improved, with GNPA at 1.72% and net NPA at 0.37%
- Microfinance business saw healthy credit demand in the rural economy
- RBI approved the acquisition of Sonata Finance, a Lucknow-based NBFC MFI

5. Credit Card Business:

- Credit card advances grew by 59% YoY, with steady market share growth
- Strong growth primarily driven by existing bank customers

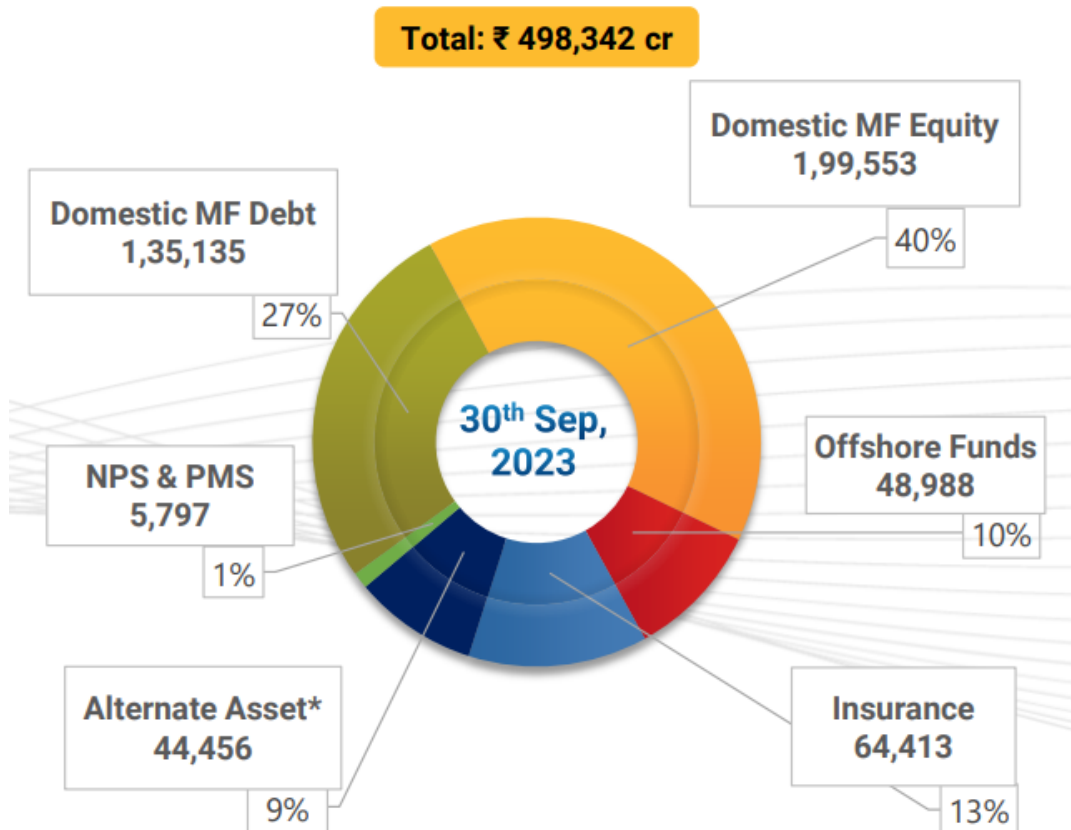
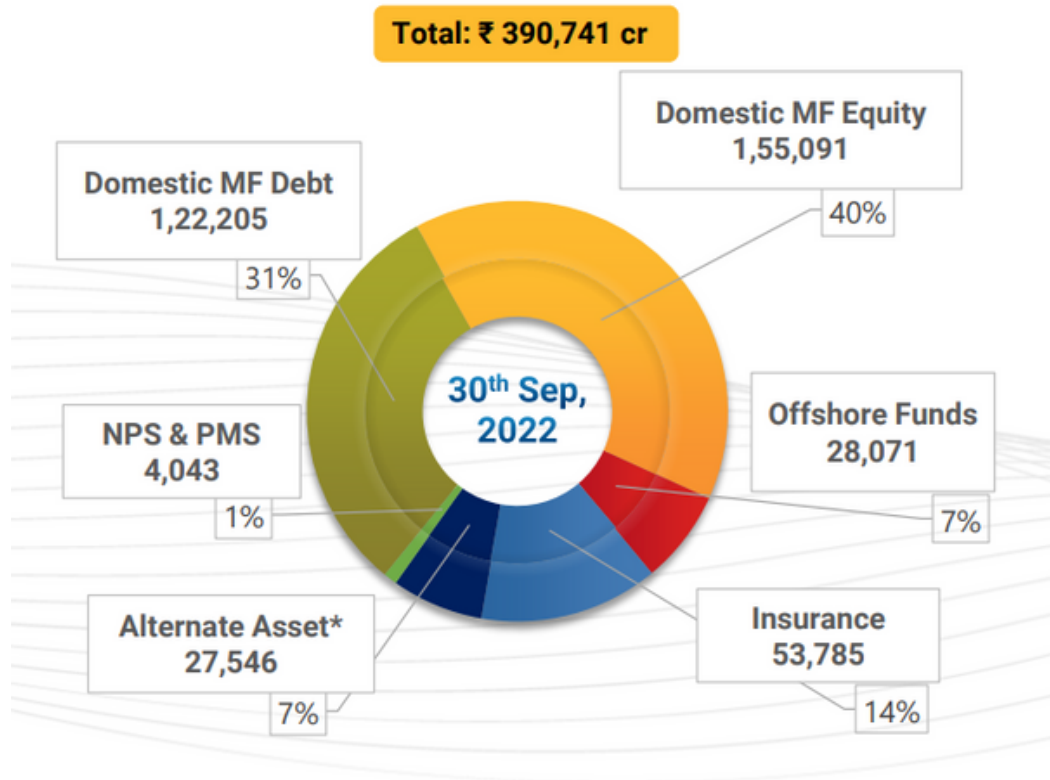
6. Deposits and Funding:

