

21<sup>st</sup> May, 2024

Analyst - Sushil Kr Jaiswal

Recommendation	CMP (₹)	Target (₹)	Upside Potential (%)	Time Horizon
Buy	1665	1920	15.3%	9 – 12 months

**Kotak Mahindra Bank Limited** is one of India's leading banking and financial services company that offers a wide range of financial services. It was incorporated in 1985 as Kotak Capital Management Finance Ltd by Mr. Uday Kotak. Today, Kotak Mahindra Bank is one of the fastest growing banks in India. The headquarter of the Bank is situated in Mumbai. Currently, they have 1,869 branches and 3,239 ATMs across India. The main business of the bank includes commercial banking, consumer banking, corporate banking and Treasury. Their mission is to "offer a wide range of innovation and comprehensive financial solutions, leveraging technology and human expertise to make banking simple and accessible.

There are several subsidiaries' companies under Kotak Group which also covers a wide range of financial services like insurance, stock broking, passenger vehicle financing and asset management. These subsidiaries are also the reason of the global presence of Kotak Mahindra Bank Limited. Throughout the bank's operations, they have a strong focus on customer centric approach which is also one of the reasons for bank's fast growth and increasing market share.

Stock Details	
<b>Sector:</b>	Private Bank
<b>FV (₹):</b>	5
<b>Total Market Cap (₹):</b>	3,27,094 cr.
<b>52-Week High/Low (₹):</b>	2064/1543
<b>Sensex/Nifty (₹):</b>	72967.60 / 22200.40
<b>BSE Code/NSE Symbol:</b>	500247/KOTAKBANK

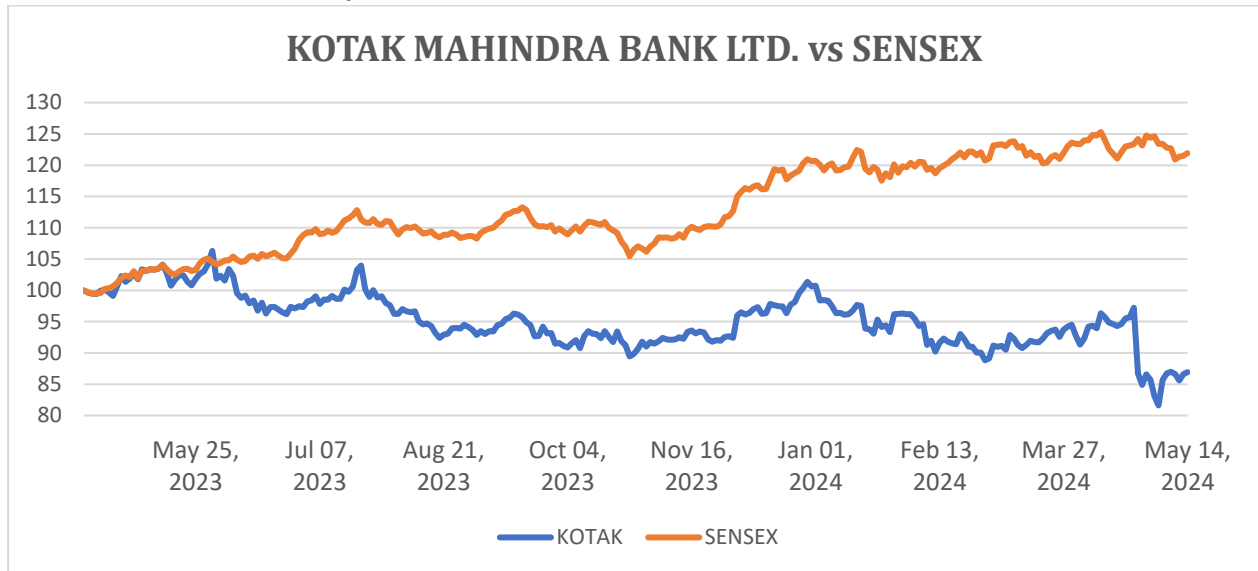
Shareholding Pattern				
	Jun-23	Sep-23	Dec-23	Mar-24
<b>Promoters</b>	25.94%	25.92%	25.91%	25.90%
<b>FIIIs</b>	41.54%	40.97%	39.74%	37.59%
<b>DIIIs</b>	19.57%	20.00%	21.38%	23.40%
<b>Public</b>	12.92%	13.11%	12.98%	13.11%

