

January 18, 2025

RESULT REPORT Q3 FY25 | Sector: Banks

# Kotak Mahindra Bank

## Post long-term time correction, Upgrade to BUY

**Our view – Over-capitalisation, digital ban and Activmoney dependence can be overcome**

**Asset Quality** – Gross slippages declined on sequential basis, with management making reasonably comforting comments in the context of the environment: Gross NPA additions amounted to Rs 16.57bn for 3QFY25, translating to an annualized slippage ratio of 1.6% for the quarter. Gross NPA additions had amounted to Rs 18.75bn during 2QFY25. In unsecured small ticket lending, personal loan slippages have declined on sequential basis, whereas credit card slippages have remained similar and microfinance slippages have risen. The rise in microfinance slippages have been more than offset by the decline in secured retail loan slippages. Retail microfinance is a small book of about Rs 80bn in an overall book of about Rs 4000bn and hence, cannot move the needle materially. Provisions were Rs 7.94bn, up by 20.2% QoQ and 37.1% YoY, translating to calculated annualised credit cost of 78bps. Annualised credit cost based on specific provisions alone was 68bps, up by 3bps QoQ.

**Net Interest Margin** – Margin inched up on sequential basis, which is a reasonably creditable outcome, again, given the environment: NIM was at 4.93%, up 2bps QoQ but down -29bps YoY. Cost of funds has declined about 8-9 bps on sequential basis. Cost of funds has benefited from (1) A savings account interest rate cut effected on 17th October 2024 (2) Healthy traction for current account deposits (3) CASA balance being aided by IPO money, custody business and FPI flows, among other factors (4) Activmoney balance rising 36% YoY, since its cost is lower than normal term deposits.

**Balance sheet growth** – Advances growth was healthy in the context of banking system growth trend: The advances for the bank stood at Rs 4,138bn, up by 3.6% QoQ and 15.1% YoY. The growth has been despite the RBI embargo causing the credit card book to de-grow and microfinance disbursement being slow due to caution. The bank guided that it will grow at 1.5x-2.0x of nominal GDP growth.

**We upgrade KMB to BUY with an unchanged price target of Rs 2150:** We value the standalone bank at 2.2x FY26 P/BV for an FY26/27E RoE profile of 14.1%/14.2%. We assign a value of Rs 736 per share to the subsidiaries.

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

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

- **Opex control:** Total cost to income ratio was at 47.2% down -22/-117bps QoQ/YoY and the Cost to assets was at 2.9% down -6/-23bps QoQ/YoY.
- **Fee income:** Core fee income to average assets was at 1.5%, down -1bp/-9bps QoQ/YoY.

### Exhibit 1: Result table - Standalone

Particulars (Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Interest Income	134,276	132,163	1.6	117,990	13.8
Interest Expense	(62,313)	(61,967)	0.6	(52,455)	18.8
<b>Net Interest Income</b>	<b>71,963</b>	<b>70,196</b>	<b>2.5</b>	<b>65,535</b>	<b>9.8</b>
Fee Income	23,620	23,120	2.2	21,440	10.2
Non-fee Income	2,608	3,722	(29.9)	1,530	70.4
<b>Total Non-Interest Income</b>	<b>26,228</b>	<b>26,842</b>	<b>(2.3)</b>	<b>22,970</b>	<b>14.2</b>
<b>Total Income</b>	<b>98,191</b>	<b>97,038</b>	<b>1.2</b>	<b>88,505</b>	<b>10.9</b>
Employee Expense	(19,525)	(19,514)	0.1	(17,483)	11.7
Non-employee Opex	(26,856)	(26,532)	1.2	(25,360)	5.9
<b>Total Operating expenses</b>	<b>(46,380)</b>	<b>(46,046)</b>	<b>0.7</b>	<b>(42,843)</b>	<b>8.3</b>
PPoP	51,810	50,993	1.6	45,662	13.5
Provisions	(7,941)	(6,604)	20.2	(5,791)	37.1
<b>PBT</b>	<b>43,869</b>	<b>44,389</b>	<b>(1.2)</b>	<b>39,871</b>	<b>10.0</b>
Tax	(10,821)	(10,951)	(1.2)	(9,821)	10.2
<b>PAT</b>	<b>33,048</b>	<b>33,437</b>	<b>(1.2)</b>	<b>30,050</b>	<b>10.0</b>

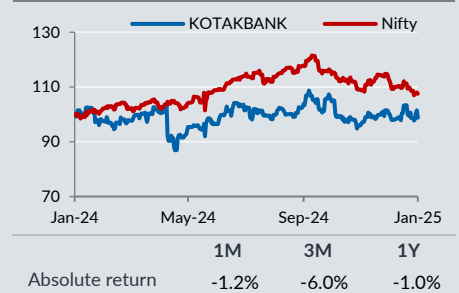
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 1,759
Target Price	: Rs 2,150
Potential Return	: +22%

