


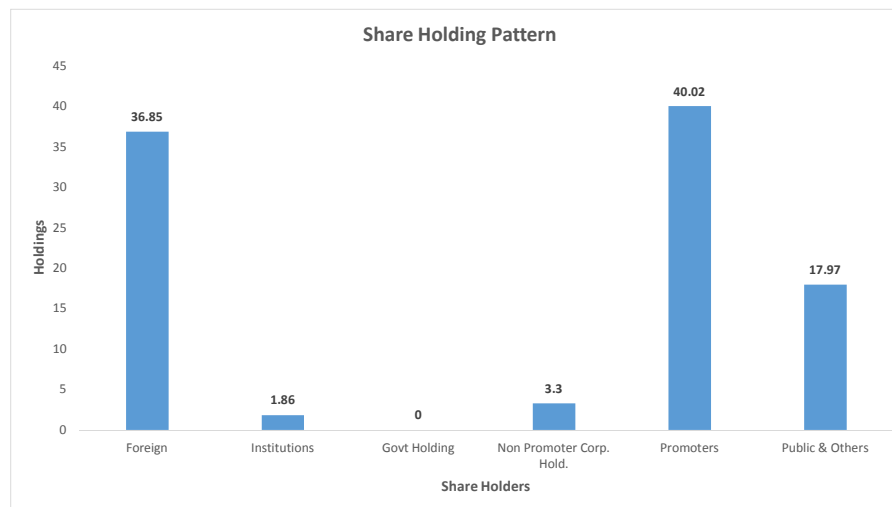
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| Research Report | |  | |
| Kotak Mahindra Bank | | Recommendation Accumulate Current Market Price 1388 Target 1637 Accumulation Price Band 1385-1400 Time Frame 6 Months Derivatives Segment Yes | |
| Industry : Banking | | | |
| Company Overview <ul style="list-style-type: none"> Established in 1985, the Kotak Mahindra group is one of India's leading financial services conglomerates serving the entire financial services space. Kotak Bank's auto financing businesses offer exposure to potential improvement in retail loan demand, whereas its securities business seems well placed to benefit from a likely increase in investor participation in capital markets. Kotak Bank has expanded its branch network in order to tap high density deposit centres which has helped it to strengthen its CASA franchise. | | Quick Glance Share Capital (Rs Cr) 385.16 Market Cap (Rs Cr) 126,545.14 Face Value (in Rs) 5.00 52 Week High/ Low (in Rs) 1473.75/843.90 | |
| Industry Overview <ul style="list-style-type: none"> The Indian banking sector assets has reached USD1.8 trillion in FY13 from USD1.3 trillion in FY10, with 72.7 per cent of it being accounted by the public sector. Total lending and deposits have increased at CAGR of 20.7 per cent and 19.7 per cent, respectively, during FY07-14 and are further poised for growth, backed by demand for housing and personal finance. Deposits have grown at a CAGR of about 19.7% to USD 1312 Billion in FY14 as against USD 489 Billion in FY06 mainly driven by strong growth in savings amid rising disposable income levels. The net NPA levels increased to 1.68 per cent in FY13 from 1.28 per cent in FY12, while private banks have maintained the ratio relatively stable at 0.52 per cent in FY13, compared to 0.46 per cent in FY12 | | Financials EPS (Rs) 32.60 Book Value (Rs) 286.8 P/E 42.58 P/BV 4.84 ROE 12.24 CAR (%) 19.01 Dividend Yield (%) - Credit Deposit Ratio (%) 92.18 | |
| Key Highlights <ul style="list-style-type: none"> Reserve Bank of India (RBI) had approved the scheme of amalgamation of ING Vysya Bank with Kotak Mahindra Bank with effect from April 01, 2015. Inter-ministerial body FIPB will on May 28 take up Kotak Mahindra Bank's proposal for raising foreign investment limit in the bank to 55 per cent | | Highlights Debt (Rs Cr) 29,007.14 Reserves (Rs Crs) 18,690.85 FII Holdings (%) 36.85 MF Holdings (%) 1.86 Free Float Market Capitaliation (Rs Cr) 70,850 Beta 1.10 Net NPA (%) 0.92 Avg Volume Per day (no. of shares) 818,513 Avg Volume Per Month (no. of shares) 19,071,440 | |
| Key Risks <ul style="list-style-type: none"> Lower than anticipated CASA movement can have an impact on NIM's. Deterioration in economic environment could result in lower than expected credit growth which could hamper the growth prospects of the bank. | | | |

