Strong earnings momentum; outlook positive

Kotak Mahindra Bank (KMB) reported strong earnings for 2QFY23, driven by credit growth, margin expansion and lower delinquencies. Advances grew by 4.9% QoQ (25.1% YoY), broadly led by all the segments. The Mortgage portfolio continued to report strong growth at 6% QoQ (40% YoY) while the share of unsecured loans inched up to 8.7% vs 5.8% in 1QFY23. Given the resilient asset quality and favourable risk-adjusted returns, the management indicated that the focus will be to build the unsecured book, which is likely to be margin accretive. Calculated NIM expanded by 73bps YoY on the back of re-pricing of floating rate loans and sharp increase in credit/deposit ratio. Deposits growth was moderate at 2.8% QoQ (11.5% YoY), while TD growth came in at 7.5% QoQ (24% YoY). Moreover, the management indicated that increase in the cost of deposits and scale-up of the agency business are likely to augment the liability profile. We believe that NIM is likely to normalise going forward due to pressure from higher cost of funds (CoF). Asset quality improved QoQ, driven by lower gross delinquencies. Credit cost was negligible as the bank reversed Rs0.44bn of covid provisions. SMA balances and the restructured book declined QoQ, suggesting positive asset quality outlook. We maintain BUY on KMB with a target price (TP) of Rs2,289 (SOTP-based). Consolidated net profit increased by 21% YoY to Rs36.08bn. Consolidated ROA stood at 2.61% vs 2.36% in 2QFY22.

Advances growth strong, deposits traction moderate: KMB’s total advances growth came in at 4.9% QoQ (24.9% YoY) to Rs2,940bn. Growth was largely driven by high yielding retail loans, including credit cards/PL, BL, consumer durables/retail micro finance and mortgage loans at 81%/82%/120%/40% YoY. The share of unsecured credit continued to inch up and the management expects it to be capped at 15% of the total advances. In corporate loans, pricing pressure persisted and hence the bank focused on credit substitutes. Deposit mobilisation was moderate at 2.8% QoQ (11.5% YoY) to Rs3,252bn as CASA deposits growth was muted. CASA composition stood at the lowest in the last 11 quarters at 56.2%. The management indicated that HNI and affluent customers have shifted to liquid funds and alternate assets, which are offering higher interest rates, impacting SA deposits. Moreover, the management is confident of building a granular liability franchise as the Govt agency business picks up momentum and also by offering higher rates on deposits.

Asset quality improved due to lower delinquencies: The bank’s gross delinquency declined on a sequential basis to Rs9.8bn while recoveries & upgrades stood at Rs3.3bn. As a result, GNPA/NPNA improved QoQ to 2.08%/0.55% vs 2.24%/0.62% in 1QFY23. The overall restructured book declined to Rs9.9bn, 0.34% of the total advances while the SMA 2 book declined to Rs1.2bn from Rs1.6bn in 1QFY23. The bank continues to hold covid-related provisions at Rs6.5bn and total provisions (including standard, specific, covid-related and others) stand at ~Rs65bn. The management indicated that the overall collection efficiency in all the segments is improving and does not envisage any potential stress going forward.

