

July 26, 2013

KOTAK MAHINDRA BANK LTD.

BSE Code: 500247

NSE Code: KOTAKBANK

Reuters Code:

KTKM.NS

Bloomberg Code: KBM:IN

Kotak Mahindra Bank Ltd (KOTAKBANK) is one of the India's leading financial institutions, and is engaged in commercial banking, investment banking, stock broking, car finance, asset management and life insurance. In February 2013, the Company acquired the business loans portfolio of the Indian arm of Barclays Plc. As of June 30, 2013 the bank has 445 branches.

Investor's Rationale

Robust growth in net profit on strong NII and Other Income— KOTAKBANK, has reported robust growth in its net profit on standalone basis by 42.6% YoY at ₹4.03bn over 27% increase in NII to ₹9.17bn for the quarter ended June 2013. The strong growth in the net profit was also assisted with the strong 91.7% YoY jump in other income to ₹4.6bn and ~10% dip in expense ratio to 43.5% in the quarter ended June 2013. NII growth was mainly supported by improvement in NIM by 10bps. Moreover, the provision and contingencies were raised nearly five-fold to ₹1.69bn, while the tax expenses moved up by 57.1% at ₹2.1bn.

Business grew healthy with improved NIM while Asset Quality weakened – Credit book of the bank grew 19% YoY at ₹505.39bn. Almost the entire growth in the quarter came from the corporate sector, which now comprises 53.2% of the credit book. The jump in credit was evenly contributed by all segments except 6% YoY decline in Commercial Vehicles & Construction Equipment division. The bank earned NIM of 4.8% YoY, which is the one of the best in the Industry. The management has guided the NIM of ~4.5% for FY14E. Moreover, the Bank has witnessed deterioration in Asset quality as GNPA has increased from ₹6.84bn to ₹9.95bn.

CASA improved 28.8% YoY - The Bank's deposit grew 31% YoY at ₹524.5bn driven by 36.9% jump in the CASA deposits to ₹151.32bn. CASA ratio has improved to 28.8% YoY from 26.6%. Meanwhile, the Certificate of Deposits and terms deposits increased at moderated pace of 47% and 17% at ₹81.72bn and ₹279.4bn respectively.

Opened new branches and ATM's – KOTAKBANK has added 8 new branches and 6 ATM's in the quarter under review, taking the branch and ATM count to 445 branches and 967 ATMs, respectively at the end of June 2013. Further, the bank has planned to cross 550 branches by March 2014, if this is achieved, it would help the bank to further improve its CASA ratio.

Market Data

Rating	BUY
CMP (₹)	679.8
Target Price	761
Stop Loss	632
Duration	Short-term
52-week High-Low (₹)	804/525
Rise from 52WL (%)	29.5
Correction from 52WH (%)	15.5
Beta	1.3
1 year Average Volume (mn)	0.7
	3M- (4.3)
Stock Return (%)	6M- 2.9
	1Y- 21.6
Market Cap (₹bn)	521.3
Book Value (₹)	123.5

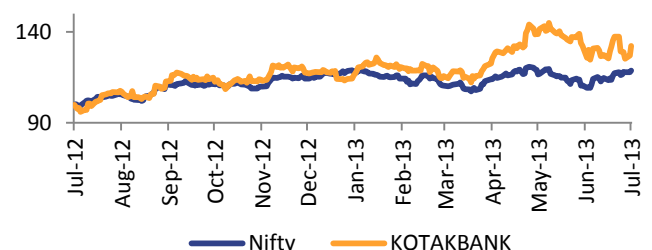
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	43.75	43.79	(0.04)
FII (%)	31.21	31.48	(0.27)
DII (%)	2.19	2.13	0.06
Public & Others (%)	22.85	22.6	0.25

Quarterly Performance (Standalone)

(₹bn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change(%)	QoQ Change(%)
Total inc.	26.52	20.57	25.72	28.9	3.1
Op. exp	6.00	5.14	6.14	16.8	(2.2)
Net profit	4.03	2.82	4.36	42.6	(7.7)
NII	9.17	7.21	9.03	27.1	1.5
NIM (%)	4.80	4.70	4.80	10bps	0.0
Gross NPA (%)	1.95	1.60	1.55	35bps	40bps
EPS (₹)	5.30	3.79	5.83	151.0	(53.0)

One Year Price Chart





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