Price Performance				
	1M	3M	6M	12M
<b>Kotak Bank</b>	-7.83%	-5.09%	-6.63%	-16.32%
<b>SENSEX</b>	-0.55%	1.52%	11.15%	17.10%

Key Financials (Cons)	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	4 Year CAGR %
Interest Earned	33474	32819	33740	42151	56237	18.88%
NIM (%)	4.13	4.35	4.25	4.64	5.32	
Profit After Tax	8607	9902	11931	14780	18213	28.38%
PATM (%)	25.71	30.17	35.36	35.07	32.38	
Adjusted EPS	44.71	50.2	60.71	74.93	91.62	27.02%
Book Value	348.32	425.55	486.9	562.55	653	23.30%
Dividend Per Share	0	0.9	1.1	1.5	2	
Dividend Yield	0	0.05	0.06	0.09	0.12	
ROE	13.84	13.12	13.19	14.19	15.08	
ROCE	11.88	12.1	12.79	13.86	15.1	
ROA	2.05	2.15	2.33	2.53	2.66	
Total CAR (Basel III)	17.89	22.26	22.69	20.78	21.8	
Gross NPAs to Gross Advances (%)	2.3	3.25	2.34	1.78	1.39	
Net NPAs (funded) to Net Advances (%)	0.71	1.21	0.64	0.37	0.34	

Valuation Ratio (Consolidated)	Latest (TTM)	10 Year Median
P/E	17.9	34.85
P/BV	3.38	4.08