### Stock data (as on January 17, 2025)

Nifty	23,203
52 Week h/l (Rs)	1942 / 1544
Market cap (Rs/USD mn)	3589747 / 41466
Outstanding Shares (mn)	2,988
6m Avg t/o (Rs mn):	10,119
Div yield (%):	0.1
Bloomberg code:	KMB IN
NSE code:	KOTAKBANK

### Stock performance



### Shareholding pattern (As of Dec'24)

Promoter	25.9%
FII+DII	61.3%
Others	12.9%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	ADD
Target Price	2150	2150

### Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
NII	301,120	351,366	407,529
PPOP	220,588	259,934	301,944
Net Profit	169,233	172,235	200,108
Growth (%)	22.8	1.8	16.2
EPS (Rs)	85.1	86.6	100.7
BVPS (Rs)	571	657	757
P/E (x)	12.0	11.8	10.2
P/BV (x)	1.8	1.6	1.4
ROE (%)	16.1	14.1	14.2
ROA (%)	2.6	2.3	2.3
Tier-1 (%)	19.8	19.6	19.5

### Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	85.1	86.6	100.7
EPS (Old)	82.2	81.4	92.9
% change	3.6%	6.5%	8.3%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Asset quality

- **Slippages**
  - Gross NPA additions amounted to Rs 16.57bn for 3QFY25, translating to an annualized slippage ratio of 1.6% for the quarter. (Gross NPA additions had amounted to Rs 18.75bn during 2QFY25.)
  - **Segmental colour on slippages**
    - The bank is not seeing any stress across secured retail assets but the slippages in the retail CV segment have inched up and the bank has tightened its underwriting norms.
    - In unsecured small ticket lending, personal loan slippages have declined on sequential basis, whereas credit card slippages have remained similar and microfinance slippages have risen on sequential basis.
    - The rise in microfinance slippages have been more than offset by the decline in secured retail loan slippages
    - Retail microfinance is a small book of about Rs 80bn in an overall book of about Rs 4000bn and hence, cannot move the needle materially.
- **Recoveries and upgrades**
  - Recoveries and upgrades amounted to Rs 7.62bn for 3QFY25, implying net NPA addition of Rs 8.95bn for the quarter.
- **Provisions**
  - Provisions were Rs 7.94bn, up by 20.2% QoQ and 37.1% YoY, translating to calculated annualised credit cost of 78bps.
  - Annualised credit cost based on specific provisions alone was 68bps, up by 3bps QoQ.
  - **Provisioning policy**
    - The bank has a more conservative provisioning policy than mandated by the RBI.
    - Unsecured loans are 100% provided for on reaching 180 dpd.
    - In term of write offs, there is a lookout period beyond the 180dpd date.
    - For credit cards, NPLs are written off on reaching 270 dpd whereas, for other loans, write-off has a longer period on a case by case basis.
- **Restructured book**
  - Standard fund-based restructured book outstanding under one time restructuring for MSME is around Rs. 1.21bn and under Covid resolution framework is around Rs. 1.05bn. The total fund-based standard restructured book stood at 0.05% of gross advances.
- **NPA ratios**
  - GNPA ratio stands at 1.5%, up 1bp QoQ but down -23bps YoY while NNPA ratio stands at 0.41%, down -2bps QoQ but up 7bps YoY.

### Loan growth

- The advances for the bank stood at Rs 4,138 bn, up by 3.6% QoQ and 15.1% YoY.
- Total customer assets which comprises of Advances (incl. IBPC & BRDS) and Credit Substitutes was up 15% YoY and 2% QoQ.
- The advances for 3Q does not includes the book acquired from Standard Chartered Bank and will get included in 4Q.

(Con call takeaways continue on the next page)

## ▪ Segmental Aspects

- Within the consumer business, the secured advances have grown by 4% QoQ.
- Retail Micro-credit de-grew by -16% QoQ and -3% YoY.
- The CV/CE segment has grown by 4% QoQ and 21% YoY.
- Corporate SME advances grew by 31% YoY.
- Business Banking advances grew by 23% YoY, due to festive season and higher utilization.
- Credit substitutes de-grew by -8% YoY.

## ▪ Guidance

- The bank will grow at 1.5x-2.0x of nominal GDP growth.

## ▪ Unsecured retail

### • Personal loans

- In personal loans, slippages have declined and disbursements have been increased.
- The Standard Chartered personal loan portfolio will be absorbed into the bank in 4Q.

### • Credit cards book

- The credit card book has de-grown sequentially on account of the RBI embargo.

