



Kotak Mahindra Bank

BSE SENSEX 17,279	S&P CNX 5,243	CMP: INR579	TP: INR485	Neutral								
Bloomberg Equity Shares (m)	KMB IN 740.7	Year	Cons. PAT	Cons. EPS	EPS	P/E	Cons. BV	P/BV	P/ABV	Cons RoE	RoAA*	Core RoE*
52-Week Range (INR)	612/411	End	(INR m)	(INR)	Gr. (%)	(X)	(INR)	(X)	(X)	(%)	(%)	(%)
1,6,12 Rel.Perf.(%)	0/18/23	3/11A	15,667	21.3	13.3	-	148.8	-	-	16.6	1.9	15.4
M.Cap. (INR b)	428.9	3/12A	18,322	24.7	16.3	23.4	174.2	3.3	3.4	15.4	1.9	15.4
M.Cap. (USD b)	7.8	3/13E	20,165	27.2	10.1	21.3	200.6	2.9	2.9	14.5	1.6	14.6
		3/14E	22,642	30.6	12.3	18.9	230.3	2.5	2.6	14.2	1.5	14.3

* For Standalone Bank

Kotak Mahindra Bank's (KMB) 1QFY13 consolidated PAT grew 6% YoY to INR4.4b, 9% lower than our estimate. While lending business PAT growth of 9% YoY was in line with our estimate, sluggish capital market business (PAT 11% lower than our estimate) impacted overall PAT. **Key highlights:**

- **Lending business:** (a) Healthy loan growth of 7% QoQ and 28% YoY; (b) Largely stable margins at 4.7% (4.8% in FY12), (c) GNPA (ex stress assets) increased 20% QoQ (largely led by one chunky account of ~INR1b) and PCR declined to 46% from 53% a quarter ago; (d) SA growth remains healthy at 10% QoQ and 70% YoY; (e) PAT growth of 9% YoY, led by banking business PAT growth of 12% YoY; PAT for other lending business was flat YoY.
- **Capital market business:** (a) Profit from the securities business was flat YoY but declined 50% QoQ (on a higher base), (b) KSEC's market share declined to 2.5% from 2.9% a quarter ago, (c) Investment banking reported PAT of INR60m v/s INR50m in 4QFY12 and INR10m in 1QFY12.
- **Asset management business:** Profit declined to INR70m from INR160m in 4QFY12, led by a loss of INR50m in international subsidiaries v/s a profit of INR30m, a quarter ago.

Valuation and view: Moderating growth, expected deterioration in asset quality and higher base of FY12 (on healthy recoveries and just 15bp credit cost in FY12) will put pressure on lending business profitability. Profitability of the capital market and asset management businesses is likely to remain sluggish for the next few quarters. The stock trades at 2.9x FY13E and 2.5x FY14E consolidated BV. Maintain **Neutral**; our SOTP-based TP is INR485.

