

Kotak Mahindra Bank

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR1,944 **TP: INR2,200 (+13%)** **Buy**

RBI lifts key restrictions; growth and profitability outlook strengthens

Bloomberg	KMB IN
Equity Shares (m)	1988
M.Cap.(INRb)/(USDb)	3864.9 / 44.5
52-Week Range (INR)	1971 / 1544
1, 6, 12 Rel. Per (%)	12/15/7
12M Avg Val (INR M)	10204

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	259.9	284.1	321.9
OP	195.9	215.4	243.3
NP	137.8	142.9	159.7
Cons. NP	182.1	190.9	218.2
NIM (%)	5.2	4.9	4.8
EPS (INR)	69.4	71.9	80.3
EPS Gr. (%)	25.9	3.7	11.7
ABV. (INR)	462	528	602
Cons. BV. (INR)	654	748	856

Ratios

RoA (%)	2.5	2.2	2.2
RoE (%)	15.3	13.8	13.5
Cons. RoE (%)	14.0	12.8	12.8

Valuations

P/BV (X) (Cons.)	3.0	2.6	2.3
P/ABV (X) (Adj)	2.7	2.4	2.1
P/E(X) (Adj)	18.3	17.7	15.8

*Adjusted for Investment subs

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	25.9	25.9	25.9
DII	30.4	29.6	21.4
FII	30.8	31.8	39.7
Others	12.9	12.8	12.9

FII Includes depository receipts

Consumer business growth to perk up; estimate RoA to sustain at 2.2% for FY26E

- **The RBI has lifted the business restrictions** that it imposed on Kotak Mahindra Bank on 24th Apr'24 in respect to (i) onboarding of new customers through its online and mobile banking channels, and, (ii) issuance of fresh credit cards.
- The development underscores the regulator's comfort about the remedial steps taken by the bank to plug the various gaps highlighted by the regulator.
- **It also ratifies the bank's resilience as well as the efficacy and strategic foresight** of the new management team to deftly handle such a critical situation that posed grave concerns about the bank, right after several changes in the top leadership team.
- **Credit card segment reported** softer growth, affected by a moderation in card spends for the industry and the regulatory restrictions on KMB related to the sourcing of new credit cards. The card segment has thus reported 1.7% YoY growth vs. 15.6% YoY growth for the industry and a growth range of 8.2%-17.9% for top four credit card players. KMB's credit card loan mix thus declined to 3.3% as of Dec'24 from 3.7% in Mar'24. The bank's market share in o/s cards thus declined to 4.6% in Dec'24 from 5.8% in Mar'24, while its market share in spends declined to 3.6% in Dec'24 from 4.4% in Mar'24. Personal loan segment, however, has still grown at a relatively healthy rate of 10.3% YoY, with the segment accounting for 4.9% of total advances. The unsecured retail mix thus stood at 10.5%.
- **Business growth to perk up; estimate KMB to deliver 16% loan CAGR over FY25-27E:** Over the past one year, KMB has reported a rather resilient performance, with steady growth and profitability, backed by robust margins. During 3QFY25, its loan book grew 15.1% YoY/3.6% QoQ, led by healthy traction in business banking, CV/CE and home loans. The mix of consumer loans, though, moderated as the wholesale portfolio grew 15% YoY. With the RBI lifting significant regulatory restrictions, we expect business growth and underlying profitability to pick up, with stronger traction in the consumer banking business. This will also support lending yields and margins, which have already compressed to 4.93% from the peak of 5.75% seen during 4QFY23.