Financial Highlights

| Income Statement (Annual) | | | | | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Particulars (Rs Cr) | 2014 | 2013 | 2012 | 2011 | 2010 |
| Interest Earned | 11,985.90 | 10,837.87 | 8,470.42 | 5,973.11 | 4,601.16 |
| Interest Expended | 6,312.12 | 6,024.49 | 4,541.96 | 2,668.24 | 1,772.86 |
| Net Interest Income | 5,673.78 | 4,813.38 | 3,928.46 | 3,304.87 | 2,828.30 |
| Other Income | 5,282.39 | 5,112.41 | 4,543.40 | 5,089.85 | 4,714.05 |
| Operating Income | 10,956.17 | 9,925.79 | 8,471.86 | 8,394.72 | 7,542.35 |
| Operating Expenses | 6,951.71 | 6,598.42 | 5,716.62 | 5,999.73 | 6,194.54 |
| Pre Provision Profit | 4,004.46 | 3,327.37 | 2,755.24 | 2,394.99 | 1,347.81 |
| Provisions and contingencies | 1,492.93 | 1,123.14 | 904.71 | 825.76 | 20.45 |
| PBT | 2,511.53 | 2,204.23 | 1,850.53 | 1,569.23 | 1,327.36 |
| PAT | 2,464.99 | 2,188.46 | 1,832.24 | 1,566.74 | 1,307.00 |

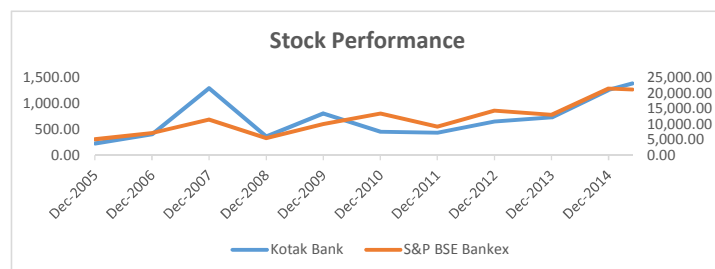
| Balance Sheet | | | | | |
|------------------------------------|-------------------|-------------------|------------------|------------------|------------------|
| Particulars (Rs Cr) | 2014 | 2013 | 2012 | 2011 | 2010 |
| Capital | 385.16 | 373.3 | 370.34 | 368.44 | 348.14 |
| Reserves | 18,690.85 | 14,876.49 | 12,530.70 | 10,594.51 | 7,617.60 |
| Deposits | 56,929.75 | 49,389.14 | 36,460.73 | 27,312.98 | 21,819.18 |
| Borrowings | 29,007.14 | 36,171.96 | 29,194.69 | 22,073.32 | 13,885.70 |
| Other Liabilities and Provisions | 5,929.76 | 4,720.24 | 4,586.52 | 5,042.56 | 4,992.25 |
| Total Liabilities | 122,236.64 | 115,834.65 | 92,349.39 | 73,681.14 | 55,114.80 |
| Cash and Bank Balances with RBI | 2,960.51 | 2,220.76 | 2,030.63 | 2,114.86 | 2,094.08 |
| Balances with Bank & Money at Call | 3,682.60 | 2,297.49 | 1,545.20 | 879.4 | 412.73 |
| Investments | 38,791.05 | 40,907.24 | 31,658.43 | 26,048.99 | 19,484.78 |
| Advances | 71,692.52 | 66,257.65 | 53,143.61 | 41,241.95 | 29,724.29 |
| Fixed Assets | 1,264.09 | 619.9 | 615.29 | 600.42 | 613.83 |
| Other Assets | 3,845.87 | 3,531.63 | 3,356.22 | 2,795.51 | 2,785.10 |
| Total Assets | 122,236.64 | 115,834.67 | 92,349.38 | 73,681.13 | 55,114.81 |
| Contingent Liability | 48,822.33 | 43,980.45 | 42,221.94 | 37,693.49 | 35,690.18 |