Price comparison between Kotak Mahindra Bank Ltd. vs Sensex

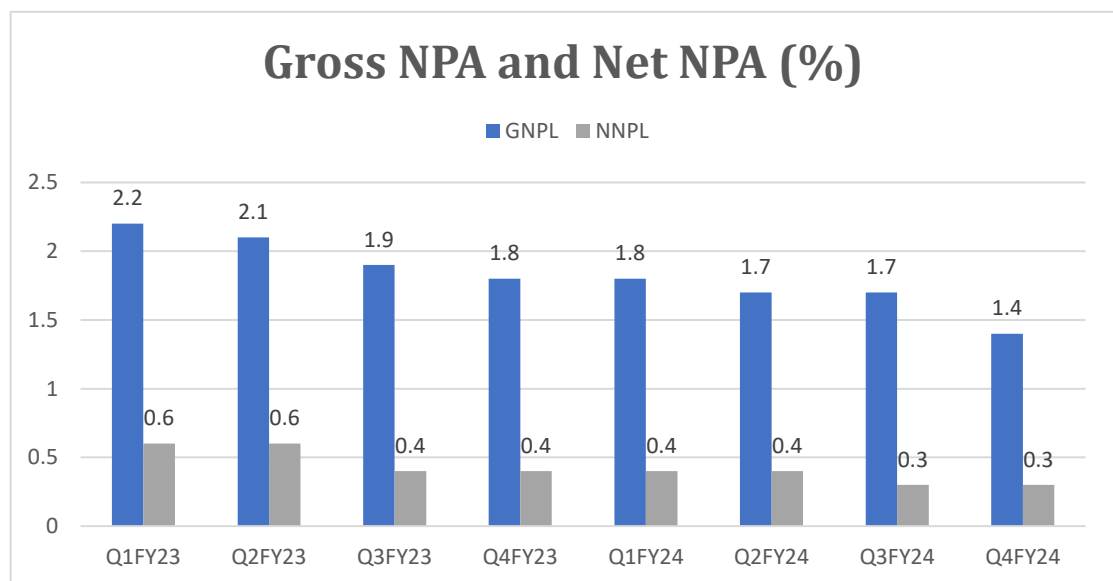
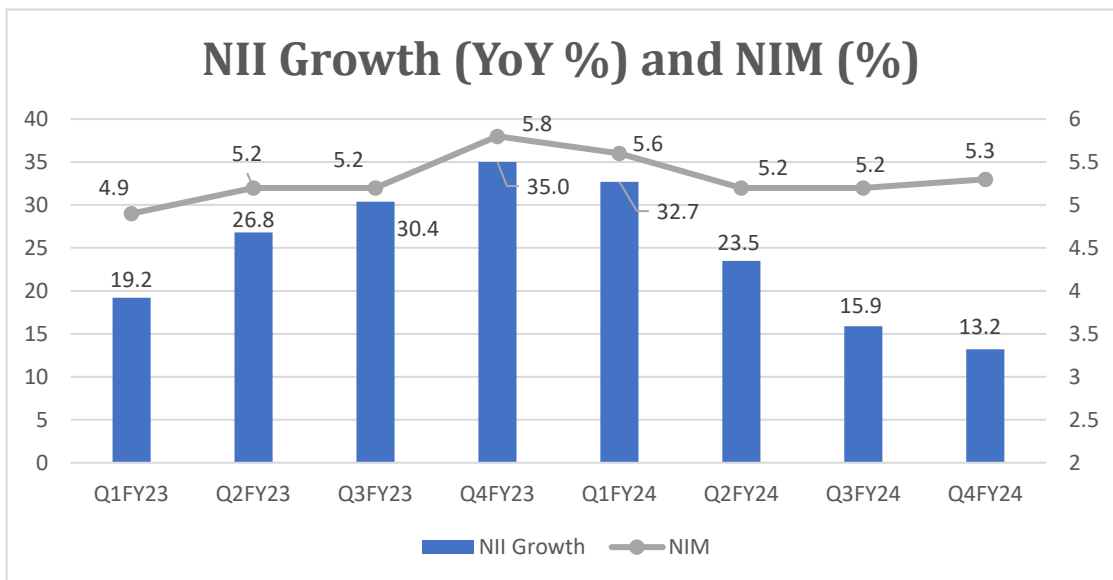
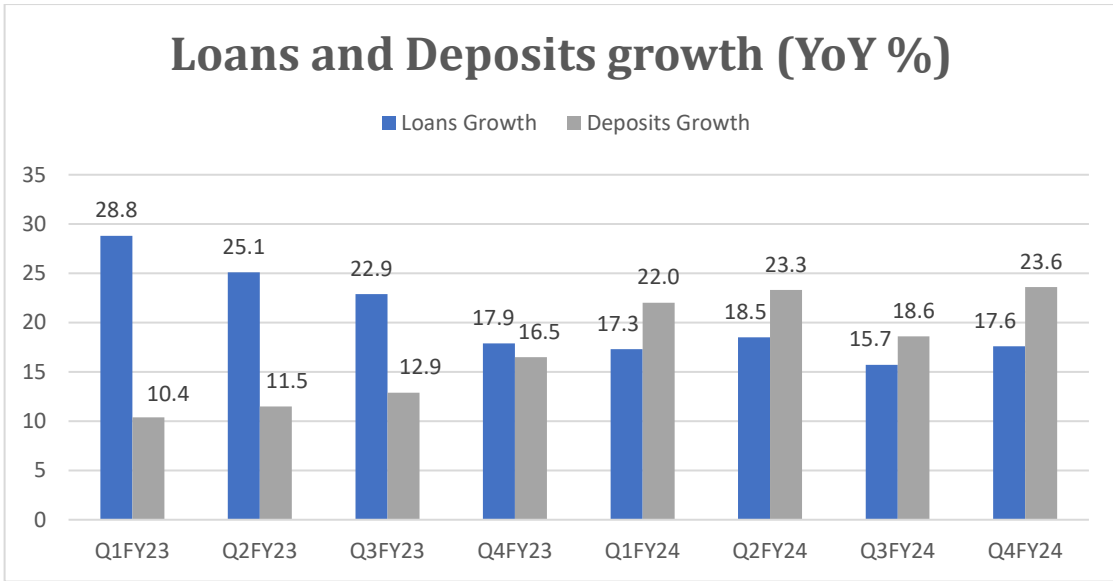


