

EQUITY RESEARCH REPORT

Kotak Mahindra Bank Limited

Industry Type - Banking



About the Company

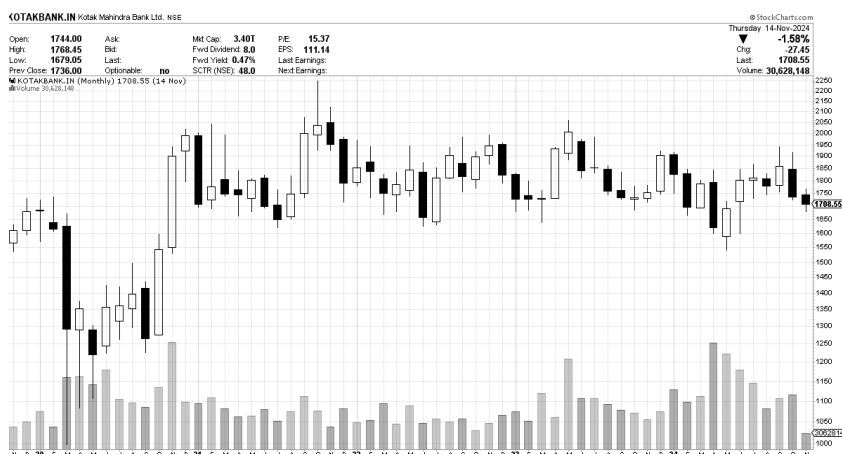
Kotak Mahindra Bank Ltd (hereinafter referred to as "KMBL" or "the Bank") is an Indian multinational banking and financial services company, recognized as one of India's leading private sector banks. KMBL was incorporated as a public limited company on November 21, 1985, and received its banking license from the Reserve Bank of India in 2003, becoming the first non-banking financial company in India to transition into a bank. The Bank specializes in providing a comprehensive range of banking and financial solutions, including retail banking, corporate banking, investment banking, insurance, and asset management services.

The Bank is headquartered in Mumbai, Maharashtra, and operates extensively across India with a strong presence in international markets, including locations such as Dubai, Singapore, London, and New York. KMBL has a network of over 1,750 branches and 2,800+ ATMs in India, serving millions of customers. Its diversified financial services are catered to retail, corporate, and institutional clients.

In recent years, KMBL has achieved significant milestones. Over the past 5 years (2019 to 2023), the Bank's total income grew remarkably, with advances increasing from INR 2.05 trillion to INR 3.65 trillion and deposits rising from INR 2.34 trillion to INR 4.00 trillion. The Bank has expanded its branch network significantly, focusing on enhancing its rural and semi-urban reach to promote financial inclusion.

Additionally, KMBL is actively participating in sustainable initiatives, including green financing and renewable energy projects, reflecting its commitment to environmental stewardship. On the international front, KMBL has strengthened its global presence through strategic partnerships and innovative financial products, ensuring its relevance in the dynamic global financial landscape.

Stock Performance – 5y



Source : stockcharts.com

Stock Data (as on Nov 14, 2024)

NIFTY	:24,141.30
STOCK PRICE	:1,708.55
52 Weeks H/L	:1,953/1544.15
Market Cap	:3,47,000 INR Cr
O/S	:1,988,194,718
Dividend Yield %	:0.11%
NSE Code	:KOTAKBANK

Absolute Returns (%)

1 Year	: -3.66%
3 Year	: - 18.47%
5 Year	: 5.25 %

Shareholding pattern (as on 14 NOV 2024)

Foreign Institution	: 33.40%
Promoters	: 25.89%
Mutual Funds	: 16.69%
Retail and Others	: 12.80%
Domestic Institution	:11.23%

Financial Summary

IN INR CR	FY 23	FY 24
Net Revenue	68142	94274
YoY growth%	16.14%	38.34%
EBITDA	20245	24665
YoY Growth %	23.22%	21.83%
PAT	14780	17977
YoY Growth %	23.86%	21.63%
ROE	14.4%	15.34%
EPS	74.96	91.45

Brief Overview: KMBL is set for continued earnings growth, driven by its expanding digital offerings and retail banking. The bank's investments in technology and a broader product range help reduce dependency on traditional services. The stock is trading at a P/E ratio of 32x, with EPS expected at INR 46.4 for FY 24.

