

January 20, 2024

**RESULT REPORT Q3 FY24** | Sector: Banks

# Kotak Mahindra Bank

## RoA below ICICI's but multiple still higher

### Our view - Slowdown in loan growth and elevated opex are talking points

**Credit subs and IBPC/BRDS keep net advances growth at 16% despite pure advances growth of 19% YoY:** Credit subs have de-grown -1% YoY whereas, IBPC/BRDS (which reduce net advances) have grown materially. Management stated that the bank is capable of growing at 1.75-2x of nominal GDP when it intends to grow.

**Net interest margin was maintained on sequential basis mainly through balance sheet mix change:** The NIM was 5.22%, flat QoQ and down from 5.47% in the same quarter last year. Margin benefited from proportion of advances rising in interest-earning assets. The share of unsecured retail including retail microfinance was 11.6% of total advances. The bank remains comfortable in taking this share to mid-teens of loan book.

**Cost to assets is above 3% due to continued investments being made by the bank:** Employee cost rose fast due to retiral cost and ESOP expense whereas, other opex rose fast due to promotional and marketing expenses. Management wants to bring cost to assets ratio to below 3%.

**Slippage declined on sequential basis whereas credit cost rose materially due to one-time provisions:** Gross NPA additions amounted to Rs 11.77bn for 3QFY24 compared with Rs 13.14bn during 2QFY24. Provisions were Rs 5.79bn, up by 58% QoQ and 289% YoY, translating to calculated annualised credit cost of 65bps. Provision of around Rs.1.9bn were towards applicable Alternate Investments Funds (AIF) exposure.

**We maintain a less-than-bullish 'ADD' rating on KMB with a revised price target of Rs 2160:** We value the standalone bank at 2.9x FY25 P/BV for an FY24E/25E/26E RoE profile of 13.1/13.4%/13.9%. We assign a value of Rs 604 per share to the subsidiaries, on SOTP.

*(See Comprehensive con call takeaways on page 2 for significant incremental colour.)*

### Result Highlights (See "Our View" above for elaboration and insight)

- **Asset quality:** Gross slippages amounted to Rs 11.77bn (annualised slippage ratio of 1.3%) and recoveries and upgrades were healthy at Rs 8.3bn
- **Margin picture:** NIM was stable QoQ to 5.22%, supported by proportion of advances rising in interest-earning assets
- **Asset growth:** Advances grew 3.2%/15.7% QoQ/YoY driven on sequential basis by healthy growth across various retail loan segments and SME.
- **Opex control:** Total opex grew 7.1%/14.2% QoQ/YoY, staff cost grew 7%/18.3% QoQ/YoY and Other expense grew 7.2%/11.5% QoQ/YoY
- **Fee income:** Fee income grew 5.8%/26.5% QoQ/YoY, where the sequential growth was driven by Distribution and syndication fees

### Exhibit 1: Result table - Standalone

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Total Interest Income	117,990	111,928	5.4	89,986	31.1
Interest expended	(52,455)	(48,962)	7.1	(33,457)	56.8
<b>Net Interest Income</b>	<b>65,535</b>	<b>62,966</b>	<b>4.1</b>	<b>56,529</b>	<b>15.9</b>
Other income	22,970	23,145	(0.8)	19,483	17.9
<b>Total Income</b>	<b>88,505</b>	<b>86,112</b>	<b>2.8</b>	<b>76,012</b>	<b>16.4</b>
Operating expenses	(42,843)	(40,011)	7.1	(37,514)	14.2
<b>PPoP</b>	<b>45,662</b>	<b>46,101</b>	<b>(1.0)</b>	<b>38,498</b>	<b>18.6</b>
Provisions	(5,791)	(3,666)	58.0	(1,488)	289.1
<b>PBT</b>	<b>39,871</b>	<b>42,436</b>	<b>(6.0)</b>	<b>37,010</b>	<b>7.7</b>
Tax	(9,821)	(10,526)	(6.7)	(9,091)	8.0
<b>PAT</b>	<b>30,050</b>	<b>31,910</b>	<b>(5.8)</b>	<b>27,919</b>	<b>7.6</b>

