

# KOTAK MAHINDRA BANK | Banking

*A lukewarm quarter; profitability dragged down by higher provisioning*

# LKP

## Result and Price Analysis:

**Kotak Mahindra Bank (KMB) reported tepid 4QFY21 results with the key pointers being:** a) profitability (PAT declined 9.2% sequentially) dragged down because of higher provisioning b) GNPA/NNPA ratio of 3.25%/1.21% marginally higher than expected c) sequential credit growth stood positive at 4.5% QoQ; with strong participation in ECLGS, d) sequentially lower cost to income ratio (41.2% v/s 42.3% in the previous quarter) driven by lower NII and higher opex, e) Higher provisioning expenses (₹11.8bn v/s 6bn in the previous quarter) led to sequential PAT de-growth; COVID provision stood ₹12.8bn as of 4QFY21, f) the total contingent provisioning (COVID + Standard + Specific) stood 1.08% of net advances, g) Total PCR (including COVID, general and specific provision) stood above the GNPL amount, g) Headline NIM inched down 12bps QoQ to 4.39%, h) restructuring and SMA 2 book stood 19bps and 05bps respectively. We expect the bank to grow conservatively with marginal blip in asset quality. With normalization of credit cost in later part of FY22, we estimate a ROA/ROE of 2.1%/11.7% in FY23E. Thus, we recommend BUY.

## Gazing the core:

**Provisioning doubled sequentially; Restructuring & SMA2 inched down:** The provisioning is almost double sequentially at ₹11.8bn v/s ₹6.0bn in 3QFY21. Till 31st Dec, 2020, w.r.t cases not considered as NPA, the Bank had considered full hit for provisions and income as provisions for advances. Post SC Order, the Bank has retrospectively, reversed income and consequently adjusted provisions and contingencies. The provision on investment (37% of total provision) was very lumpy and high because of the provision made against security receipts. Further, the Bank has created liability of ₹1.1bn towards estimated interest relief and has reduced the same from interest earned. The bank has made no COVID provisioning this quarter. In the previous two quarters, the bank made COVID provisioning of ₹12.8bn. The total COVID & standard asset Provision (₹23bn) stood 1.03% of net advances. The provisioning towards advances (including specific, standard & COVID) stood at 94.6% of GNPLs. Moreover, the total restructuring amount came down to ₹4.4bn (0.19%) against ₹6bn (0.28%) in 3QFY21 and the SMA2 book decreased to ₹1.1bn (0.05%) v/s ₹2.7bn (0.13%).

Key Financials (₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
NII	1,34,997	1,53,397	1,69,223	1,81,415	2,01,365
Operating Profit	1,00,208	1,22,147	1,34,100	1,44,562	1,60,478
Reported Profits	59,472	69,648	79,533	88,356	1,00,277
Net Worth	4,85,153	6,32,270	7,11,803	8,00,159	9,00,436
Loan & Advances	21,97,482	22,36,886	24,15,837	26,57,421	29,76,311
Int. Bearing Liabilities	30,13,138	30,42,507	32,73,920	34,90,452	38,08,674

Key Ratios (%)	FY20	FY21	FY22E	FY23E	FY24E
NIM's	4.2	4.3	4.4	4.4	4.5
C/I Ratio	46.9	41.3	41.4	41.6	41.5
Gross NPA Ratio	2.3	3.3	3.2	2.9	2.6
Tier 1 Ratio	19.2	17.5	17.5	18.2	18.7
Adj. RoA Ratio	1.8	1.9	2.0	2.1	2.2
Adj. RoE Ratio	13.1	12.5	11.8	11.7	11.8

Rating	Buy
Current Market Price (₹)	1,725
12 M Price Target (₹)	1,900
Potential upside (%)	10

## Stock Data

FV (₹) :	5
Market Cap Full (₹ bn) :	3,431
Market Cap Free Float (₹ bn) :	2,530
52-Week High / Low (₹) :	1,110 / 2,049
2-Year High / Low (₹) :	1,001 / 2,049
1 Year Avg. Dly Traded Volume (in lakh)	57
BSE Code / NSE Symbol	500247 / KOTAKBANK
Bloomberg :	KMB IN

## Shareholding Pattern (%)

	Mar-21	Dec-20	Sep-20	Jun-20
Promoter	26.02	26.03	26.05	26.07
FPIs	44.23	45.09	42.23	42.15
MFs	8.03	7.58	9.29	9.84
Insurance	5.27	5.09	5.64	5.04
Others	16.45	16.21	16.79	16.90

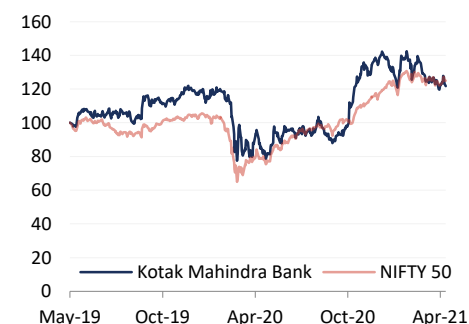
Source: BSE

## Price Performance (%)

(%)	1M	3M	6M	1YR
Kotak Bank	-4%	-7%	8%	27%
Nifty 50	-2%	-1%	24%	48%

\* To date / current date : May 3, 2021

## Kotak Bank vs Nifty 50



**Growth coming back with ample liquidity in hand:** The bank's net advances grew by 1.8% YoY and 4.5% QoQ and stood at ₹2.23tn. Home loan & LAP (24.5% of book) will continue to be focus area and grew 9.5% sequentially. SME (8.9% of book) has grown by 6.7% QoQ. Agriculture (10.6% of book) has better cash flow levels and grew by 8.6% QoQ. The bank has made significant participation in ECLGS and disburse ~₹94bn till Dec'20 and ~₹97bn in Jan-20. The bank's deposit stood at ₹2.8tn and grew by 6.6% YOY and 5.5% sequentially; CASA ratio grew by 150bps sequentially and stood at 60.4%. Unsecured loan (PL + CC + MF + others) came down to 5.8% of loan from 7.5% in FY2020. The management believes the bank is structurally ready for growth and the unsecured bucket will grow with proper underwriting process keeping COVID second wave in mind.