Global Economy

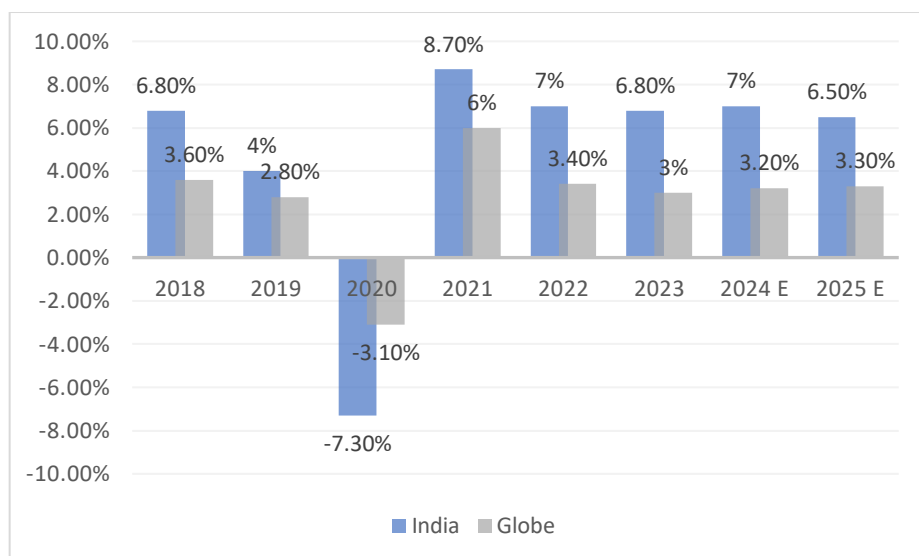
The global economy continues to face significant challenges, including the aftermath of the COVID-19 pandemic, geopolitical conflicts such as the Russia-Ukraine war, and the ongoing Israel-Gaza crisis. These disruptions have contributed to a deceleration in global growth and a rise in inflation rates. In response, central banks worldwide have implemented interest rate hikes to curb inflation.

Global inflation is projected to decrease gradually from 6.8% in 2023 to 5.9% in 2024 and further to 4.5% in 2025. Advanced economies are expected to achieve their inflation targets more quickly compared to emerging markets and developing economies. However, core inflation may decline at a slower pace. Despite substantial interest rate increases, the global economy has demonstrated unexpected resilience.

The International Monetary Fund (IMF) forecasts global economic growth at 3.2% in 2024 and 3.3% in 2025. Advanced economies are anticipated to grow by 1.7% in 2024 and 1.8% in 2025, while emerging and developing economies are expected to maintain a growth rate of 4.2% for both years.

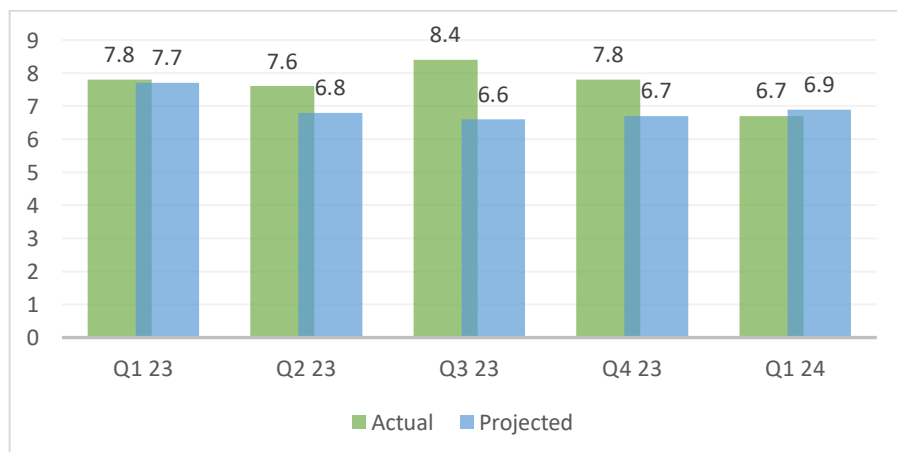
Source : IMF WEO, Shreya Jaiswal Report

Exhibit 2 : India vs Global Growth (%)



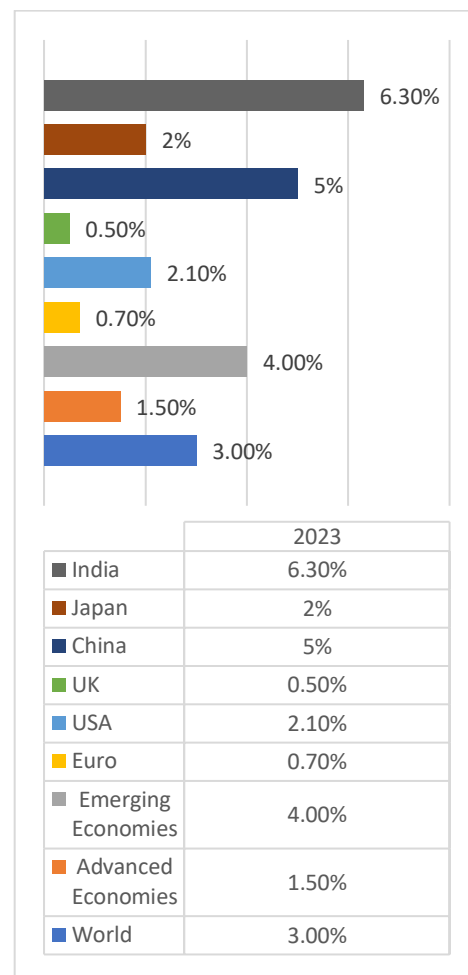
Source : IMF , World Bank, Economic Times and Government of India Reports.

