# Summary Report

### Financial Summary Report for Kotak Mahindra Bank  
  
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# #### 1. Why do we like this stock?

Kotak Mahindra Bank demonstrates strong fundamentals with consistent growth in Additionally, its capital adequacy ratio of 22.8% reflects financial stability, while its focus on technology and customer-centric strategies positions it well for future growth.  
  
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# #### 2. What has changed between this and the previous quarter?

In Q3 FY25, Kotak Mahindra Bank reported a consolidated profit of ₹4,700 crore, reflecting a 10% YoY growth. Advances grew by 15%, deposits by 16%, and the Net Interest Margin (NIM) remained stable at 4.93%. The bank maintained a strong capital adequacy ratio of 23.4%, with CET-1 at 22.5%. Stress in the credit card portfolio plateaued, while personal loan trends improved. However, microfinance strain persisted, albeit at a decelerating pace. Fee income growth moderated to 10% YoY due to regulatory changes and lower credit card income. The bank's cost-to-income ratio improved by 22 bps QoQ, reflecting tight expense control. Subsidiaries like Kotak Securities and Kotak AMC showed robust performance, while Kotak Prime faced margin pressures and higher delinquencies in two-wheeler financing. Overall, the bank demonstrated resilience amidst macroeconomic volatility and regulatory embargoes.  
  
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# #### 3. What are the conviction level and fair values?

- \*\*Conviction Level:\*\* High  
- \*\*Fair Value Range:\*\* ₹2,200–₹2,400 per share, based on robust financial performance, strong capital adequacy, and growth potential in retail and SME segments.  
  
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# #### 4. How would you assess the quality of the company?

Kotak Mahindra Bank exhibits high-quality attributes, including strong financial stability, a diversified revenue base, and prudent risk management. Its leadership team has   
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# #### 5. What is the commentary on growth?

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#### \*\*a. List all analyst questions and corresponding management responses:\*\*  
1. \*\*RBI Restriction Update:\*\*  
 - Analyst: Status of RBI audit and feedback?  
 - Management: Substantial progress made; submissions are iterative. Awaiting RBI's decision.  
  
2. \*\*Stress in Segments:\*\*  
 - Analyst: Stress in commercial vehicles and unsecured loans?  
 - Management:   
3. \*\*Provisioning Policy:\*\*  
 - Analyst: Details on provisioning and write-offs?  
 - Management: Aggressive provisioning (50% at 90 days, 100% at 180 days); write-offs depend on recovery potential.  
  
4. \*\*Growth Drivers:\*\*  
 - Analyst: Incremental market share and ROA sustainability?  
 - Management: Focus on secured assets; growth aligned with 1.5–2x GDP; subsidiaries performing well.  
  
5. \*\*Embargo Impact:\*\*  
 - Analyst: Impact of embargo on growth?  
 - Management: Credit card and 811 businesses impacted; overall growth balanced.  
  
6. \*\*Asset Quality Trends:\*\*  
 - Analyst: Slippage trends and credit cost outlook?  
 - Management: Slippages tapering in PL; credit card stable; microfinance strain continues.  
  
7. \*\*Kotak Prime Performance:\*\*  
 - Analyst: Reasons for profit drop in Kotak Prime?  
 - Management: Margin pressure and higher delinquencies in two-wheeler financing.  
  
8. \*\*Cost of Funds:\*\*  
 - Analyst: Drivers of cost of funds decline?  
 - Management: SA rate cut, higher current account balances, and ActivMoney growth.  
  
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#### \*\*b. 200-word summary of earnings call transcript:\*\*  
Kotak Mahindra Bank's Q3 FY25 earnings call highlighted robust performance amidst macroeconomic challenges and regulatory embargoes. Consolidated profit grew 10% YoY to ₹4,700 crore, with advances and deposits increasing by 15% and 16%, respectively. NIM remained stable at 4.93%. Stress in unsecured loans plateaued, while microfinance strain persisted but decelerated. Fee income growth moderated due to regulatory changes and lower credit card income. Subsidiaries like Kotak Securities and Kotak AMC delivered strong results, while Kotak Prime faced margin pressures and higher delinquencies in two-wheeler financing. Management emphasized cautious optimism, focusing on secured asset growth and cost control. The bank aims to grow at 1.5–2x GDP while maintaining asset quality. Regulatory embargo impacted credit card and 811 businesses, but management remains confident about future growth post-embargo. The bank's provisioning policy remains conservative, with 50% at 90 days and 100% at 180 days for unsecured loans. Management reiterated its goal to be among the top three private banks in profitability by 2030, leveraging both organic and inorganic opportunities.  
  