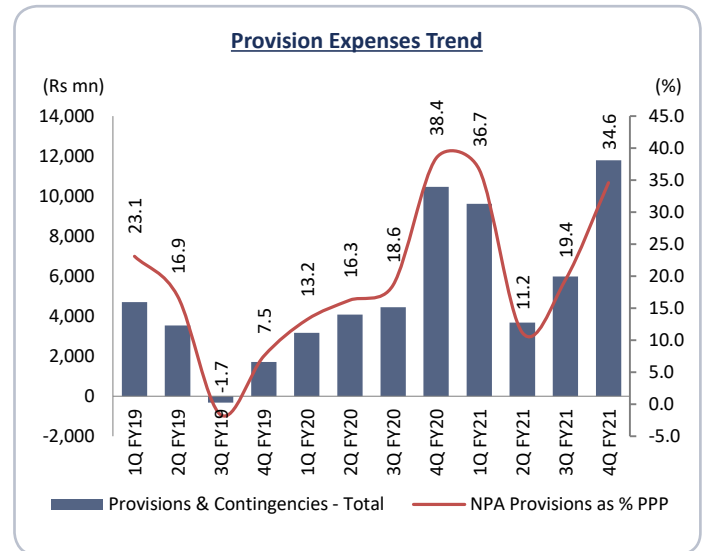
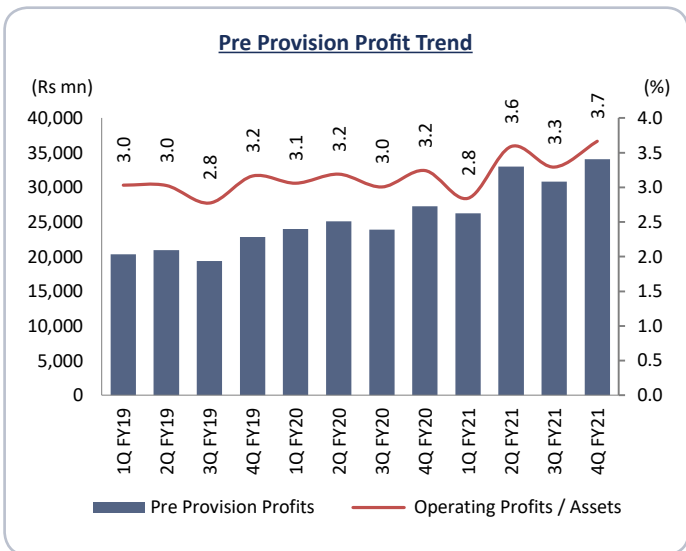
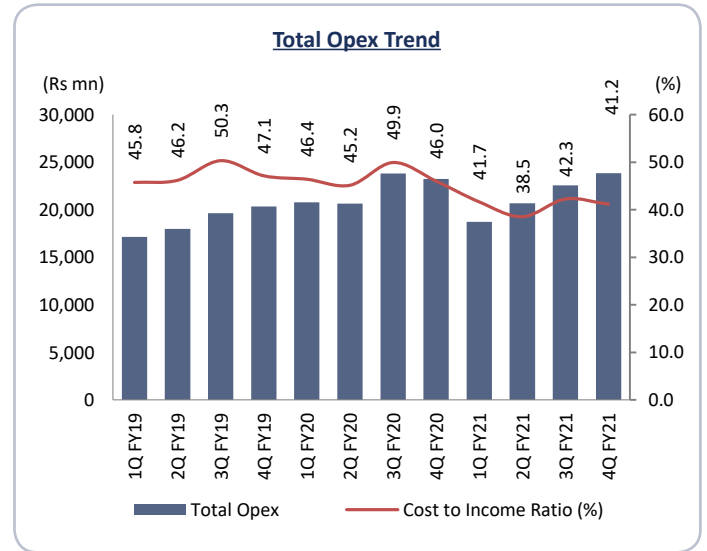
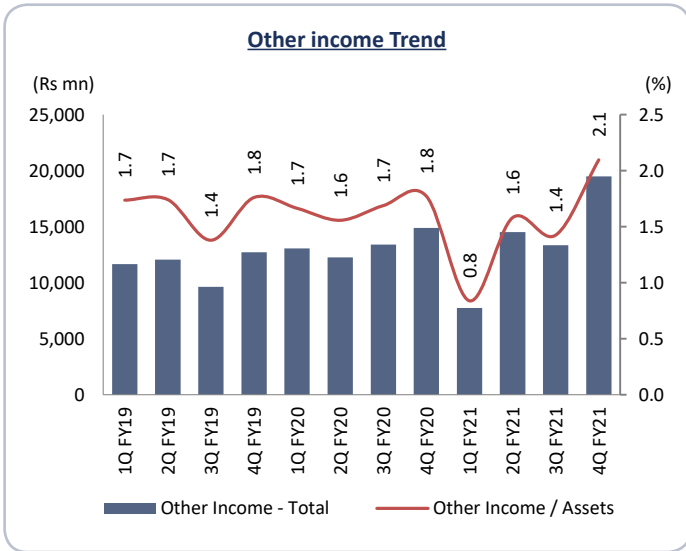
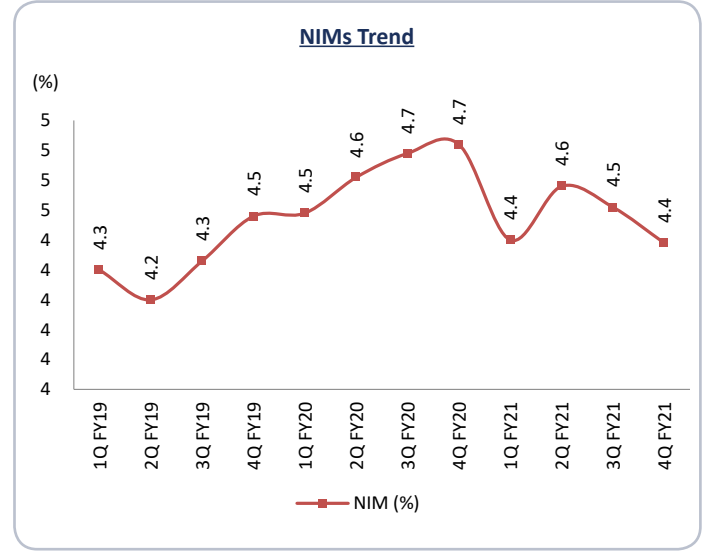
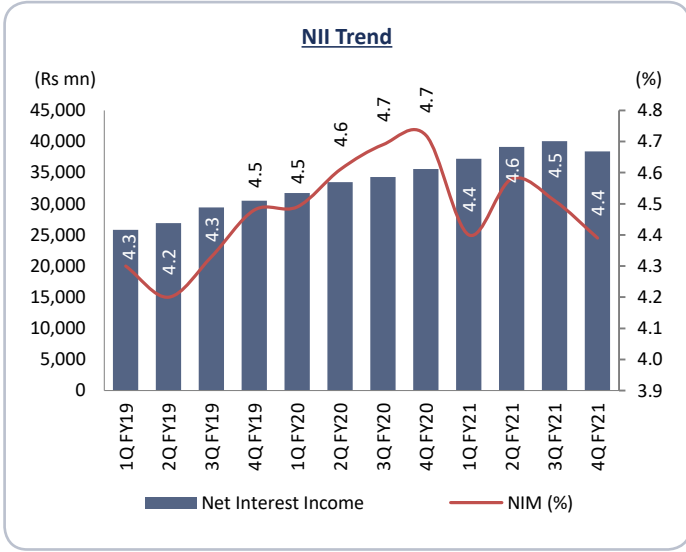
**Healthy other income growth but higher provision dragged down the PAT:** The bank's NII grew by 8% YoY & 4.1% QoQ despite sequentially lower NIMs at 4.39% (12bps lower sequentially). Non – interest income witnessed robust growth of 46.1% sequentially. The bank's cost to income ratio stood at 41.2% v/s 42.3% for 3QFY21. A healthy other income resulted in PPOP growth of 10.5% sequentially. Additionally, higher provisioning expenses have translated in sequential de-growth of 9.2% in PAT. Provisioning expenses were higher because of investment depreciation (37% of provision expenses).