<table>
<thead>
<tr>
<th>Y/E Mar (Rsmn)</th>
<th>Q2FY23</th>
<th>Q2FY22</th>
<th>Q1FY23</th>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>80,928</td>
<td>65,963</td>
<td>73,385</td>
<td>22.7</td>
<td>10.3</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>29,934</td>
<td>25,757</td>
<td>26,415</td>
<td>16.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>50,994</td>
<td>40,206</td>
<td>46,970</td>
<td>26.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Reported NIM (%)</td>
<td>5.17</td>
<td>4.45</td>
<td>4.92</td>
<td>72 bps</td>
<td>25 bps</td>
</tr>
<tr>
<td>Non Interest Income</td>
<td>19,542</td>
<td>18,126</td>
<td>12,438</td>
<td>7.8</td>
<td>57.1</td>
</tr>
<tr>
<td>Total Income</td>
<td>70,536</td>
<td>58,332</td>
<td>59,908</td>
<td>20.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Staff Cost</td>
<td>14,147</td>
<td>11,774</td>
<td>11,728</td>
<td>20.2</td>
<td>20.6</td>
</tr>
<tr>
<td>Other Op Exp</td>
<td>20,714</td>
<td>15,356</td>
<td>19,847</td>
<td>34.9</td>
<td>4.4</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>34,861</td>
<td>27,130</td>
<td>31,575</td>
<td>28.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Cost to Income (%)</td>
<td>49.4</td>
<td>46.5</td>
<td>53.2</td>
<td>291 bps</td>
<td>-373 bps</td>
</tr>
<tr>
<td>Pre-Provisioning Operating Profit</td>
<td>35,675</td>
<td>31,202</td>
<td>27,833</td>
<td>14.3</td>
<td>28.2</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,370</td>
<td>4,240</td>
<td>236</td>
<td>-67.7</td>
<td>480.8</td>
</tr>
<tr>
<td>PBT</td>
<td>34,305</td>
<td>26,962</td>
<td>27,597</td>
<td>27.2</td>
<td>24.3</td>
</tr>
<tr>
<td>Tax</td>
<td>8,498</td>
<td>6,642</td>
<td>6,885</td>
<td>28.0</td>
<td>23.4</td>
</tr>
<tr>
<td>-effective tax rate</td>
<td>24.8</td>
<td>24.6</td>
<td>24.9</td>
<td>14 bps</td>
<td>-18 bps</td>
</tr>
<tr>
<td>PAT</td>
<td>25,807</td>
<td>20,320</td>
<td>20,712</td>
<td>27.0</td>
<td>24.6</td>
</tr>
<tr>
<td>Deposits (in Rsbn)</td>
<td>3,252</td>
<td>2,917</td>
<td>3,165</td>
<td>11.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Advances (in Rsbn)</td>
<td>2,940</td>
<td>2,350</td>
<td>2,802</td>
<td>25.1</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research
**NII growth led by strong loan growth and margin expansion:** NII increased by 26.8% YoY and 8.6% QoQ. This strong growth can be attributed to two factors: (1) 24.9% YoY growth in loans and (2) margin expansion. Calculated NIM stood at 4.89%, up 73bps YoY and 33bps QoQ as credit yields inched up by 76bps YoY to 8.9% while funding cost expanded by 33bps YoY (39bps QoQ) to 3.5%. Moreover, credit/deposits ratio expanded to 90% vs 81% in 2QFY22 and increase in proportion of advances in asset mix would have further supported margin. We believe that margin is likely to normalise as the bank is witnessing credit growth in high yielding unsecured credit. But, as the focus is to grow the granular deposits franchise, the cost of deposits is likely to increase at a faster pace going forward.

**2QFY23 results concall key takeaways**

**Balance sheet:**
- Management indicated that the economy is in a benign phase of credit growth cycle.
- Strong demand was witnessed across segments such as CV, Tractors, MSME, unsecured retail, MFI and home loans.
- Unsecured book (including MFI) continued to report strong traction and now contributes ~8.5% to the total book vs 7.5% in 1QFY23. The management re-iterated that the proportion of the same is expected to be capped at ~15% of the total book.
- On the liability front, focus continues to be on the granular retail book.
- SA deposits witnessed some pressure as high net worth individuals and affluent customers shifted to fixed income or liquid funds where returns are higher. SA balances with less than Rs1mn are holding up well.
- CA deposits were impacted as the bank witnessed a drop in custody balances of FPI accounts. The management indicated that as the government agency business picks up, growth in granular deposits is likely to increase going forward.
- Traction in retail TD deposits remained strong and reported 20% YoY growth
- Average LCR stood at ~119%

**Corporate and SME segment**
- SME segment continued to remain the key focus area. Growth in NTB is faster compared to credit growth
- Within the SME segment, the bank is witnessing good traction in demand for term loans. However, it takes times to convert the same into loans
- In 1HFY23, the bank offered SME loans through seven more branches and would continue to expand in tier 2 cities going forward
- The bank continued to witness pricing pressure in corporate loans. Thus, the bank focused on short-term credit substitutes in 2QFY23
- Mid-corporate segment is witnessing traction with favourable risk-adjusted returns
- CRE segment is witnessing robust demand, but there have been some lumpy repayments, resulting in some pressure on growth in the segment
- Asset quality in the ECLGS book remained healthy, similar to the overall portfolio