KMB Group: Earnings Trends

	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Kotak Bank (Standalone)	2,520	2,600	2,760	2,970	2,820	2,889	3,022	3,209	10,850	11,940
Kotak Prime	940	900	1,040	970	940	998	1,034	1,085	3,849	4,057
Kotak Mah. Investments	30	30	30	60	40	44	48	53	153	185
Lending Business	3,490	3,530	3,830	4,000	3,800	3,931	4,104	4,347	14,852	16,182
YoY Growth (%)	29.3	33.7	34.7	17.5	8.9	11.3	7.1	8.7	28.0	9.0
Kotak Securities	230	290	240	500	230	251	267	296	1,260	1,044
Kotak Mah. Capital Co.	10	-40	40	50	60	49	54	59	60	222
Capital Market Business	240	250	280	550	290	300	320	355	1,320	1,265
YoY Growth (%)	-55.8	-57.7	-48.4	-16.9	20.8	19.8	14.4	-35.4	-43.5	-4.2
Intl. Subsidiaries	-30	-70	-40	30	-50	10	20	20	-110	0
Kotak Mah. AMC & Trustee Co.	90	70	30	30	40	55	70	95	220	260
Kotak Investment Advisors	110	80	70	100	80	90	95	110	360	375
Asset Management Business	170	80	60	160	70	155	185	225	470	635
YoY Growth (%)	-52.0	-60.7	-71.3	-34.7	-58.8	93.8	208.3	40.6	-53.4	35.1
Consol. PAT excluding Kotak Life	3,900	3,860	4,170	4,710	4,160	4,385	4,609	4,927	16,642	18,082
YoY Growth (%)	8.4	12.4	16.0	9.2	6.7	13.6	10.5	4.6	11.3	8.7
Kotak OM Life Insurance	460	530	470	570	320	610	541	763	2,030	2,233
Consolidation Adjust.	-200	-60	-10	-70	-50	-30	-30	-40	-349	-150
Consol. PAT Including Kotak Life	4,160	4,330	4,630	5,210	4,430	4,965	5,120	5,650	18,322	20,165
YoY Growth (%)	26.9	18.9	20.7	6.2	6.5	14.7	10.6	8.5	16.9	10.1

Source: MOSL

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Earnings Snapshot (INR m)

	Business	1Q FY13	4Q FY12	QoQ Gr. (%)	1Q FY12	YoY Gr. (%)
Kotak Mahindra Bank (Standalone)	Banking Business	2,820	2,970	-5	2,520	12
Kotak Mahindra Prime	Auto loans, debt capital markets	940	970	-3	940	0
Kotak Mahindra Investments	Primarily LAS	40	60	-33	30	33
Lending Business		3,800	4,000	-5	3,490	9
Kotak Mahindra Capital Company	Investment banking	60	50	20	10	500
Kotak Securities	Broking and distribution	230	500	-54	230	0
Capital Market Business		290	550	-47	240	21
International subsidiaries	Asset Mgt and IB	-50	30	-267	-30	67
Kotak Mahindra AMC & Trustee Co	Mutual funds management	40	30	NA	90	-56
Kotak Investment Advisors	Alternate asset management	80	100	-20	110	-27
Asset Management Business		70	160	-56	170	-59
Kotak Life Insurance		320	570	-44	460	-30
Consol. PAT		4,480	5,280	-15	4,360	3
Consolidation Adjust.		-45	-71		-199	
Reported PAT		4,435	5,209	-15	4,161	7

Lending business: Reported margins contract 10bp QoQ; Asset quality under pressure

Consolidated loan book grew 28% YoY and 7% QoQ to INR570b driven by healthy growth in both the standalone book as well as for Kotak Prime. For standalone bank, growth was mainly driven by the corporate, CV and the agri segments, while the car segment grew at a healthy pace for Kotak Prime. Reported consolidated margins contracted by 10bp QoQ to 4.7%. The CASA ratio for the bank declined sharply to 26.6% from 32.2% in 4QFY12. Consolidated GNPA (ex stress assets) ratio increased 13bp QoQ to 1.18%.

Consolidated loan book grew 28% YoY (INR m)

	1QFY13	1QFY12	YoY %	4QFY12	QoQ %
Comm. Vehicles	84,690	67,710	25.1	77,980	8.6
Car Loans (Prime)	111,610	89,780	24.3	106,000	5.3
Personal Loans	19,440	13,600	42.9	18,680	4.1
Home loans	87,390	70,770	23.5	83,330	4.9
Corp Banking	143,860	110,780	29.9	123,210	16.8
Business Banking	34,230	25,330	35.1	35,150	-2.6
Agri	61,060	43,560	40.2	57,140	6.9
Others	28,210	25,460	10.8	29,950	-5.8
Total Loans	570,490	446,990	27.6	531,440	7.3
Inv. / Treasury Assets	232,190	194,220	19.5	232,610	-0.2