**Supreme Court verdict on CEO tenure:** In accordance with SC order, Uday Kotak's tenure is ending on 31st Dec 2023. The management said that transition will be smooth and the bank will keep creating long term value for shareholders and other stakeholders.

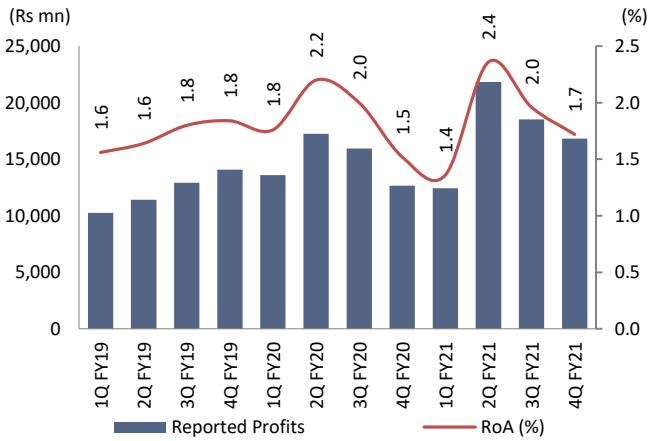
#### Outlook & Valuations

We expect KMB's loan book to grow at CAGR of ~10% over FY21-23E. At CMP of ₹1725, the stock is available at 4.4(x) standalone FY23E Adj. BVPS of ₹396. Valuing the standalone entity with 4.8x FY23E BVPS; we arrive at a target price of ₹1900. We recommend BUY rating with a potential upside of 10%.