**Vehicle Finance**
- Goods freight demand and utilisation remained healthy, leading to strong growth. Bus segment has also picked up momentum
- Overall disbursements in CV financing segment increased significantly
- Construction Equipment disbursements picked up from Sept’22 after witnessing moderate demand for the first two months of the quarter
- Tractors segment is witnessing healthy demand in both segments - new and used tractors
- Collection efficiency remained healthy in the segment
MFI
- MFI segment’s growth momentum remains strong. MFI book is almost double on YoY basis
- Collection efficiency is nearly back to pre-pandemic levels
- The focus is to grow the MFI business in semi-urban and rural areas, primarily in agri & allied segment

Consumer asset
- Demand for home loans is still holding well despite higher interest rates
- Card acquisition stood at 7.2 lakh cards while spends registered ~93% YoY growth in the credit card segment
- Majority of credit cards sourced are through internal asset and liability customers
- Consumption Finance (EMI business) is doing well and the bank did 6 lakh units in the quarter

Business banking
- Overall business banking is witnessing pick-up in demand, driven by better utilisation rates and capex demand
- Overall businesses are facing challenges due to high input costs, currency volatility and rising interest rates
- In majority of the business banking customers, the bank is the sole banker to the business and offers a range of banking services
- Around 85% of the business banking portfolio is eligible for PSL
- Overall bounce rate in the segment is better than pre-covid levels

Asset quality:
- The management does not envisage any potential stress and thus expects the credit cost to remain under control
- Slippages stood at Rs9.8bn, of which Rs3.3bn got upgraded within the quarter
- The restructured book, including MSME restructuring, stood at 0.34% of advances
- SMA 2 book declined to Rs1.98bn vs Rs1.6bn in 1QFY23

P&L:
- The proportion of floating / fixed rate book stood at 70%/30%. In the fixed rate book, ~10% book is having less than 1 year duration
- Re-pricing of on EBLR rate loans is 3 months while majority of MCLR book is in 6 months bracket. Moreover, in 2QFY23, a large part of the increase in NIM was due to higher growth in unsecured loans
- Employee costs increased on a sequential basis as in 1QFY23 the bank had written back cost on account of rising interest rates. Moreover, the bank witnessed higher growth in DA expenses.

Investments
- Majority of the investment book, which (G-sec and bond book) has maturity of ~1 year
- Total HTM book stands at 35% of the total investments book
# Quarterly Snapshot

<table>
<thead>
<tr>
<th>Y/E Mar (Rsmn)</th>
<th>Q2FY22</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Income</td>
<td>40,206</td>
<td>43,343</td>
<td>45,214</td>
<td>46,970</td>
<td>50,994</td>
<td>26.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Total Income</td>
<td>58,332</td>
<td>56,980</td>
<td>63,477</td>
<td>59,408</td>
<td>70,536</td>
<td>20.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>27,130</td>
<td>29,970</td>
<td>30,078</td>
<td>31,575</td>
<td>34,861</td>
<td>28.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Pre-provisioning Operating Profit</td>
<td>31,202</td>
<td>27,010</td>
<td>33,399</td>
<td>27,833</td>
<td>35,675</td>
<td>14.3</td>
<td>28.2</td>
</tr>
<tr>
<td>Provisions</td>
<td>4,240</td>
<td>-1,317</td>
<td>-3,062</td>
<td>1,370</td>
<td>-67.7</td>
<td>480.8</td>
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<tr>
<td>PBT</td>
<td>26,962</td>
<td>28,327</td>
<td>36,461</td>
<td>27,597</td>
<td>34,305</td>
<td>27.2</td>
<td>24.3</td>
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<tr>
<td>Tax</td>
<td>6,642</td>
<td>7,018</td>
<td>8,787</td>
<td>6,885</td>
<td>8,498</td>
<td>28.0</td>
<td>23.4</td>
</tr>
<tr>
<td>PAT</td>
<td>20,320</td>
<td>21,309</td>
<td>27,674</td>
<td>20,712</td>
<td>25,807</td>
<td>27.0</td>
<td>24.6</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>10</td>
<td>11</td>
<td>14</td>
<td>10</td>
<td>13</td>
<td>26.9</td>
<td>24.6</td>
</tr>
</tbody>
</table>