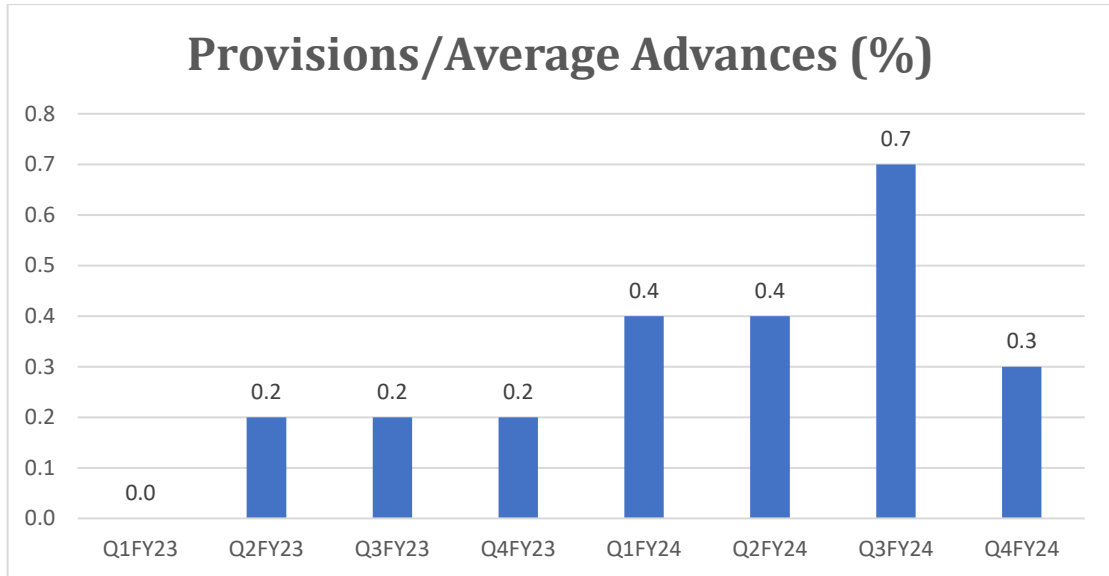
## Impact of RBI order on Kotak Mahindra Bank

- The main business that is impacted by RBI order is of 811 customers, credit cards and the online and digital banking. Small impact will be there on personal loans business but that will be set off by other mediums.
- There will be an impact of around Rs. 300-450 crores on annualized PBT and management will try to get business the earlier way.
- Additional expenditure will be made on IT technology that will be 10% of operating expenditure.
- Bank has enough provisions for unsecured loans. They also wrote off Rs.1,500 crore for which full provision was made.
- Currently, there are 2.5 crore of 811 customers and bank will focus to convert more into full KYC customers.
- Cross-sell ratio of 811 customers is quite low and the bank will try to increase it by offering more products and deepening their relationships with the customers

## Guidance by Management

- Management has said that they will not go aggressive towards credit growth specially during the current economic cycle. They will gain the market share in a much strategic manner without changing their risk appetite.
- After the business returns to normal, i.e., before the RBI order, they will have more aggressive approach to reach their growth targets and they aim to grow at 1.5 to 2 times that of the nominal GDP.





### Investment Rational:

- Kotak Mahindra Bank reported an overall consolidated PAT growth of around 22% from Rs. 14,925 crores in FY23 to Rs. 18,213 crores in FY24. The Bank's Net interest income grew by 13.2% YoY from Rs.6,100 crores in Q4FY23 to Rs.6,910 crores in Q4FY24.
- The bank has exhibited significant growth in loans of 18% YoY and growth in deposits of 23.64% in FY24 which indicates its expanding market presence. The main reason for this growth is increase in the term deposits in the bank by the customers from Rs.1,66,644 crores to Rs. 2,24,703 crores.
- The asset quality of the bank has also improved as gross NPA has decreased from 1.78% to 1.39% and net NPA has decreased from 0.37% to 0.34%.
- The net loan book value has also increased by 17.6% YoY where majority rise was seen in the Home Loans and LAP followed by retail micro finance and credit cards.
- The bank has excellent financial metrics such as interest earned, profit after tax, and adjusted EPS which shows its sustainable growth. Also, the bank is focused on improving its asset quality which can be seen by decrease in GNPA and NNPA.
- The performance of subsidiary companies of Kotak Mahindra Bank's have also performed well which have also led to increase in the consolidated profits of the bank.
- Total Asset under management was up by 33% YoY from Rs. 4,20,880 crores at March 31,2023 to Rs. 5,60,140 crores in March 31,2024. The domestic Mutual Fund equity AUM has increased by 58% YoY to Rs. 2,46,771 crores as at March 31, 2024.

## Income Statement

(In Cr.)