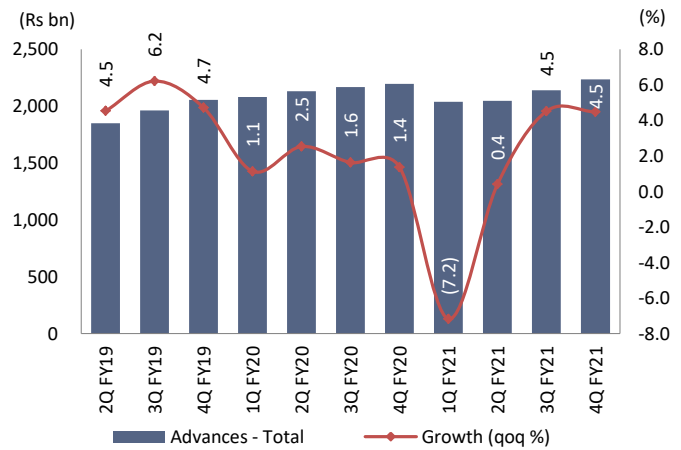
Quarterly story in charts



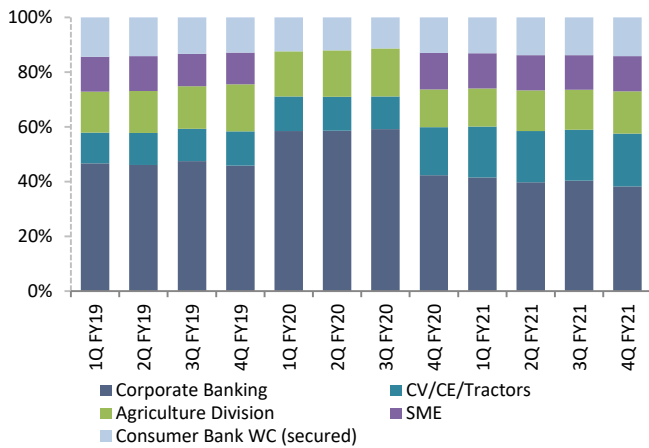
**Reported Profit Trend**



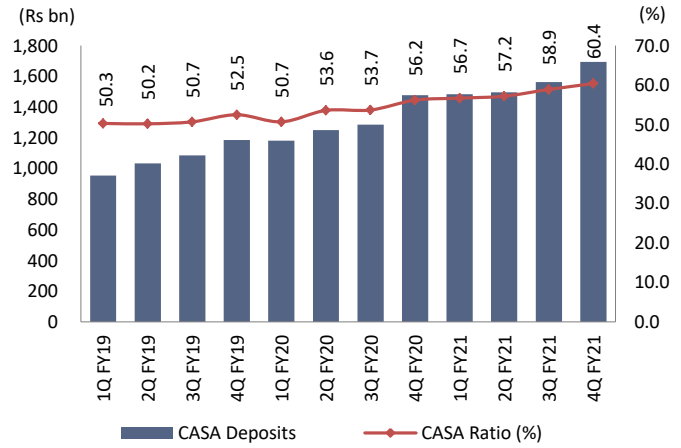
**Loan Book Trend**



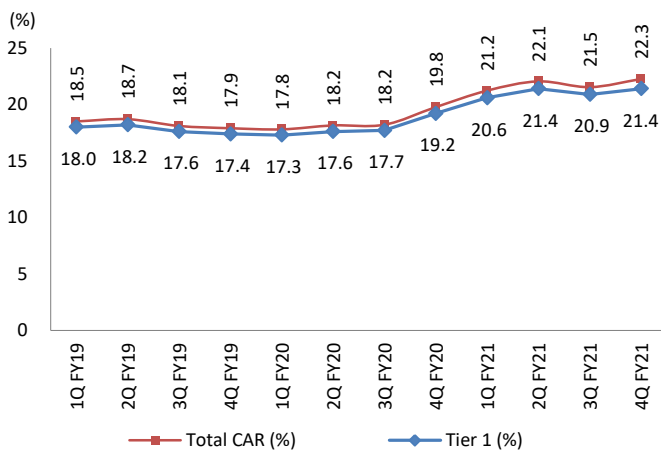
**Loan Book Mix Trend**



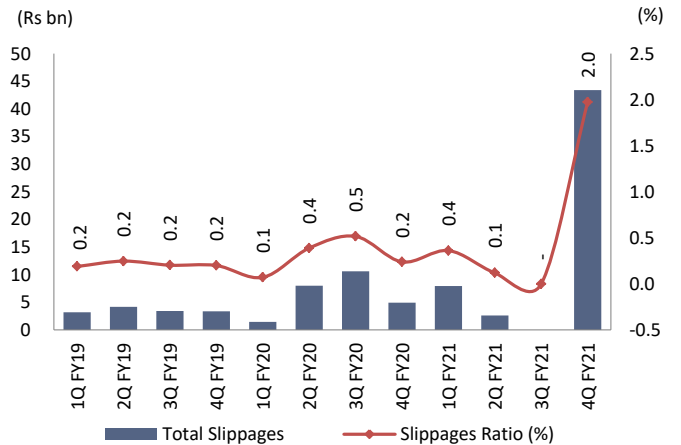
**CASA Deposit Trend**



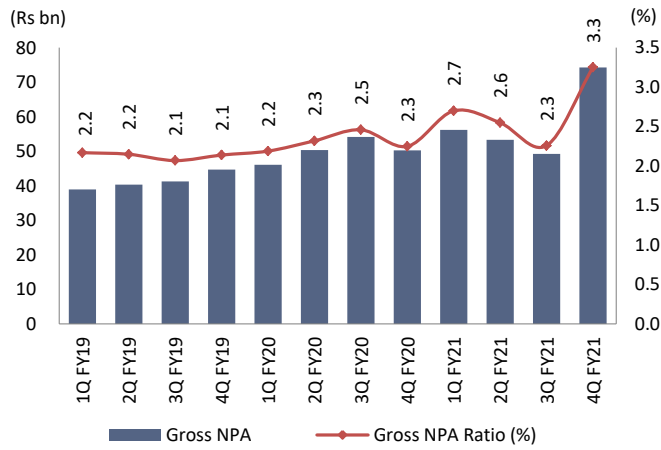
**CRAR & Tier 1 Ratio Trend**



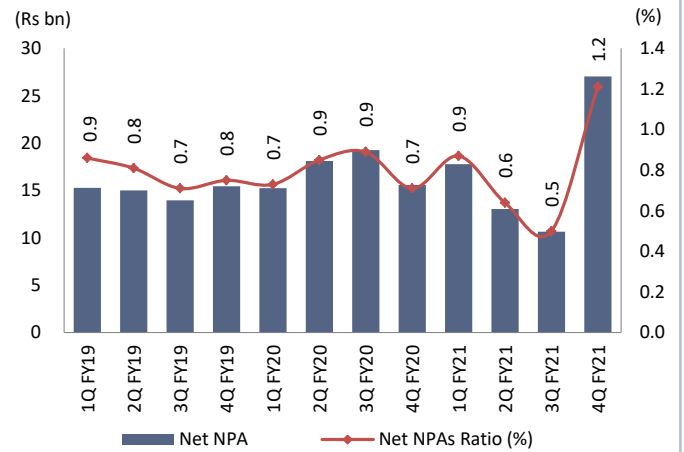
**Slippages**



**Gross NPA Trend**



**Net NPA Trend**



## Financial Performance at a glance

## Exhibit 1 : Income Statement Analysis

(₹ mn)	4Q FY21	4Q FY20	% yoy / bps	3Q FY21	% qoq / bps	FY21	FY20	% yoy / bps
Int. on Loan	44,130	52,828	(16.5)	46,366	(4.8)	1,85,891	2,09,992	(11.5)
Int. on Investment	17,431	13,009	34.0	17,971	(3.0)	68,334	52,573	30.0
Int. on Balances	2,330	1,545	50.9	2,976	(21.7)	11,747	3,812	208.1
Int. Others	597	665	(10.2)	593	0.7	2,431	2,919	(16.7)
<b>Interest Inc.</b>	<b>64,489</b>	<b>68,047</b>	<b>(5.2)</b>	<b>67,905</b>	<b>(5.0)</b>	<b>2,68,403</b>	<b>2,69,296</b>	<b>(0.3)</b>
<b>Interest Expenses</b>	<b>26,061</b>	<b>32,450</b>	<b>(19.7)</b>	<b>27,837</b>	<b>(6.4)</b>	<b>1,15,006</b>	<b>1,34,299</b>	<b>(14.4)</b>
<b>Net Interest Income</b>	<b>38,428</b>	<b>35,597</b>	<b>8.0</b>	<b>40,068</b>	<b>(4.1)</b>	<b>1,53,397</b>	<b>1,34,997</b>	<b>13.6</b>
<i>NII to Net Operative Income</i>	<i>66.3</i>	<i>70.5</i>	<i>(416)</i>	<i>75.0</i>	<i>(867)</i>	<i>73.8</i>	<i>71.5</i>	<i>222</i>
<i>NIM (%)</i>	<i>4.39</i>	<i>4.7</i>	<i>(33)</i>	<i>4.5</i>	<i>(12)</i>	<i>4.4</i>	<i>4.6</i>	<i>(21)</i>
<b>Core Fee Income</b>	<b>13,780</b>	<b>12,700</b>	<b>8.5</b>	<b>11,700</b>	<b>17.8</b>	<b>43,820</b>	<b>47,180</b>	<b>(7.1)</b>
<b>Non Core Other Income</b>	<b>5,715</b>	<b>2,194</b>	<b>160.5</b>	<b>1,644</b>	<b>247.7</b>	<b>11,275</b>	<b>6,420</b>	<b>75.6</b>
<b>Other Income - Total</b>	<b>19,495</b>	<b>14,894</b>	<b>30.9</b>	<b>13,344</b>	<b>46.1</b>	<b>54,592</b>	<b>53,721</b>	<b>1.6</b>
<i>Other Inc to Net Oper. Income (%)</i>	<i>33.7</i>	<i>29.5</i>	<i>416</i>	<i>25.0</i>	<i>867</i>	<i>26.2</i>	<i>28.5</i>	<i>(222)</i>
<b>Net Operating Revenue</b>	<b>57,923</b>	<b>50,490</b>	<b>14.7</b>	<b>53,412</b>	<b>8.4</b>	<b>2,07,989</b>	<b>1,88,718</b>	<b>10.2</b>
Employee Expenses	8,689	9,696	(10.4)	9,593	(9.4)	37,291	39,111	(4.7)
<i>Empl. Cost/Oper. Exps. (%)</i>	<i>15.0</i>	<i>19.2</i>	<i>(420)</i>	<i>18.0</i>	<i>(296)</i>	<i>17.9</i>	<i>20.7</i>	<i>(280)</i>
Other Opex	15,160	13,542	11.9	12,986	16.7	48,550	49,398	(1.7)
<i>Other Opex/ Assets (%)</i>	<i>0.4</i>	<i>0.4</i>	<i>0</i>	<i>0.3</i>	<i>6</i>	<i>1.3</i>	<i>1.5</i>	<i>(16)</i>
<b>Total Opex</b>	<b>23,849</b>	<b>23,238</b>	<b>2.6</b>	<b>22,579</b>	<b>5.6</b>	<b>85,841</b>	<b>88,509</b>	<b>(3.0)</b>
<i>Cost to Income Ratio (%)</i>	<i>41.2</i>	<i>46.0</i>	<i>(485)</i>	<i>42.3</i>	<i>(110)</i>	<i>41.3</i>	<i>46.9</i>	<i>(563)</i>
<b>Pre Provision Profits</b>	<b>34,075</b>	<b>27,253</b>	<b>25.0</b>	<b>30,833</b>	<b>10.5</b>	<b>1,22,147</b>	<b>1,00,208</b>	<b>21.9</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>11,794</b>	<b>10,475</b>	<b>12.6</b>	<b>5,990</b>	<b>96.9</b>	<b>29,117</b>	<b>22,162</b>	<b>31.4</b>
<i>NPA Provisions as % PPP</i>	<i>34.6</i>	<i>38.4</i>	<i>(382)</i>	<i>19.4</i>	<i>1,518</i>	<i>23.8</i>	<i>22.1</i>	<i>172</i>
<b>Profit Before Tax</b>	<b>22,281</b>	<b>16,778</b>	<b>32.8</b>	<b>24,843</b>	<b>(10.3)</b>	<b>93,030</b>	<b>78,047</b>	<b>19.2</b>
<b>Tax</b>	<b>5,457</b>	<b>4,112</b>	<b>32.7</b>	<b>6,308</b>	<b>(13.5)</b>	<b>23,382</b>	<b>18,575</b>	<b>25.9</b>
<i>Effective Tax Rate (%)</i>	<i>24.5</i>	<i>24.5</i>	<i>(2)</i>	<i>25.4</i>	<i>(90)</i>	<i>25.1</i>	<i>23.8</i>	<i>133</i>
<b>Reported Profits</b>	<b>16,824</b>	<b>12,666</b>	<b>32.8</b>	<b>18,535</b>	<b>(9.2)</b>	<b>69,648</b>	<b>59,472</b>	<b>17.1</b>
<i>RoA (%)</i>	<i>1.7</i>	<i>1.5</i>	<i>20</i>	<i>2.0</i>	<i>(24)</i>	-	-	-
<i>RoE (%)</i>	<i>10.6</i>	<i>10.4</i>	<i>20</i>	<i>12.1</i>	<i>(143)</i>	-	-	-