- Total deposits grew by 23% YoY, major contributions from term deposits
- Cost of funds increased, but yields on advances held up
- CASA ratio declined due to customers moving from SA to term deposits
- Repricing of liabilities mostly done, repricing of assets more or less complete

8. Outlook and Future Plans:

- Margins expected to stay relatively stable.
- Acquisition of Sonata Finance not expected to have significant impact on NIM
- CASA expected to catch up and progressively start moving up once growth rates stabilize.

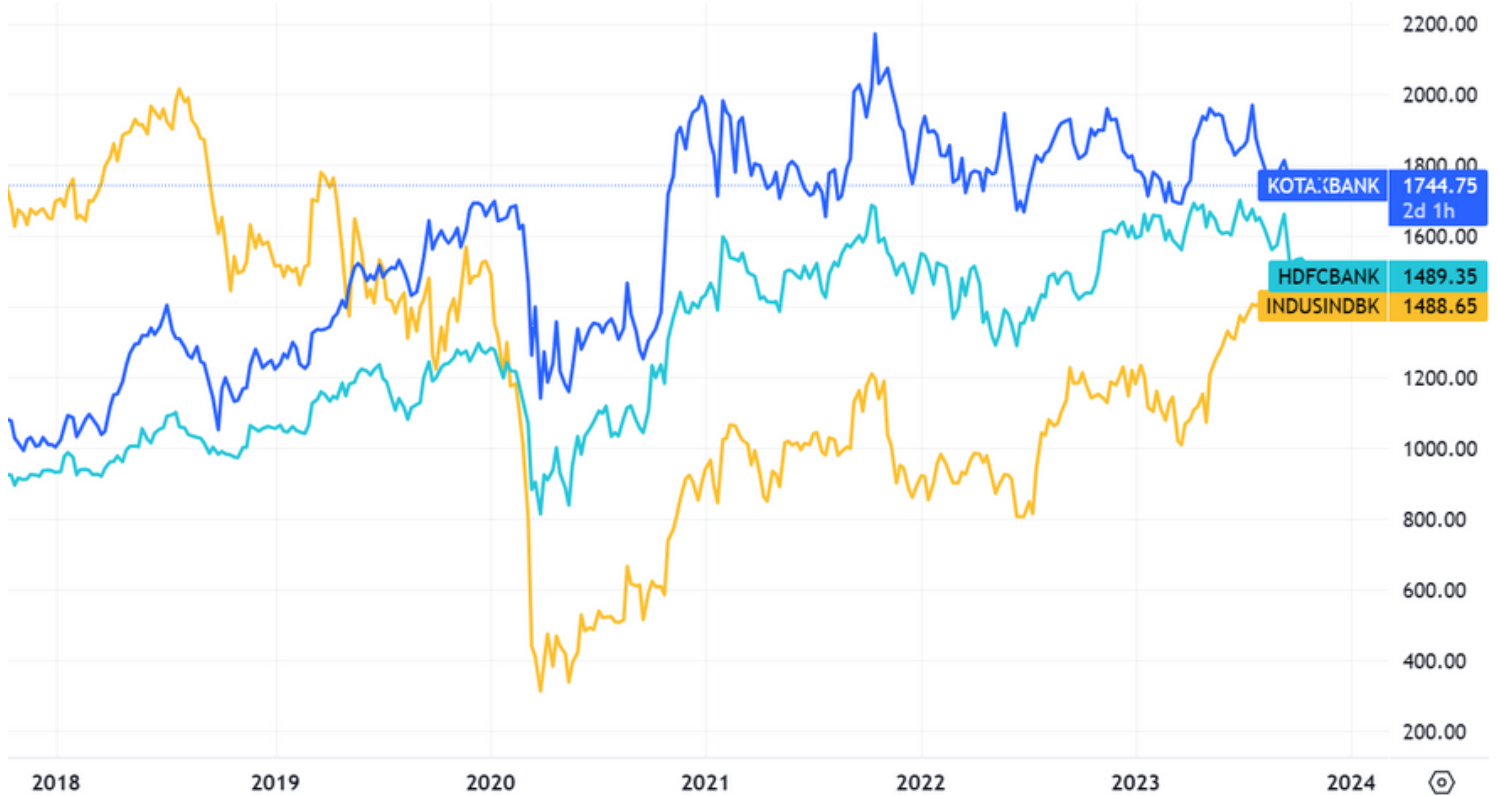
Assets Under Management



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	Mar Cap Rs.Cr.	Assets Rs.Cr.	Debt Rs.Cr.	NP 12M Rs.Cr.	Sales Rs.Cr.
1.	HDFC Bank	1489.35	1129197.65	2530432.44	2139211.91	55085.07	218757.69
2.	ICICI Bank	935.00	655181.50	1958490.50	1399893.96	41767.22	142101.69
3.	Kotak Mah. Bank	1741.60	346148.47	620429.74	418306.54	17172.67	49578.41
4.	Axis Bank	1023.40	315432.44	1344417.96	1152038.29	13223.80	101135.51