### • Share of unsecured retail including microfinance

- While the bank's stated intention was to increase this to 15% of overall book, the same has tapered off to 10.5%, down 80 bps QoQ.
- Apart from the RBI embargo impacting credit card book, microfinance disbursement has also been slow.

## Deposits growth

- The deposits were at Rs 4,735 bn, up by 2.6% QoQ and 15.9% YoY.

- Average deposits are up by 15% YoY.

## ▪ CASA

- CASA ratio was at 42.3%, down -130bps QoQ.
- Saving deposits are down by -3.4% QoQ and -0.6% YoY.
- Saving deposits on average basis were up 1% YoY.
- Current account deposits were up 5% QoQ.
- Current account deposits on average basis were up 12% YoY.

## ▪ Term Deposits

- TD sweep balance grew 31% YoY to Rs 548 bn.
- ActivMoney in Q3 grew by 36% YoY .

## ▪ 811 impact

- 811 channel used to bring in low-cost deposits but the same has stopped due to the RBI embargo.

## Update on RBI embargo

- The bank is in constant communication with the RBI, providing them information about progress being made and they have been carrying out their evaluation and providing feedback.
- The conversation is being done in a good spirit and is helpful.
- While most of the work from the bank's side has been done, it is very hard to predict when the RBI will lift the embargo.

(Con call takeaways continue on the next page)

## Kotak Prime

- Car finance business is facing margin pressure.
- There is also an MMT hit on OIS.
- Slippages have been relatively elevated driven by the 2W business, which is not done at the bank.

## Net interest margin

- **NIM for the quarter**
  - NIM was at 4.93%, up 2bps QoQ but down -29bps YoY.
- **Cost of funds**
  - Cost of funds has declined about 8-9 bps on sequential basis.
  - Cost of funds has benefited from the savings account interest rate cut effected on 17<sup>th</sup> October 2024.
  - Cost of funds was also aided by healthy traction for current account deposits.
  - CASA balance has also been aided by IPO money, custody business and FPI flows, among other factors.
  - Activmoney or TD Sweep balance has risen 36% YoY, which has also helped since its cost is lower than normal term deposits.
- **Loan mix**
  - Going forward, once the RBI embargo is lifted, improving share of unsecured retail, will help margin, ceteris paribus.
- **CD ratio**
  - The credit to deposits ratio stands at a healthy 87.4%, up 82bps QoQ.

## RBI 4th October Circular on subsidiaries

- The bank has provided its feedback comments to the RBI, like the rest of the industry.
- Management stated that the level of overlap with subsidiaries is very less.
- The bank is viewing it more an operational matter which will not have any major impact.
- In any case, any business that the bank cannot do as a matter of policy, is not done at any subsidiary level (presumably, this comment pertains to lending businesses).

## Operating expenses

- **Total opex**
  - Opex, at Rs. 46.4bn, is up 0.7% QoQ and 8.3% YoY.
  - Cost/income ratio came in at 47.2%, down by -22bps QoQ and -117bps YoY.
- **Staff opex**
  - The staff opex is flat QoQ but up 11.7% YoY.
  - The headcount for the bank is about 77,000 as of December end.
- **Non-staff opex**
  - Other opex is up by 1.2% QoQ and 5.9% YoY.

(Con call takeaways continue on the next page)

## Return ratios

- The RoA of the standalone Bank was 2.1% and RoE was 11.6%.
- On consolidated basis, The RoA was 2.3% and RoE was 12.4%.

## Capital adequacy

- The total capital ratio amounted to 22.8% at the standalone bank level.
- The CET1 ratio was at 21.7%, up by 20bps QoQ.

## Fee Income

- The fee income is up by 10% YoY.
- The relative slowdown in fee income growth is due to lower credit cards and certain regulatory changes impacting the referral fee income earned by the bank.
- Some transaction fees such as DCM fees have also been lower.
- IPO related income has also been lower.