### Key Ratios (%)

<table>
<thead>
<tr>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield on advances</td>
<td>8.2</td>
</tr>
<tr>
<td>Cost of Funds</td>
<td>3.2</td>
</tr>
<tr>
<td>NIM</td>
<td>4.2</td>
</tr>
<tr>
<td>Cost to Income</td>
<td>46.5</td>
</tr>
<tr>
<td>RoA</td>
<td>21.0</td>
</tr>
<tr>
<td>RoE</td>
<td>12.5</td>
</tr>
<tr>
<td>CRAR</td>
<td>23.1</td>
</tr>
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</table>

### Balance Sheet (Rsmn)

<table>
<thead>
<tr>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances</td>
<td>2,349,650</td>
</tr>
<tr>
<td>Deposits</td>
<td>2,917,111</td>
</tr>
<tr>
<td>CA Deposits</td>
<td>532,800</td>
</tr>
<tr>
<td>SA Deposits</td>
<td>1,234,790</td>
</tr>
<tr>
<td>CASA deposits</td>
<td>1,767,590</td>
</tr>
<tr>
<td>CASA Ratio (%)</td>
<td>60.6</td>
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</tbody>
</table>

### Asset Quality (Rsmn)

<table>
<thead>
<tr>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNPA</td>
<td>76,580</td>
</tr>
<tr>
<td>NNPA</td>
<td>24,914</td>
</tr>
<tr>
<td>GNPA (%)</td>
<td>3.2</td>
</tr>
<tr>
<td>NNPA (%)</td>
<td>1.1</td>
</tr>
<tr>
<td>PCR (%)</td>
<td>67.5</td>
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</tbody>
</table>

### Quarterly Du-pont (%)

<table>
<thead>
<tr>
<th>YoY (%)</th>
<th>QoQ (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NII</td>
<td>4.0</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>1.8</td>
</tr>
<tr>
<td>Total income</td>
<td>5.8</td>
</tr>
<tr>
<td>Opex</td>
<td>2.7</td>
</tr>
<tr>
<td>PPOP</td>
<td>3.1</td>
</tr>
<tr>
<td>Provision</td>
<td>0.4</td>
</tr>
<tr>
<td>PBT</td>
<td>2.7</td>
</tr>
<tr>
<td>Tax</td>
<td>24.6</td>
</tr>
<tr>
<td>ROA</td>
<td>2.0</td>
</tr>
<tr>
<td>Leverage(x)</td>
<td>6.2</td>
</tr>
<tr>
<td>ROE</td>
<td>12.5</td>
</tr>
</tbody>
</table>
Exhibit 1: Advances and Advances Growth (%)  
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: CASA Ratio (%)  
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: NIM (%)  
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Asset Quality Metrics (%)  
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Cost to Income Ratio (%)  
Source: Company, Nirmal Bang Institutional Equities Research
**Exhibit 6: SOTP valuation**