Exhibit 3 : India GDP Quarterly Growth – Actual vs Projected



Source : PIB, Mint, Reuters

Exhibit 1 : Global GDP predictions



Source : IMF, World Bank

Indian Economy

India emerged as the world's fifth-largest economy in FY23, overtaking the UK and marking a strong post-pandemic recovery. Its nominal GDP for FY24 is projected at ₹295.36 lakh crore (\$3.54 trillion), with growth slowing to 9.6% from 14.2% the previous year, driven by domestic demand and government capital spending. Exports between April and June 2025 reached ₹10,911 crore (\$109.11 billion), led by engineering goods, petroleum, and electronics. The IMF forecasts 6.5% growth in 2025, supported by rising employment, private consumption, and a growing working-age population. Net National Income per capita rose 35% since FY15, reflecting a stronger middle class.

Global Banking Sector

The global banking sector has been undergoing rapid transformation, driven by advancements in technology, regulatory changes, and evolving customer expectations. In 2022, the global banking industry was valued at approximately USD 7.6 trillion and is projected to reach USD 12.4 trillion by 2032, growing at a compound annual growth rate (CAGR) of 5.2%. The sector has seen increased collaboration between traditional banks and fintech companies to deliver faster and more accessible financial services.

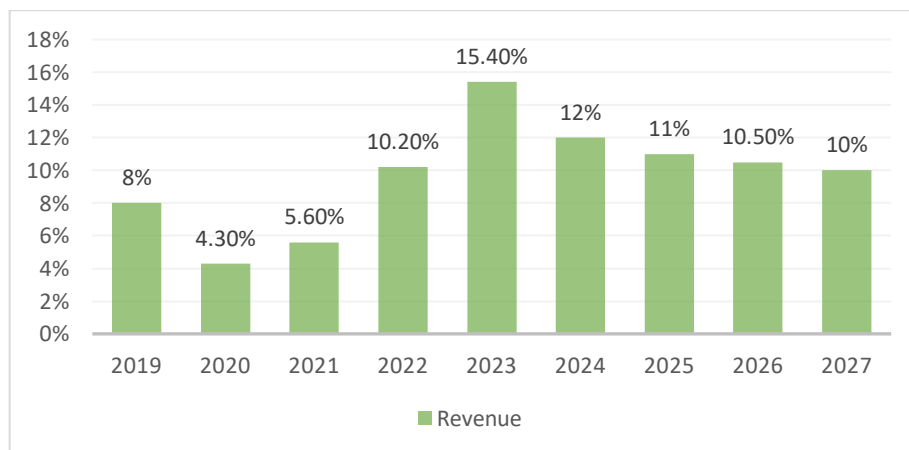
The COVID-19 pandemic disrupted operations globally, accelerating the adoption of digital banking and remote financial services. Online banking platforms and mobile apps gained significant traction as physical branches faced restrictions. Post-pandemic, the sector recovered with increased focus on resilience and innovation, particularly in developed markets like the U.S., Europe, and China, which continue to dominate the global banking landscape.

The Asia-Pacific region, particularly countries like India and China, has emerged as a growth hub for banking services due to large unbanked populations and rising digital adoption. By 2030, India's banking sector is projected to become one of the top three globally in terms of market size. Innovations in payments, lending, and customer experience are expected to drive growth, making Asia-Pacific the fastest-growing market for financial services.

This growth underscores the need for robust cybersecurity, seamless digital integration, and adaptive regulatory frameworks to maintain stability while promoting innovation.

Source: Grand View Research, S&P Global, Deloitte Research USA

Exhibit 4 : Indian Banking Industry Revenue growth



Source: BCG, IBEF, S&P Global, PwC

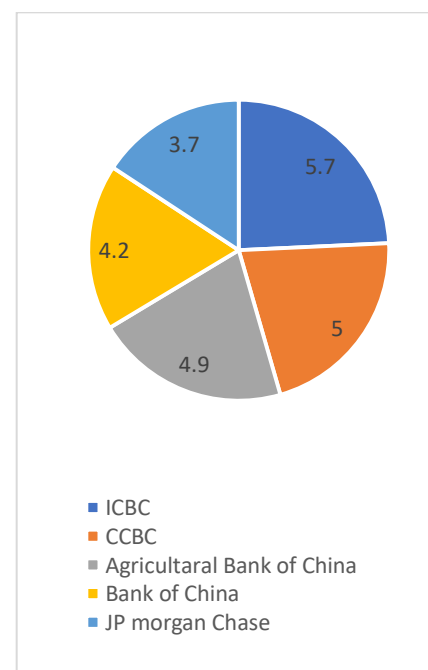
Indian Banking Industry

India's banking sector is witnessing significant growth, driven by increasing digital adoption, credit expansion, and financial inclusion efforts. In 2023, the industry generated a total revenue of INR 12.5 trillion, with both traditional and digital banking services playing a pivotal role. This growth trajectory is expected to continue, with the market projected to expand at a compound annual growth rate (CAGR) of 9-11% from 2024 to 2027, fueled by rising

demand for personal loans, mortgages, and digital banking platforms. Government initiatives, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), have been instrumental in providing banking access to millions of underserved individuals, while the Goods and Services Tax (GST) has streamlined operations, encouraging formal financial systems.

The introduction of the Unified Payments Interface (UPI) has further propelled digital payments, making transactions faster and more accessible. Leading banks such as State Bank of India (SBI), HDFC Bank, and ICICI Bank are leveraging digital innovations to cater to the increasing number of tech-savvy consumers. The Reserve Bank of India (RBI) has also played a key role in implementing reforms to strengthen the banking sector, making it more resilient to economic fluctuations. With these reforms, initiatives to enhance financial inclusion, and growing consumer confidence, India is poised to become a global leader in digital banking.

