

# Kotak Mahindra Bank

Estimate change	↑
TP change	↑
Rating change	↑

**CMP: INR1,759      TP: INR2,100 (+19%)      Upgrade to Buy**

## Steady performance amid challenging macro; RoA outlook healthy

### Asset quality holding up well, with slippages declining QoQ

Bloomberg	KMB IN
Equity Shares (m)	1988
M.Cap.(INRb)/(USDb)	3496.4 / 40.4
52-Week Range (INR)	1953 / 1544
1, 6, 12 Rel. Per (%)	3/3/-9
12M Avg Val (INR M)	10350

### 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.)	2.7	2.4	2.1
P/ABV (X) (Adj)	2.3	2.1	1.8
P/E(X) (Adj)	15.6	15.1	13.5

### Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	25.9	25.9	25.9
DII	29.6	29.4	20.0
FII	31.8	31.5	41.0
Others	12.8	13.2	13.1

FII Includes depository receipts

- Kotak Mahindra Bank (KMB) reported a standalone PAT of ~INR33b (in line; 10% YoY growth). Consol. PAT stood at INR47b (10% YoY growth) in 3QFY25.
- NII grew 10% YoY to INR71.9b (in line). NIM surprised with a 2bp QoQ improvement to 4.93% (vs. our est. of 4.83%), benefitting from a reduction in SA rate. Consequently, total revenue grew 11% YoY to INR98.2b (in line).
- Advances growth was healthy at 15.1% YoY/ 3.6% QoQ to ~INR4.14t, while deposits rose 15.9% YoY/ 2.6% QoQ. CASA mix declined 130bp QoQ to 42.3%.
- Fresh slippages moderated to INR16.6b (from INR18.7b in 2QFY25). GNPA ratio was flat at 1.5%, while NNPA ratio declined 2bp QoQ to 0.41%. PCR improved 175bp QoQ to 73.2%.
- **KMB delivered a healthy operating performance amid challenging macro conditions, thus showcasing its resilience and strategic foresight. The anticipated reversal of the ban on card issuance and the revival of customer onboarding via its advanced online and mobile banking channels are set to act as powerful near-term catalysts. These developments will not only aid business growth but also be pivotal to maintaining healthy margins and revenue growth led by the recovery in synergistic cross-selling avenues.**
- **We marginally raise our earnings and estimate KMB to deliver FY26E RoA/RoE of 2.2%/13.5%. After being Neutral on the stock for almost four and a half years when we downgraded KMB at ~INR1,900 ([LINK](#)), we are now upgrading our rating to BUY with a TP of INR2,100 (premised on 2.2x Sep'26E).**

### Business growth healthy; NIM surprises and improves 2bp QoQ

- KMB reported a standalone PAT of ~INR33b (in line; 10% YoY growth) amid better NII, contained opex partly offset by lower other income and higher LLP. Consol. PAT stood at INR47b (10% YoY), we estimate 4QFY25 earnings to be flat YoY/ up 25% QoQ to INR41.2b.
- NII grew 9.8% YoY to INR71.9b (in line). NIM improved 2bp QoQ to 4.93%. Other income grew 14% YoY to INR26.2b (6% miss). Treasury gains stood muted at INR0.3b vs INR0.9b in 2QFY25.
- Opex inched up at 8% YoY/0.7% QoQ to INR46b. C/I ratio declined 22bp QoQ to 47.2%. PPop grew 13.5% YoY at INR51.8b (in line).
- The loan book grew 15.1% YoY/ 3.6% QoQ. Growth was healthy across the business segments, but for CC, which declined 2% QoQ. Deposit grew 16% YoY/2.6% QoQ, due to faster growth in TD at 5% QoQ. CASA declined 0.4% QoQ, while CA book grew faster at 5% QoQ, supported by IPO flows. In contrast, cuts in SA rates in Oct'24 adversely affected SA growth.

**Nitin Aggarwal - Research Analyst** (Nitin.Aggarwal@MotilalOswal.com)

**Research Analyst: Dixit Sankharva** (Dixit.sankharva@motilalosal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

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- Fresh slippages declined 11.6% QoQ to INR16.6b with MFI contributing the highest. GNPA ratio was flat at 1.5%, while NNPA declined by 2bp QoQ to 0.41%. PCR increased 1.75% QoQ to 73.2%. SMA-2 advances stood at INR2.1b (5bp of loans). CAR stood at 22.8%, while CET-1 stood at 21.7%.
- **Performance of subsidiaries:** Kotak Prime's net earnings declined 9% YoY, while Kotak Securities reported a strong PAT growth of 46% YoY.

#### Highlights from the management commentary

- **Slippages:** The MFI segment has contributed significantly to slippages, whereas the secured business is showing a positive trajectory.
- NIMs have stabilized, supported by favorable yields and cost of funds. As the share of unsecured loans increases, yields are expected to improve. On the cost side, CA deposits will help manage and contain expenses.
- The bank aims to achieve a RoA of over 2%, which will depend on when the embargo is lifted and the bank can resume growth efforts.
- KMPL operates in the two-wheeler financing business, whereas the bank does not engage in this segment. As a result, the delinquency patterns differ between the two.

#### Valuation and view: Upgrade to BUY

KMB delivered strong earnings, driven by higher NII and lower operating expenses, partially offset by a decline in other income and increased credit costs. NIMs improved slightly by 2bp QoQ to 4.93%, supported by robust growth in CA deposits. Although NIMs have faced pressure due to rising funding costs and a decline post the embargo, we anticipate the bank can maintain its margins during a rate-cut cycle, supported by stronger and faster growth in high-yielding assets. Asset quality improved with a decline in slippages. Deposit growth was healthy, fueled by accelerated growth in CA and TDs, while the CD ratio remained at 87.4%. KMB has delivered a healthy operating performance amid challenging macro conditions, showcasing its resilience and strategic foresight. The anticipated reversal of the ban on card issuance and the reinvigoration of customer onboarding via its advanced online and mobile banking channels are set to act as powerful near-term catalysts. These developments not only will support business growth but will also be pivotal to maintaining healthy margins and revenue growth led by the recovery in synergistic cross-selling avenues. **We marginally raise our earnings and estimate KMB to deliver FY26E RoA/RoE of 2.2%/13.5%. After being Neutral on the stock for almost four and a half years when we downgraded KMB at ~INR1,900, we are now upgrading our rating to BUY with a TP of INR2,100 (premised on 2.2x Sep'26E, including subsidiaries at INR675).**