5.	IndusInd Bank	1486.20	115546.87	457804.05	385449.37	8304.80	41455.54

Source: Screener

Final Outlook

KOTAKBANK: HOLD | LTP: 1,742

For Q1FY24, Net Interest Income (NII) climbed to INR 62,337 Mn, up 2.1% QoQ and 32.7% YoY. Net Interest Margin (NIM) improved by 65 basis points year over year to 5.57% in Q1FY24 from 4.92% in Q1FY23 (a fall of 18 bps QoQ). Pre-Provision Operating Profit for Q1FY24 increased by 77.8% YoY and 6.5% QoQ to INR 49,496 Mn. PAT for the bank in Q1FY24 was INR 34,523 Mn, up 66.7% YoY (-1.2% QoQ). The quarter's provisions totaled INR 3,643 million, with an annualized credit cost of 0.54%, compared to 0.24% in Q4FY23. From INR 28,01,710 Mn on June 30, 2022, to INR 32,85,820 Mn on June 30, 2023, advances increased by 17.3% YoY and 2.7% QoQ. As of June 30, 2023, the deposits have grown by 22.0% YoY and 6.4% QoQ to INR 38,62,540 Mn, with a 49.0% CASA ratio. As of June 30, 2023, the Bank's Basel III capital adequacy ratio was 22.0%, and its Tier I ratio was 20.9%.