Exhibit 5 : Global Banks market share in trillion dollars



Company Background

Kotak Mahindra Bank Limited is a prominent private-sector bank in India, known for its robust financial services and innovative banking solutions. Established in 1985 as Kotak Mahindra Finance Limited, the bank has evolved into a major player in the Indian banking industry, offering a wide range of products and services including retail banking, corporate banking, wealth management, and insurance.

Kotak Bank has a strong presence across India with a network of over 1,600 branches and over 2,500 ATMs. The bank has made significant strides in digital banking, with a focus on technology-driven solutions to enhance customer experience and improve operational efficiency. It has developed a strong customer base by offering competitive interest rates, personalized banking services, and a variety of financial products tailored to both individuals and businesses.

Kotak's growth has been supported by strategic mergers, including the acquisition of ING Vysya Bank in 2014, which expanded its footprint and customer base. The bank has also been a key player in India's financial inclusion efforts, with initiatives aimed at providing banking services to underserved and rural areas.

As of 2023, Kotak Mahindra Bank continues to strengthen its position in the Indian banking landscape with a focus on digital innovation, sustainable growth, and improving customer-centric services. The bank is also expanding its international presence, offering financial services in markets like the UAE, London, and New York.

are all part of its retail banking offering. In addition, the bank offers bonds, mutual funds, trading and demat accounts, IPO services, and insurance products through Kotak Life. In addition to professional investment banking services for mergers, acquisitions, and fundraising, Kotak provides business accounts, working capital loans, trade financing, cash management services, and FX solutions for corporate customers. Its wealth management segment provides personalized advisory and portfolio management for high-net-worth individuals, while the NRI banking division supports non-residents with accounts, remittances, and investment options. Kotak is also a leader in digital banking, with innovative offerings like the Kotak 811 digital savings account, UPI services, and instant loans, enhancing customer convenience and accessibility. This diverse portfolio positions Kotak Mahindra Bank as a leading player in India's financial sector.



Product Portfolio

Kotak Mahindra Bank serves institutional, corporate, and individual clients with a wide variety of financial services and products. Current and savings accounts, fixed and recurring deposits, a range of loans, including business, personal, and home loans, and a number of credit cards with special features

Quarterly Result Analysis – Q1FY24 & Q2FY24

Financial Performance

- In Q1 FY24, Kotak Mahindra Bank reported a consolidated net profit of ₹4,150 crore, a 79% YoY increase, driven by gains from its stake sale in Kotak General Insurance. For Q2 FY24, net profit grew 24% YoY to ₹4,461 crore due to consistent retail growth and better asset quality management
- NII rose by 10% YoY in Q1 FY24, reaching ₹6,842 crore, while in Q2 FY24, it increased 11% to ₹6,297 crore. However, the Net Interest Margin (NIM) moderated slightly across both quarters due to higher funding costs and certain one-offs
- Deposits grew by 21% YoY to ₹4.35 trillion in Q1 FY24 and continued robust growth into Q2 FY24. The CASA ratio saw a minor decline to 43.6% as term deposits gained favor due to better interest rates. Advances increased by 21% YoY, driven by retail and corporate segments
- GNPA improved, declining from 1.78% in Q2 FY24 to 1.39% in Q1 FY24, reflecting the bank's strong credit management practices. Net NPA similarly decreased from 0.40% to 0.35% YoY, showcasing robust recovery and lower delinquencies
- The capital adequacy ratio remained healthy, standing at 22.4% in Q1 FY24 and 21.7% in Q2 FY24 under Basel III norms. CET1 ratios were strong at 21.3% and 20.6%, respectively
- Fee income grew steadily, contributing ₹2,240 crore in Q1 FY24 and increasing to ₹2,312 crore in Q2 FY24. Operating profit rose by 11% YoY in Q2 FY24, reaching ₹5,099 crore, fueled by stable core banking operations and growing customer activity

Source : Alphastreet, ET Now, Business News India, Kotak Mahindra Quarterly Report.

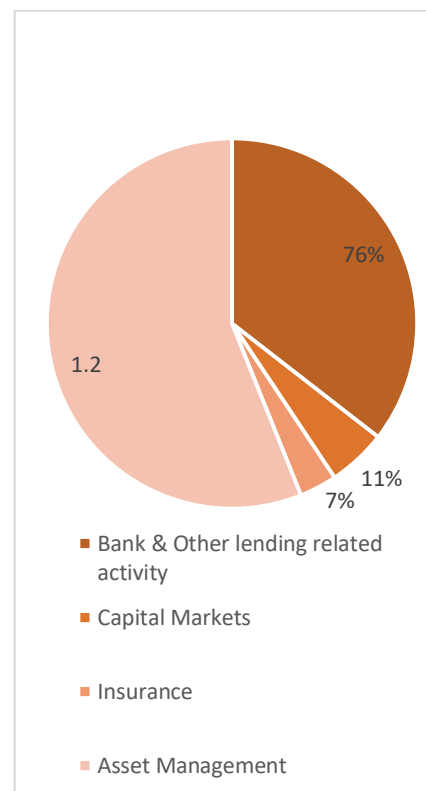
Last Five Years Performance :