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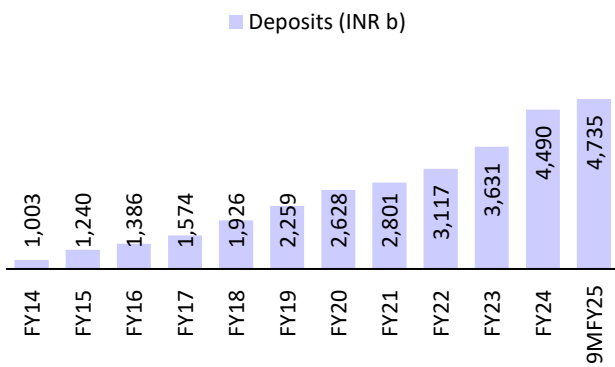
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Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

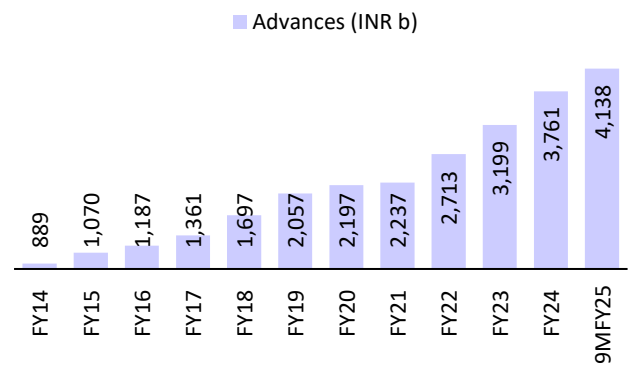
■ **Valuation and view: Reiterate BUY after recent upgrade:** KMB has delivered a healthy operating performance amid challenging macro conditions and the regulatory limitations that it grappled with and deftly worked upon for the early resolution. The development underscores the regulator’s comfort about the remedial steps taken by the bank to plug the various gaps. **It also ratifies the bank’s resilience as well as the efficacy and strategic foresight** of the new management team to deftly handle such a critical situation, which posed grave concerns about the bank, right after several changes in the top leadership team. The reversal of credit card sourcing ban and the revival of customer onboarding via its advanced online and mobile banking channels will act as a powerful catalyst for business growth. This will thus also be pivotal in maintaining healthy margins and revenue growth, led by a recovery in synergistic cross-selling avenues. **After being Neutral on the stock for almost four and a half years, we had recently upgraded our rating on KMB and we maintain our positive view. Reiterate BUY with a TP of INR2,200 (premised on 2.3x Sep’26E).**

Exhibit 1: Deposits grew from INR1b in FY14 to INR4.7t in 9MFY25



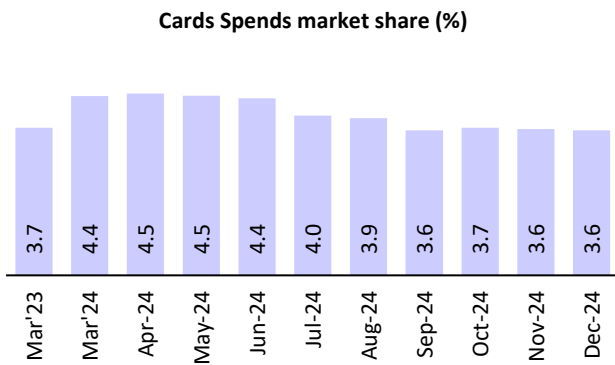
Source: MOFSL, Company

Exhibit 2: Bank reported a 16% CAGR in advances over FY14-FY24; stood at INR4.1t in 9MFY25