| Income Statement (Quarterly) | | | | | | | | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|---------------|
| Particulars (Rs Cr) | 2014 | | | | 2013 | | | |
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Interest Earned | 2580.94 | 2500.1 | 2352.48 | 2286.35 | 2212.48 | 2192.3 | 2172.33 | 2190.01 |
| Interest Expended | 1457.77 | 1440.66 | 1313.55 | 1284.15 | 1245.94 | 1279.56 | 1248.22 | 1273.35 |
| Net Interest Income | 1,123.17 | 1,059.44 | 1,038.93 | 1,002.20 | 966.54 | 912.74 | 924.11 | 916.66 |
| Other Income | 668.14 | 494.1 | 466.45 | 399.76 | 340.48 | 299.71 | 297.13 | 462.39 |
| Operating Income | 1,791.31 | 1,553.54 | 1,505.38 | 1,401.96 | 1,307.02 | 1,212.45 | 1,221.24 | 1,379.05 |
| Operating Expenses | 930.58 | 815.97 | 771.74 | 736.44 | 699.92 | 627.72 | 614.7 | 600.27 |
| Pre Provision Profit | 860.73 | 737.57 | 733.64 | 665.52 | 607.10 | 584.73 | 606.54 | 778.78 |
| Provisions and contingencies | 66.94 | 29.92 | 53.65 | 13.99 | (6.19) | 69.74 | 72.29 | 168.86 |
| PBT | 793.79 | 707.65 | 679.99 | 651.53 | 613.29 | 514.99 | 534.25 | 609.92 |
| PAT | 527.14 | 464.52 | 444.52 | 429.8 | 407.18 | 339.98 | 352.54 | 402.82 |

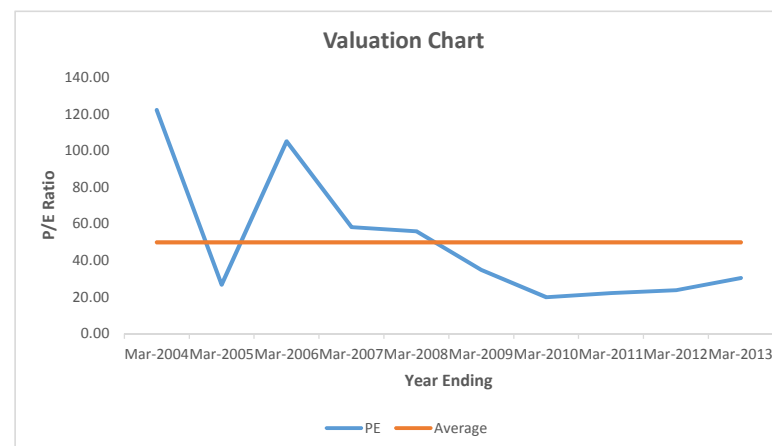


| Key Financial Indicators | | | | | | |
|--------------------------|-------|----------|----------|----------|----------|----------|
| Particulars | Units | 2014 | 2013 | 2012 | 2011 | 2010 |
| Net Interest Income | Crs | 5,673.78 | 4,813.38 | 3,928.46 | 3,304.87 | 2,828.30 |
| % Change | % | 17.88 | 22.53 | 18.87 | 16.85 | 19.13 |
| Net Profit | Crs | 2,464.99 | 2,188.46 | 1,832.24 | 1,566.74 | 1,307.00 |
| % Change | % | 12.64 | 19.44 | 16.95 | 19.87 | 100.25 |
| Net Interest Margin | % | 4.84 | 4.31 | 4.45 | 4.70 | 5.47 |
| EPS | Rs | 32.60 | 29.52 | 24.98 | 21.30 | 38.13 |
| P/E | times | 42.58 | 47.02 | 55.56 | 65.16 | 36.40 |
| P/BV | times | 4.84 | 5.20 | 5.10 | 5.00 | 5.80 |
| ROA | % | 2.02 | 1.89 | 1.98 | 2.13 | 2.37 |
| ROE | % | 12.24 | 14.40 | 13.65 | 12.03 | 12.35 |