## Quarterly performance

(INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	V/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Interest Income</b>	<b>62.3</b>	<b>63.0</b>	<b>65.5</b>	<b>69.1</b>	<b>68.4</b>	<b>70.2</b>	<b>72.0</b>	<b>73.6</b>	<b>259.9</b>	<b>284.1</b>	<b>71.4</b>	<b>1%</b>
% Change (Y-o-Y)	32.7	23.5	15.9	13.2	9.8	11.5	9.8	6.5	20.6	9.3	8.9	
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	26.2	34.1	102.7	116.5	28.0	-6%
<b>Total Income</b>	<b>89.2</b>	<b>86.1</b>	<b>88.5</b>	<b>98.9</b>	<b>97.7</b>	<b>97.0</b>	<b>98.2</b>	<b>107.7</b>	<b>362.7</b>	<b>400.6</b>	<b>99.4</b>	<b>-1%</b>
Operating Expenses	39.7	40.0	42.8	44.3	45.2	46.0	46.4	47.6	166.8	185.2	47.1	-1%
<b>Operating Profit</b>	<b>49.5</b>	<b>46.1</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>51.8</b>	<b>60.1</b>	<b>195.9</b>	<b>215.4</b>	<b>52.3</b>	<b>-1%</b>
% Change (Y-o-Y)	77.8	29.2	18.6	17.5	6.2	10.6	13.5	10.0	31.9	10.0	14.6	
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	7.9	6.6	15.7	26.9	7.5	6%
<b>Profit before Tax</b>	<b>45.9</b>	<b>42.4</b>	<b>39.9</b>	<b>52.0</b>	<b>46.8</b>	<b>44.4</b>	<b>43.9</b>	<b>53.5</b>	<b>180.1</b>	<b>188.5</b>	<b>44.8</b>	<b>-2%</b>
Tax	11.3	10.5	9.8	10.6	11.6	11.0	10.8	12.3	42.3	45.6	11.0	-2%
<b>Net Profit</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>35.2</b>	<b>33.4</b>	<b>33.0</b>	<b>41.2</b>	<b>137.8</b>	<b>142.9</b>	<b>33.8</b>	<b>-2%</b>
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	10.0	-0.2	26.0	3.7	12.4	
Exceptional item					27.3					27.3		
<b>PAT including exceptionals</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>62.5</b>	<b>33.4</b>	<b>33.0</b>	<b>41.2</b>	<b>137.8</b>	<b>170.2</b>	<b>34</b>	
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	10.0	-0.2	26.0	23.5	12.4	
Deposits (INRb)	3,863	4,010	4,086	4,490	4,474	4,615	4,735	5,042	4,490	5,042	4,835	
Loans (INRb)	3,286	3,483	3,596	3,761	3,900	3,995	4,138	4,306	3,761	4,306	4,124	
Deposit growth (%)	22.0	23.3	18.6	23.6	15.8	15.1	15.9	12.3	23.6	12.3	18.3	
Loan growth (%)	17.3	18.5	15.7	17.6	18.7	14.7	15.1	14.5	17.6	14.5	14.7	
<b>Asset Quality</b>												
Gross NPA (%)	1.77	1.72	1.73	1.39	1.39	1.49	1.50	1.57	1.39	1.57	1.56	
Net NPA (%)	0.40	0.37	0.34	0.34	0.35	0.43	0.41	0.45	0.34	0.45	0.46	
PCR (%)	78.0	79.1	80.6	75.9	74.9	71.4	73.2	71.5	75.9	71.5	71.2	