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

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy	Q3 FY25*	chg qoq*	chg yoy*
Advances	4,138,390	3,995,220	3.6	3,595,870	15.1	100.0	0bps	0bps
Home Loans & LAP	1,217,000	1,167,150	4.3	1,022,340	19.0	29.4	19bps	98bps
Consumer Bank WC (Secured)	416,870	400,020	4.2	337,900	23.4	10.1	6bps	68bps
PL, BL and Consumer Durables	212,980	208,680	2.1	193,100	10.3	5.1	-8bps	-22bps
Credit Cards	141,170	144,460	(2.3)	138,810	1.7	3.4	-20bps	-45bps
CV/CE	407,560	390,640	4.3	337,570	20.7	9.8	7bps	46bps
Agriculture Division	275,640	269,650	2.2	274,610	0.4	6.7	-9bps	-98bps
Tractor Finance	170,000	161,910	5.0	151,560	12.2	4.1	6bps	-11bps
Retail Micro Finance	82,250	97,760	(15.9)	85,090	(3.3)	2.0	-46bps	-38bps
Corporate Banking	966,490	928,640	4.1	842,460	14.7	23.4	11bps	-7bps
SME	337,380	321,740	4.9	258,160	30.7	8.2	10bps	97bps
Others	106,520	100,430	6.1	83,030	28.3	2.6	6bps	26bps
IBPC & BRDS	(195,470)	(195,860)	(0.2)	(128,760)	51.8	(4.7)	18bps	-114bps
Deposits	4,734,970	4,614,542	2.6	4,086,360	15.9	100.0	0bps	0bps
CA	748,990	712,990	5.0	687,880	8.9	15.8	37bps	-102bps
SA	1,255,120	1,299,750	(3.4)	1,262,610	(0.6)	26.5	-166bps	-439bps
Term	2,730,860	2,601,802	5.0	2,135,870	27.9	57.7	129bps	541bps
Investments	1,638,190	1,755,320	(6.7)	1,457,510	12.4	NA	NA	NA
Investments/(Invest. + Net Adv.) (%)	28.4	30.5	-217bps	28.8	-48bps	NA	NA	NA
Borrowings	234,170	265,125	(11.7)	258,400	(9.4)	NA	NA	NA
Borrowings/(Borr. + Deposits) (%)	4.7	5.4	-72bps	5.9	-123bps	NA	NA	NA

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

## Exhibit 3: Key quarterly ratios - Standalone

(%)	Q3 FY25	Q2 FY25	chg qoq	Q3 FY24	chg yoy
Net interest margin	4.93	4.91	2bps	5.22	-29bps
Cost of SA	3.92	4.12	-20bps	4.14	-22bps
CASA ratio	42.3	43.6	-130bps	47.7	-540bps
Loan to Deposit Ratio	87.4	86.6	82bps	88.0	-60bps
Non-int. income / Total Income	26.7	27.7	-95bps	26.0	76bps
Fee Income to Avg. Total Assets	1.5	1.5	-1bps	1.6	-9bps
Cost to Income	47.2	47.5	-22bps	48.4	-117bps
Opex to Avg. Total Assets	2.9	3.0	-6bps	3.2	-23bps
Credit Cost	0.8	0.7	11bps	0.7	13bps
Annualised Slippage Ratio <sup>^</sup>	1.6	1.9	-27bps	1.3	30bps
PCR excl. TWO	73.0	71.0	200bps	80.6	-760bps
Gross NPA	1.5	1.5	1bps	1.7	-23bps
Net NPA	0.4	0.4	-2bps	0.3	7bps
ROA	2.1	2.2	-8bps	2.2	-8bps
ROE	11.6	12.2	-60bps	13.1	-147bps
Capital adequacy ratio	22.8	22.6	18bps	19.0	379bps
Common Equity Tier 1 ratio	21.7	21.5	20bps	20.1	160bps
Capital adequacy ratio*	22.8	22.6	18bps	19.0	379bps
Common Equity Tier 1 ratio*	22.5	21.7	80bps	21.2	130bps

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

## Exhibit 4: Subsidiaries PAT

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Kotak Mahindra Bank	33,050	33,440	(1.2)	30,050	10.0
Kotak Mahindra Prime	2,180	2,690	(19.0)	2,390	(8.8)
Kotak Life Insurance	1,640	3,600	(54.4)	1,400	17.1
Kotak Securities	4,480	4,440	0.9	3,060	46.4
Kotak Mahindra Capital	940	900	4.4	350	168.6
Kotak Mahindra AMC	2,400	1,970	21.8	1,460	64.4
Kotak Investments	1,070	1,410	(24.1)	1,570	(31.8)

Source: Company, YES Sec - Research

## Exhibit 5: Quarterly Actuals Vs Estimates - Standalone

Q3FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Interest Income	71,963	72,529	(0.8)
Pre-Prov. Operating Profit	51,810	53,018	(2.3)
Profit After Tax	33,048	34,720	(4.8)