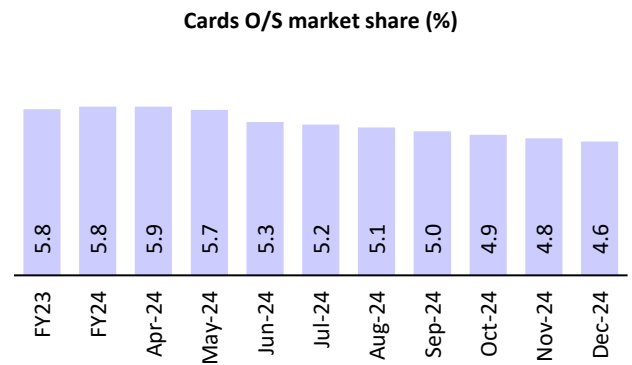
Source: MOFSL, Company

Exhibit 3: KMB credit card spends market share stood at 3.6% as at Dec’24



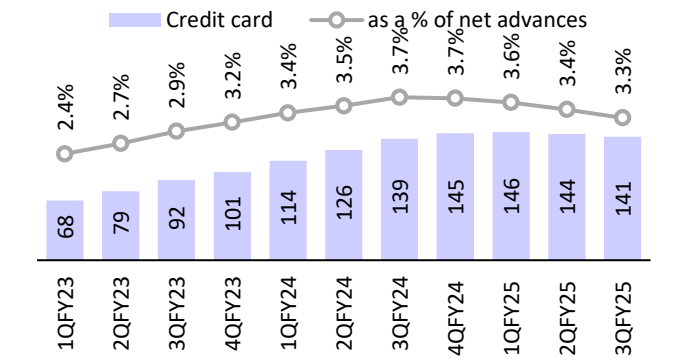
Source: MOFSL, Company

Exhibit 4: KMB credit card outstanding market share stood at 4.6% as at Dec’24



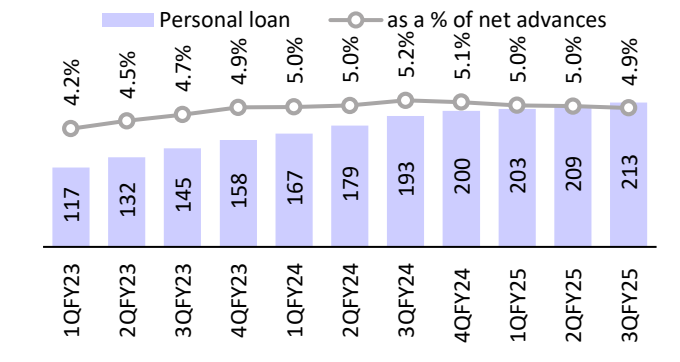
Source: MOFSL, Company

Exhibit 5: Credit card as a % of net advances stood at 3.3% in 3QFY25



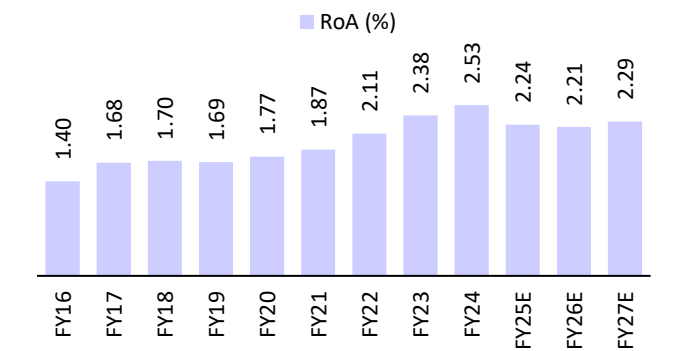
Source: MOFSL, Company

Exhibit 6: Personal loan as a % of net advances stood at 4.9% in 3QFY25