E: MOFSL Estimates

## Quarterly snapshot

Profit and Loss (INRb)	FY24				FY25			Clange (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Interest Income</b>	<b>105.0</b>	<b>111.9</b>	<b>118.0</b>	<b>123.1</b>	<b>127.5</b>	<b>132.2</b>	<b>134.3</b>	<b>14</b>	<b>2</b>
<b>Interest Expenses</b>	<b>42.7</b>	<b>49.0</b>	<b>52.5</b>	<b>54.0</b>	<b>59.0</b>	<b>62.0</b>	<b>62.3</b>	<b>19</b>	<b>1</b>
<b>Net Interest Income</b>	<b>62.3</b>	<b>63.0</b>	<b>65.5</b>	<b>69.1</b>	<b>68.4</b>	<b>70.2</b>	<b>72.0</b>	<b>10</b>	<b>3</b>
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	26.2	14	-2
<b>Total Income</b>	<b>89.2</b>	<b>86.1</b>	<b>88.5</b>	<b>98.9</b>	<b>97.7</b>	<b>97.0</b>	<b>98.2</b>	<b>11</b>	<b>1</b>
<b>Operating Expenses</b>	<b>39.7</b>	<b>40.0</b>	<b>42.8</b>	<b>44.3</b>	<b>45.2</b>	<b>46.0</b>	<b>46.4</b>	<b>8</b>	<b>1</b>
Employee	16.5	16.3	17.5	18.3	18.7	19.5	19.5	12	0
Others	23.2	23.7	25.4	26.0	26.5	26.5	26.9	6	1
<b>Operating Profits</b>	<b>49.5</b>	<b>46.1</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>51.8</b>	<b>13</b>	<b>2</b>
<b>Core PPOp</b>	<b>47.1</b>	<b>44.6</b>	<b>45.7</b>	<b>54.6</b>	<b>52.5</b>	<b>51.0</b>	<b>51.8</b>	<b>13</b>	<b>2</b>
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	7.9	37	20
<b>PBT</b>	<b>45.9</b>	<b>42.4</b>	<b>39.9</b>	<b>52.0</b>	<b>46.8</b>	<b>44.4</b>	<b>43.9</b>	<b>10</b>	<b>-1</b>
Taxes	11.3	10.5	9.8	10.6	11.6	11.0	10.8	10	-1
<b>PAT</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>35.2</b>	<b>33.4</b>	<b>33.0</b>	<b>10</b>	<b>-1</b>
Exceptional item					27.3				
<b>Total PAT</b>	<b>34.5</b>	<b>31.9</b>	<b>30.1</b>	<b>41.3</b>	<b>62.5</b>	<b>33.4</b>	<b>33.0</b>	<b>10</b>	<b>-1</b>
<b>Balance Sheet (INR b)</b>									
<b>Loans</b>	<b>3,286</b>	<b>3,483</b>	<b>3,596</b>	<b>3,761</b>	<b>3,900</b>	<b>3,995</b>	<b>4,138</b>	<b>15</b>	<b>4</b>
<b>Deposits</b>	<b>3,863</b>	<b>4,010</b>	<b>4,086</b>	<b>4,490</b>	<b>4,474</b>	<b>4,615</b>	<b>4,735</b>	<b>16</b>	<b>3</b>
CASA Deposits	1,893	1,935	1,950	2,043	1,942	2,013	2,004	3	0
-Savings	1,246	1,247	1,263	1,291	1,241	1,300	1,255	-1	-3
-Current	647	688	688	752	701	713	749	9	5
<b>Loan Mix (%)</b>									
Retail	68.0	68.1	68.2	68.3	67.7	67.8	67.5	-76	-31
- HL	28.2	27.8	27.4	27.2	27.3	27.8	28.1	63	23
- PL, BL and CD	5.0	5.0	5.2	5.1	5.0	5.0	4.9	-27	-6
Corporate	23.0	22.9	22.6	22.3	23.1	22.2	22.3	-32	14
Others	2.1	2.1	2.2	2.4	2.3	2.4	2.5	23	6
<b>Asset Quality (INR b)</b>									
GNPA	59.1	60.9	63.0	52.7	54.8	60.3	62.7	-1	4
NNPA	13.0	12.7	12.3	12.7	13.8	17.2	16.8	37	-2
Slippages	12.1	13.1	11.8	13.1	13.6	18.8	16.6	41	-12
<b>Asset Quality Ratios (%)</b>									
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>
GNPA	1.8	1.7	1.7	1.4	1.4	1.5	1.5	-23	1
NNPA	0.4	0.4	0.3	0.3	0.4	0.4	0.4	7	-2
Slippage	1.6	1.6	1.4	1.5	1.5	2.0	1.6	23	-38
PCR (Exc TWO)	78.0	79.1	80.6	75.9	74.9	71.4	73.2	-738	175
Credit Cost	0.5	0.5	0.7	0.3	0.6	0.7	0.8	13	11
<b>Business Ratios (%)</b>									
CASA	49.0	48.3	47.7	45.5	43.4	43.6	42.3	-540	-130
Loan / Deposit	85.1	86.9	88.0	83.8	87.2	86.6	87.4	-60	82
Cost to Income	44.5	46.5	48.4	44.8	46.2	47.5	47.2	-117	-22
Cost to Assets	3.4	3.3	3.4	3.2	3.2	3.2	3.1	-25	-5
Other income/Total Income	30.1	26.9	26.0	30.1	30.0	27.7	26.7	76	-95
Tax Rate	24.7	24.8	24.6	20.5	24.7	24.7	24.7	4	-1
<b>Profitability Ratios (%)</b>									
Yield on loans	10.9	10.8	11.0	10.9	10.9	10.8	10.7	-29	-14
Yield On Investments	7.5	7.6	7.1	7.1	7.2	7.3	7.0	-2	-26
Yield on Funds	10.2	10.3	10.2	10.1	10.1	10.1	9.9	-25	-13
Cost of funds	4.5	4.8	4.9	0.0	5.1	5.2	5.1	14	-9
Margins	5.6	5.2	5.2	5.3	5.0	4.9	4.9	-29	2
<b>Other Details</b>									
Branches	1,788	1,850	1,869	1,948	1,965	2,013	2,068	199	55
ATM	3,047	3,170	3,239	3,291	3,279	3,329	3,337	98	8

Source: Company, MOFSL

**Consolidated earnings snapshot (INR m)**

Y/E March	FY24				FY25	
	2Q	3Q	4Q	1Q	2Q	3Q
Kotak Bank	31,910	30,050	41,330	35,200	33,440	33,050
Kotak Prime	2,080	2,390	2,230	2,320	2,690	2,180
Kotak Securities	3,240	3,060	3,780	4,000	4,440	4,480
KMCC	270	350	970	810	900	940
Kotak Life	2,470	1,400	1,090	1,740	3,600	1,640
AMC & Trustee	1,240	1,460	1,500	1,750	1,970	2,400
Intl. subs	410	570	590	680	760	470
KIL	1,260	1,570	1,290	1,380	1,410	1,070
Others	1,350	1,220	240	340	650	(80)
<b>Kotak Consol.</b>	<b>44,230</b>	<b>42,070</b>	<b>53,020</b>	<b>48,220</b>	<b>49,860</b>	<b>46,150</b>
Minority/associate adjustments	380	580	350	(3,870)	580	860
PAT on KGI investment				30,130		
<b>Kotak Cons. Reported PAT</b>	<b>44,610</b>	<b>42,650</b>	<b>53,370</b>	<b>74,480</b>	<b>50,440</b>	<b>47,010</b>
<b>Contribution of the bank in total profits</b>	<b>72%</b>	<b>70%</b>	<b>77%</b>	<b>47%</b>	<b>66%</b>	<b>70%</b>

Source: Company, MOFSL

**Highlights from the management commentary****Opening remarks**

- The bank is collaborating closely with the regulator on the embargo and worked extensively on various regulatory aspects.
- The credit card segment is experiencing reduced stress levels.
- The MFI is under stress across the broader economy.
- In 3QFY25, despite challenges, advances grew 15%, and deposits increased 16%.
- NIM remained stable, and operating expenses were well controlled.
- The quarter ended with 10% YoY growth on a consolidated basis, with a book value of INR769 per share.
- CAR stood strong at 23.4% on a consolidated basis.
- The standalone bank remained healthy, with a CAR of 22.8% and a robust CET1 ratio.
- Customer assets showed growth in the consumer banking segment.
- The unsecured retail mix declined to 10.5% due to reduced disbursements caused by an embargo.
- Average Sweep TD products grew by 36% YoY.
- NIMs at 4.93% were supported by lower SA rates and higher CA balances.
- Fee income was hit by the credit card embargo.
- Operating costs increased by less than 1% quarter-on-quarter, with employee costs remaining at Q2 levels.
- PnL impact due to the embargo aligned with previous estimates.
- Slippages declined compared to 2Q, with recoveries in the secured business. Secured loan delinquencies were minimal.
- Kotak Securities grew 46% YoY, while Kotak AMC performed well, supported by growth in capital markets.
- Kotak Investments faced challenges due to MTM adjustments related to a large single account.
- Bank customer assets grew by 15% YoY, driven by secured consumer asset growth. Mortgage loans increased by 19% YoY, a key focus area.
- LAP market remained steady, and secured small SME business banking grew by 23% YoY, aided by higher utilization during the festive season.

