

# Kotak Mahindra Bank Analysis

May 10, 2022

## 1 General Overview

Kotak Mahindra Bank is the flagship company of the Kotak Group, and one of the most reputable in the banking sector. The permission of Kotak Mahindra Finance to carry on banking business by RBI created banking history since Kotak Mahindra Finance Ltd. is the first non-banking finance company in India to convert itself into a bank as Kotak Mahindra Bank Ltd. Today, the Bank is one of the fastest-growing banks and among India's most admired financial institutions. As of 31 December 2020, the Bank had 1603 branches and 2573 ATMs across the country. Branches are spread all over India, in tier 1 and 2 cities as well as rural areas. It has a customer account base of over 2.7 million. Presently it is engaged in commercial banking, stockbroking, mutual funds, life insurance and investment banking. It caters to the financial needs of individuals and corporates.

## 2 Shareholding Pattern

Image 1 shows the shareholding pattern of the company. As it is clear from the table, more than 25 per cent of the stocks are family-owned, and almost 40 per cent of the stocks are owned by foreign institutions.

## 3 Management

Uday Kotak, a member of the Kotak Family is the Managing Director and CEO, and the de facto leader on the board of managing directors in Kotak Mahindra Bank. Other big names include Prakash Apte, Dipak Gupta and C Jayaram, all of them who have been with the Bank for at least 10 years. The entire board is comprised of individuals with an excellent academic background, and the directors are graduates of reputable institutions. Image 2 provides the complete list of management board of the Bank.

## 4 SWOT Analysis

### 4.1 Strengths

- a. **Financial Products** : Offers a host of financial products, like accounts, deposits, insurance, debit and credit cards, housing and education loans, as well as financial and investment advice.
- b. **Customer Service** : The Bank provides an excellent customer service, with customer care, calls and online chat support for resolving issues.
- c. **Efficient Management** : The board of directors has many prestigious leaders, who are graduates of top tier colleges from India and abroad and are thus capable of leading the Bank to new heights.
- d. **Diversified Business Model** : Kotak Mahindra Bank has spread its services across various sectors from asset management to lending to insurance to capital markets, ensuring a steady income with low risk. A diverse business model allows it to cater to different groups of people and provide specialized services, thereby capturing the complete value chain in the financial sector. The Bank also offers efficient online banking services, and thus is holistic.
- e. **Strong Customer Base** : The Bank has a strong consumer base of more than 2.7 million consumers.

### Shareholding Pattern as on 31st March 2022

Category of Shareholder	Total Number of equity shares	% of Total Number of equity shares
<b>SHAREHOLDING OF PROMOTER GROUP</b>		
Individuals/ Hindu Undivided Family	51,53,28,040	25.97
Bodies Corporate	2,34,356	0.01
<b>Total Equity Shareholding of Promoter Group (A)</b>	<b>51,55,62,396</b>	<b>25.98</b>
<b>PUBLIC SHAREHOLDING</b>		
Mutual Funds/ UTI	18,37,91,869	9.26
Insurance Companies*	13,98,67,618	7.05
Financial Institutions/ Banks	11,13,159	0.06
Foreign Portfolio Investors	81,09,89,456	40.86
Bodies Corporate	3,25,10,259	1.64
Individuals	20,11,12,503	10.13
Clearing Members	23,24,717	0.12
Foreign Bodies	2,59,66,992	1.31
Foreign Bank	3,28,13,072	1.65
Others	3,86,09,719	1.95
<b>Total Equity Shareholding of Public (B)</b>	<b>1,46,90,99,364</b>	<b>74.02</b>
<b>GRAND TOTAL (A)+(B)</b>	<b>1,98,46,61,760</b>	<b>100.00</b>

Figure 1: The Shareholders in Kotak Mahindra

Name	Designation
Ashok Gulati	Independent Director
Avan Doomasia	Sr. Exe.Vice President & Co. Secretary
C Jayaram	Non Executive Director
Dipak Gupta	Joint Managing Director
Farida Khambata	Independent Director
Gaurang Shah	Whole Time Director
Jaimin Bhatt	Group President & Group CFO
K V S Manian	Whole Time Director
Prakash Apte	Chairman
Uday Chander Khanna	Independent Director
Uday Kotak	Managing Director & CEO
Uday Shankar	Independent Director

Figure 2: The management of Kotak Mahindra

## 4.2 Weaknesses

- a. **Less Corporate Banking** : The bank caters to a lot of retail customers, but has been significantly less involved in the corporate sector. This is worrisome, as its competitors are quite present in the corporate banking sector and losing out on the corporate customers is a big loss for the bank.
- b. **Poor marketing** : The bank spends less than its competitors in the large-cap banking segment, and is thus much less visible than other banks in its category.
- c. **New Entry** : being a new entry into the banking sector, the bank has a lower penetration among customers than similar other banks.
- d. **Weak liability franchise** – Kotak Mahindra Bank does not see a great franchise. Its CASA ratio seems to be lowest for Indian banks. With respect to a savings deposit, the bank is in a weaker position.