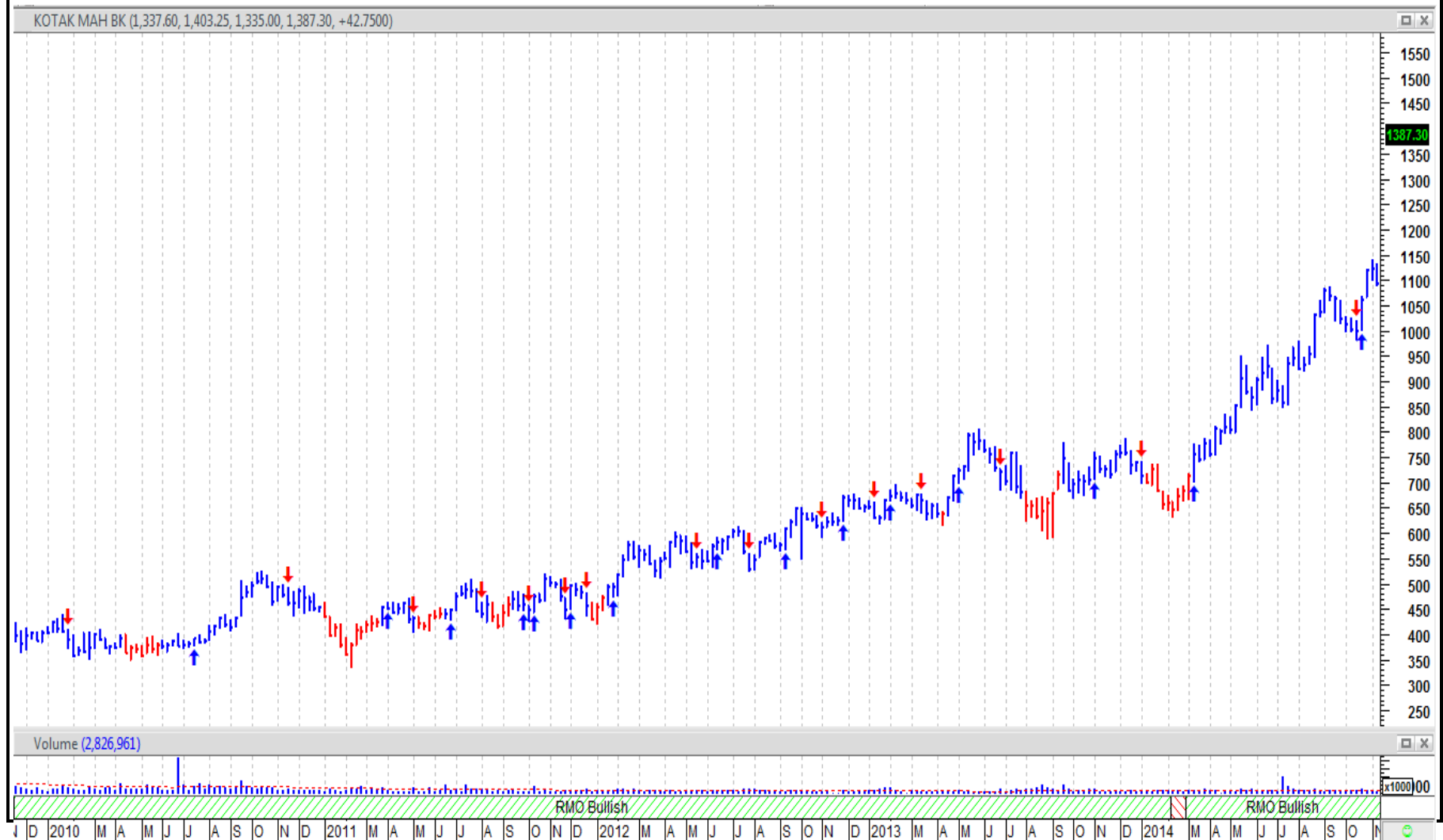
| Stock Performance vis-a-vis Index | | |
|-----------------------------------|--------|--------|
| Particulars | Return | |
| | YTD | QTD |
| Kotak Mahindra Bank | 10.23% | 1.93% |
| S&P BSE Bankex | -5.05% | -4.55% |



| Peer Comparison | | | | |
|---------------------|-------|---------------------|----------|------------|
| Particulars | Units | Kotak Mahindra Bank | Yes Bank | ICICI Bank |
| Net Interest Income | Crs | 5,673.78 | 2,716.26 | 16,475.56 |
| % Change | % | 17.88 | 22.42 | 18.82 |
| Net Profit | Crs | 2,464.99 | 1,617.78 | 9,714.66 |
| % Change | % | 12.64 | 24.38 | 17.05 |
| Net Interest Margin | % | 4.84 | 2.65 | 3.32 |
| EPS | Rs | 32.60 | 44.35 | 91.00 |
| P/E | times | 42.58 | 18.00 | 16.27 |
| P/BV | times | 4.84 | 3.10 | 2.48 |
| ROA | % | 2.02 | 1.48 | 1.78 |
| ROE | % | 12.24 | 17.16 | 13.27 |
| NPA | % | 0.92 | 0.12 | 0.97 |



Technical Outlook



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