- Growth in PL and CC was flat, reflecting tightened business conditions. The embargo affected new credit card issuance. Stress increased in line with industry trends, but recoveries improved during 3Q.
- CV loans showed modest growth of 1% YoY, with new vehicle disbursements aligning with industry trends. Growth in this segment has been challenging but is expected to improve.
- The construction finance book remained stable, while tractor business disbursements and market share improved. Management aims to increase its market share in the used-tractor segment.
- Microcredit declined 6% in the 1H, with delinquencies rising as rural recovery remained slow.
- Agri-SME segment had a strong quarter, benefiting from seasonal demand. This remains a priority area for the bank.
- Asset quality in the wholesale business remained strong.
- Average deposits grew 15% YoY, with average CA deposits increasing by 12%, supported by IPO flows, while average SA deposits inched up 1%. Affluent customers shifted their deposits.
- Active money grew 36% YoY, and retail term deposits continued to rise.
- Management remains focused on building a granular retail book with an emphasis on profitability.

#### The RBI Order and Embargo

- The bank maintains ongoing communication with the RBI and conducts its own evaluations to assess its standing.
- It is challenging to predict the RBI's actions; however, most of the necessary work has been completed, and all required submissions have been made.
- Certain areas have been impacted. The credit card portfolio has contracted, and while the initial target was to have credit cards and unsecured loans account for 15% of the overall portfolio, they currently constitute only 10%.
- Another area affected is the 811 platform, which plays a crucial role in driving the bank's digital business growth.

#### Asset quality

- The bank is not observing stress in any segment and has successfully grown its secured business without any issues.
- **Provisioning policy:** The bank has implemented an aggressive provisioning policy, maintaining 180% provisioning for unsecured loans at 180 days overdue. Assets are written off after a specified lookout period—credit card write-offs occur at 270 days, while other segments are written off on a slightly longer, case-by-case basis. For loans overdue by 90 days, the bank provides 50%, and for 180 days, it provides 100%.
- **Slippages:** The MFI segment has contributed significantly to slippages, whereas the secured business is showing a positive trajectory.
- Slippages in microcredit continue to rise, but PL is seeing easing slippage levels, and credit card slippages have stabilized.
- Management remains cautiously optimistic about the slippage trajectory and is closely monitoring the situation.
- **Credit costs:** Management acknowledges that the broader economy will have a significant impact on credit costs and is maintaining a vigilant approach with regular assessments.

- Slippages in tractor finance and other secured businesses have declined, with the overall secured business showing improvement.

#### **Advances and deposits**

- PL portfolio is on a strong growth trajectory, with continued disbursements. Growth will be driven by analytics-based decision-making.
- Standard Chartered portfolio will be integrated into the bank's books this quarter, contributing to growth in this segment.
- The bank aims to grow at 1.5–2x the GDP growth rate.
- The secured portfolio is performing exceptionally well, while the unsecured portfolio remains volatile, with its performance largely dependent on economic conditions.
- Delinquencies in the retail CV segment have seen a slight increase, aligning with overall industry trends.

#### **NIM**

- NIM has stabilized, supported by favorable yields and cost of funds. As the share of unsecured loans increases, yields are expected to improve. On the cost side, CA deposits will help manage and contain expenses.
- CA balances have grown by 12% YoY, and reductions in SA rates have positively impacted the cost of funds. Additionally, the interest rates on sweep TDs are lower than regular term deposits, contributing positively to overall costs.

#### **Profitability related**

- The bank aims to achieve a RoA of over 2%, which will depend on when the embargo is lifted and the bank can resume growth efforts.
- Post-credit costs, the bank's PAT is growing at 13%. Additionally, growth is supported by non-interest fee income and opex optimization initiatives.

#### **Other income**

- Fee income has been declining as the bank is restricted from expanding certain high-fee-generating businesses.
- The reduction in fee income has also been impacted by the implementation of the reference fee circular.

#### **KMPL**

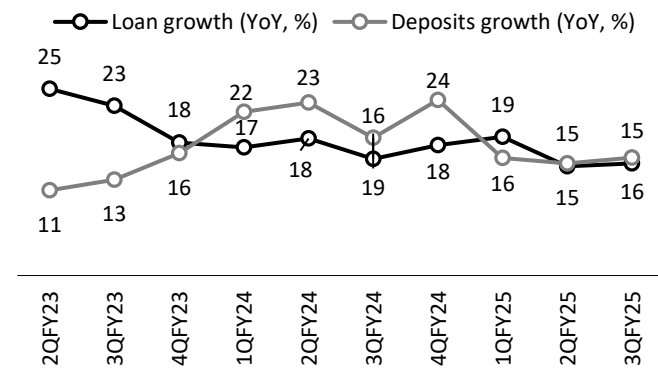
- KMPL operates in the two-wheeler financing business, whereas the bank does not engage in this segment. As a result, the delinquency patterns differ between the two.
- KMPL has experienced margin pressure and has faced an MTM impact, leading to a decline in profitability for the business.

#### **Miscellaneous**

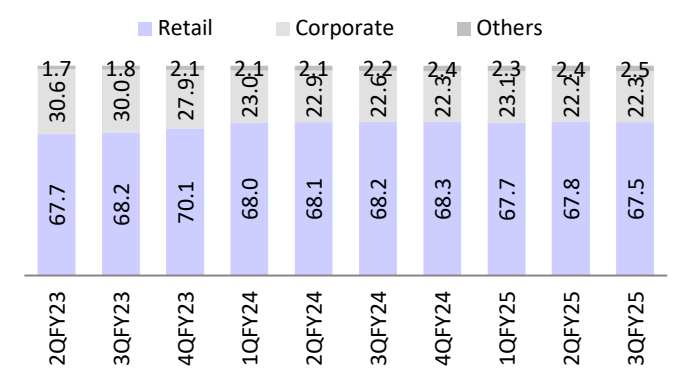
- The bank plans to grow both organically and through acquisitions, provided they align with its business strategy.
- The bank's headcount stood at 77k as of December 31, 2024.
- Regarding the RBI's bank subsidiary norms, there is minimal overlap with the subsidiary, and therefore, the impact is expected to be negligible.