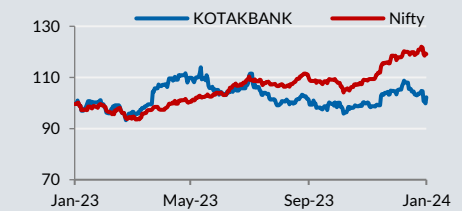
Source: Company, YES Sec-Research

Recommendation	: <b>ADD</b>
Current Price	: Rs 1807
Target Price	: Rs 2160
Potential Return	: +19.5%

### Stock data (as on January 20, 2024)

Nifty	21,572
52 Week h/l (Rs)	2064 / 1644
Market cap (Rs/USD mn)	3506815 / 42207
Outstanding Shares (mn)	2,988
6m Avg t/o (Rs mn):	8,376
Div yield (%):	0.1
Bloomberg code:	KMB IN
NSE code:	KOTAKBANK

### Stock performance



	1M	3M	1Y
Absolute return	-1.1%	2.1%	2.5%

### Shareholding pattern (As of Sept'23 end)

Promoter	25.9%
FII+DII	61.0%
Others	13.1%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2160	2175

### Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
NII	253,647	301,011	354,994
PPOP	171,610	208,981	247,733
Net Profit	116,837	136,557	161,989
Growth (%)	6.8	16.9	18.6
EPS (Rs)	58.8	68.7	81.5
BVPS (Rs)	478	546	626
P/E (x)	20.4	17.5	14.7
P/BV (x)	2.5	2.2	1.9
ROE (%)	13.1	13.4	13.9
ROA (%)	2.2	2.1	2.1
Tier-1 (%)	19.8	19.0	18.1

### Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	58.8	68.7	81.5
EPS (Old)	58.8	69.1	81.9
% change	0.0%	-0.5%	-0.4%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Asset quality

- **Slippages**
  - Gross NPA additions amounted to Rs 11.77bn for 3QFY24, translating to an annualized slippage ratio of 1.3% for the quarter. (Gross NPA additions had amounted to Rs 13.14bn during 2QFY24.)
- **Recoveries and upgrades**
  - Recoveries and upgrades amounted to Rs 8.3bn for 3QFY24, implying net NPA addition of Rs 3.47bn for the quarter.
- **Provisions**
  - **P&L provisions**
    - Provisions were Rs 5.79bn, up by 58% QoQ and 289% YoY, translating to calculated annualised credit cost of 65bps.
    - Provision of around Rs.1.9bn were towards applicable Alternate Investments Funds (AIF) Investments pursuant to the RBI circular.
    - Covid provisions utilised during the quarter amounted to Rs 0.26bn.
  - **Outstanding provisions**
    - Outstanding Covid provisions amounted to Rs 2.95bn.
- **Restructured book**
  - Standard fund-based restructured book outstanding under one time restructuring for MSME is around Rs2.73bn and under Covid resolution framework is around Rs.1.86bn.
  - The total fund-based standard restructured book stood at 0.13% of gross advances.

### Net interest margin

- **NIM for the quarter**
  - The NIM was 5.22%, flat QoQ and down from 5.47% in the same quarter last year.
- **Balance sheet mix aspects**
  - Margin benefited from proportion of advances rising in interest-earning assets.
  - **Unsecured retail**
    - The share of unsecured retail including retail microfinance was 11.6% of total advances.
    - The bank remains comfortable in taking this share to mid-teens of loan book.
- **Share of repo rate loans**
  - The share of repo rate loans is 57-58% of total loan book.
- **Liquidity**
  - The loan to deposit ratio for the bank is 88%.
  - This ratio has to be viewed along with the healthy CET1 ratio for the bank.
  - The LCR on consolidated basis is 126%, stable on YoY basis and the LCR for the standalone bank is 119.5%.
  - The bank also has alternate sources of funding such as refinance and the bank has raised Rs 30bn through this route during the quarter.
- **Cost of term deposits**
  - Cost of term deposits ranges between 6.5-6.7% on outstanding basis.