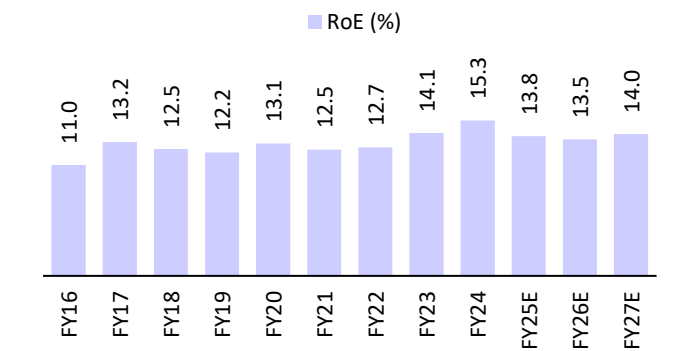
Source: MOFSL, Company

Exhibit 7: Estimate RoA at 2.21%/2.29% for FY26/FY27



Source: MOFSL, Company

Exhibit 8: Estimate RoE at 13.5%/14.0% for FY26/FY27



Source: MOFSL, Company

Story in charts

Exhibit 9: Advances/deposits grew 15%/16% YoY

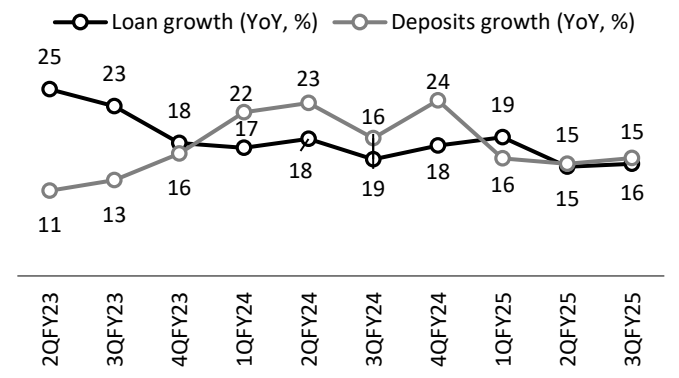


Exhibit 10: Retail loan mix stood at 67.5% in 3QFY25

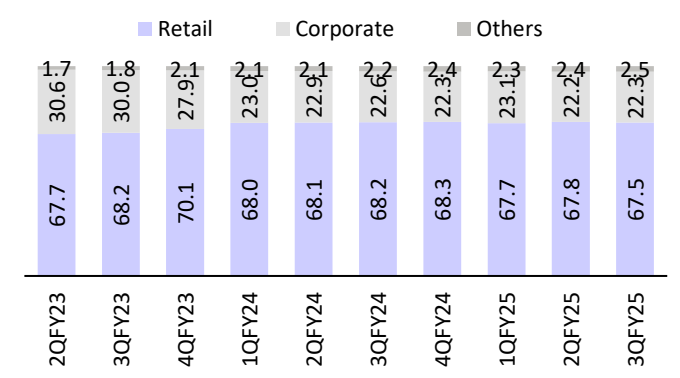


Exhibit 11: NIM improved 2bp QoQ to 4.93%

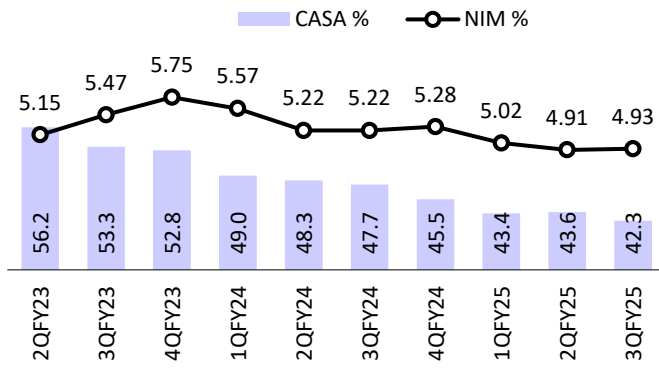


Exhibit 12: Yields/CoF stood at 10.7%/5.1% in 3QFY25