## Story in charts

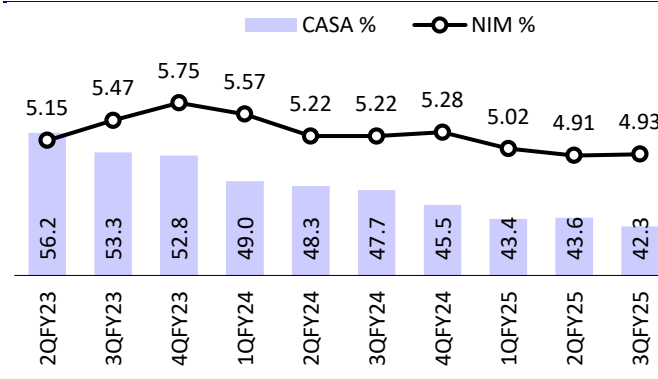
**Exhibit 1: Advances/deposits grew 15%/16% YoY**



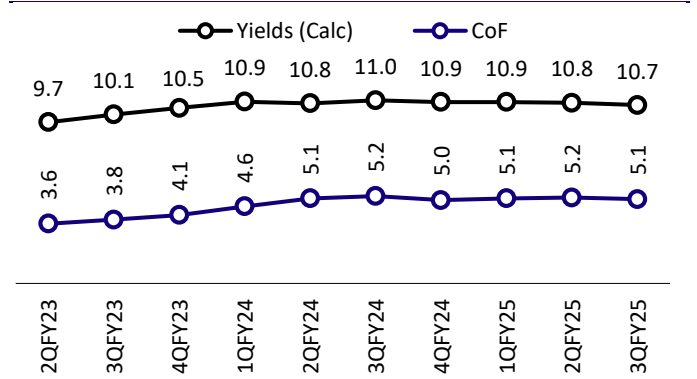
**Exhibit 2: Retail loan mix stood at 67.5% in 3QFY25**



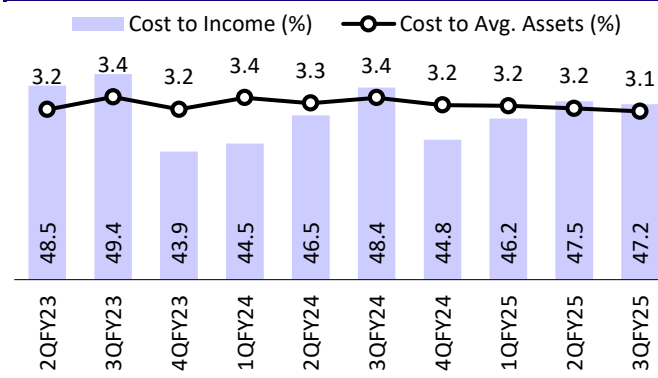
**Exhibit 3: NIM improved 2bp QoQ to 4.93%**



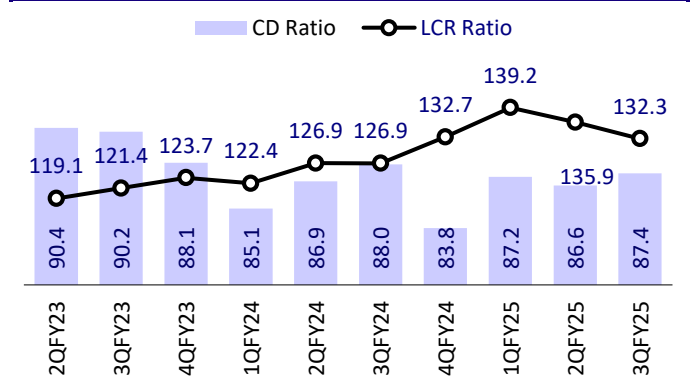
**Exhibit 4: Yields/CoF stood at 10.7%/5.1% in 3QFY25**



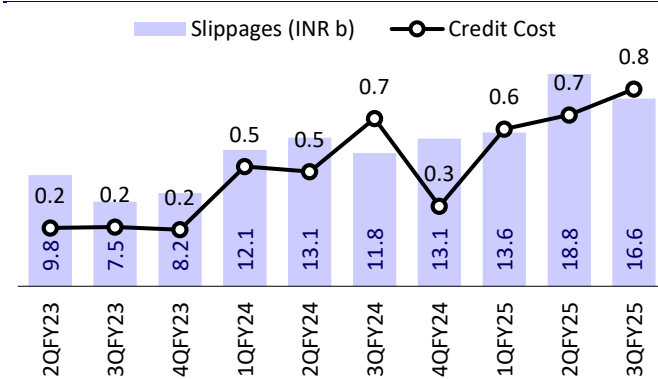
**Exhibit 5: C/I ratio declined 22bp QoQ to 47.2%**



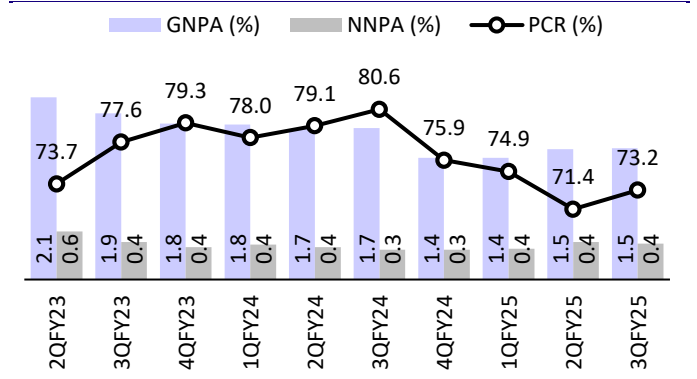
**Exhibit 6: C/D ratio increased to 87.4% vs. 86.6% in 2QFY25**



**Exhibit 7: Slippages dipped to INR16.6b, credit costs at 0.8%**



**Exhibit 8: GNPA/NNPA ratio stood at 1.5%/0.4%**



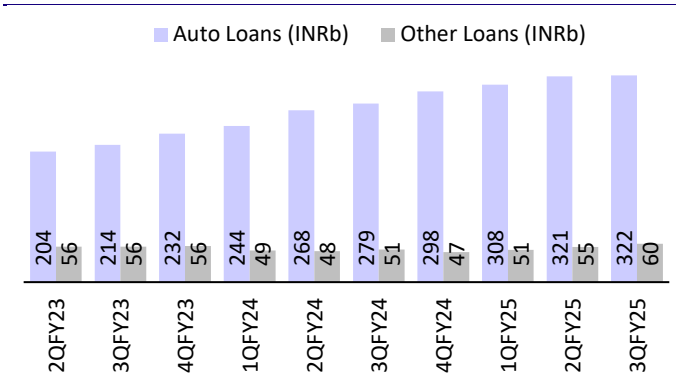
Source: MOFSL, Company

Source: MOFSL, Company



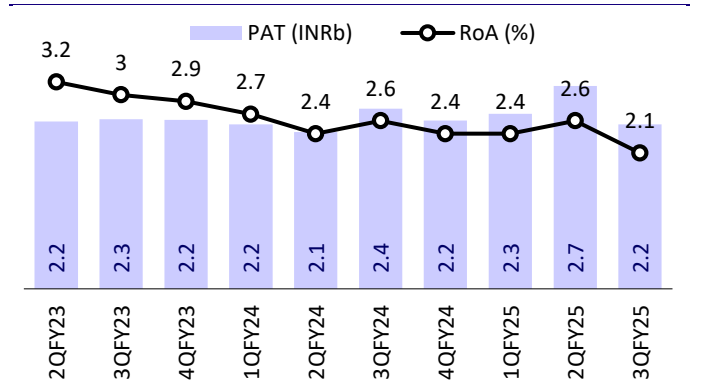
## Subsidiaries' performances and consolidated earnings snapshot

