

Q1 2024

1. Net interest margin trends

- **Narrative:** The management discussed the impact of interest rate changes on the net interest margin (NIM) and indicated that the full effect of such changes would be realized over the coming quarters. This suggests an active monitoring and adjustment strategy to maintain or potentially enhance the NIM based on prevailing interest rates.

- **Management's Guidance:**

- Management anticipates that if the current interest rates persist, the pricing adjustments will be largely completed after the next quarter, indicating a stabilization in net interest margins thereafter.

- **Actual Results:**

['Q1', '2025']:

- Reduction in the NIM for the quarter by about 11 bps to 4.91%.

['Q4', '2024']:

- NIM Q4FY24: 5.28% Q3FY24: 5.22%; FY24: 5.32%, FY23: 5.33%

['Q1', '2024']:

- The net interest margin (NIM) for Q1 FY24 was reported at 5.57%, which shows an increase from 4.92% in the same quarter last year.

['Q3', '2024']:

- Kunal Shah [35 bps decline, 20 bps was spread]

- **Evaluation:**

- **Expectations Not Met: Management anticipated stabilization or potential enhancement in NIM post-pricing adjustments, but actual results showed a reduction in NIM by 11 bps in Q1 2025, indicating that the expected stabilization did not occur.**

2. Fee-based income growth

- **Narrative:** Management highlighted the strong performance of their innovative product, 'ActivMoney', which is significantly contributing to the company's fee-based income growth. This product has been described as bold and disruptive in the market, showcasing its potential to drive future financial gains.

- **Management's Guidance:**

- Management anticipates that 'ActivMoney' will continue to grow significantly, with expectations of nearly 100% growth on an annualized basis, bolstering the company's overall fee-based income.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- We relaunched "ActivMoney", we saw a strong growth this quarter of 9% QoQ and 41% YoY.

['Q1', '2024']:

- Q1 also saw fees and services grow by 20% to INR 1,827 crore this quarter.

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met: Management anticipated nearly 100% growth on an annualized basis for 'ActivMoney', but the actual results showed a 41% YoY growth, falling short of the expected growth rate.**

3. Loan book expansion

- **Narrative:** The management of Kotak has demonstrated a strategic focus on expanding their loan book as part of their broader revenue growth and financial strategy. They have articulated a clear goal to leverage economic growth metrics to drive their loan book expansion, indicating confidence in achieving these targets through alignment with nominal GDP growth rates.

- **Management's Guidance:**

- Management expects the loan book to grow by 15% in the next fiscal year. Management is aiming to maintain loan growth at about 1.5 to 2 times the nominal GDP growth for the full year, expressing confidence in achieving this range.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q1', '2024']:

- In Q1 2024, the advances grew at a healthy pace of 26% Y-o-Y. Before taking account of IBPCs and BRDS, advances grew 19% Y-o-Y and closed at INR 3,37,000 crore.

['Q3', '2024']:

- Jaimin Bhatt: Third quarter loans grew 3.3%.

['Q4', '2024']:

- The bank's loan book grew by 15% year-on-year.

- **Evaluation:**

- **Expectations Met:** The management's guidance for a 15% loan book growth was achieved, as the actual results for Q4 2024 show a 15% year-on-year growth, aligning with their stated objectives.

4. Profit growth analysis

- **Narrative:** The management has expressed confidence in achieving revenue growth, suggesting a positive outlook for the company's financial performance in the current fiscal year. The discussion reflects a focus on maintaining a trajectory that ensures surpassing a key financial threshold, which indicates robust financial planning and anticipated growth.

- **Management's Guidance:**

- The management has indicated that they expect to achieve revenue growth that will position them north of five percent for the current year. This projection underscores their confidence in the company's strategic initiatives and market conditions.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. Cost optimization strategies

- **Narrative:** Management has emphasized their focus on cost optimization strategies, aiming to improve operational efficiency. They have set clear targets to enhance cost management practices, which are expected to significantly impact the company's financial performance.

- Management's Guidance:

- Management has set a target to reduce the cost-to-income ratio to 40% by the end of FY25.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Process automation initiatives

- **Narrative:** Management has emphasized their commitment to operational efficiency through process automation initiatives. They have provided regular updates on their 811 program, indicating consistent efforts to integrate automation and improve operational workflows. This approach is aimed at enhancing overall efficiency and cost-effectiveness over the long term.

- Management's Guidance:

- Management has indicated plans to continue their annual updates on the 811 initiative, which involves detailed reviews and likely adjustments to automation processes. This regular assessment is expected to further operational efficiency in the upcoming years.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Geographic expansion plans

- **Narrative:** Management articulated plans to expand the company's footprint by increasing its branch network, indicating a strategic focus on geographic growth.

- Management's Guidance:

- Management plans to open 50 new branches over the next 18 months.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q4', '2024']:

- 6d48dad28f3a1b58f9628a89cb2bf10c --> [1,196 branches & franchises] 8495f4353d31e3f04638e34bc6b987ee --> [Pan-India reach of over 4,570 retail distribution points]

- Evaluation:

- Insufficient Info: Data not available.

8. New market entry plans

- **Narrative:** Management discussed the introduction of a new mid-corporate segment as part of its market strategy, with a dedicated focus on acquiring new clients and expanding their franchise among mid-sized corporates. This move is aimed at tapping into the growth potential of this segment.

- Management's Guidance:

- Management anticipates that the new mid-corporate segment will grow faster due to the dedicated efforts and resources allocated to it, as evidenced by the

healthy growth observed in Q1.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q1', '2024']:

- Effective 1st April this year, we have also carved out a separate segment called mid-corporate segment.

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Economic conditions impact

- **Narrative:** Management highlighted the current account deficit being at 1% of GDP for the present year, reflecting on the economic conditions impacting the company's strategic considerations.

- **Management's Guidance:**

- The expected continuation of the current account deficit at 1% of GDP is anticipated to influence the company's financial strategies and operational focus for the current year.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q1', '2024']:

- Our current account deficit at 1% of GDP, that's what it looks like for the current year.

['Q4', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** The management's guidance expected the current account deficit to remain at 1% of GDP, which aligned with the actual result reported for Q1 2024, confirming that expectations were met.