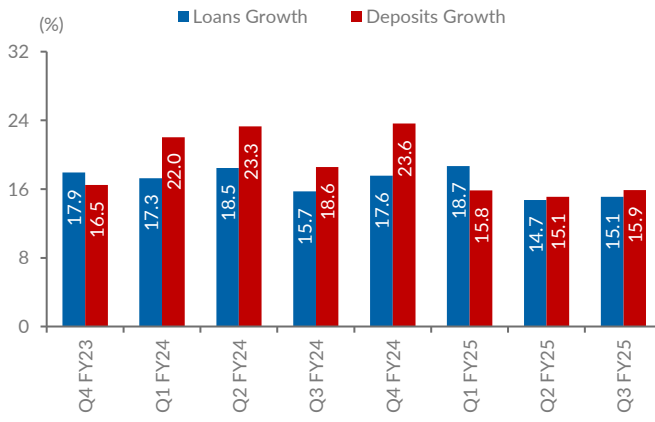
Source: Company, YES Sec - Research

## Exhibit 6: Non-Interest Income Break-up

(Rs mn)	Q3 FY25	Q2 FY25	% qoq	Q3 FY24	% yoy
Total Fee Income (A)	23,620	23,120	2.2	21,440	10.2
Distribution and syndication	3,740	3,860	(3.1)	3,460	8.1
General banking fees	19,100	18,040	5.9	17,280	10.5
Others	780	1,220	(36.1)	700	11.4
Other Income (B)	2,610	3,720	(29.8)	1,530	70.6
<b>Total Non-Interest Income (A+B)</b>	<b>26,230</b>	<b>26,840</b>	<b>(2.3)</b>	<b>22,970</b>	<b>14.2</b>