**Exhibit 9: Kotak Prime – Auto loans up 16% YoY and 0.4% QoQ**



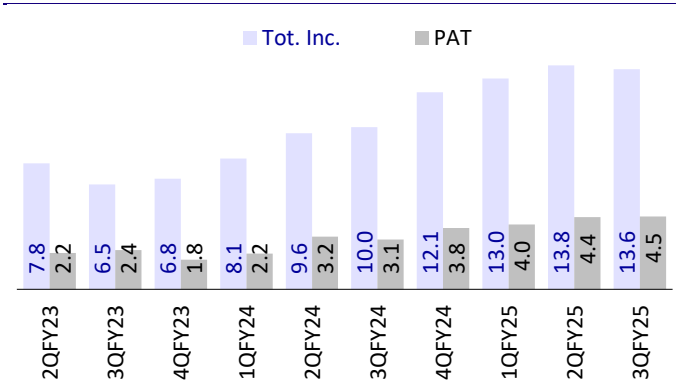
Source: MOFSL, Company

**Exhibit 10: Kotak Prime – PAT declined to INR2.2b in 3QFY25**



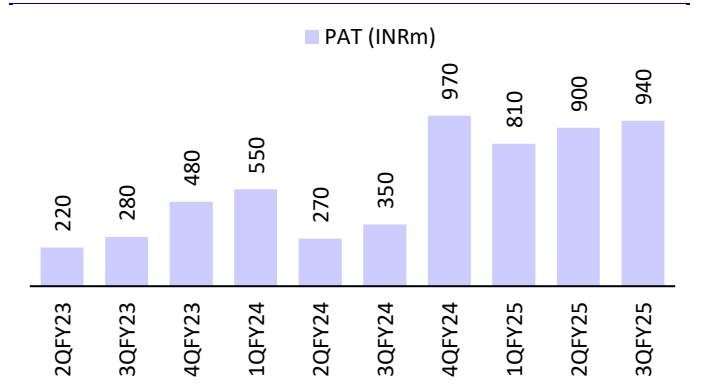
Source: MOFSL, Company

**Exhibit 11: Kotak Securities – PAT grew 46% YoY to INR4.5b**



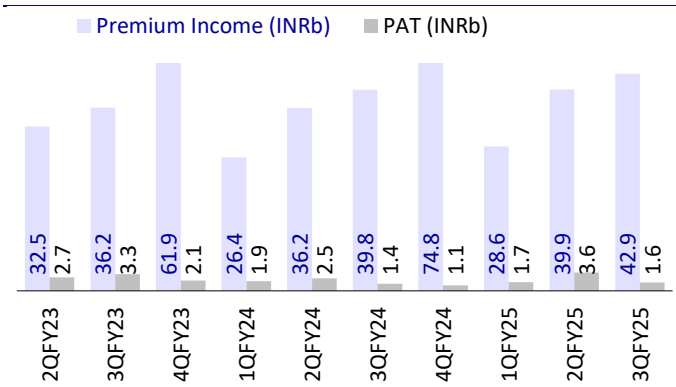
Source: MOFSL, Company

**Exhibit 12: PAT stood at INR940m in Investment Banking**



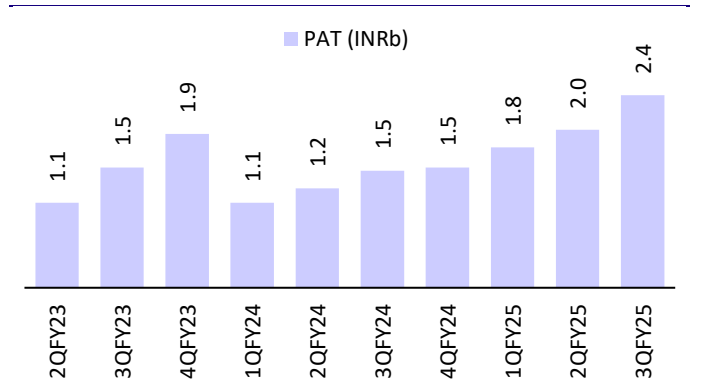
Source: MOFSL, Company

**Exhibit 13: Kotak Life Insurance – PAT stood at INR1.6b in 3QFY25**



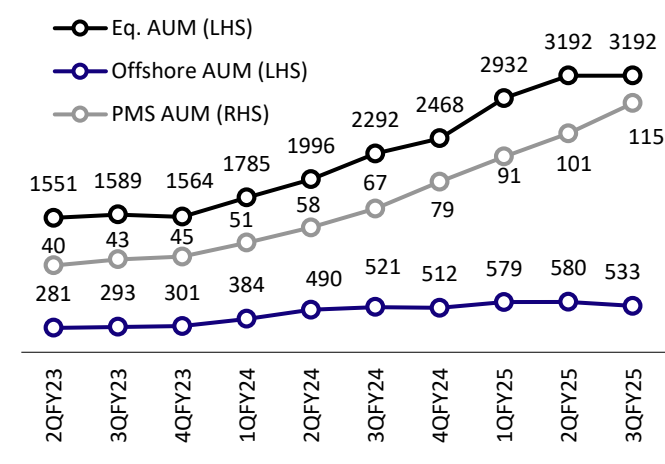
Source: MOFSL, Company

**Exhibit 14: Kotak AMC – PAT stood at INR2.4b in 3QFY25**



Source: MOFSL, Company

Exhibit 15: AUM mix for Kotak AMC (INR b)