Source: Company, MOSL

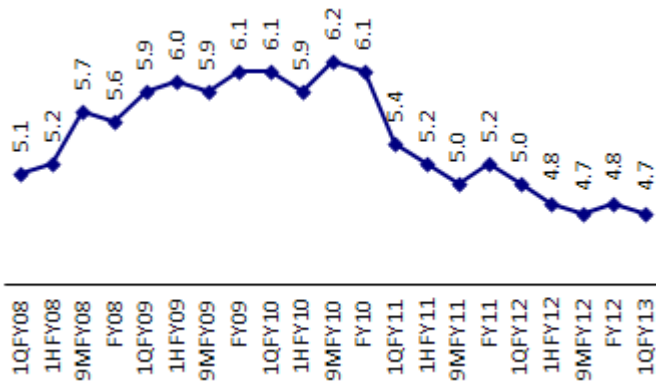
Trend in lending business profitability - Share of lending business in overall profitability remains high (INR m)

	FY10				FY11				FY12				FY13
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total Lending Profits	1,222	1,741	1,980	2,679	2,699	2,640	2,843	3,406	3,490	3,530	3,830	4,000	3,800
YoY Gr. (%)	22	92	96	73	121	52	44	27	29	34	35	17	9
QoQ Gr. (%)	-21	42	14	35	1	-2	8	20	2	1	8	4	-5
Share in Cons. Profit (%)	48	56	59	65	77	74	74	68	80	80	83	76	85

Source: Company, MOSL

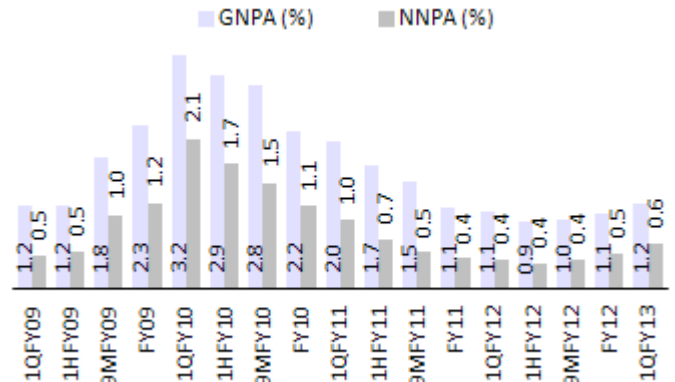
Margins decline 10bp QoQ (%)

Steep decline in CASA and higher buildup of agri loans affected margins. Management has guided for 4.5%+ margins for FY13.



Asset quality deteriorates as one large account slips

Asset quality deteriorated due to one large corporate account slipping into NPA category



Source: Company, MOSL

Banking: Asset growth remains strong; Turning cautious on growth

Kotak Bank standalone PAT grew 12% YoY and declined 5% QoQ to ~INR2.8b (largely in line with est.). NII grew at a healthy pace by 27% YoY and 5% QoQ on the back of strong loan growth. Loans grew strongly by 31% YoY and 8% QoQ to INR423b driven by robust growth in corporate loans (up 33% YoY and 17% QoQ), CV loans (up 25% YoY and 9% QoQ) and agri loans (up 40% YoY and 7% QoQ). Strong increase in the agri portfolio over the past two quarters is mainly due to the buildup of priority sector loans and largely in line with the historical trend. However, the management has toned down its FY13 growth guidance to 20%+ from 25%-30% earlier.

Traction in SA deposits remains healthy

Deposits too grew strongly 34% YoY and 8% QoQ to INR416b. Importantly, growth in SA deposits remained strong as it grew 10% QoQ and 68% YoY to INR55.4b. SA deposits as a % to overall deposits remained largely stable at 13.3%. However sharp decline in CA deposits (down 25% QoQ) led to 11% sequential fall in CASA deposits (+34% YoY). Consequently, CASA ratio stood at 26.6% v/s 32.2% a quarter ago.

Lower recoveries from stressed assets impacts non-interest income growth

Growth in non-interest income remained muted at just 5% YoY as the recovery from stressed assets stood at ~INR200m in 1QFY13 as against INR650m during the year ago period.