(Con call takeaways continue on the next page)

## Loan growth

- **Growth outcomes**
  - Customer assets are up 19% YoY.
  - If credit substitutes are included, customer assets grew 17% YoY and 5% QoQ.
  - The advances for the bank stood at Rs 3,596 bn, up by 3.2% QoQ and 15.7% YoY.
  - **Corporate lending**
    - Corporate funded assets have grown 13% YoY and 3% QoQ.
    - The SME book has grown 18% YoY and 5% QoQ.
  - **Consumer banking**
    - Mortgages are up 15% YoY and 3% QoQ.
    - Business banking loans were up 20% YoY and 2% QoQ.
    - **Unsecured retail**
      - Unsecured retail book is up 40% YoY and 9% QoQ.
      - Credit card book is up 52% YoY and 10% QoQ.
- **Growth guidance**
  - The bank is capable of growing at 1.75-2x of nominal GDP when it intends to grow.

## Deposits growth

- The deposits were at Rs 4,086 bn, up by 1.9% QoQ and 18.6% YoY.
- The share of Activmoney accounts was 10% of total deposits.

## Capital adequacy

- The CET1 ratio is 21.2% at the consolidated level.
- The CET1 ratio is 20.1% at the standalone level.

## Fee income

- Fee and services grew 27% YoY for the quarter.

## Operating expenses

- **Total opex**
  - Total opex, at Rs. 42.8 bn, is up 7.1% QoQ and 14.2% YoY.
  - Consequently, cost/income ratio came in at 48.4%, up by 194bps QoQ but down -94bps YoY.
  - **Cost to assets**
    - Cost to assets is above 3% due to continued investment.
    - Management want to bring this ratio to below 3%.
- **Staff opex**
  - The staff opex is up by 7% QoQ and 18.3% YoY.
  - Employee cost rose fast due to retiral cost and ESOP expense.
- **Non-staff opex**
  - Other opex in up by 7.2% QoQ and 11.5% YoY.
  - Other opex rose fast due to promotional and marketing expenses.

## Treasury loss

- There was a treasury loss amounting to Rs 1.68bn.
- This was largely due to the OIS book, which is used to lock in spreads.

## Exhibit 2: Key quarterly balance sheet / business data - Standalone

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy	Q3 FY24*	chg qoq*	chg yoy*
Advances	3,595,880	3,482,840	3.2	3,107,340	15.7	100.0	0bps	0bps
Home Loans & LAP	1,022,340	991,000	3.2	891,120	14.7	28.4	-2bps	-25bps
Consumer Bank WC (Secured)	337,900	330,950	2.1	289,400	16.8	9.4	-11bps	8bps
PL, BL and Consumer Durables	193,100	178,620	8.1	145,420	32.8	5.4	24bps	69bps
Credit Cards	138,820	125,970	10.2	91,590	51.6	3.9	24bps	91bps
CV/CE	337,510	310,460	8.7	258,140	30.7	9.4	47bps	108bps
Agriculture Division	275,120	270,310	1.8	261,280	5.3	7.7	-11bps	-76bps
Tractor Finance	151,560	143,760	5.4	129,860	16.7	4.2	9bps	4bps
Retail Micro Finance	85,100	79,870	6.5	53,380	59.4	2.4	7bps	65bps
Corporate Banking	842,460	818,440	2.9	724,070	16.4	23.4	-7bps	13bps
SME	258,160	245,690	5.1	231,540	11.5	7.2	13bps	-27bps
Others	82,570	75,050	10.0	55,740	48.1	2.3	14bps	50bps
IBPC & BRDS	(128,760)	(87,280)	47.5	(24,200)	432.1	(3.6)	-107bps	-280bps
Deposits	4,086,360	4,009,629	1.9	3,446,660	18.6	100.0	0bps	0bps
CA	593,370	688,240	(13.8)	636,010	(6.7)	14.5	-264bps	-393bps
SA	1,232,270	1,246,550	(1.1)	1,199,780	2.7	30.2	-93bps	-465bps
Term	2,260,720	2,074,839	9.0	1,610,870	40.3	55.3	358bps	859bps
Investments	1,457,510	1,286,460	13.3	1,122,190	29.9	NA	NA	NA
Investments/(Invest. + Net Adv.) (%)	28.8	27.0	187bps	26.5	231bps	NA	NA	NA
Borrowings	258,400	225,144	14.8	215,280	20.0	NA	NA	NA
Borrowings/(Borr. + Deposits) (%)	5.9	5.3	63bps	5.9	7bps	NA	NA	NA