Income Statement (In cr.)	FY2020	FY2021	FY2022	FY2023	FY2024
Interest Income On Loans	33,474.2	32,819.8	33,740.6	42,151.1	40,866.2
Interest Income On Investments	-	-	-	-	15,370.5
<b>Total Interest Income</b>	<b>33,474.2</b>	<b>32,819.8</b>	<b>33,740.6</b>	<b>42,151.1</b>	<b>56,236.6</b>
Interest On Deposits	15,900.7	12,966.5	11,553.5	14,411.1	22,567.2
<b>Total Interest Expense</b>	<b>15,900.7</b>	<b>12,966.5</b>	<b>11,553.5</b>	<b>14,411.1</b>	<b>22,567.2</b>
<b>Net Interest Income</b>	<b>17,573.5</b>	<b>19,853.3</b>	<b>22,187.1</b>	<b>27,739.9</b>	<b>33,669.4</b>
Gain (Loss) On Sale Of Assets (Rev)	29.4	38.7	26.4	10.8	-
Gain on Sale of Invest. & Secur (Rev)	(657.3)	4,972.7	1,695.0	(500.9)	5,558.5
Total Other Non-Interest Income	17,519.4	18,576.3	23,219.6	26,481.1	32,478.8
<b>Total Non Interest Income</b>	<b>16,891.6</b>	<b>23,587.7</b>	<b>24,941.1</b>	<b>25,991.0</b>	<b>38,037.3</b>
<b>Revenue Before Loan Losses</b>	<b>34,465.1</b>	<b>43,441.0</b>	<b>47,128.1</b>	<b>53,730.9</b>	<b>71,706.7</b>
Provision For Loan Losses	2,558.1	2,852.4	1,606.0	610.7	1,972.5
<b>Total Revenue</b>	<b>31,907.0</b>	<b>40,588.5</b>	<b>45,522.1</b>	<b>53,120.2</b>	<b>69,734.2</b>
Salaries and Other Empl. Benefits	5,753.2	5,855.7	7,140.9	8,479.0	10,302.4
Stock-Based Compensation	2.8	-	-	-	-
Occupancy Expense	1,814.5	1,880.7	2,104.4	2,742.2	-
Selling General & Admin Exp., Total	2,036.8	1,707.5	1,194.1	1,931.2	45.0
(Income)/Loss from Affiliates	13.7	(87.3)	(157.5)	(144.6)	(236.4)
Total Other Non-Interest Expense	10,877.9	17,976.2	19,969.9	20,492.5	35,523.5
<b>Total Non-Interest Expense</b>	<b>20,498.9</b>	<b>27,332.9</b>	<b>30,251.8</b>	<b>33,500.5</b>	<b>45,634.4</b>
<b>EBT Excl. Unusual Items</b>	<b>11,408.1</b>	<b>13,255.6</b>	<b>15,270.3</b>	<b>19,619.8</b>	<b>24,099.8</b>
Other Unusual Items	-	-	835.5	171.0	-
<b>EBT Incl. Unusual Items</b>	<b>11,408.1</b>	<b>13,255.6</b>	<b>16,105.8</b>	<b>19,790.7</b>	<b>24,099.8</b>
Income Tax Expense	2,814.7	3,265.4	4,016.4	4,865.7	5,886.6
<b>Earnings from Cont. Ops.</b>	<b>8,593.4</b>	<b>9,990.2</b>	<b>12,089.4</b>	<b>14,925.0</b>	<b>18,213.2</b>
<b>Net Income</b>	<b>8,593.4</b>	<b>9,990.2</b>	<b>12,089.4</b>	<b>14,925.0</b>	<b>18,213.2</b>

## Balance Sheet

(In Cr.)