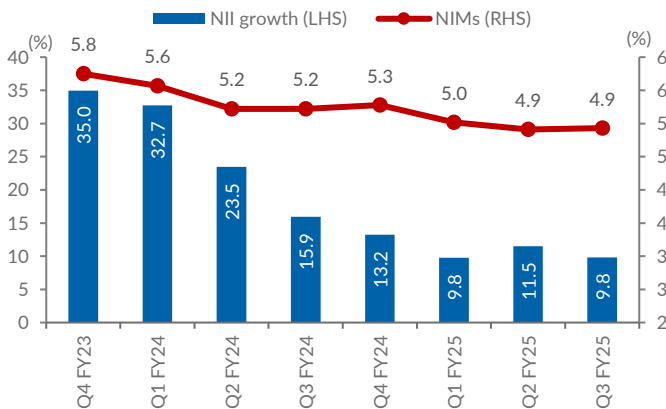
Source: Company, YES Sec - Research

**Exhibit 7: Loans and Deposits growth (YoY %)**



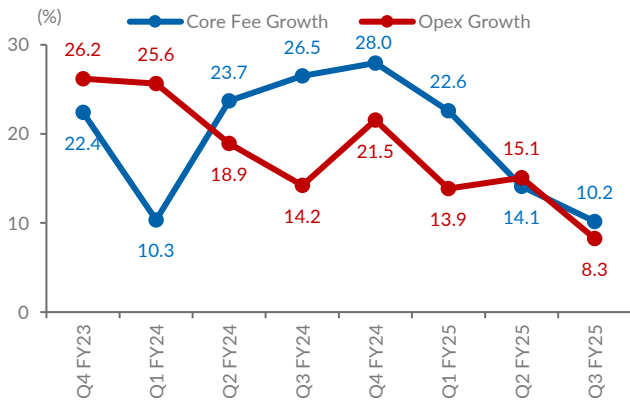
Source: Company, YES Sec - Research

**Exhibit 8: NII growth (YoY %) and NIM (%)**



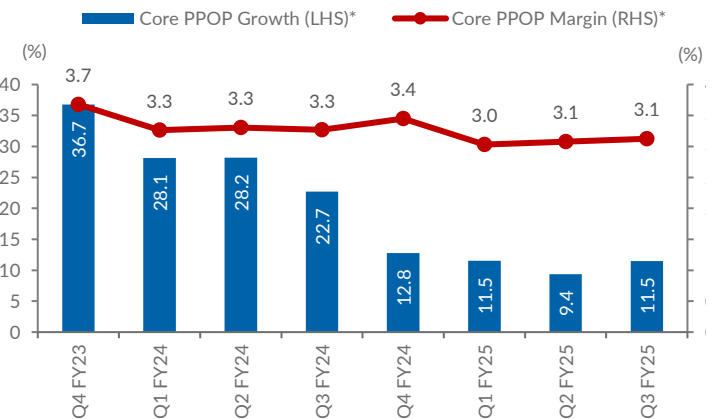
Source: Company, YES Sec - Research

**Exhibit 9: Core Fee and Opex growth (YoY %)**



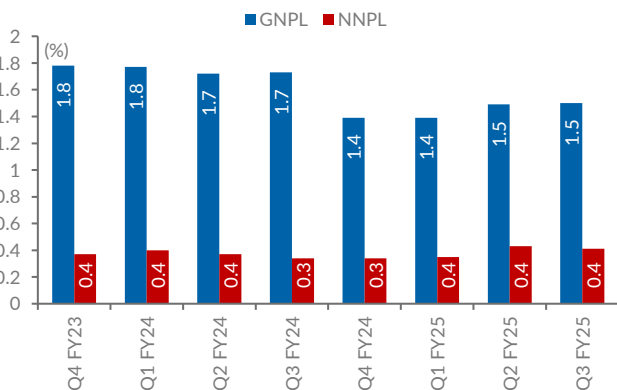
Source: Company, YES Sec - Research

**Exhibit 10: Core PPOP growth (YoY %) and Core PPOP margin (%)**



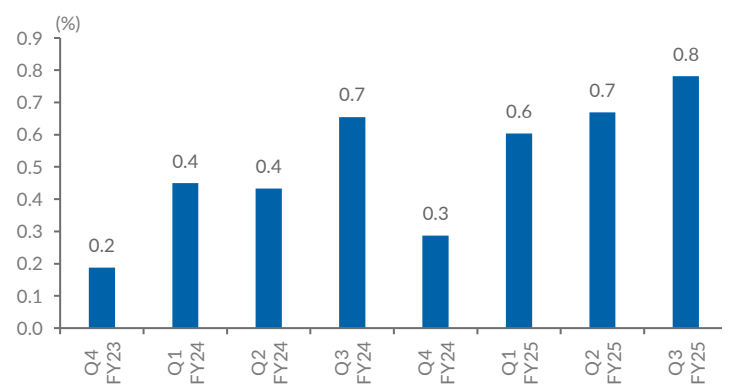
Source: Company, YES Sec - Research, \* Core PPOP is derived by adjusting PPOP for gain/loss on sale of investments and misc. income

**Exhibit 11: Gross NPA and Net NPA (%)**



Source: Company, YES Sec - Research

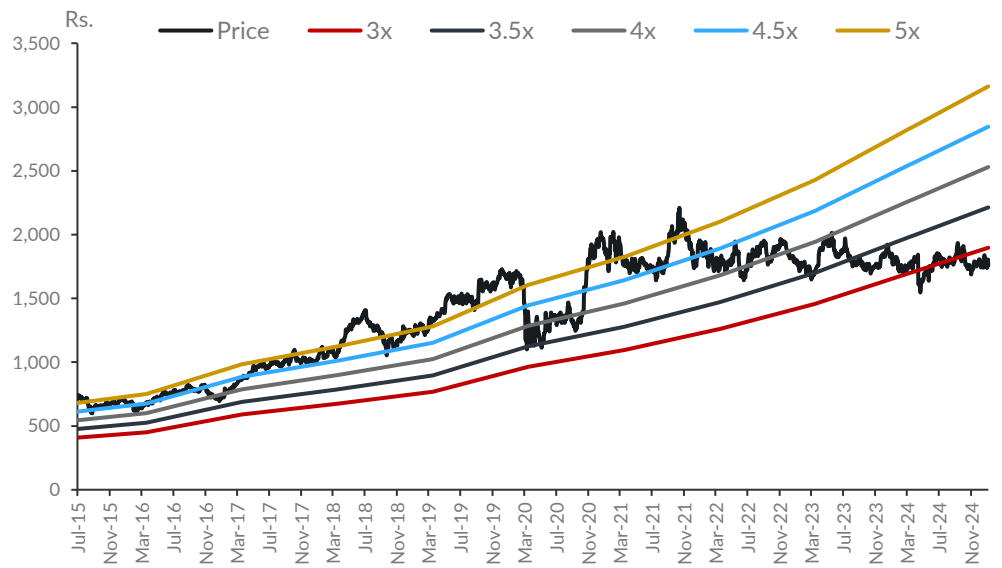
**Exhibit 12: Provisions/Average Advances (%)**