- Net revenue increased by 15% CAGR.
- PAT increased by 20% CAGR
- Tax decreased from 29.8% to 24.8% on average.
- PAT margin increased from 12.1% to 18% highlighting profitability growth

Outlook

The bank expects strong double-digit growth in 3Q FY24 and remains confident in delivering robust advances and deposit growth throughout FY24. Kotak Mahindra Bank is optimistic about the growth potential of India's financial sector and continues to focus on strategic initiatives, including digital transformation and customer-centric innovations, to strengthen its position as a leading private-sector bank globally

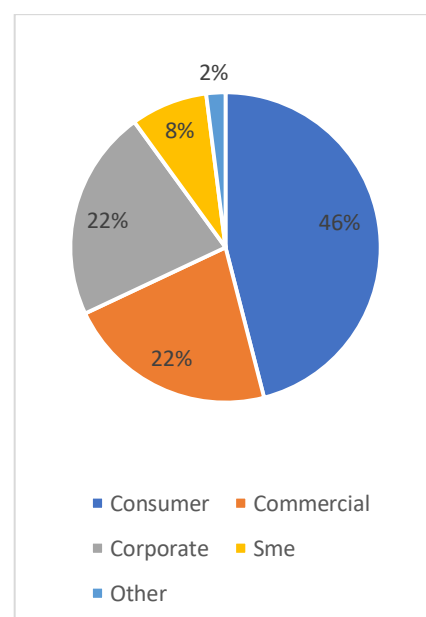
Exhibit 6 : PAT Contribution FY 24



Average Deposits

Averages	Q2FY24	YoY	Q2FY23
Total Deposits	446110	16%	385950
Current Accounts	61853	6%	58351
Savings Accounts	124823	2%	121967
Term Deposits	259434	26%	205632

Exhibit 7 : Advance Mix



Source : Kotak Mahindra Bank Reports

Management Analysis

Shareholding Pattern

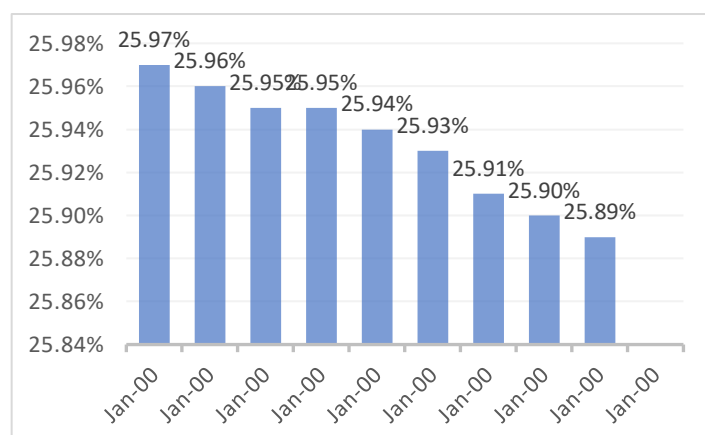
Over the years, Kotak Mahindra Bank's shareholding pattern has undergone significant shifts. From March 2017 to June 2024, promoter holdings declined from 30.3% to 25.89%, reflecting regulatory compliance with the Reserve Bank of India's cap on promoter stakes. This reduction signifies alignment with industry norms rather than any intent of exit by promoters. FIIs maintained a substantial share, fluctuating between 37.5% and 41.5%, indicating consistent confidence among global investors. DIIs, on the other hand, significantly increased their holdings, rising from 15.8% in March 2017 to 24.5% by June 2024, underscoring growing domestic institutional interest in the bank's long-term prospects. Public holdings remained stable within the range of 11% to 13%, reflecting consistent retail investor trust. This evolving shareholding pattern highlights Kotak Mahindra Bank's ability to attract diverse investor categories while adhering to regulatory standards, showcasing balanced participation from both domestic and international stakeholders

Source : Kotak Bank, ET Money, India Infoline

Yearly And Quarterly Shareholding Pattern

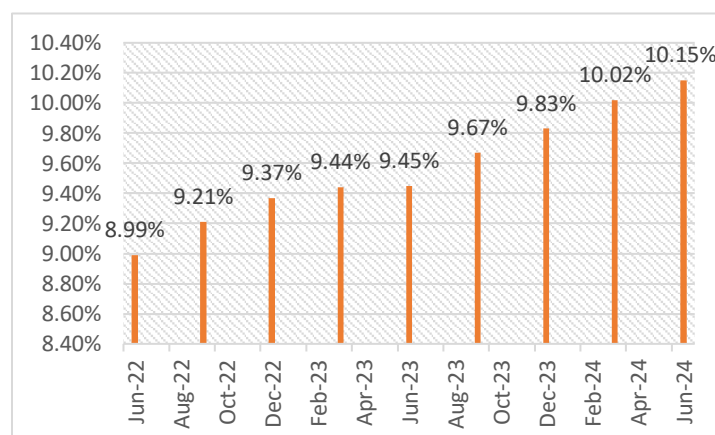
Particulars	Mar 17	Mar 18	Mar 19	Mar 20	Mar 21	Mar 22	Mar 23	Mar 24	Jun 24
Promoters	30.3%	30.1%	29.9%	29.9%	29.9%	26%	25.9%	25.9%	25.89%
FIIs	41.5%	40.8%	40.1%	39.2%	37.9%	39.5%	37.6%	37.5%	37.5%
DIIs	15.8%	16.2%	17.5%	18.1%	20%	23.3%	23.4%	24.5%	24.5%
Public	12.4%	12.9%	12.5%	12.8%	12.2%	11.2%	13.1%	12.1%	12.11%