Asset quality deteriorates on as one large corporate account slips

Asset quality deteriorated as GNPA's increased by 11% QoQ in absolute terms. GNPA in % terms stood stable QoQ at ~1.6%. However, %GNPA (excluding stressed assets) stood at 1.39% v/s 1.22% a quarter ago. Provision coverage ratio (including technical write offs) declined sharply to 62.5% from 70.1% in the previous quarter. Net restructured loan stood at just INR120m (3bp of overall loans).

Kotak Mahindra Bank (SA) Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	13,298	14,646	16,410	17,448	18,158	18,812	19,448	19,793	61,802	76,212
Interest Expense	7,619	8,592	9,895	10,571	10,945	11,219	11,471	11,404	36,677	45,039
Net Interest Income	5,678	6,055	6,515	6,877	7,213	7,593	7,976	8,389	25,125	31,172
% Change (Y-o-Y)	17.1	11.3	14.0	21.7	27.0	25.4	22.4	22.0	19.8	24.1
Other Income	2,287	2,125	2,820	2,542	2,411	2,444	3,102	3,083	9,773	11,040
Net Income	7,965	8,180	9,334	9,420	9,625	10,037	11,078	11,473	34,898	42,213
% Change (Y-o-Y)	23.0	19.7	26.7	15.9	20.8	22.7	18.7	21.8	21.3	21.0
Operating Expenses	4,105	4,379	4,898	4,966	5,141	5,289	5,984	6,119	18,348	22,533
Operating Profit	3,861	3,800	4,436	4,453	4,484	4,748	5,095	5,354	16,550	19,680
% Change (Y-o-Y)	21.6	16.3	41.0	21.0	16.1	24.9	14.8	20.2	24.9	18.9
Other Provisions	221	-24	307	46	341	500	650	630	551	2,121
Profit before Tax	3,640	3,824	4,129	4,407	4,142	4,248	4,445	4,724	15,999	17,559
Tax Provisions	1,119	1,224	1,368	1,438	1,318	1,359	1,422	1,519	5,149	5,619
Net Profit	2,520	2,600	2,761	2,969	2,824	2,889	3,022	3,204	10,850	11,940
% Change (Y-o-Y)	33.3	33.5	47.0	19.4	12.1	11.1	9.5	7.9	32.6	10.0

E: MOSL Estimates, Quarterly numbers vary from full year number due to difference in reporting

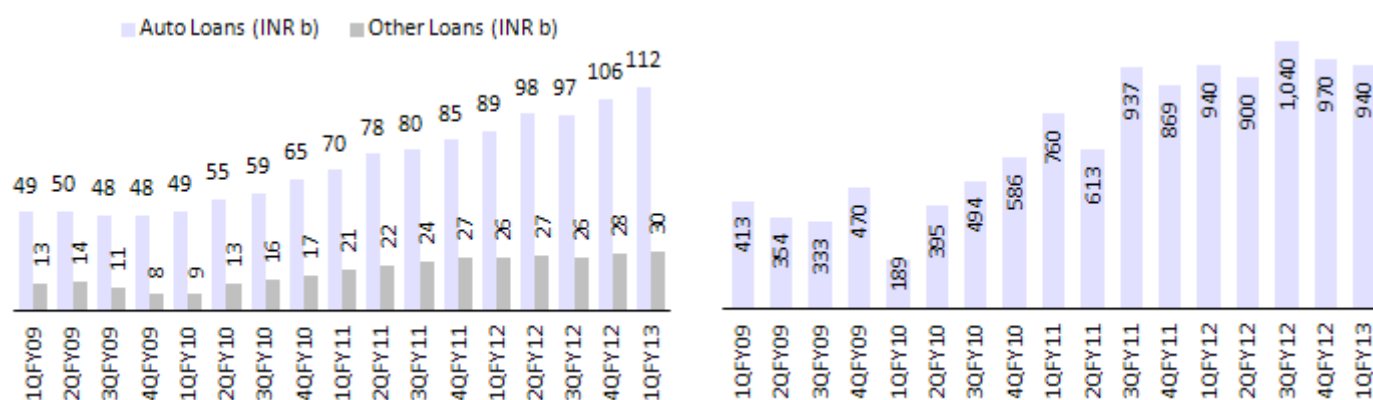
Kotak Prime - Healthy asset growth; muted bottom-line