<table>
<thead>
<tr>
<th>Entity</th>
<th>Valuation methodology</th>
<th>Holding</th>
<th>Value per share (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kotak Mahindra Bank - standalone</td>
<td>3.4x FY24E ABV</td>
<td>100.0%</td>
<td>1,659</td>
</tr>
<tr>
<td>Kotak Life Insurance</td>
<td>3x FY24E GWP</td>
<td>100.0%</td>
<td>409</td>
</tr>
<tr>
<td>Kotak AMC</td>
<td>35x FY24E EPS</td>
<td>100.0%</td>
<td>105</td>
</tr>
<tr>
<td>Kotak Prime</td>
<td>1.2x FY24E BV</td>
<td>100.0%</td>
<td>63</td>
</tr>
<tr>
<td>Kotak Securities</td>
<td>25x FY24E EPS</td>
<td>100.0%</td>
<td>87</td>
</tr>
<tr>
<td>Kotak Investments</td>
<td>2x FY24E BV</td>
<td>100.0%</td>
<td>30</td>
</tr>
<tr>
<td>Kotak General Insurance</td>
<td>5x FY24E NWP</td>
<td>100.0%</td>
<td>25</td>
</tr>
<tr>
<td>Kotak Capital</td>
<td>25x FY24E EPS</td>
<td>100.0%</td>
<td>11</td>
</tr>
<tr>
<td>Others</td>
<td>1x BV</td>
<td>100.0%</td>
<td>11</td>
</tr>
<tr>
<td>Holding co. discount (%)</td>
<td></td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Value of subs (INR per share)</td>
<td></td>
<td></td>
<td>630</td>
</tr>
<tr>
<td>Value of total (INR per share)</td>
<td></td>
<td></td>
<td>2,289</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Financial summary**

<table>
<thead>
<tr>
<th>Y/E March (Rsmn)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>153,397</td>
<td>168,179</td>
<td>202,416</td>
<td>235,434</td>
<td>274,084</td>
</tr>
<tr>
<td>Pre-provisioning Operating profit</td>
<td>122,147</td>
<td>120,509</td>
<td>135,423</td>
<td>171,262</td>
<td>204,868</td>
</tr>
<tr>
<td>PAT</td>
<td>69,648</td>
<td>85,722</td>
<td>92,912</td>
<td>115,602</td>
<td>135,526</td>
</tr>
<tr>
<td>P/E (x) (Consol)</td>
<td>37.7</td>
<td>31.2</td>
<td>31.2</td>
<td>25.7</td>
<td>22.1</td>
</tr>
<tr>
<td>P/BV (x) (Consol)</td>
<td>4.4</td>
<td>3.8</td>
<td>3.4</td>
<td>3.0</td>
<td>2.6</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>35.1</td>
<td>43.2</td>
<td>46.8</td>
<td>58.2</td>
<td>68.3</td>
</tr>
<tr>
<td>BV (Rs)</td>
<td>319.0</td>
<td>365.1</td>
<td>409.2</td>
<td>464.5</td>
<td>529.4</td>
</tr>
<tr>
<td>Gross NPAs (%)</td>
<td>3.3</td>
<td>2.3</td>
<td>2.0</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Net NPAs (%)</td>
<td>1.2</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>RoA (%)</td>
<td>1.9</td>
<td>2.1</td>
<td>2.0</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>RoE (%)</td>
<td>12.5</td>
<td>12.6</td>
<td>12.1</td>
<td>13.3</td>
<td>13.7</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research
Institutional Equities

Exhibit 8: Actual performance versus our estimates

<table>
<thead>
<tr>
<th>(Rsmn)</th>
<th>Q2FY23</th>
<th>Q2FY22</th>
<th>Q1FY23</th>
<th>YoY (%)</th>
<th>QoQ (%)</th>
<th>Q2FY23E</th>
<th>Devi. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>50,994</td>
<td>40,206</td>
<td>46,970</td>
<td>26.8</td>
<td>8.6</td>
<td>47,830</td>
<td>6.6</td>
</tr>
<tr>
<td>Pre-Provisioning Operating Profit</td>
<td>35,675</td>
<td>31,202</td>
<td>27,833</td>
<td>14.3</td>
<td>28.2</td>
<td>32,972</td>
<td>8.2</td>
</tr>
<tr>
<td>PAT</td>
<td>25,807</td>
<td>20,320</td>
<td>20,712</td>
<td>27.0</td>
<td>24.6</td>
<td>21,554</td>
<td>19.7</td>
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</table>

Source: Company, Nirmal Bang Institutional Equities Research N.B.