Exhibit 8 : Quarterly Promoter Holding



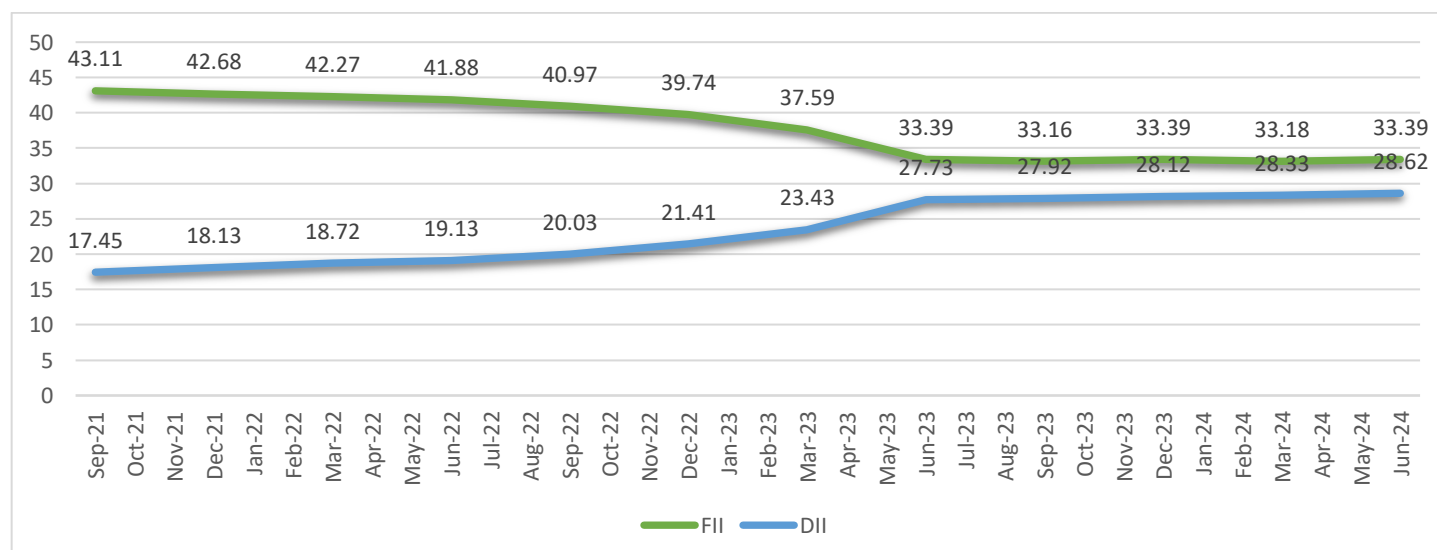
Source : Kotak Bank

Exhibit 9: Quarterly MF Holding



Source : Kotak Bank

Exhibit 10 : Quarterly FII and DII Trend



Source : ET Money

Management Remuneration

Mean pay for the Bank as a whole for all employees who were in employment for the whole of FY2023-24 and FY2022-23 was 0.12 crore (previous year `0.11 crore).

We may utilise the stated remuneration-to-median ratio and the median employee remuneration to determine the compensation of the management individuals listed.

$$\text{Remuneration} = \text{Median salary} \times \text{Ratio}$$

Name of KMP	Designation	Ratio of Remuneration to median employee salary 2024	Fy24 salary in Cr	Fy23 salary in Cr	Growth In remuneration	Sales Growth YoY	Net Profit Growth YoY
Mr Uday Kotak	Non Executive Director	3.53x	0.42	0.0044	9409.1%	21%	24%
Mr Dipak Gupta	Joint MD	67.40x	8.09	5.46	48.17%	21%	24%
Mr KVS Manian	Joint MD	50.18x	6.02	4.26	14.45%	21%	24%
Mr Gaurang Shah	Chief Risk Officer	-	-	5.03	-	21%	24%
Ms Shanti Ekambaram	Deputy MD	54.63x	6.56	2.13	208.92%	21%	24%
Mr Ashok Vaswani	MD and CEO	13.4x	1.61	NA	NA	21%	24%

*Mr Dipak Gupta discharged his position in sep 2023

*Mr Gaurang Shah discharged his duties in 2023

*Mr Ashok Vaswani was appointed as CEO effective from Sep 2023

Source : Kotak Bank Annual Reports.