Balance Sheet (In cr.)	FY2020	FY2021	FY2022	FY2023	FY2024
<b>ASSETS</b>					
Cash And Equivalents	56,296.4	36,678.2	18,380.3	24,842.2	65,206.4
Investment Securities	1,11,196.9	1,63,260.1	1,70,101.8	1,99,882.5	2,46,445.7
<b>Total Investments</b>	<b>1,11,196.9</b>	<b>1,63,260.1</b>	<b>1,70,101.8</b>	<b>1,99,882.5</b>	<b>2,46,445.7</b>
Gross Loans	2,49,879.0	2,52,169.8	3,04,473.6	3,59,107.5	4,30,351.6
<b>Net Loans</b>	<b>2,49,879.0</b>	<b>2,52,169.8</b>	<b>3,04,473.6</b>	<b>3,59,107.5</b>	<b>4,30,351.6</b>
Gross Property, Plant & Equipment	4,499.8	4,638.6	5,060.1	5,583.3	-
Accumulated Depreciation	(2,638.8)	(2,898.5)	(3,150.5)	(3,322.1)	-
<b>Net Property, Plant &amp; Equipment</b>	<b>1,861.0</b>	<b>1,740.2</b>	<b>1,909.6</b>	<b>2,261.2</b>	<b>2,562.5</b>
Goodwill	813.8	813.8	813.8	813.8	947.8
Accrued Interest Receivable	3,886.8	4,342.1	4,621.6	5,385.9	-
Other Receivables	1.3	0.8	0.8	0.6	-
Restricted Cash	7,783.4	11,038.4	34,285.2	18,083.2	-
Other Current Assets	40.1	25.6	20.6	106.7	-
Deferred Tax Assets, LT	466.7	741.5	627.9	605.2	-
Other Long-Term Assets	10,947.3	8,043.9	11,262.7	9,341.1	22,153.0
<b>Total Assets</b>	<b>4,43,172.7</b>	<b>4,78,854.2</b>	<b>5,46,497.9</b>	<b>6,20,429.7</b>	<b>7,67,667.0</b>
<b>LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest Bearing Deposits	2,18,251.8	2,27,449.8	2,46,565.3	2,92,385.7	4,45,268.8
Non-Interest Bearing Deposits	42,148.4	51,421.6	63,521.6	68,886.9	-
<b>Total Deposits</b>	<b>2,60,400.2</b>	<b>2,78,871.4</b>	<b>3,10,086.9</b>	<b>3,61,272.6</b>	<b>4,45,268.8</b>
Long-Term Debt	65,576.7	47,738.9	55,159.9	57,033.9	75,105.6
Curr. Income Taxes Payable	229.0	528.5	682.1	845.8	-
Accrued Interest Payable	1,688.1	1,408.3	902.9	1,555.9	-
Other Current Liabilities	1,013.5	2,396.5	3,308.6	3,088.0	-
Pension & Other Post-Retire. Benefits	60.9	8.0	10.4	11.7	-
Def. Tax Liability, Non-Curr.	164.2	189.6	217.5	215.5	-
Other Non-Current Liabilities	46,903.2	62,874.4	78,964.4	84,091.9	1,17,320.9
<b>Total Liabilities</b>	<b>3,76,035.7</b>	<b>3,94,015.6</b>	<b>4,49,332.6</b>	<b>5,08,115.3</b>	<b>6,37,695.3</b>
Pref. Stock, Non-Redeem.	500.0	500.0	500.0	500.0	-
<b>Total Pref. Equity</b>	<b>500.0</b>	<b>500.0</b>	<b>500.0</b>	<b>500.0</b>	<b>-</b>
Common Stock	956.5	990.9	992.3	993.3	994.0
Additional Paid In Capital	16,900.2	24,674.6	25,034.0	25,315.4	-
Retained Earnings	47,837.7	57,761.1	69,615.6	84,266.7	-
Treasury Stock	-	-	-	-	-
Comprehensive Inc. and Other	942.5	912.0	1,023.4	1,239.0	1,28,977.7
<b>Total Common Equity</b>	<b>66,637.0</b>	<b>84,338.6</b>	<b>96,665.3</b>	<b>1,11,814.4</b>	<b>1,29,971.7</b>
<b>Total Equity</b>	<b>67,137.0</b>	<b>84,838.6</b>	<b>97,165.3</b>	<b>1,12,314.4</b>	<b>1,29,971.7</b>
<b>Total Liabilities And Equity</b>	<b>4,43,172.7</b>	<b>4,78,854.2</b>	<b>5,46,497.9</b>	<b>6,20,429.7</b>	<b>7,67,667.0</b>

## Cash Flow Statement

(In Cr.)