Exhibit 9: Change in our estimates

<table>
<thead>
<tr>
<th></th>
<th>Revised Estimate</th>
<th>Earlier Estimate</th>
<th>% Revision</th>
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<tbody>
<tr>
<td>Net Interest Income (Rsmn)</td>
<td>202,416</td>
<td>235,434</td>
<td>274,084</td>
</tr>
<tr>
<td>NIMs (%)</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Operating Profit (Rsmn)</td>
<td>135,423</td>
<td>171,262</td>
<td>204,868</td>
</tr>
<tr>
<td>Profit after tax (Rsmn)</td>
<td>92,912</td>
<td>115,602</td>
<td>135,526</td>
</tr>
<tr>
<td>Loan Book (Rsbn)</td>
<td>3,242</td>
<td>3,796</td>
<td>4,407</td>
</tr>
<tr>
<td>ABVPS (Rs)</td>
<td>401</td>
<td>456</td>
<td>520</td>
</tr>
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</table>

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: One-year forward P/ABV

Source: Company, Nirmal Bang Institutional Equities Research
Financial statements

Exhibit 11: Income statement

<table>
<thead>
<tr>
<th>Y/E March (Rsmn)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>268,403</td>
<td>270,388</td>
<td>320,299</td>
<td>375,407</td>
<td>435,067</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>115,006</td>
<td>102,209</td>
<td>117,884</td>
<td>139,973</td>
<td>160,983</td>
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<tr>
<td>Net interest income</td>
<td>153,397</td>
<td>168,179</td>
<td>202,416</td>
<td>235,434</td>
<td>274,084</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>54,592</td>
<td>62,544</td>
<td>72,117</td>
<td>94,755</td>
<td>110,155</td>
</tr>
<tr>
<td>Total income</td>
<td>207,988</td>
<td>231,723</td>
<td>274,533</td>
<td>330,188</td>
<td>384,239</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>85,641</td>
<td>111,214</td>
<td>139,110</td>
<td>156,927</td>
<td>179,371</td>
</tr>
<tr>
<td>Pre-Provisioning Operating profit</td>
<td>122,147</td>
<td>120,509</td>
<td>135,423</td>
<td>171,262</td>
<td>204,868</td>
</tr>
<tr>
<td>Provisions</td>
<td>29,117</td>
<td>6,896</td>
<td>11,746</td>
<td>17,330</td>
<td>24,406</td>
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<tr>
<td>PBT</td>
<td>93,030</td>
<td>113,613</td>
<td>123,677</td>
<td>153,931</td>
<td>180,461</td>
</tr>
<tr>
<td>Taxes</td>
<td>23,382</td>
<td>27,891</td>
<td>30,766</td>
<td>38,329</td>
<td>44,935</td>
</tr>
<tr>
<td>PAT</td>
<td>69,648</td>
<td>85,722</td>
<td>92,912</td>
<td>115,602</td>
<td>135,526</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key ratios