Source: Company, YES Sec – Research, \*Share in total and change in share

## Exhibit 3: Key quarterly ratios - Standalone

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
Net interest margin	5.22	5.22	0bps	5.47	-25bps
Cost of SA	4.14	4.05	9bps	3.79	35bps
CASA	47.7	48.3	-60bps	53.3	-560bps
Loan to Deposit Ratio	88.0	86.9	114bps	90.2	-216bps
Non-int. income / Total Income	26.0	26.9	-92bps	25.6	32bps
Fee Income to Avg. Total Assets	1.6	1.5	4bps	1.5	9bps
Cost to Income	48.4	46.5	194bps	49.4	-94bps
Opex to Avg. Total Assets	3.2	3.1	11bps	3.3	-14bps
Annualised Slippage Ratio <sup>^</sup>	1.3	1.5	-22bps	1.0	34bps
PCR excl. TWO	80.6	79.1	150bps	77.6	300bps
Gross NPA	1.7	1.7	1bps	1.9	-17bps
Net NPA	0.3	0.4	-3bps	0.4	-9bps
ROA	2.2	2.5	-28bps	2.5	-28bps
ROE	13.1	14.4	-128bps	14.2	-105bps
Capital adequacy ratio	19.0	20.0	-103bps	19.7	-66bps
Common Equity Tier 1 ratio	17.9	19.0	-110bps	18.6	-70bps
Capital adequacy ratio*	19.9	21.2	-130bps	21.0	-110bps
Common Equity Tier 1 ratio*	18.9	20.3	-140bps	20.1	-120bps

Source: Company, YES Sec – Research, \* Consolidated figures (Rest are standalone), <sup>^</sup> Annualised Gross NPA addition ratio

## Exhibit 4: Subsidiaries PAT

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Kotak Mahindra Bank	30,050	31,910	(5.8)	27,920	7.6
Kotak Mahindra Prime	2,390	2,080	14.9	2,250	6.2
Kotak Life Insurance	1,400	2,470	(43.3)	3,300	(57.6)
Kotak Securities	3,060	3,240	(5.6)	2,410	27.0
Kotak Mahindra Capital	350	270	29.6	280	25.0
Kotak Mahindra AMC	1,460	1,240	17.7	1,500	(2.7)
Kotak Investments	1,570	1,260	24.6	860	82.6

Source: Company, YES Sec – Research

## Exhibit 5: Quarterly Actuals Vs Estimates - Standalone

Q3FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	65,535	65,870	(0.5)
Pre-Prov. Operating Profit	45,662	48,420	(5.7)
Profit After Tax	30,050	33,674	(10.8)

Source: Company, YES Sec – Research

## Exhibit 6: Operating Expense Break-up

(Rs mn)	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
Employee Expense	17,483	16,346	7.0	14,778	18.3
Other Operating Expense	25,360	23,665	7.2	22,736	11.5
<b>Total Operating Expense</b>	<b>42,843</b>	<b>40,011</b>	<b>7.1</b>	<b>37,514</b>	<b>14.2</b>

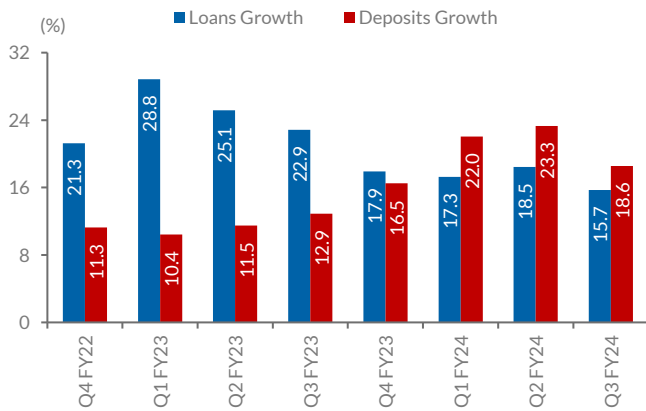
Source: Company, YES Sec – Research

## Exhibit 7: Non-Interest Income Break-up

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Total Fee Income (A)	21,440	20,260	5.8	16,950	26.5
Distribution and syndication	3,690	2,910	26.8	2,860	29.0
General banking fees	17,280	16,820	2.7	13,640	26.7
Others	470	530	(11.3)	450	4.4
Other Income (B)	1,530	2,880	(46.9)	2,530	(39.5)
<b>Total Non-Interest Income (A+B)</b>	<b>22,970</b>	<b>23,140</b>	<b>(0.7)</b>	<b>19,480</b>	<b>17.9</b>