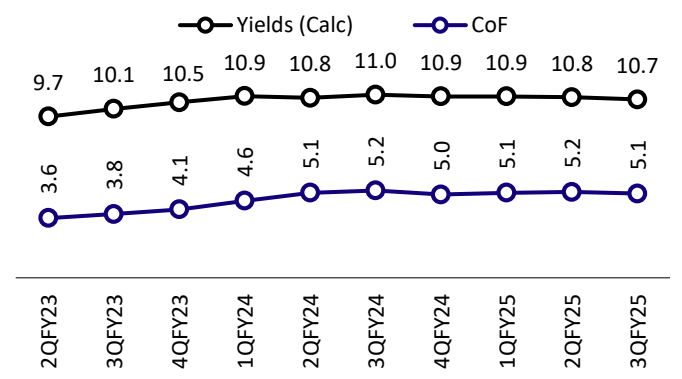


Exhibit 13: C/I ratio declined 22bp QoQ to 47.2%

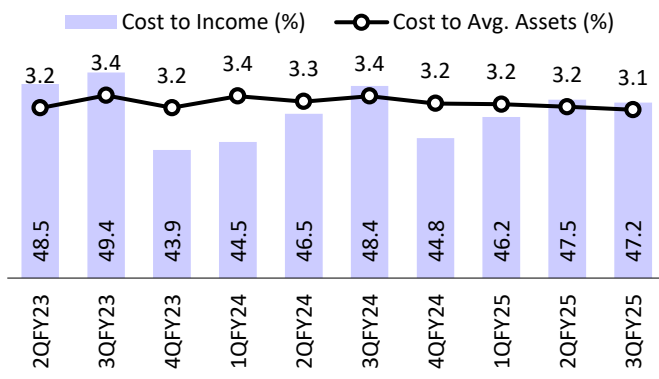


Exhibit 14: C/D ratio increased to 87.4% vs. 86.6% in 2QFY25

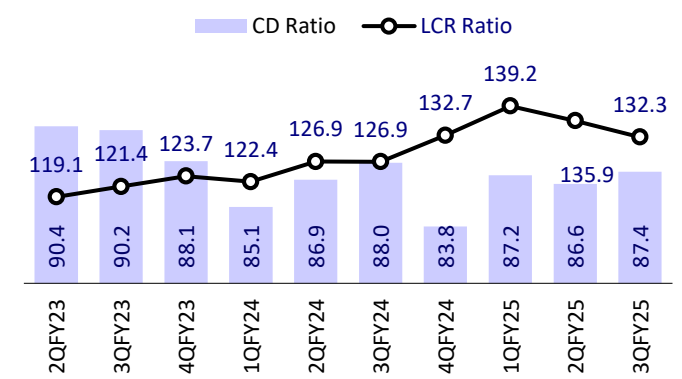


Exhibit 15: Slippages dipped to INR16.6b, credit costs at 0.8%

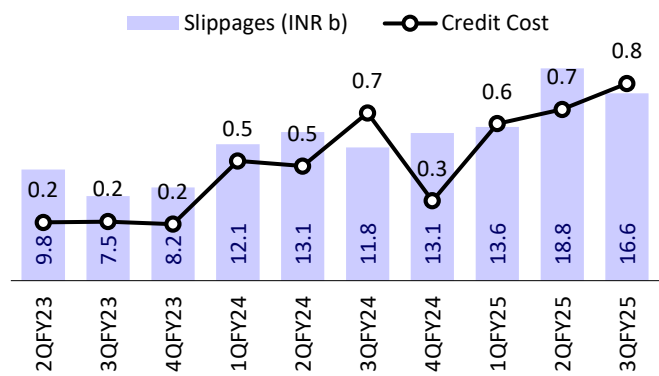
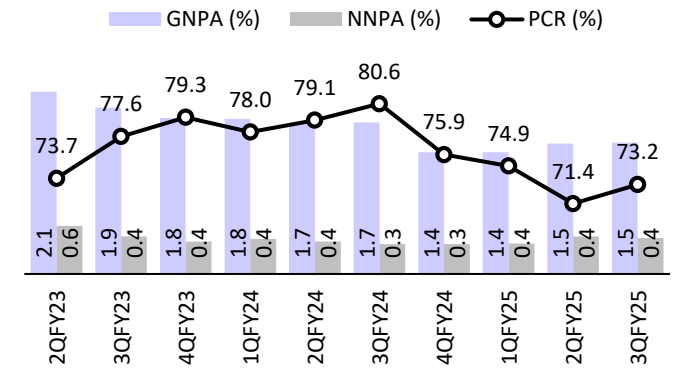


Exhibit 16: GNPA/NNPA ratio stood at 1.5%/0.4% in 3QFY25



Source: MOFSL, Company

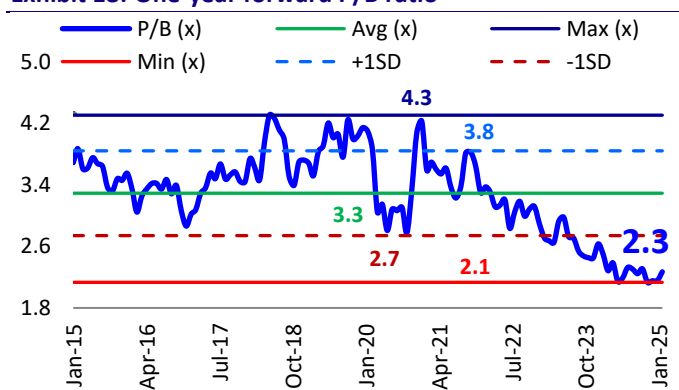
Source: MOFSL, Company

Exhibit 17: KMB – SoTP Valuation (Sep'26E-based)