<table>
<thead>
<tr>
<th>Y/E March</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth (%)</td>
<td>13.6</td>
<td>9.6</td>
<td>20.4</td>
<td>16.3</td>
<td>16.4</td>
</tr>
<tr>
<td>NII growth</td>
<td>21.9</td>
<td>-1.3</td>
<td>12.4</td>
<td>26.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Pre-provision profit growth</td>
<td>17.1</td>
<td>23.1</td>
<td>8.4</td>
<td>24.4</td>
<td>17.2</td>
</tr>
<tr>
<td>PAT growth</td>
<td>6.6</td>
<td>11.3</td>
<td>13.6</td>
<td>16.4</td>
<td>15.7</td>
</tr>
<tr>
<td>Business (%)</td>
<td>1.8</td>
<td>21.3</td>
<td>19.5</td>
<td>17.1</td>
<td>16.1</td>
</tr>
<tr>
<td>Deposit growth</td>
<td>79.9</td>
<td>87.0</td>
<td>91.6</td>
<td>92.1</td>
<td>92.4</td>
</tr>
<tr>
<td>Advance growth</td>
<td>60.4</td>
<td>60.7</td>
<td>57.1</td>
<td>58.2</td>
<td>59.0</td>
</tr>
<tr>
<td>CD</td>
<td>122,147</td>
<td>120,509</td>
<td>135,423</td>
<td>171,262</td>
<td>204,868</td>
</tr>
<tr>
<td>CASA</td>
<td>3,241,605</td>
<td>4,864,900</td>
<td>994,615</td>
<td>450,392</td>
<td>298,638</td>
</tr>
<tr>
<td>Operating efficiency (%)</td>
<td>305.4</td>
<td>35.1</td>
<td>356.3</td>
<td>456.0</td>
<td>520.0</td>
</tr>
<tr>
<td>Cost-to-income</td>
<td>41.3</td>
<td>48.0</td>
<td>50.7</td>
<td>48.1</td>
<td>46.7</td>
</tr>
<tr>
<td>Cost-to-assets</td>
<td>2.3</td>
<td>2.7</td>
<td>3.0</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Spread (%)</td>
<td>8.4</td>
<td>7.8</td>
<td>8.5</td>
<td>8.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Yield on advances</td>
<td>7.6</td>
<td>6.5</td>
<td>5.9</td>
<td>6.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Yield on investments</td>
<td>3.7</td>
<td>3.2</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Cost of deposits</td>
<td>7.5</td>
<td>6.9</td>
<td>7.3</td>
<td>7.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Cost of funds</td>
<td>3.8</td>
<td>3.2</td>
<td>3.3</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>NIMs</td>
<td>4.3</td>
<td>4.3</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Capital adequacy (%)</td>
<td>21.4</td>
<td>21.7</td>
<td>21.0</td>
<td>20.8</td>
<td>20.6</td>
</tr>
<tr>
<td>Tier I</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Tier II</td>
<td>22.3</td>
<td>22.7</td>
<td>22.0</td>
<td>21.8</td>
<td>21.6</td>
</tr>
<tr>
<td>Total CAR</td>
<td>3.3</td>
<td>2.3</td>
<td>2.0</td>
<td>1.8</td>
<td>1.8</td>
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<tr>
<td>Asset quality (%)</td>
<td>1.2</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Gross NPAs</td>
<td>63.6</td>
<td>73.2</td>
<td>74.1</td>
<td>75.8</td>
<td>76.1</td>
</tr>
<tr>
<td>Net NPAs</td>
<td>1.1</td>
<td>1.9</td>
<td>1.5</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Net slippage</td>
<td>0.9</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Credit cost</td>
<td>12.5</td>
<td>12.6</td>
<td>12.1</td>
<td>13.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Return (%)</td>
<td>1.9</td>
<td>2.1</td>
<td>2.0</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>RoE</td>
<td>35.1</td>
<td>43.2</td>
<td>46.8</td>
<td>58.2</td>
<td>68.3</td>
</tr>
<tr>
<td>EPS</td>
<td>319.0</td>
<td>365.1</td>
<td>409.2</td>
<td>464.5</td>
<td>529.4</td>
</tr>
<tr>
<td>BV</td>
<td>305.4</td>
<td>356.3</td>
<td>400.6</td>
<td>456.0</td>
<td>520.0</td>
</tr>
<tr>
<td>ABV</td>
<td>305.4</td>
<td>356.3</td>
<td>400.6</td>
<td>456.0</td>
<td>520.0</td>
</tr>
<tr>
<td>Valuation data</td>
<td>37.7</td>
<td>31.2</td>
<td>31.2</td>
<td>25.7</td>
<td>22.1</td>
</tr>
<tr>
<td>P/E (Consol)</td>
<td>4.4</td>
<td>3.8</td>
<td>3.4</td>
<td>3.0</td>
<td>2.6</td>
</tr>
<tr>
<td>P/BV (Consol)</td>
<td>4.6</td>
<td>3.8</td>
<td>3.4</td>
<td>3.0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Balance sheet