Source: Company, YES Sec - Research

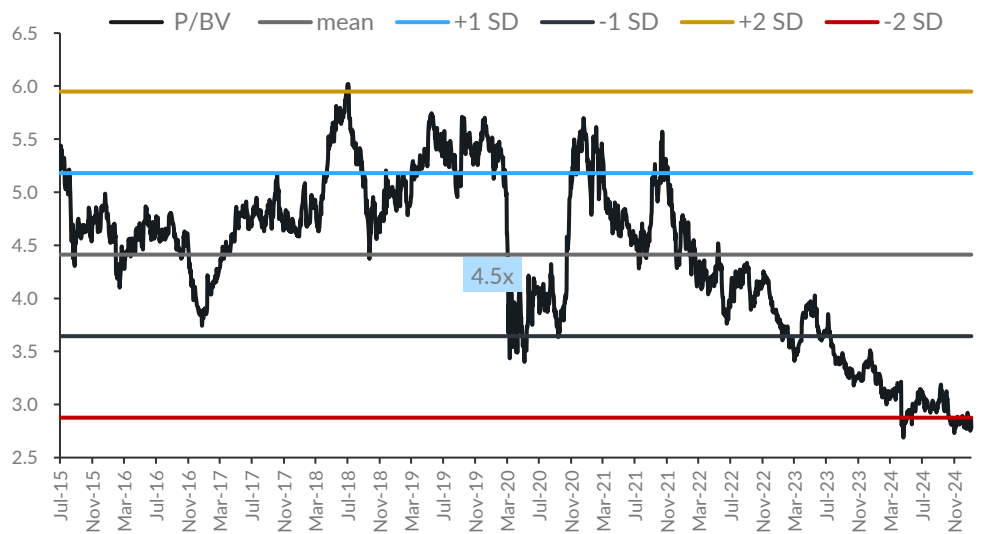


**Exhibit 13: 1-year rolling P/BV band**



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

**Exhibit 14: 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 15: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Total cash & equivalents	325,423	527,884	691,978	802,695	814,735
Investments	1,214,037	1,554,038	1,787,342	2,067,120	2,390,734
Advances	3,198,612	3,760,753	4,324,866	5,016,844	5,819,539
Fixed assets	19,203	21,553	25,864	31,036	37,244
Other assets	141,349	139,343	167,212	200,654	240,785
<b>Total assets</b>	<b>4,898,625</b>	<b>6,003,570</b>	<b>6,997,261</b>	<b>8,118,350</b>	<b>9,303,037</b>
Net worth	835,202	967,188	1,134,929	1,305,674	1,504,291
Deposits	3,630,961	4,489,537	5,194,679	6,025,053	6,988,287
Borrowings	234,163	283,681	311,887	346,486	386,620
Other liabilities	198,299	263,164	355,767	441,138	423,839
<b>Total liabilities incl. Equity</b>	<b>4,898,625</b>	<b>6,003,570</b>	<b>6,997,261</b>	<b>8,118,350</b>	<b>9,303,037</b>

Source: Company, YES Sec - Research, Standalone figures

### Exhibit 16: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest income	342,509	457,989	545,135	635,327	735,939
Interest expense	(126,989)	(198,057)	(244,015)	(283,961)	(328,410)
<b>Net interest income</b>	<b>215,519</b>	<b>259,932</b>	<b>301,120</b>	<b>351,366</b>	<b>407,529</b>
Non-interest income	70,831	102,731	103,009	120,920	140,221
<b>Total income</b>	<b>286,350</b>	<b>362,663</b>	<b>404,129</b>	<b>472,287</b>	<b>547,750</b>
Operating expenses	(137,870)	(166,788)	(183,541)	(212,353)	(245,806)
<b>PPoP</b>	<b>148,480</b>	<b>195,875</b>	<b>220,588</b>	<b>259,934</b>	<b>301,944</b>
Provisions	(4,570)	(15,737)	(30,143)	(30,287)	(35,133)
<b>Profit before tax</b>	<b>143,910</b>	<b>180,137</b>	<b>225,644</b>	<b>229,647</b>	<b>266,811</b>
Taxes	(34,517)	(42,321)	(56,411)	(57,412)	(66,703)
<b>Net profit</b>	<b>109,393</b>	<b>137,816</b>	<b>169,233</b>	<b>172,235</b>	<b>200,108</b>

Source: Company, YES Sec - Research, Standalone figures

## Exhibit 17: Du Pont Analysis (RoA tree)

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Interest income	7.5	8.4	8.4	8.4	8.4
Interest expense	-2.8	-3.6	-3.8	-3.8	-3.8
<b>Net interest income</b>	<b>4.7</b>	<b>4.8</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>
Non-interest income	1.5	1.9	1.6	1.6	1.6
<b>Total income</b>	<b>6.2</b>	<b>6.7</b>	<b>6.2</b>	<b>6.2</b>	<b>6.3</b>
Operating expenses	-3.0	-3.1	-2.8	-2.8	-2.8
PPoP	3.2	3.6	3.4	3.4	3.5
Provisions	-0.1	-0.3	-0.5	-0.4	-0.4
<b>Profit before tax</b>	<b>3.1</b>	<b>3.3</b>	<b>3.5</b>	<b>3.0</b>	<b>3.1</b>
Taxes	-0.8	-0.8	-0.9	-0.8	-0.8
<b>Net profit</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>

Source: Company, YES Sec – Research, Standalone figures

## Exhibit 18: 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	457,260	EV	152,420	3.0	100%	457,260	230.0
Kotak Prime	236,435	BV	118,217	2.0	100%	236,435	118.9
Kotak Securities	210,492	BV	84,197	2.5	100%	210,492	105.9
Kotak Capital	43,000	PAT	2,150	20	100%	43,000	21.6
Kotak AMC	492,721	AAUM	4,927,210	10%	100%	492,721	247.9
Kotak General	79,430	GWP	15,984	5.0	30%	23,829	12.0
<b>Value of Subsidiaries</b>						<b>1,463,737</b>	<b>736</b>