	Stake (%)	Total value (INR b)	Attributed Value (INR b)	Value (USD B)	INR per share	% to total	Rationale
Lending Business		3,171	3,402	40.8	1,712	78	
Kotak Mahindra Bank		2,802	3,009	36.1	1,514	69	2.3x Sep'26E NW
Kotak Prime (Car and other loans)	100%	261	277	3.3	139	6	2.2x Sep'26E NW
Kotak Investment Company (LAS)	100%	107	116	1.4	59	3	2.2x Sep'26E NW
Asset Management Business		289	315	3.8	158	7	4.6% of Sep'26E AUMs
Domestic Mutual Fund	100%	226	246	3.0	124	6	
Alternative Assets	100%	29	31	0.4	16	1	
Offshore Funds	100%	34	37	0.4	19	1	
Capital Markets related Business		354	393	4.7	197	9	
Kotak Securities	100%	311	345	4.1	174	8	16x Sep'26E PAT
Kotak Investment Banking (KMCC)	100%	42	47	0.6	24	1	2.2x Sep'26E NW
Kotak Life Insurance	100%	549	604	7.2	304	14	2.5x Sep'26E EV
Subs value @ 20% discount		1,247	1,363	16.4	686	31	
Target Value (Post 20% holding discount)		4,050	4,373	52.5	2,200	100	
- contribution of subs/associates to total PT					31%		

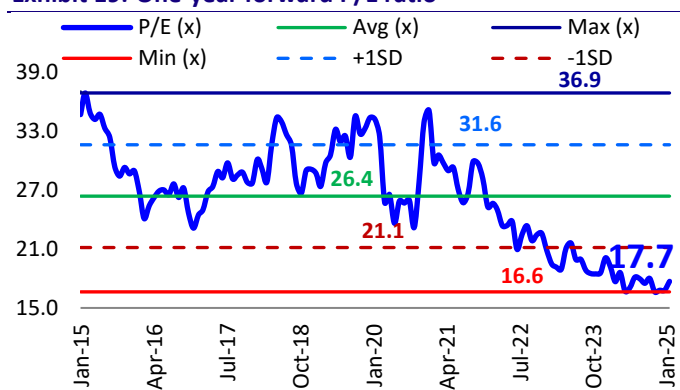
Source: Company, MOFSL

Exhibit 18: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 19: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 20: DuPont Analysis – We estimate KMB to report FY27 RoA/RoE of 2.3%/14.0%

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	6.65	7.45	8.40	8.29	8.17	8.11
Interest Expense	2.51	2.76	3.63	3.83	3.72	3.60
Net Interest Income	4.14	4.69	4.77	4.46	4.45	4.51
Fee income	1.70	1.75	1.72	1.64	1.64	1.63
Trading and others	-0.23	-0.21	0.17	0.19	0.22	0.24
Non-Interest income	1.47	1.54	1.88	1.83	1.86	1.87
Total Income	5.61	6.23	6.65	6.28	6.31	6.38
Operating Expenses	2.65	3.00	3.06	2.90	2.94	2.95
Employee cost	1.14	1.21	1.26	1.20	1.21	1.21
Others	1.51	1.79	1.80	1.70	1.74	1.74
Operating Profits	2.96	3.23	3.59	3.38	3.36	3.43
Core operating Profits	3.19	3.44	3.42	3.19	3.15	3.19
Provisions	0.17	0.10	0.29	0.42	0.45	0.42
NPA	0.27	0.11	0.27	0.40	0.42	0.39
Others	-0.10	-0.01	0.02	0.02	0.03	0.03
PBT	2.80	3.13	3.30	2.96	2.91	3.02
Tax	0.69	0.75	0.78	0.72	0.71	0.73
RoA	2.11	2.38	2.53	2.24	2.21	2.29
Leverage (x)	6.0	5.9	6.0	6.1	6.1	6.1
RoE	12.6	14.0	15.3	13.8	13.5	14.0