<table>
<thead>
<tr>
<th>Y/E March (Rsmn)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>9,909</td>
<td>9,923</td>
<td>9,927</td>
<td>9,927</td>
<td>9,927</td>
</tr>
<tr>
<td>Reserves &amp; surplus</td>
<td>622,361</td>
<td>714,641</td>
<td>802,578</td>
<td>912,400</td>
<td>1,041,151</td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>632,270</td>
<td>724,565</td>
<td>812,505</td>
<td>922,328</td>
<td>1,051,078</td>
</tr>
<tr>
<td>Deposits</td>
<td>2,801,000</td>
<td>3,116,841</td>
<td>3,540,539</td>
<td>4,120,124</td>
<td>4,768,548</td>
</tr>
<tr>
<td>Borrowings</td>
<td>236,506</td>
<td>259,671</td>
<td>212,725</td>
<td>282,552</td>
<td>314,189</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>165,088</td>
<td>192,894</td>
<td>286,638</td>
<td>374,113</td>
<td>420,577</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,834,886</td>
<td>4,294,284</td>
<td>4,864,900</td>
<td>5,699,610</td>
<td>6,554,885</td>
</tr>
<tr>
<td>Cash equivalent</td>
<td>396,265</td>
<td>429,239</td>
<td>450,392</td>
<td>528,321</td>
<td>559,101</td>
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<tr>
<td>Investments</td>
<td>1,050,992</td>
<td>1,005,802</td>
<td>994,615</td>
<td>1,166,709</td>
<td>1,346,925</td>
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<tr>
<td>Fixed &amp; others assets</td>
<td>150,742</td>
<td>146,706</td>
<td>178,288</td>
<td>208,770</td>
<td>242,358</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,834,886</td>
<td>4,294,284</td>
<td>4,864,900</td>
<td>5,699,610</td>
<td>6,554,885</td>
</tr>
</tbody>
</table>

Source: Company, Nirmal Bang Institutional Equities Research
### Rating track

<table>
<thead>
<tr>
<th>Date</th>
<th>Rating</th>
<th>Market price (Rs)</th>
<th>Target price (Rs)</th>
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</thead>
<tbody>
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<td>Buy</td>
<td>1,237</td>
<td>1,558</td>
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<tr>
<td>22 January 2019</td>
<td>Buy</td>
<td>1,267</td>
<td>1,559</td>
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<td>8 April 2019</td>
<td>Buy</td>
<td>1,336</td>
<td>1,561</td>
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<td>2 May 2019</td>
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<td>1,387</td>
<td>1,638</td>
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<td>8 July 2019</td>
<td>Buy</td>
<td>1,517</td>
<td>1,751</td>
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<td>23 July 2019</td>
<td>Buy</td>
<td>1,454</td>
<td>1,676</td>
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<td>7 October 2019</td>
<td>Buy</td>
<td>1,563</td>
<td>1,830</td>
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<td>23 October 2019</td>
<td>Buy</td>
<td>1,629</td>
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<td>Accumulate</td>
<td>1,649</td>
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<tr>
<td>8 January 2020</td>
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<td>1,655</td>
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<td>21 January 2020</td>
<td>Accumulate</td>
<td>1,617</td>
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<tr>
<td>27 March 2020</td>
<td>Buy</td>
<td>1,390</td>
<td>1,658</td>
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<tr>
<td>9 April 2020</td>
<td>Buy</td>
<td>1,188</td>
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<tr>
<td>14 May 2020</td>
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<tr>
<td>28 July 2020</td>
<td>Buy</td>
<td>1,322</td>
<td>1,578</td>
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<tr>
<td>23 September 2020</td>
<td>Buy</td>
<td>1,271</td>
<td>1,639</td>
</tr>
<tr>
<td>7 October 2020</td>
<td>Buy</td>
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<td>27 October 2020</td>
<td>Buy</td>
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<td>26 November 2020</td>
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<td>08 January 2021</td>
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<td>27 January 2021</td>
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<td>1,950</td>
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<td>Accumulate</td>
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<td>27 July 2021</td>
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<td>26 September 2021</td>
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<td>27 October 2021</td>
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<tr>
<td>05 May 2022</td>
<td>Buy</td>
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<td>24 July 2022</td>
<td>Buy</td>
<td>1,826</td>
<td>2,117</td>
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<tr>
<td>19 September 2022</td>
<td>Buy</td>
<td>1,930</td>
<td>2,281</td>
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<tr>
<td>24 October 2022</td>
<td>Buy</td>
<td>1,902</td>
<td>2,289</td>
</tr>
</tbody>
</table>

### Rating track graph

![Rating track graph](image-url)
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**SELL < -5%**

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