	2020	2021	2022	2023	2024	5 Year CAGR	3 Year CAGR
Sales	48752.92	54432.80	62245.41	68142.03	94273.91	17.44%	15.01%
Growth YoY%	-	11.65%	14.35%	9.47%	38.35%		
Managerial Remuneration	28.60	31.90	36.50	41.30	53.80	16.59%	15.63%
Growth YoY%	-	11.53%	14.42%	13.15%	30.2%		
Net Profit	8593.24	9473.15	12089.39	13757.50	17629.04	19.38%	19.90%
Growth YoY%	-	10.23%	27.61%	13.79%	28.14%		

The table showcases the company's robust financial performance from 2020 to 2024. Sales surged from 48,752.92 units in 2020 to 94,273.91 units in 2024, achieving a 17.44% CAGR. Managerial remuneration grew from 28.60 units to 53.80 units, with a 16.59% CAGR. Net profit soared from 8,593.24 units to 17,629.04 units, boasting a 19.38% CAGR. This consistent year-on-year growth across all metrics underscores the company's strong financial health and profitability.

Board Efficiency

Name	Designation	Board Meeting Held	Attended	%
Mr Uday Kotak	Non Executive Director	23	23	100%
Mr Dipak Gupta	Joint MD	17	15	88%
Mr KVS Manian	Joint MD	23	22	96%
Mr Gaurang Shah	Chief Risk Officer	NA	NA	NA
MsShanti Ekambaram	Deputy MD	23	21	91%
Mr Ashok Vaswani	MD and CEO	6	6	100%

During the year, the company has been supervised by the BOD efficiently as the majority of members of the board have attended all the board meetings, which shows good participation of the board in key matters discussed during the year and helped the company in taking effective decisions.

Quarterly Snapshot

in cr

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24 E	Q4FY24 E
Net Interest Income	6234	6297	6554	6909	6842	7020	7234.7	7403.8
Other Income	2683	2314	2297	2979	2929	2684	2900.9	2973.2
Total Income	8917	8611	8851	9888	9771	9704	10136	10377
QoQ%	NA	-3.4%	2.7%	11.7%	-1.2%	-0.7%	4.4%	2.3%
Operating Exp	3967	4001	4285	4426	4517	4605	4788.1	4927.5
EBIT	4950	4610	4566	5462	5254	5099	5347.5	5449.6
QoQ%	NA	-6.8%	-1%	19.6%	-3.8%	-3%	4.7%	1.9%
EBT	4585	4244	3987	5198	4676	4439	4699.2	4750
QoQ%	NA	-7.4%	-6.1%	30%	-10%	-5.1%	5.8%	1%
EAT	3452	3191	3005	4133	6250	3344	4873.2	5151.3
QoQ%	NA	-7.5%	-5.8%	37%	51%	-46%	45%	5.7%

Source : Kotak Bank

Annual Snapshot

Particulars	2020	2021	2022	2023	2024
INCOME					
Intrest Earned	334,741,610	328,198,306	337403960	421510612	562366323
Other Income	168,915,750	235,876,764	253106094	259909660	380372782
Total Income	503,657,360	564,075,070	590510054	681420272	942739105
YoY%	-	11.99%	4.68%	15.39%	38.34%
EXPENSE					
Intrest Expended	159,006,795	129,665,484	115,532,912	144111322	225672371
Operating Expense	204,851,517	274,201,888	307,777,684	336450287	458708240
Total Expense	417,586,511	465,046,113	471,191,319	533615851	762970852
YoY%	-	11.36%	1.32%	13.24%	42.98%
PROFIT					
Net Profit	390,004,021	464,260,540	556,116,050	674054420	817463778
YoY%	-	19%	19.7%	21.2%	21%
EPS	44.73	50.53	60.76	74.96	91.45
YoY%	-	12.9%	20.2%	23.3%	21.9%

Source : Kotak Bank

Exhibit 11 : Income vs Income growth

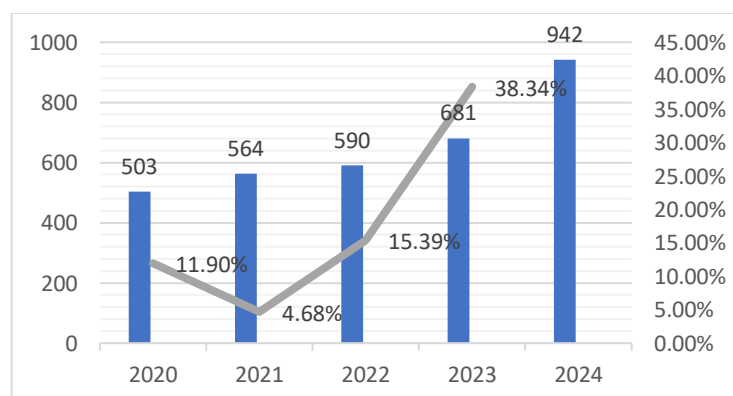
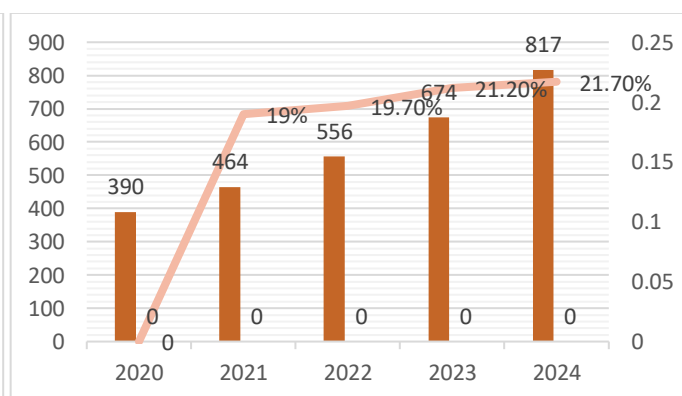