Source: Company, MOFSL

Financials and valuations

Income Statement							(INRb)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E	
Interest Income	270.4	342.5	458.0	528.4	590.7	674.5	
Interest Expense	102.2	127.0	198.1	244.3	268.8	299.3	
Net Interest Income	168.2	215.5	259.9	284.1	321.9	375.2	
-growth (%)	9.6	28.1	20.6	9.3	13.3	16.6	
Non-Interest Income	59.9	70.8	102.7	116.5	134.2	155.8	
Total Income	228.0	286.3	362.7	400.6	456.1	531.0	
-growth (%)	12.1	25.6	26.7	10.5	13.8	16.4	
Operating Expenses	107.5	137.9	166.8	185.2	212.7	245.3	
Pre Provision Profits	120.5	148.5	195.9	215.4	243.3	285.7	
-growth (%)	2.5	23.2	31.9	10.0	12.9	17.4	
Core PPOp	129.9	158.2	186.7	203.5	227.7	265.4	
-growth (%)	8.7	21.9	18.0	9.0	11.9	16.5	
Provisions	6.9	4.6	15.7	26.9	32.6	34.7	
PBT	113.6	143.9	180.1	188.5	210.7	250.9	
Tax	27.9	34.5	42.3	45.6	51.0	60.7	
Tax Rate (%)	24.5	24.0	23.5	24.2	24.2	24.2	
PAT	85.7	109.4	137.8	142.9	159.7	190.2	
-growth (%)	23.1	27.6	26.0	3.7	11.7	19.1	
Consolidated PAT	117.2	149.3	182.1	190.9	218.2	261.2	
-growth (%)	17.3	27.3	22.0	4.8	14.3	19.7	

Balance Sheet

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	9.9	9.9	9.9	9.9	9.9	9.9
Preference Share Capital	5.0	5.0	0.0			
Reserves & Surplus	710.0	820.3	957.2	1,096.9	1,253.1	1,439.9
Net Worth	724.9	835.2	967.2	1,106.9	1,263.1	1,449.8
- Equity Net worth	719.9	830.2	967.2	1,106.9	1,263.1	1,449.8
Deposits	3,116.8	3,631.0	4,489.5	5,041.8	5,777.8	6,696.5
-growth (%)	11.3	16.5	23.6	12.3	14.6	15.9
- CASA Dep	1,891.3	1,918.2	2,043.0	2,147.8	2,519.1	2,966.6
-growth (%)	11.7	1.4	6.5	5.1	17.3	17.8
Borrowings	259.7	234.2	283.7	312.5	344.6	396.0
Other Liabilities & Prov.	192.9	198.3	263.2	289.5	327.1	379.5
Total Liabilities	4,294.3	4,898.6	6,003.6	6,750.6	7,712.7	8,921.8
Current Assets	429.2	325.4	527.9	546.1	569.4	624.1
Investments	1,005.8	1,214.0	1,554.0	1,734.3	1,970.2	2,267.7
-growth (%)	-4.3	20.7	28.0	11.6	13.6	15.1
Loans	2,712.5	3,198.6	3,760.8	4,306.1	4,995.0	5,834.2
-growth (%)	21.3	17.9	17.6	14.5	16.0	16.8
Fixed Assets	16.4	19.2	21.6	24.4	28.1	32.3
Other Assets	130.3	141.3	139.3	139.8	150.0	163.6
Total Assets	4,294.3	4,898.6	6,003.6	6,750.6	7,712.7	8,921.8

Asset Quality

Y/E MARCH	FY22	FY23	FY24E	FY25E	FY25E	FY25E
GNPA	64.7	57.7	52.7	68.6	85.9	95.2
NNPA	17.4	11.9	12.7	19.5	24.3	30.1
GNPA Ratio (%)	2.34	1.78	1.39	1.57	1.70	1.61
NNPA Ratio (%)	0.64	0.37	0.34	0.45	0.49	0.52
Slippage Ratio (%)	1.55	1.20	1.36	1.70	1.70	1.60
Credit Cost (%)	0.45	0.17	0.43	0.64	0.65	0.60
PCR (Excl Tech. write off) (%)	73.2	79.3	75.9	71.5	71.7	68.4