## 4.3 Opportunities

- a. **Asset Management** : The bank has a presence in the asset management field, due to which it can cater to corporates and MNCs and thus increase its presence in the corporate sector.
- b. **Increase in Banking Demand** : As the country progresses steadily, a demand for affordable and robust banking services is increasing, and by being the leader in providing efficient online as well as offline services, the bank can increase its shares enormously.
- c. **Expansion Overseas** : Kotak Mahindra Bank can cater to international clients and corporates as well by expanding its services internationally. This will help map the bank on the global map as well as bring in customers from all over the globe, increasing revenue in the process.
- d. **RBI Act** : Some recent changes brought about by the new RBI Act have helped the bank improve its CASA ratio, which improves its credibility and attracts more customers.

## 4.4 Threats

- a. **Slowdown in the banking Industry** : As the pandemic hit, it slowed down the economy and had a major effect on the banking sector as well. People began using up their savings and there was a shortage of money in the economy. The banks bore the brunt of this slowdown and it has been difficult for Kotak Mahindra Bank to retain customers and gain new ones.
- b. **Competition in the Industry** : The finance sector has a lot of players, each with a lot of capital too. Additionally, there are localized banks that Kotak Mahindra must compete with in rural areas as well. Thus there is a constant need of coming up with innovations and ideas, as well as allocating their budget to marketing and advertisements.

## 5 Competitive Analysis

Upon looking at market capitalization, profits and PE ratio, close competitors to the Kotak Mahindra Bank seem to be

- a. Axis Bank
- b. HDFC Bank
- c. ICICI Bank

Figures below show the detailed and tabular comparison of the various parameters of these 4 banks. In short, the P/E ratio of Kotak is 2.9 as opposed to HDFC(2.96), ICICI (2.7), and Axis Bank(1.7).

## 6 Conclusion and way forward

From all our discussion above, it is clear that Kotak Mahindra is one of the most reliable banks in the country, despite being a new player. It is omnipresent and offers a multitude of services. I believe that by investing in publicity and advertisement, the bank can go forward a long way, and it can look for mergers with small rural banks to increase its rural presence.

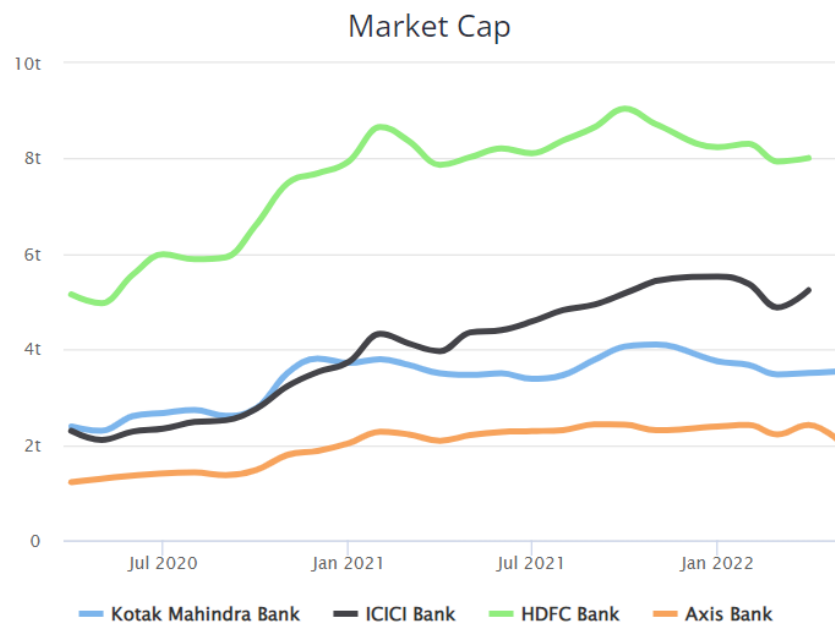


Figure 3: Market Capitalization graph

Stock	PE Ratio	PB Ratio	Dividend Yield
Kotak Mahindra Bank Ltd	29.44	4.14	0.06%
HDFC Bank Ltd	19.24	3.48	1.17%
ICICI Bank Ltd	19.66	2.95	0.70%
Axis Bank Ltd	14.48	1.96	0.15%

Figure 4: Valuation comparison