Source: Company, YES Sec – Research

## Exhibit 19: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Interest Income	301,120	351,366	407,529	302,328	349,893	401,456	(0.4)	0.4	1.5
Pre-Prov. Operating Profit	220,588	259,934	301,944	208,937	246,232	281,728	5.6	5.6	7.2
Profit after tax	169,233	172,235	200,108	163,349	161,762	184,717	3.6	6.5	8.3

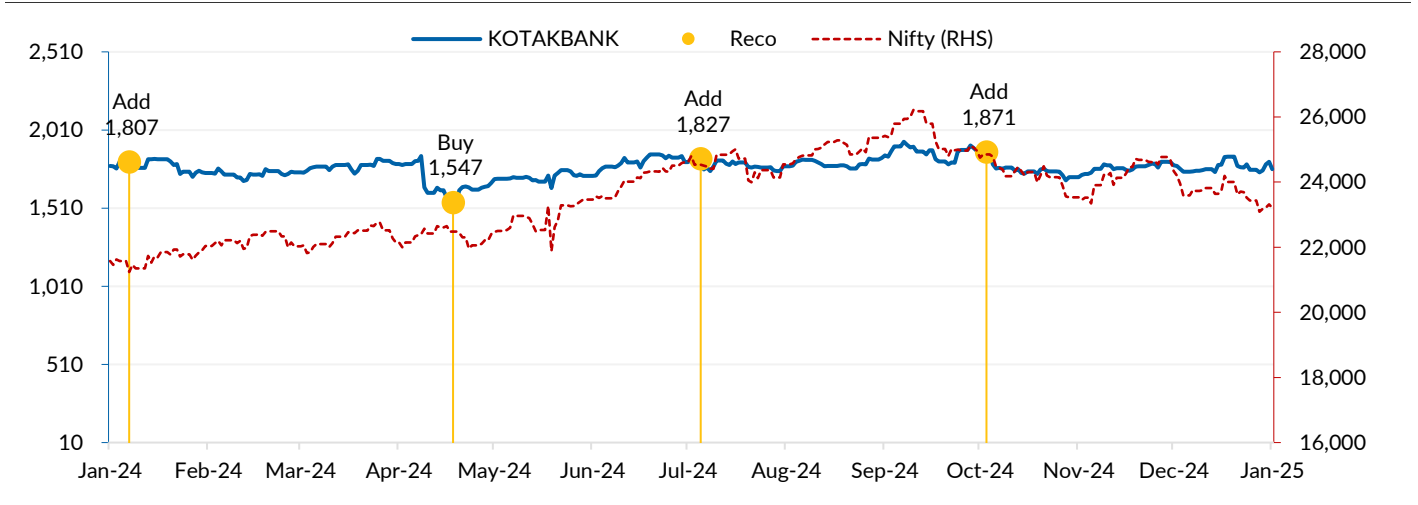
Source: Company, YES Sec – Research, Standalone figures

## Exhibit 20: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Net interest income	28.1	20.6	15.8	16.7	16.0
PPoP	23.2	31.9	12.6	17.8	16.2
Net profit	27.6	26.0	22.8	1.8	16.2
Loans	17.9	17.6	15.0	16.0	16.0
Deposits	16.5	23.6	15.7	16.0	16.0
<b>Profitability Ratios (%)</b>					
Net interest margin	5.3	5.3	5.2	5.2	5.2
Return on Average Equity	14.0	15.3	16.1	14.1	14.2
Return on Average Assets	2.4	2.5	2.6	2.3	2.3
<b>Per share figures (Rs)</b>					
EPS	55.1	69.3	85.1	86.6	100.7
BVPS	420	487	571	657	757
ABVPS	414	480	554	634	728
<b>Valuation multiples</b>					
P/E	19	15	12	12	10
P/BV	2.4	2.1	1.8	1.6	1.4
P/ABV	2.5	2.1	1.8	1.6	1.4
<b>NIM internals (%)</b>					
Yield on loans	9.1	10.2	10.3	10.4	10.4
Cost of deposits	3.5	4.5	4.7	4.7	4.7
Loan-deposit ratio	88.1	83.8	83.3	83.3	83.3
CASA ratio	52.8	45.5	43.0	43.0	43.0
<b>Opex control (%)</b>					
Cost/Income ratio	48.1	46.0	45.4	45.0	44.9
Cost to average assets	3.0	3.1	2.8	2.8	2.8
<b>Capital adequacy (%)</b>					
Tier 1 capital ratio	20.8	19.3	19.8	19.6	19.5
<b>Asset quality (%)</b>					
Gross slippage ratio	1.3	1.4	1.6	1.4	1.4
Gross NPL ratio	1.8	1.4	2.0	2.1	2.1
Credit cost	0.2	0.4	0.7	0.6	0.6
Net NPL ratio	0.4	0.3	0.8	0.9	1.0

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

## Recommendation Tracker



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