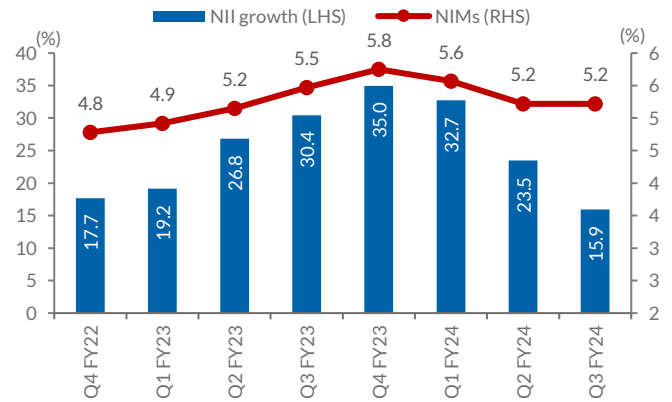
Source: Company, YES Sec – Research

**Exhibit 8: Loans and Deposits growth (YoY %)**



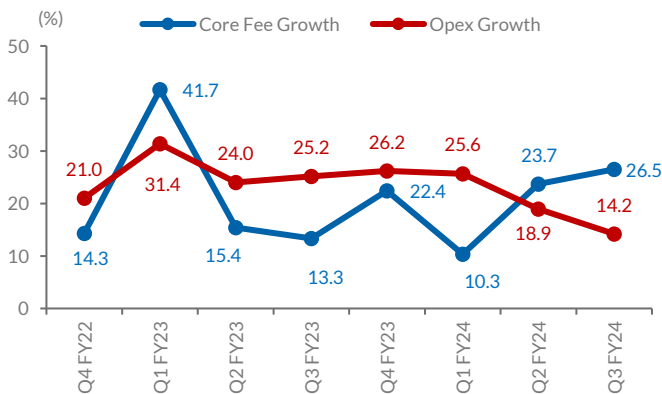
Source: Company, YES Sec – Research

**Exhibit 9: NII growth (YoY %) and NIM (%)**



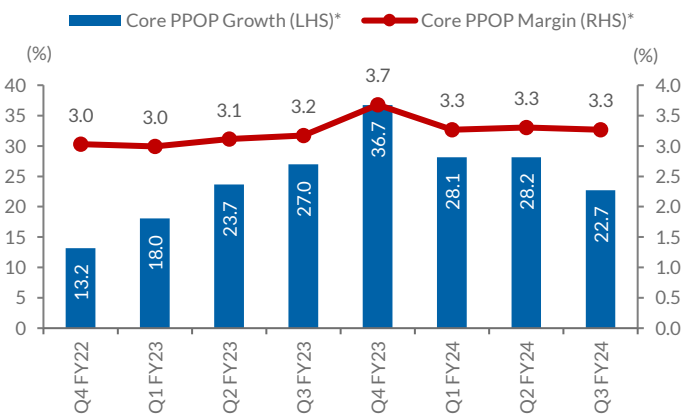
Source: Company, YES Sec – Research

**Exhibit 10: Core Fee and Opex growth (YoY %)**



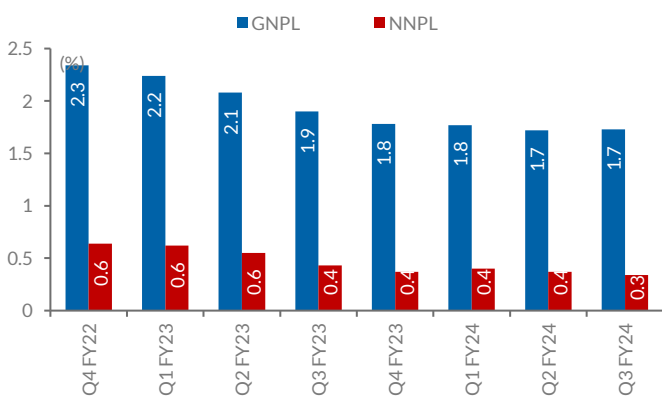
Source: Company, YES Sec – Research

**Exhibit 11: Core PPOP growth (YoY %) and Core PPOP margin (%)**



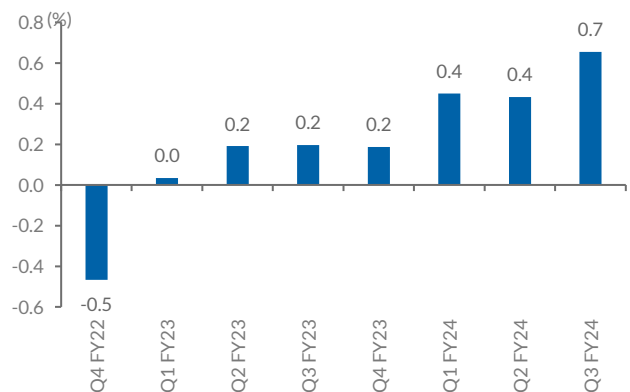
Source: Company, YES Sec – Research, \* Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

**Exhibit 12: Gross NPA and Net NPA (%)**



Source: Company, YES Sec – Research

**Exhibit 13: Provisions/Average Advances (%)**



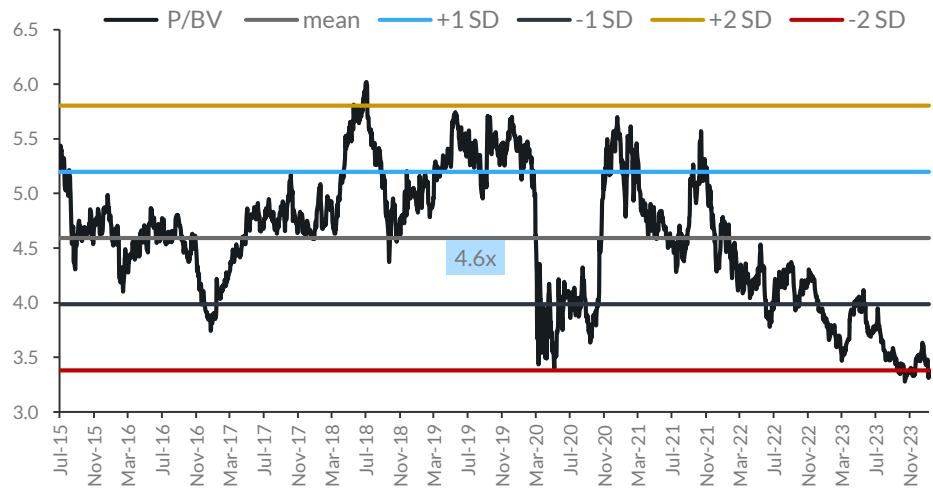
Source: Company, YES Sec – Research

**Exhibit 14: 1-year rolling P/BV band**



Source: Company, YES Sec – Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