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24E	FY25E	FY26E	FY26E
Yield and Cost Ratios (%)						
Avg. Yield-Earning Assets	7.2	8.0	9.1	9.0	8.8	8.7
Avg. Yield on loans	7.8	9.1	10.2	10.0	9.8	9.6
Avg. Yield on Investments	6.8	6.1	6.7	6.9	6.8	6.8
Avg. Cost-Int. Bear. Liab.	3.2	3.5	4.6	4.8	4.7	4.5
Avg. Cost of Deposits	3.1	3.5	4.5	4.9	4.7	4.5
Interest Spread	4.7	5.6	5.7	5.2	5.0	5.1
Net Interest Margin	4.5	5.1	5.2	4.9	4.8	4.9
Capitalisation Ratios (%)						
CAR	23.7	21.8	20.5	19.3	18.4	17.6
CET-1	21.5	20.6	19.2	18.3	17.5	16.7
Tier I	22.8	20.6	19.2	18.3	17.5	16.7
Tier II	0.9	1.2	1.3	1.1	1.0	0.9
Business Ratios (%)						
Loans/Deposit Ratio	87.0	88.1	83.8	85.4	86.5	87.1
CASA Ratio	60.7	52.8	45.5	42.6	43.6	44.3
Cost/Assets	2.5	2.8	2.8	2.7	2.8	2.7
Cost/Total Income	47.2	48.1	46.0	46.2	46.6	46.2
Cost/Core Income	45.3	46.6	47.2	47.7	48.3	48.0
Int. Expense/Int.Income	37.8	37.1	43.2	46.2	45.5	44.4
Fee Income/Total Income	30.3	28.1	25.8	26.1	26.0	25.5
Non Int. Inc./Total Income	26.2	24.7	28.3	29.1	29.4	29.3
Empl. Cost/Total Expenses	42.9	40.2	41.3	41.3	41.0	40.9
Efficiency Ratios (INRm)						
Employee per branch (in nos)	39.1	37.3	40.0	41.2	42.3	43.6
Staff cost per employee (INR m)	0.7	0.8	0.9	0.9	1.0	1.1
CASA per branch	1,113	1,078	1,049	1,060	1,196	1,354
Deposits per branch	1,833	2,040	2,305	2,489	2,742	3,056
Business per Employee	88	103	106	112	121	131
Profit per Employee	1.3	1.6	1.8	1.7	1.8	2.0

Profitability Ratios and Valuation

RoE (%)	12.7	14.1	15.3	13.8	13.5	14.0
RoA (%)	2.1	2.4	2.5	2.2	2.2	2.3
Consolidated ROE (%)	12.1	13.3	14.0	12.8	12.8	13.3
Consolidated ROA (%)	2.3	2.6	2.6	2.4	2.4	2.4
RoRWA (%)	2.2	2.4	2.4	2.2	2.1	2.1
Book Value (INR)	363	418	487	557	635	729
-growth (%)	13.7	15.2	16.4	14.4	14.1	14.8
Price-BV (x)	3.3	2.9	2.5	2.2	1.9	1.7
Adjusted BV (INR)	342	398	462	528	602	690
-growth (%)	15.3	16.4	16.3	14.2	14.0	14.6
Price-ABV (x)	3.6	3.1	2.6	2.3	2.0	1.8
EPS (INR)	43.2	55.1	69.4	71.9	80.3	95.7
-growth (%)	20.9	27.5	25.9	3.7	11.7	19.1
Price-Earnings (x)	28.1	22.0	17.5	16.9	15.1	12.7
Consolidated EPS (INR)	59.1	75.1	91.6	96.0	109.8	131.4
Change (%)	17.1	27.2	21.9	4.8	14.3	19.7
Price-Consolidated Earnings (x)	32.2	25.3	20.7	19.8	17.3	14.5
Dividend Per Share (INR)	1.1	1.3	1.7	1.8	1.8	1.8
Dividend Yield (%)	0.1	0.1	0.0	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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