Cash Flow Statement (In cr.)	FY2020	FY2021	FY2022	FY2023	FY2024
<b>Net Income</b>	<b>8,593.4</b>	<b>9,990.2</b>	<b>12,089.4</b>	<b>14,925.0</b>	<b>18,213.2</b>
Depreciation & Amort.	464.9	461.1	480.4	599.3	791.8
<b>Depreciation &amp; Amort., Total</b>	<b>464.9</b>	<b>461.1</b>	<b>480.4</b>	<b>599.3</b>	<b>791.8</b>
(Gain) Loss On Sale of Assets	(29.4)	(38.7)	(26.4)	(10.8)	(7.1)
(Gain) Loss On Sale Of Invest.	1,152.4	(4,573.2)	(1,214.1)	1,060.4	(7,071.7)
Provision for Credit Losses	2,377.2	2,880.4	850.9	457.8	1,898.2
Stock-Based Compensation	2.8	1.8	31.4	45.6	45.0
Change in Other Net Operating Assets	(1,480.4)	(22,263.8)	(35,233.2)	(69,461.3)	(81,793.0)
Other Operating Activities	(37.8)	(47.9)	114.6	(44.2)	(387.4)
<b>Cash from Ops.</b>	<b>11,042.9</b>	<b>(13,590.1)</b>	<b>(22,907.1)</b>	<b>(52,428.2)</b>	<b>(68,311.1)</b>
Capital Expenditures	(452.6)	(368.6)	(669.8)	(986.8)	(1,126.7)
Sale of Property, Plant and Equipment	39.9	68.4	36.4	26.1	34.6
Cash Acquisitions	-	-	-	-	(531.9)
Net Cash from Investments	(12,786.2)	(10,816.0)	(10,335.9)	(9,589.5)	(7,472.9)
<b>Cash from Investing</b>	<b>(13,198.9)</b>	<b>(11,116.1)</b>	<b>(10,969.3)</b>	<b>(10,550.2)</b>	<b>(9,096.9)</b>
Long-Term Debt Issued	-	-	7,403.9	1,874.1	16,152.5
<b>Total Debt Issued</b>	<b>-</b>	<b>-</b>	<b>7,403.9</b>	<b>1,874.1</b>	<b>16,152.5</b>
Long-Term Debt Repaid	(862.2)	(17,837.8)	-	-	-
<b>Total Debt Repaid</b>	<b>(862.2)</b>	<b>(17,837.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Issuance of Common Stock	360.6	7,843.7	358.6	267.9	199.2
Repurchase of Preferred Stock	-	-	-	-	(500.0)
Pref. Dividends Paid	-	(40.5)	-	-	-
Common and/or Pref. Dividends Paid	(193.3)	-	(219.0)	(258.9)	(336.6)
<b>Total Dividends Paid</b>	<b>(193.3)</b>	<b>(40.5)</b>	<b>(219.0)</b>	<b>(258.9)</b>	<b>(336.6)</b>
Net Incr. (Decr.) in Deposit Accounts	35,575.9	18,471.2	31,215.5	51,185.7	83,996.1
Other Financing Activities	(40.1)	(37.5)	(0.1)	-	-
<b>Cash from Financing</b>	<b>34,841.0</b>	<b>8,399.2</b>	<b>38,758.9</b>	<b>53,068.7</b>	<b>99,511.3</b>
Foreign Exchange Rate Adj.	130.4	(56.2)	66.4	169.5	36.5
Misc. Cash Flow Adj.	-	-	-	-	141.3
<b>Net Change in Cash</b>	<b><u>32,815.4</u></b>	<b><u>(16,363.2)</u></b>	<b><u>4,948.9</u></b>	<b><u>(9,740.1)</u></b>	<b><u>22,281.1</u></b>

**View:**

Recent challenges stemming from RBI restrictions on new customer acquisition via digital channels, coupled with the exit of senior management Mr. KVS Manian, the joint MD, led to a significant downturn in the stock price and valuations. The management's immediate focus is on returning to normalcy after the RBI's sanctions on credit card issuance and new customer onboarding via digital channels. Despite these challenges, the management has communicated that the impact on overall profitability is not expected to be significant. The current stock valuations appear reasonable compared to the 10-year median. We anticipate that growth will outpace the industry average despite the RBI sanctions. With these factors in mind, we have set a target price of Rs 1920 within a time frame of 9-12 months, representing a potential upside of 15.3%.



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