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#### \*\*c. Key management commentary on growth prospects:\*\*  
- Targeting 1.5–2x GDP growth.  
- Focus on secured assets and granular deposits.  
- Post-embargo, credit card and 811 businesses expected to rebound strongly.  
- Subsidiaries to continue contributing significantly to profitability.  
- Conservative approach to asset quality amidst macroeconomic volatility.  
  
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# #### 6. What are the ESG considerations?

Kotak Mahindra Bank demonstrates a commitment to ESG principles through its focus on financial inclusion, digital transformation, and robust governance practices. The bank actively supports sustainable financing initiatives and adheres to stringent regulatory compliance. However, further disclosures on environmental initiatives and social impact metrics could enhance its ESG profile.  
  
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# #### 7. What are the key risks to the thesis?

1. \*\*Regulatory Risks:\*\* Prolonged RBI restrictions could impact growth in key segments like credit cards and digital banking.  
2. \*\*Macroeconomic Volatility:\*\* Slowdown in the economy or heightened market volatility could affect asset quality and growth.  
3. \*\*Microfinance Stress:\*\* Persistent strain in the microfinance portfolio poses a risk to asset quality.  
4. \*\*Competitive Pressure:\*\* Intense competition in the banking sector could impact margins and market share.  
  
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# #### 8. Provide a summary financial table.

Below is the yearly profit and loss data extracted from the provided Excel file:  
  
| \*\*Report Date\*\* | \*\*Sales (₹ Cr)\*\* | \*\*Other Mfr. Exp (₹ Cr)\*\* | \*\*Employee Cost (₹ Cr)\*\* | \*\*Selling & Admin (₹ Cr)\*\* | \*\*Other Expenses (₹ Cr)\*\* | \*\*Other Income (₹ Cr)\*\* | \*\*Depreciation (₹ Cr)\*\* | \*\*Interest (₹ Cr)\*\* | \*\*Profit Before Tax (₹ Cr)\*\* | \*\*Tax (₹ Cr)\*\* | \*\*Net Profit (₹ Cr)\*\* | \*\*Dividend Amount (₹ Cr)\*\* |  
|------------------|------------------|---------------------------|--------------------------|----------------------------|---------------------------|--------------------------|--------------------------|---------------------|-----------------------------|-----------------|-----------------------|---------------------------|  
| 2015-03-31 | 13,318.89 | 253.21 | 2,376.39 | 3,643.65 | 3,445.08 | 8,152.20 | 236.89 | 6,966.10 | 4,549.77 | 1,484.69 | 3,045.45 | 69.51 |  
| 2016-03-31 | 20,401.64 | 365.52 | 3,856.02 | 2,459.24 | 4,860.57 | 7,630.73 | 344.51 | 11,122.97 | 5,023.54 | 1,592.42 | 3,458.85 | 91.72 |  
| 2017-03-31 | 22,324.21 | 425.53 | 3,985.50 | 2,639.15 | 7,781.93 | 11,659.56 | 362.21 | 11,457.51 | 7,331.94 | 2,382.85 | 4,940.43 | 110.45 |  
| 2018-03-31 | 25,131.08 | 484.15 | 4,384.41 | 3,281.15 | 8,655.09 | 13,682.23 | 383.43 | 12,466.85 | 9,158.23 | 3,011.09 | 6,200.97 | 133.39 |  
| 2019-03-31 | 29,831.22 | 511.17 | 4,855.11 | 6,746.62 | 7,645.46 | 16,147.89 | 458.42 | 15,186.61 | 10,575.72 | 3,456.02 | 7,204.13 | 152.70 |  
| 2020-03-31 | 33,474.16 | 581.02 | 5,760.57 | 3,804.82 | 12,431.96 | 16,891.58 | 464.89 | 15,900.68 | 11,421.80 | 2,814.72 | 8,593.36 | 178.37 |  
| 2021-03-31 | 32,819.83 | 649.54 | 5,861.13 | 3,439.50 | 19,861.40 | 23,587.68 | 461.05 | 12,966.55 | 13,168.34 | 3,265.44 | 9,990.20 | 218.31 |  
| 2022-03-31 | 33,740.62 | 815.18 | 7,147.42 | 2,354.00 | 20,382.88 | 24,941.06 | 480.35 | 11,553.54 | 15,948.31 | 4,016.43 | 12,089.39 | 297.98 |  
| 2023-03-31 | 42,151.06 | 1,207.17 | 8,487.33 | 3,253.12 | 20,537.84 | 25,990.97 | 599.26 | 14,411.13 | 19,646.18 | 4,865.74 | 14,925.01 | 397.58 |  
| 2024-03-31 | 56,236.63 | 1,439.37 | 10,361.97 | 3,813.67 | 31,436.53 | 38,037.28 | 791.75 | 22,567.24 | 23,863.38 | 5,886.55 | 18,213.21 | - |  
  
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This report provides a comprehensive view of Kotak Mahindra Bank's financial performance and strategic direction.