Source: Company, LKP Research

## Exhibit 2 : Balance Sheet Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
Net Worth	4,71,060	4,85,153	5,72,090	5,94,229	6,14,140	6,32,270	3.0	30.3
RoE (%)	13.6	10.4	8.7	14.7	12.1	10.6	(143)	20
Tier 1 (%)	17.7	19.2	20.6	21.4	20.9	21.4	50	219
Total CAR (%)	18.2	19.8	21.2	22.1	21.5	22.3	72	249
RWA - Total	-	32,08,977	-	-	-	-	-	-
Advances - Total	21,67,740	21,97,482	20,39,980	20,48,446	21,41,030	22,36,886	4.5	1.8
Investments	7,66,010	7,50,515	10,26,930	11,67,237	10,90,370	10,50,992	(3.6)	40.0
Total Assets	32,34,810	36,02,517	37,82,790	37,47,651	38,90,260	38,34,886	(1.4)	6.5
RoA (%)	2.00	1.52	1.36	2.36	1.96	1.72	(24)	20
Deposits	23,93,540	26,28,205	26,15,240	26,15,636	26,53,040	28,01,000	5.6	6.6
Saving Deposit	9,17,290	10,46,090	10,97,540	10,89,900	11,21,990	11,72,260	4.5	12.1
Current Deposit	3,67,880	4,30,130	3,85,940	4,05,440	4,39,750	5,20,870	18.4	21.1
CASA Deposits	12,85,170	14,76,220	14,83,480	14,95,340	15,61,740	16,93,130	8.4	14.7
CASA Ratio (%)	53.7	56.2	56.7	57.2	58.9	60.4	150	420
Term Deposits	11,08,370	11,51,985	11,31,760	11,20,296	10,91,300	11,07,870	1.5	(3.8)
Interest Bearing Liabilities - Total	26,63,190	30,13,138	30,99,440	30,38,527	31,40,270	30,42,507	(3.1)	1.0

Source: Company, LKP Research

## Exhibit 3: Earning Assets Mix &amp; Incremental Contribution

	As on (₹ mn)				As % of Working Assets	YoY/ YTD growth (% / bps)			Incremental Contribution in Working Assets (%)		
	FY18	FY19	FY20	4Q FY21		FY19	FY20	4Q FY21	FY19	FY20	4Q FY21
Corporate Banking	6,04,200	7,20,580	6,45,640	5,91,260	16.0	19.3	(10.4)	(8.4)	24.4	(16.1)	(26.8)
CV/CE/Tractors	1,52,020	1,97,060	2,68,220	2,98,050	8.1	29.6	36.1	11.1	9.5	15.3	14.7
Agriculture Division	2,29,160	2,69,910	2,11,880	2,37,410	6.4	17.8	(21.5)	12.0	8.6	(12.5)	12.6
SME	1,82,690	1,82,150	2,02,910	1,99,580	5.4	(0.3)	11.4	(1.6)	(0.1)	4.5	(1.6)
Consumer Bank WC (secured)	2,01,150	2,02,970	1,98,390	2,18,390	5.9	0.9	(2.3)	10.1	0.4	(1.0)	9.8
Home Loans and LAP	3,24,290	4,07,220	4,85,160	5,47,490	14.9	25.6	19.1	12.8	17.4	16.7	30.7
PL, BL, Credit Cards, Consumer durables	2,51,890	3,31,660	1,44,550	1,09,930	3.0	31.7	(56.4)	(24.0)	16.7	(40.2)	(17.0)
Others	1,14,570	1,23,070	40,730	34,780	0.9	7.4	(66.9)	(14.6)	1.8	(17.7)	(2.9)
Total Customer assets	20,59,970	24,34,620	21,97,480	22,36,890	60.7	18.2	(9.7)	1.8	78.6	(51.0)	19.4
Investment Credit Substitutes	93,450	-	92,220	1,51,680	4.1	-	-	64.5	-	-	29.3
<b>Advances - Total</b>	<b>16,97,179</b>	<b>20,56,948</b>	<b>21,97,482</b>	<b>22,36,886</b>	<b>60.7</b>	<b>21.2</b>	<b>6.8</b>	<b>1.8</b>	<b>75.5</b>	<b>30.2</b>	<b>19.4</b>
<b>Investments</b>	<b>6,45,623</b>	<b>7,11,891</b>	<b>7,50,515</b>	<b>10,50,992</b>	<b>28.5</b>	<b>10.3</b>	<b>5.4</b>	<b>40.0</b>	<b>13.9</b>	<b>8.3</b>	<b>147.9</b>
<b>Cash &amp; Cash Equivalent</b>	<b>1,96,201</b>	<b>2,46,755</b>	<b>5,32,923</b>	<b>3,96,265</b>	<b>10.8</b>	<b>25.8</b>	<b>116.0</b>	<b>(25.6)</b>	<b>10.6</b>	<b>61.5</b>	<b>(67.2)</b>
<b>Working Assets</b>	<b>25,39,004</b>	<b>30,15,594</b>	<b>34,80,920</b>	<b>36,84,143</b>	<b>100.0</b>	<b>18.8</b>	<b>15.4</b>	<b>5.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, LKP Research