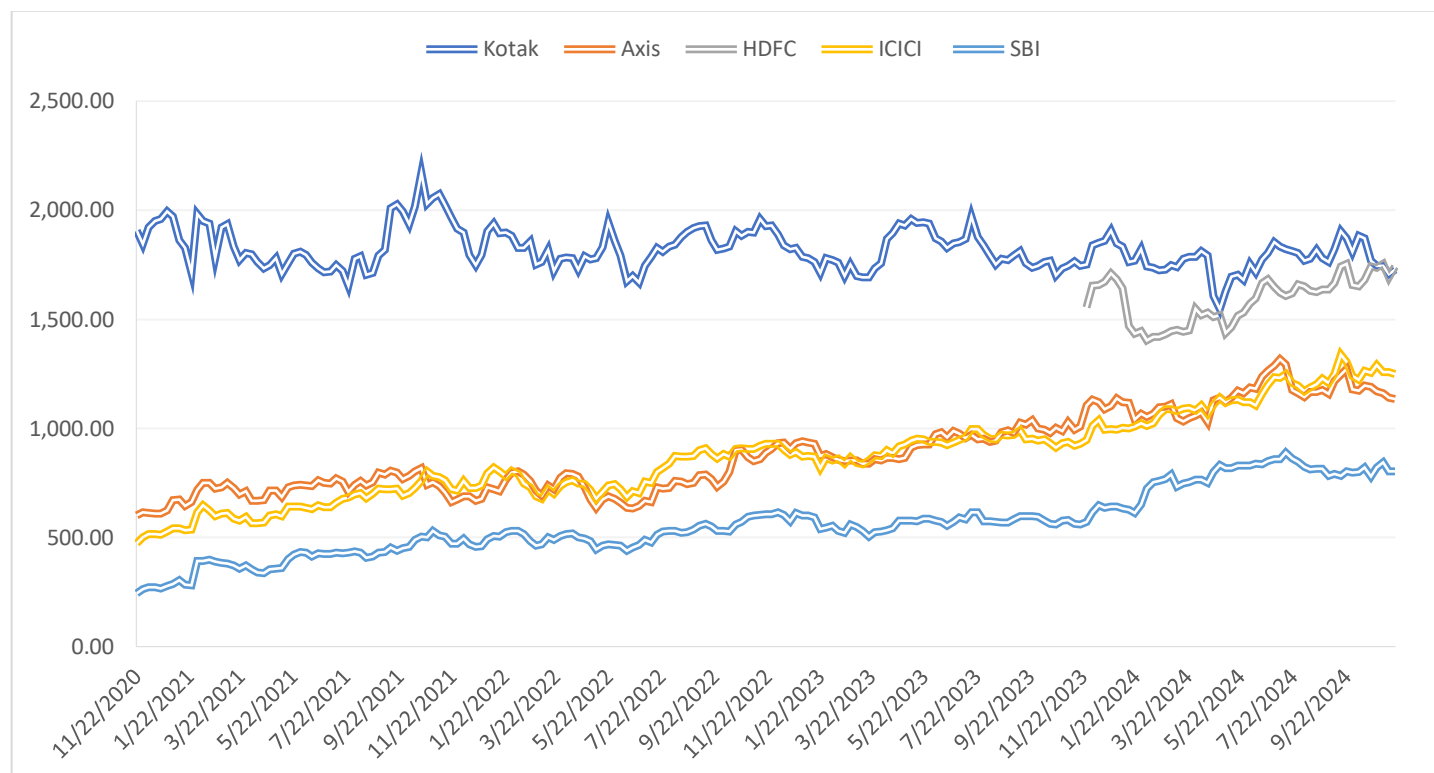
Exhibit 12 : Net Profit vs growth



The financial performance of Kotak Mahindra Bank increased significantly between 2020 and 2024, as seen in the Annual Snapshot. Driven by greater interest and other income, the bank's total income grew steadily, reaching ₹942.74 billion in 2024, representing a YoY gain of 38.34%. In a similar vein, total expenses increased gradually in 2024 to ₹762.79 billion, mostly as a result of increased interest and operational costs. The bank was nonetheless very profitable, with net profit rising from ₹390 billion in 2020 to ₹817.46 billion in 2024, a 21.9% YoY increase in the most recent year. With a sharp increase from ₹44.73 in 2020 to ₹91.45 in 2024, the EPS (Earnings Per Share) also demonstrated robust value creation for shareholders. This image demonstrates the bank's steady expansion and effective cost control.

Peer Comparison

Exhibit 13 : 5 year stock performance



Source : NSE

Name	CMP	Market Cap (INR Trillion)	PE ratio
Kotak Bank	1722	3.43	19.14
SBI	802	7.15	10
HDFC	1736	13.32	19
ICICI	1244	8.81	18.18
Axis	1133	3.51	12.58

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