**Exhibit 15: 1-yr rolling P/BV vis-a-vis the mean and standard deviations**



Source: Company, YES Sec – Research, N.B. Valuations in this chart are not adjusted / netted out for subsidiaries' value

## ANNUAL FINANCIALS

### Exhibit 16: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Total cash & equivalents	429,239	325,423	603,898	712,600	840,868
Investments	1,005,802	1,214,037	1,308,114	1,532,639	1,795,937
Advances	2,712,536	3,198,612	3,774,362	4,453,747	5,255,422
Fixed assets	16,437	19,203	23,044	27,653	33,183
Other assets	130,269	141,349	169,619	203,543	244,251
<b>Total assets</b>	<b>4,294,284</b>	<b>4,898,625</b>	<b>5,879,037</b>	<b>6,930,181</b>	<b>8,169,661</b>
Net worth	724,878	835,202	949,799	1,084,116	1,243,866
Deposits	3,116,841	3,630,961	4,293,073	5,074,366	5,996,292
Borrowings	259,671	234,163	262,950	296,919	337,003
Other liabilities	192,894	198,299	373,214	474,779	592,501
<b>Total liabilities incl. Equity</b>	<b>4,294,284</b>	<b>4,898,625</b>	<b>5,879,037</b>	<b>6,930,181</b>	<b>8,169,661</b>