## Exhibit 4: Funding Profile Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
<b>Interest Bearing Liabilities - Total</b>	<b>26,63,190</b>	<b>30,13,138</b>	<b>30,99,440</b>	<b>30,38,527</b>	<b>31,40,270</b>	<b>30,42,507</b>	<b>(3.1)</b>	<b>1.0</b>
Deposits	23,93,540	26,28,205	26,15,240	26,15,636	26,53,040	28,01,000	5.6	6.6
CASA Deposits	12,85,170	14,76,220	14,83,480	14,95,340	15,61,740	16,93,130	8.4	14.7
Saving Deposit	9,17,290	10,46,090	10,97,540	10,89,900	11,21,990	11,72,260	4.5	12.1
Current Deposit	3,67,880	4,30,130	3,85,940	4,05,440	4,39,750	5,20,870	18.4	21.1
Term Deposits	11,08,370	11,51,985	11,31,760	11,20,296	10,91,300	11,07,870	1.5	(3.8)
Borrowings	2,64,650	3,79,933	4,79,200	4,17,891	4,82,230	2,36,507	(51.0)	(37.8)
<b>Interest Bearing Liabilities - Total</b>	<b>26,63,190</b>	<b>30,13,138</b>	<b>30,99,440</b>	<b>30,38,527</b>	<b>31,40,270</b>	<b>30,42,507</b>	<b>(3.1)</b>	<b>1.0</b>

Source: Company, LKP Research

## Exhibit 5: Funding mix and Incremental Contribution

	As on (₹ mn)				As % of Total Working Fund	YoY/ YTD growth			Incremental Contribution YoY/ YTD Growth (%)		
	FY18	FY19	FY20	4Q FY21		FY19	FY20	4Q FY21	FY19	FY20	4Q FY21
<b>Deposits</b>	<b>19,26,433</b>	<b>22,58,804</b>	<b>26,28,205</b>	<b>28,01,000</b>	<b>76.2</b>	<b>17.3</b>	<b>16.4</b>	<b>6.6</b>	<b>72.7</b>	<b>75.7</b>	<b>97.9</b>
Saving Deposit	6,55,292	7,96,847	10,46,086	11,72,260	31.9	21.6	31.3	12.1	30.9	51.1	71.5
Current Deposit	3,22,458	3,89,010	4,30,127	5,20,870	14.2	20.6	10.6	21.1	14.5	8.4	51.4
CASA Deposits	9,77,750	11,85,857	14,76,213	16,93,130	46.1	21.3	24.5	14.7	45.5	59.5	122.9
Term Deposits	9,48,683	10,72,947	11,51,992	11,07,870	30.1	13.1	7.4	(3.8)	27.2	16.2	(25.0)
<b>Borrowings</b>	<b>2,51,542</b>	<b>3,22,483</b>	<b>3,79,933</b>	<b>2,36,507</b>	<b>6.4</b>	<b>28.2</b>	<b>17.8</b>	<b>(37.8)</b>	<b>15.5</b>	<b>11.8</b>	<b>(81.3)</b>
<b>Interest Bearing Liabilities - Total</b>	<b>21,77,974</b>	<b>25,86,287</b>	<b>30,13,138</b>	<b>30,42,507</b>	<b>82.8</b>	<b>18.7</b>	<b>16.5</b>	<b>1.0</b>	<b>89.3</b>	<b>87.5</b>	<b>16.6</b>
<b>Net Worth</b>	<b>3,74,817</b>	<b>4,23,984</b>	<b>4,85,153</b>	<b>6,32,270</b>	<b>17.2</b>	<b>13.1</b>	<b>14.4</b>	<b>30.3</b>	<b>10.7</b>	<b>12.5</b>	<b>83.4</b>
<b>Working Fund</b>	<b>25,52,791</b>	<b>30,10,270</b>	<b>34,98,291</b>	<b>36,74,777</b>	<b>100.0</b>	<b>17.9</b>	<b>16.2</b>	<b>5.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<i>Interest Exp. / Assets</i>	<i>4.26</i>	<i>4.40</i>	<i>3.99</i>	<i>2.8</i>		<i>13</i>	<i>(40)</i>	<i>(119)</i>			

Source: Company, LKP Research

## Exhibit 6: Asset Quality Analysis

(₹ mn)	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	QoQ % / bps	YoY % / bps
Total Slippages	10,620	4,910	7,960	2,640	-	43,400	-	783.9
<b>Slippages Ratio (%)</b>	<b>0.52</b>	<b>0.24</b>	<b>0.36</b>	<b>0.12</b>	<b>-</b>	<b>1.97</b>	<b>-</b>	<b>174</b>
Gross NPA	54,132	50,269	56,193	53,360	49,280	74,255	50.7	47.7
<b>Gross NPAs Ratio (%)</b>	<b>2.46</b>	<b>2.25</b>	<b>2.70</b>	<b>2.55</b>	<b>2.26</b>	<b>3.25</b>	<b>99</b>	<b>100</b>
<b>PCR - Calculated (%)</b>	<b>64.4</b>	<b>69.0</b>	<b>68.4</b>	<b>75.6</b>	<b>78.4</b>	<b>63.6</b>	<b>(1,484)</b>	<b>(544)</b>
Net NPA	19,251	15,579	17,771	13,038	10,640	27,052	154.2	73.6
<b>Net NPAs Ratio (%)</b>	<b>0.89</b>	<b>0.71</b>	<b>0.87</b>	<b>0.64</b>	<b>0.50</b>	<b>1.21</b>	<b>71</b>	<b>50</b>
Standard Restructured	-	-	-	-	5,959	4,350	(27.0)	-
Std. Rest. Adv. as % of Advances	-	-	-	-	0.28	0.19	(9)	-
<i>SMA2 outstanding</i>	<i>2,740</i>	<i>960</i>	<i>960</i>	<i>1,330</i>	<i>2,740</i>	<i>1,100</i>	<i>(59.9)</i>	<i>14.6</i>