Source: MOFSL, Company

Exhibit 16: KMB – Consol. PAT details

KMB Group:	3Q	3Q	YoY	2Q	QoQ
Qtrly. Performance	FY25	FY24	(%)	FY25	(%)
Kotak Bank	33.1	30.1	10	33.4	-1
Kotak Prime	2.2	2.4	-9	2.7	-19
Kotak Securities	4.5	3.1	46	4.4	1
KMCC	0.9	0.4	169	0.9	4
Kotak Life	1.6	1.4	17	3.6	-54
AMC & Trustee	2.4	1.5	64	2.0	22
Intl. subs	0.4	1.8	-78	1.4	-72
KIL	1.1	1.6	-32	1.4	-24
<b>Kotak Consol</b>	<b>46.2</b>	<b>42.1</b>	<b>10</b>	<b>49.9</b>	<b>-7</b>
Minority adjustments	0.9	0.6	48	0.6	48
<b>Consol PAT (after minority interest)</b>	<b>47.0</b>	<b>42.7</b>	<b>10</b>	<b>50.4</b>	<b>-7</b>

Source: MOFSL, Company

## Valuation and view

- KMB delivered strong earnings, driven by higher NII and lower operating expenses, partially offset by a decline in other income and increased credit costs. NIMs improved slightly by 2bp QoQ to 4.93%, supported by robust growth in CA deposits. Although NIMs have faced pressure due to rising funding costs and a decline post the embargo, we anticipate the bank can maintain its margins during a rate-cut cycle, supported by stronger and faster growth in high-yielding assets.
- Asset quality improved with a decline in slippages. Deposit growth was healthy, fueled by accelerated growth in CA and TDs, while the CD ratio remained at 87.4%.
- KMB has delivered a healthy operating performance amid challenging macro conditions, showcasing its resilience and strategic foresight. The anticipated reversal of the ban on card issuance and the reinvigorated customer onboarding via its advanced online and mobile banking channels are set to act as powerful near-term catalysts. These developments not only will support business growth but will also be pivotal to maintaining healthy margins and revenue growth led by the recovery in synergistic cross-selling avenues.
- **We marginally raise our earnings and estimate KMB to deliver FY26E RoA/RoE of 2.2%/13.5%. After being Neutral on the stock for almost four and a half years when we downgraded KMB at ~INR1,900, we are now upgrading our rating to BUY with a TP of INR2,100 (premised on 2.2x Sep'26E, including subsidiaries at INR675).**

**Exhibit 17: We revise our earnings estimates with FY26E RoA/RoE at 2.2%/13.5%**

INR b	Old Est.			Revised Est.			Change (%) /bps		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Net Interest Income	283.2	320.6	373.3	284.1	321.9	375.2	0.3	0.4	0.5
Other Income	116.6	134.1	155.5	116.5	134.2	155.8	-0.1	0.1	0.2
<b>Total Income</b>	<b>399.8</b>	<b>454.7</b>	<b>528.8</b>	<b>400.6</b>	<b>456.1</b>	<b>531.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>
Operating Expenses	186.8	216.4	250.4	185.2	212.7	245.3	-0.9	-1.7	-2.0
<b>Operating Profits</b>	<b>213.0</b>	<b>238.3</b>	<b>278.4</b>	<b>215.4</b>	<b>243.3</b>	<b>285.7</b>	<b>1.2</b>	<b>2.1</b>	<b>2.6</b>
Provisions	26.8	32.5	34.6	26.9	32.6	34.7	0.3	0.4	0.5
<b>PBT</b>	<b>186.1</b>	<b>205.8</b>	<b>243.8</b>	<b>188.5</b>	<b>210.7</b>	<b>250.9</b>	<b>1.3</b>	<b>2.4</b>	<b>2.9</b>
Tax	45.0	49.8	59.0	45.6	51.0	60.7	1.3	2.4	2.9
<b>Standalone PAT</b>	<b>141.1</b>	<b>156.0</b>	<b>184.8</b>	<b>142.9</b>	<b>159.7</b>	<b>190.2</b>	<b>1.3</b>	<b>2.4</b>	<b>2.9</b>
Loans	4,295	4,973	5,804	4,306	4,995	5,834	0.3	0.4	0.5
Deposits	5,037	5,768	6,679	5,042	5,778	6,697	0.1	0.2	0.3
<b>Margins (%)</b>	<b>4.85</b>	<b>4.81</b>	<b>4.85</b>	<b>4.86</b>	<b>4.82</b>	<b>4.86</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>RoA (%)</b>	<b>2.21</b>	<b>2.16</b>	<b>2.23</b>	<b>2.24</b>	<b>2.21</b>	<b>2.29</b>	<b>3</b>	<b>5</b>	<b>6</b>
<b>Core RoE (%)</b>	<b>13.6</b>	<b>13.2</b>	<b>13.7</b>	<b>13.8</b>	<b>13.5</b>	<b>14.0</b>	<b>17</b>	<b>27</b>	<b>31</b>
<b>EPS</b>	<b>93.9</b>	<b>106.0</b>	<b>126.1</b>	<b>96.0</b>	<b>109.8</b>	<b>131.4</b>	<b>2.3</b>	<b>3.6</b>	<b>4.2</b>
<b>BV</b>	<b>555.9</b>	<b>632.6</b>	<b>723.8</b>	<b>556.8</b>	<b>635.4</b>	<b>729.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.8</b>
<b>Consol BV</b>	<b>745.8</b>	<b>850.3</b>	<b>974.9</b>	<b>747.9</b>	<b>856.2</b>	<b>986.1</b>	<b>0.3</b>	<b>0.7</b>	<b>1.2</b>