Source: Company, YES Sec – Research, Standalone figures

### Exhibit 17: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest income	270,388	342,509	437,565	518,168	610,698
Interest expense	(102,209)	(126,989)	(183,918)	(217,158)	(255,704)
<b>Net interest income</b>	<b>168,179</b>	<b>215,519</b>	<b>253,647</b>	<b>301,011</b>	<b>354,994</b>
Non-interest income	63,544	70,831	81,673	100,256	118,103
<b>Total income</b>	<b>231,723</b>	<b>286,350</b>	<b>335,320</b>	<b>401,267</b>	<b>473,097</b>
Operating expenses	(111,214)	(137,870)	(163,710)	(192,286)	(225,363)
<b>PPoP</b>	<b>120,509</b>	<b>148,480</b>	<b>171,610</b>	<b>208,981</b>	<b>247,733</b>
Provisions	(6,896)	(4,570)	(15,828)	(26,905)	(31,748)
<b>Profit before tax</b>	<b>113,613</b>	<b>143,910</b>	<b>155,782</b>	<b>182,076</b>	<b>215,986</b>
Taxes	(27,886)	(34,517)	(38,946)	(45,519)	(53,996)
<b>Net profit</b>	<b>85,727</b>	<b>109,393</b>	<b>116,837</b>	<b>136,557</b>	<b>161,989</b>

Source: Company, YES Sec – Research, Standalone figures



## Exhibit 18: Du Pont Analysis (RoA tree)

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Interest income	6.7	7.5	8.1	8.1	8.1
Interest expense	-2.5	-2.8	-3.4	-3.4	-3.4
<b>Net interest income</b>	<b>4.1</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>
Non-interest income	1.6	1.5	1.5	1.6	1.6
<b>Total income</b>	<b>5.7</b>	<b>6.2</b>	<b>6.2</b>	<b>6.3</b>	<b>6.3</b>
Operating expenses	-2.7	-3.0	-3.0	-3.0	-3.0
<b>PPoP</b>	<b>3.0</b>	3.2	3.2	3.3	3.3
Provisions	-0.2	-0.1	-0.3	-0.4	-0.4
<b>Profit before tax</b>	<b>2.8</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>
Taxes	-0.7	-0.8	-0.7	-0.7	-0.7
<b>Net profit</b>	<b>2.1</b>	<b>2.4</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>

Source: Company, YES Sec – Research, Standalone figures

## Exhibit 19: Sum of the Parts (SOTP) - Subsidiaries

Subsidiary	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
Kotak Life Insurance	437,885	EV	125,110	3.5	100%	437,885	220.4
Kotak Prime	204,785	BV	102,392	2.0	100%	204,785	103.1
Kotak Securities	178,917	BV	71,567	2.5	100%	178,917	90.1
Kotak Capital	29,800	PAT	1,490	20	100%	29,800	15.0
Kotak AMC	309,862	AAUM	3,098,619	10%	100%	309,862	156.0
Kotak General	79,430	GWP	11,483	6.9	49%	38,921	19.6
<b>Value of Subsidiaries</b>						<b>1,200,169</b>	<b>604</b>

Source: Company, YES Sec – Research

## Exhibit 20: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net Interest Income	253,647	301,011	354,994	244,250	294,023	346,679	3.8	2.4	2.4
Pre-Prov. Operating Profit	171,610	208,981	247,733	171,580	209,826	248,557	0.0	(0.4)	(0.3)
Profit after tax	116,837	136,557	161,989	116,814	137,191	162,607	0.0	(0.5)	(0.4)