Source: Company, LKP Research



## Annual Projections

## Exhibit 7: Profit and Loss Statement

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Int. Income	2,69,296	2,68,403	2,91,585	3,12,916	3,43,295
Interest Expenses	1,34,299	1,15,006	1,22,362	1,31,501	1,41,930
<b>Net Interest Income</b>	<b>1,34,997</b>	<b>1,53,397</b>	<b>1,69,223</b>	<b>1,81,415</b>	<b>2,01,365</b>
<b>NIM (%)</b>	<b>4.16</b>	<b>4.28</b>	<b>4.44</b>	<b>4.43</b>	<b>4.53</b>
<b>Adjusted NII</b>	<b>1,32,078</b>	<b>1,50,966</b>	<b>1,69,223</b>	<b>1,81,415</b>	<b>2,01,365</b>
Core Fee Income	37,793	38,405	42,630	47,745	53,475
Exchange Income	6,759	6,869	7,281	7,718	8,181
Sale of Investments	5,108	5,190	5,502	5,832	6,182
Other Misc. Income	4,062	4,128	4,375	4,638	4,916
<b>Other Income - Total</b>	<b>53,721</b>	<b>54,592</b>	<b>59,788</b>	<b>65,933</b>	<b>72,753</b>
<b>Net Operating Revenue</b>	<b>1,88,718</b>	<b>2,07,989</b>	<b>2,29,011</b>	<b>2,47,348</b>	<b>2,74,119</b>
Employee Exp.	39,111	37,291	41,020	45,122	49,635
Other Opex	49,398	48,550	53,891	57,663	64,006
<b>Total Opex</b>	<b>88,509</b>	<b>85,841</b>	<b>94,911</b>	<b>1,02,785</b>	<b>1,13,641</b>
<b>C/I Ratio (%)</b>	<b>46.90</b>	<b>41.27</b>	<b>41.44</b>	<b>41.56</b>	<b>41.46</b>
<b>Pre Provision Profits</b>	<b>1,00,208</b>	<b>1,22,147</b>	<b>1,34,100</b>	<b>1,44,562</b>	<b>1,60,478</b>
<b>PPP Growth (yoy %)</b>	<b>20.0</b>	<b>21.9</b>	<b>9.8</b>	<b>7.8</b>	<b>11.0</b>
<b>Provisions &amp; Contingencies - Total</b>	<b>22,162</b>	<b>29,117</b>	<b>27,915</b>	<b>26,596</b>	<b>26,597</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>1.03</b>	<b>1.27</b>	<b>1.20</b>	<b>1.10</b>	<b>1.00</b>
<b>Profit Before Tax</b>	<b>78,047</b>	<b>93,030</b>	<b>1,06,185</b>	<b>1,17,966</b>	<b>1,33,881</b>
Tax	18,575	23,382	26,653	29,609	33,604
<b>Effective Tax Rate (%)</b>	<b>23.8</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>
<b>Reported Profits</b>	<b>59,472</b>	<b>69,648</b>	<b>79,533</b>	<b>88,356</b>	<b>1,00,277</b>
<b>PAT Growth (yoy %)</b>	<b>22.2</b>	<b>17.1</b>	<b>14.2</b>	<b>11.1</b>	<b>13.5</b>

Source: Company, LKP Research

## Exhibit 8: Balance Sheet

(₹ mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	9,565	9,909	9,909	9,909	9,909
Reserves (ex Revel. Reserve)	4,75,588	6,22,361	7,01,893	7,90,250	8,90,527
<b>Net Worth - Ex Revaluation</b>	<b>4,85,153</b>	<b>6,32,270</b>	<b>7,11,803</b>	<b>8,00,159</b>	<b>9,00,436</b>
Equity Warrant & Other	29	22	22	22	22
Deposits	26,28,205	28,01,000	30,44,746	32,81,025	35,80,153
Borrowings	3,79,933	2,36,507	2,24,174	2,04,427	2,23,520
Subordinated Liabilities	5,000	5,000	5,000	5,000	5,000
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>30,13,138</b>	<b>30,42,507</b>	<b>32,73,920</b>	<b>34,90,452</b>	<b>38,08,674</b>
Other Lia. & Prov.	1,04,197	1,60,088	1,15,394	1,27,295	1,14,679
<b>Total Liabilities</b>	<b>36,02,517</b>	<b>38,34,886</b>	<b>41,01,138</b>	<b>44,17,927</b>	<b>48,23,810</b>
<b>Assets</b>					
Cash & Cash Equivalent	5,32,923	3,96,265	4,53,420	4,89,007	5,34,769
Investments	7,50,515	10,50,992	10,72,012	11,04,172	11,37,297
Credit Equivalent	93,724	1,31,248	1,33,873	1,37,889	1,42,026
Loan & Advances (₹ mn)	21,97,482	22,36,886	24,15,837	26,57,421	29,76,311
<i>Growth (yoy %)</i>	<i>6.8</i>	<i>1.8</i>	<i>8.0</i>	<i>10.0</i>	<i>12.0</i>
Fixed Assets	16,231	15,353	19,064	20,889	23,137
Other Assets	1,05,365	1,35,390	1,40,806	1,46,438	1,52,295
<b>Total Assets</b>	<b>36,02,517</b>	<b>38,34,886</b>	<b>41,01,138</b>	<b>44,17,927</b>	<b>48,23,810</b>

Source: Company, LKP Research

## Exhibit 9: Per share data

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Face Value (₹)	5	5	5	5	5
Adjusted Share O/S (mn)	1,913	1,982	1,982	1,982	1,982
Earnings Per Share (₹)	31.1	35.1	40.1	44.6	50.6
<b>EPS (% YoY)</b>	<b>22.0</b>	<b>13.0</b>	<b>14.2</b>	<b>11.1</b>	<b>13.5</b>
<b>P/E (x)</b>	<b>55.5</b>	<b>49.1</b>	<b>43.0</b>	<b>38.7</b>	<b>34.1</b>
Book Value (₹)	253.6	319.0	359.2	403.7	454.3
<b>BVPS (% YoY)</b>	<b>14.2</b>	<b>25.8</b>	<b>12.6</b>	<b>12.4</b>	<b>12.5</b>
<b>P/BV (x)</b>	<b>6.8</b>	<b>5.4</b>	<b>4.8</b>	<b>4.3</b>	<b>3.8</b>
Adj. BV (₹)	249.5	312.2	351.2	395.8	446.4
<b>Adj. BV (% YoY)</b>	<b>14.4</b>	<b>25.1</b>	<b>12.5</b>	<b>12.7</b>	<b>12.8</b>
<b>P/ABV (x)</b>	<b>6.9</b>	<b>5.5</b>	<b>4.9</b>	<b>4.4</b>	<b>3.9</b>