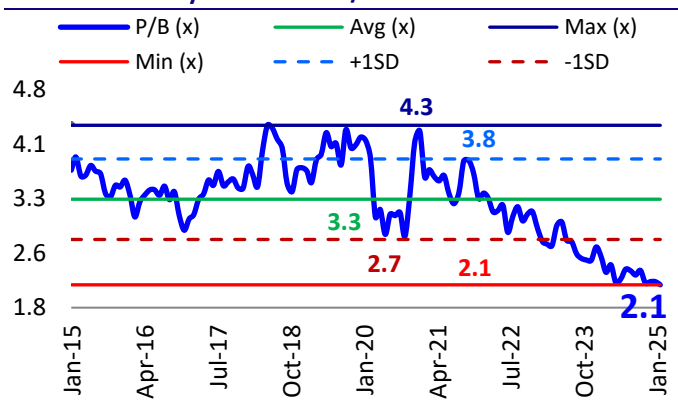
Source: MOFSL, Company

**Exhibit 18: KMB – SoTP Valuation (Sep'26E-based)**

	Stake (%)	Total value (INR b)	Attributed Value (INR b)	Value (USD B)	INR per share	% to total	Rationale
<b>Lending Business</b>		<b>2,984</b>	<b>3,202</b>	<b>38.4</b>	<b>1,611</b>	<b>77</b>	
Kotak Mahindra Bank		2,637	2,832	34.0	1,425	68	❖ 2.2x Sep'26E NW
Kotak Prime (Car and other loans)	100%	246	260	3.1	131	6	❖ 2.2x Sep'26E NW
Kotak Investment Company (LAS)	100%	101	110	1.3	55	3	❖ 2.2x Sep'26E NW
<b>Asset Management Business</b>		<b>289</b>	<b>315</b>	<b>3.8</b>	<b>158</b>	<b>8</b>	❖ 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	
<b>Capital Markets related Business</b>		<b>351</b>	<b>390</b>	<b>4.7</b>	<b>196</b>	<b>9</b>	
Kotak Securities	100%	311	345	4.1	174	8	❖ 16x Sep'26E PAT
Kotak Investment Banking (KMCC)	100%	40	44	0.5	22	1	❖ 2.2x Sep'26E NW
<b>Kotak Life Insurance</b>	100%	<b>549</b>	<b>604</b>	<b>7.2</b>	<b>304</b>	<b>14</b>	❖ 2.5x Sep'26E EV
<b>Subs value @ 20% discount</b>		<b>1,228</b>	<b>1,343</b>	<b>16.1</b>	<b>675</b>	<b>32</b>	
<b>Target Value (Post 20% holding discount)</b>		<b>3,865</b>	<b>4,175</b>	<b>50.1</b>	<b>2,100</b>	<b>100</b>	
<b>- contribution of subs/associates to total PT</b>					<b>32%</b>		

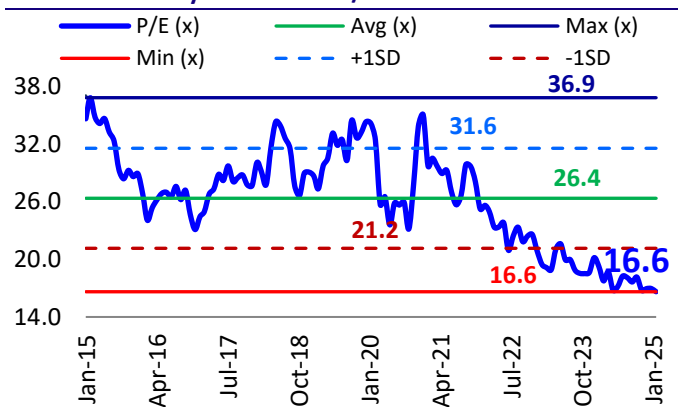
Source: Company, MOFSL

**Exhibit 19: One-year forward P/B ratio**



Source: MOFSL, Company

**Exhibit 20: One-year forward P/E ratio**



Source: MOFSL, Company

**Exhibit 21: DuPont Analysis – We estimate KMB to report FY27 RoA/RoE of 2.3%/14.0%**

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

Source: Company, MOFSL

## Financials and valuations

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

### Balance Sheet

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

### Asset Quality

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

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY23	FY24E	FY25E	FY26E	FY26E
<b>Yield and Cost Ratios (%)</b>					
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>9.1</b>	<b>9.0</b>	<b>8.8</b>	<b>8.7</b>
Avg. Yield on loans	9.1	10.2	10.0	9.8	9.6
Avg. Yield on Investments	6.1	6.7	6.9	6.8	6.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>3.5</b>	<b>4.6</b>	<b>4.8</b>	<b>4.7</b>	<b>4.5</b>
Avg. Cost of Deposits	3.5	4.5	4.9	4.7	4.5
<b>Interest Spread</b>	<b>5.6</b>	<b>5.7</b>	<b>5.2</b>	<b>5.0</b>	<b>5.1</b>
<b>Net Interest Margin</b>	<b>5.1</b>	<b>5.2</b>	<b>4.9</b>	<b>4.8</b>	<b>4.9</b>

### Capitalisation Ratios (%)

CAR	21.8	20.5	19.3	18.4	17.6
CET-1	20.6	19.2	18.3	17.5	16.7
Tier I	20.6	19.2	18.3	17.5	16.7
Tier II	1.2	1.3	1.1	1.0	0.9

### Business Ratios (%)

Loans/Deposit Ratio	88.1	83.8	85.4	86.5	87.1
CASA Ratio	52.8	45.5	42.6	43.6	44.3
Cost/Assets	2.8	2.8	2.7	2.8	2.7
Cost/Total Income	48.1	46.0	46.2	46.6	46.2
Cost/Core Income	46.6	47.2	47.7	48.3	48.0
Int. Expense/Int. Income	37.1	43.2	46.2	45.5	44.4
Fee Income/Total Income	28.1	25.8	26.1	26.0	25.5
Non Int. Inc./Total Income	24.7	28.3	29.1	29.4	29.3
Empl. Cost/Total Expenses	40.2	41.3	41.3	41.0	40.9

### Efficiency Ratios (INRm)

Employee per branch (in nos)	37.3	40.0	41.2	42.3	43.6
Staff cost per employee (INR m)	0.8	0.9	0.9	1.0	1.1
CASA per branch	1,078	1,049	1,060	1,196	1,354
Deposits per branch	2,040	2,305	2,489	2,742	3,056
Business per Employee	103	106	112	121	131
Profit per Employee	1.6	1.8	1.7	1.8	2.0

### Profitability Ratios and Valuation

RoE (%)	14.1	15.3	13.8	13.5	14.0
RoA (%)	2.4	2.5	2.2	2.2	2.3
Consolidated ROE (%)	13.3	14.0	12.8	12.8	13.3
Consolidated ROA (%)	2.6	2.6	2.4	2.4	2.4
RORWA (%)	2.4	2.4	2.2	2.1	2.1
Book Value (INR)	418	487	557	635	729
-growth (%)	15.2	16.4	14.4	14.1	14.8
Price-BV (x)	2.6	2.2	1.9	1.7	1.5
Adjusted BV (INR)	398	462	528	602	690
-growth (%)	16.4	16.3	14.2	14.0	14.6
Price-ABV (x)	2.7	2.3	2.1	1.8	1.6
EPS (INR)	55.1	69.4	71.9	80.3	95.7
-growth (%)	27.5	25.9	3.7	11.7	19.1
Price-Earnings (x)	19.7	15.6	15.1	13.5	11.3
Consolidated EPS (INR)	75.1	91.6	96.0	109.8	131.4
Change (%)	27.2	21.9	4.8	14.3	19.7
Price-Consolidated Earnings (x)	23.4	19.2	18.3	16.0	13.4
Dividend Per Share (INR)	1.3	1.7	1.8	1.8	1.8
Dividend Yield (%)	0.1	0.0	0.1	0.1	0.1

E: MOFSL Estimates

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Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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