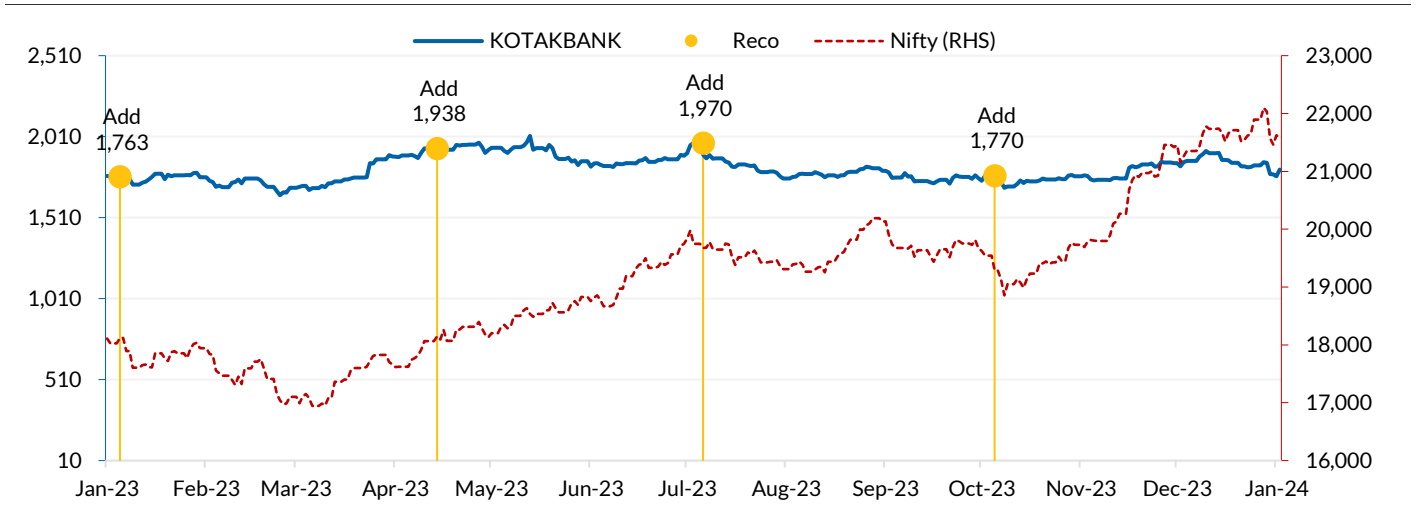
Source: Company, YES Sec – Research, Standalone figures

## Exhibit 21: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>					
Net interest income	9.6	28.1	17.7	18.7	17.9
PPoP	-1.3	23.2	15.6	21.8	18.5
Net profit	23.1	27.6	6.8	16.9	18.6
Loans	21.3	17.9	18.0	18.0	18.0
Deposits	11.3	16.5	18.2	18.2	18.2
<b>Profitability Ratios (%)</b>					
Net interest margin	4.6	5.3	5.3	5.3	5.3
Return on Average Equity	12.6	14.0	13.1	13.4	13.9
Return on Average Assets	2.1	2.4	2.2	2.1	2.1
<b>Per share figures (Rs)</b>					
EPS	43.2	55.1	58.8	68.7	81.5
BVPS	365	420	478	546	626
ABVPS	356	414	464	527	602
<b>Valuation multiples</b>					
P/E	28	22	20	17	15
P/BV	3.3	2.9	2.5	2.2	1.9
P/ABV	3.4	2.9	2.6	2.3	2.0
<b>NIM internals (%)</b>					
Yield on loans	7.8	9.1	10.0	10.0	10.0
Cost of deposits	3.1	3.5	4.3	4.3	4.3
Loan-deposit ratio	87.0	88.1	87.9	87.8	87.6
CASA ratio	60.7	52.8	52.5	53.0	53.0
<b>Opex control (%)</b>					
Cost/Income ratio	48.0	48.1	48.8	47.9	47.6
Cost to average assets	2.7	3.0	3.0	3.0	3.0
<b>Capital adequacy (%)</b>					
Tier 1 capital ratio	21.7	20.8	19.8	19.0	18.1
<b>Asset quality (%)</b>					
Gross slippage ratio	1.7	1.3	1.3	1.3	1.3
Gross NPL ratio	2.4	1.8	2.0	2.1	2.2
Credit cost	0.4	0.2	0.4	0.6	0.6
Net NPL ratio	0.7	0.4	0.7	0.9	0.9

Source: Company, YES Sec – Research, Standalone figures; Valuations are the implied value of standalone entity net of subsidiaries

## Recommendation Tracker



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Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit

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**ADD:** Upside between 10% to 20% over 12 months

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