Source: Company, LKP Research

## Exhibit 10: Detailed ROA Tree

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Yields / Margins</b>					
Yield on Advance	9.9	8.4	8.5	8.5	8.6
Yield on Funds	8.3	7.5	7.6	7.6	7.7
Cost of Funds (CoF)	4.8	3.8	3.9	3.9	3.9
Interest Spread	3.5	3.7	3.8	3.8	3.8
NIM's	4.2	4.3	4.4	4.4	4.5
Interest Income / Assets	8.0	7.2	7.3	7.3	7.4
Interest Exp. / Assets	4.0	3.1	3.1	3.1	3.1
NII / Assets	4.0	4.1	4.3	4.3	4.4
Fee Income / Assets	1.1	1.0	1.1	1.1	1.2
Other Non Core Income / Assets	0.2	0.1	0.1	0.1	0.1
Other Income / Assets	1.6	1.5	1.5	1.5	1.6
Net Operating Income / Assets	5.6	5.6	5.8	5.8	5.9
<b>Operating Ratios</b>					
NII to Net Operative Income	71.5	73.8	73.9	73.3	73.5
Other Income to Net Operative Income	28.5	26.2	26.1	26.7	26.5
Empl. Cost/Oper. Exps.	44.2	43.4	43.2	43.9	43.7
Other Op. Exps./Oper. Exps.	55.8	56.6	56.8	56.1	56.3
<b>C/I Ratio (%)</b>	<b>46.9</b>	<b>41.3</b>	<b>41.4</b>	<b>41.6</b>	<b>41.5</b>
<b>Provisions as % PPP</b>	<b>11.7</b>	<b>14.0</b>	<b>12.2</b>	<b>10.8</b>	<b>9.7</b>
<b>Credit Cost (As % of Op. AUM)</b>	<b>1.0</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>
<b>Effective Tax Rate (%)</b>	<b>23.8</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>
Employee Exp. / Assets	1.2	1.0	1.0	1.1	1.1
Other Opex/ Assets	1.5	1.3	1.4	1.4	1.4
<b>Total Opex / Assets</b>	<b>2.6</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
<b>Operating Profits / Assets</b>	<b>3.0</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
<b>Op Profit ex Except Items / Assets</b>	<b>3.0</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
Provisions / Assets	0.7	0.8	0.7	0.6	0.6
<b>Profit Before Tax / Assets</b>	<b>2.3</b>	<b>2.5</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>
Tax Expenses / Assets	0.6	0.6	0.7	0.7	0.7
<b>RoA</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>
<b>Leverage (x)</b>	<b>7.4</b>	<b>6.1</b>	<b>5.8</b>	<b>5.5</b>	<b>5.4</b>
<b>RoE</b>	<b>13.1</b>	<b>12.5</b>	<b>11.8</b>	<b>11.7</b>	<b>11.8</b>
<b>Adj. RoA</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>
<b>Adj. RoE</b>	<b>13.1</b>	<b>12.5</b>	<b>11.8</b>	<b>11.7</b>	<b>11.8</b>

Source: Company, LKP Research

**Exhibit 11: Balance Sheet Ratios**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
Credit / Deposit Ratio	83.6	79.9	79.3	81.0	83.1
Incremental C/D Ratio	38.0	22.8	73.4	102.2	106.6
Investment Deposit Ratio	28.6	37.5	35.2	33.7	31.8
Dom. SLR Investment / Deposits	23.4	30.8	28.9	27.6	26.1
CASA Ratio	56.2	60.5	60.0	60.0	60.0

Source: Company, LKP Research

**Exhibit 12: Asset Quality**

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Slippage Ratio (%)</b>	<b>1.7</b>	<b>2.5</b>	<b>1.5</b>	<b>1.1</b>	<b>1.1</b>
Gross NPA	50,269	74,255	77,142	77,529	77,915
<b>Gross NPAs Ratio (%)</b>	<b>2.3</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.6</b>
<b>PCR (%)</b>	<b>69.0</b>	<b>63.6</b>	<b>64.1</b>	<b>62.4</b>	<b>59.8</b>
Net NPA	15,579	27,052	27,695	29,173	31,349
<b>Net NPAs Ratio (%)</b>	<b>0.7</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
Total Impaired Loans	50,269	74,255	77,142	77,529	77,915
<b>Impaired Loan as % of Loan / AUM</b>	<b>2.2</b>	<b>3.1</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>
Total Risk Reserves	34,690	47,203	49,447	48,357	46,565
<b>Total Risk As % of Loan Book</b>	<b>1.5</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>

Source: Company, LKP Research

## Exhibit 13: Key Assumptions &amp; Forecasts

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Loan &amp; Advances (₹ mn)</b>	<b>21,97,482</b>	<b>22,36,886</b>	<b>24,15,837</b>	<b>26,57,421</b>	<b>29,76,311</b>
<i>Growth (yoy %)</i>	6.8	1.8	8.0	10.0	12.0
<b>Interest Bearing Liabilities (₹ mn)</b>	<b>30,13,138</b>	<b>30,42,507</b>	<b>32,73,920</b>	<b>34,90,452</b>	<b>38,08,674</b>
<i>Growth (yoy %)</i>	6.8	1.8	8.0	10.0	12.0
<i>Yield on Funds</i>	8.3	7.5	7.6	7.6	7.7
<i>Cost of Funds (CoF)</i>	4.8	3.8	3.9	3.9	3.9
<i>Interest Spread</i>	3.5	3.7	3.8	3.8	3.8
<i>NIM's</i>	4.2	4.3	4.4	4.4	4.5
<i>Other Income Growth</i>	16.7	1.6	9.5	10.3	10.3
<i>C/I Ratio (%)</i>	46.9	41.3	41.4	41.6	41.5
<i>Effective Tax Rate (%)</i>	23.8	25.1	25.1	25.1	25.1
<b>Return Ratios</b>					
<i>Adj. RoA</i>	1.8	1.9	2.0	2.1	2.2
<i>Adj. RoE</i>	13.1	12.5	11.8	11.7	11.8
<b>Asset Quality Metrics</b>					
<i>Credit Cost (As % of Op. AUM)</i>	1.0	1.3	1.2	1.1	1.0
<i>Gross NPAs Ratio (%)</i>	2.3	3.3	3.2	2.9	2.6
<i>Net NPAs Ratio (%)</i>	0.7	1.2	1.1	1.1	1.1

Source: Company, LKP Research

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