Kotak Prime's total income grew 29% YoY and 9% QoQ to INR5.1b driven by healthy asset growth. However, the strong topline growth did not translate into similar kind of bottomline growth as the PAT declined 3% QoQ and remained flat YoY at INR940m. The lower profitability could be attributed to margin pressures in the car business and pressure on profitability in the real estate business. Auto loans grew at a healthy pace at 25% YoY and 5% QoQ to INR111b. Other loans grew 13% YoY and 5% QoQ to INR29.6b. Overall loans grew 22% YoY and 5% QoQ to INR141b. Net NPAs on car finance declined to 0.1% from 0.2% in 4QFY12. CAR remained healthy at 15.9%.

KMPL: Loan book gr. remains healthy at 22% YoY and 5% QoQ PAT growth remains muted (INR m)

Auto loans were up 5% QoQ and 25% YoY; Other loans grew 5% QoQ and 13% YoY...

... however, PAT remained muted due to pressure on profitability in non-car segment



Source: Company, MOSL

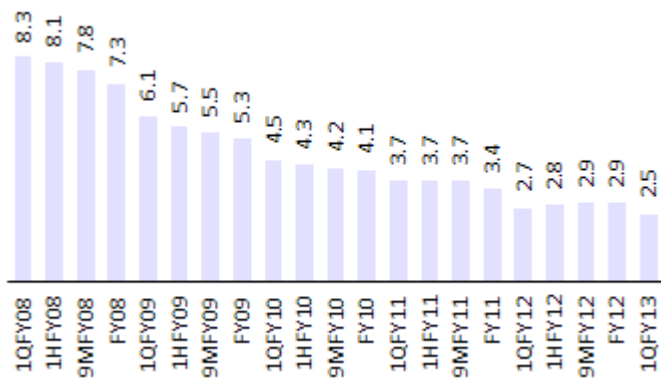
Capital market business: Subdued performance

KSEC's revenues declined 9% YoY to INR1.32b, while the PAT remained flat on a YoY basis, and declined more than 50% sequentially (profits in 4QFY12 were driven higher by few one-off opportunities to earn fee income). Average daily volumes declined sharply by 18% QoQ to INR33b. KSEC's market share declined to 2.5% from 2.9% as on

March 2012. Investment Banking reported PAT of INR60m v/s INR50m in 4QFY12 and INR10m in 1QFY12. In 1QFY13, profits from the capital market related business declined sharply by 47% QoQ.

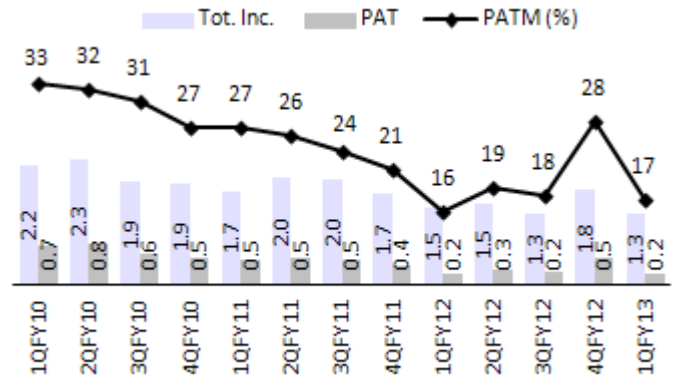
K-Sec market share contracts sharply QoQ (%)

KSEC's market share declined 40bp QoQ led by 18% QoQ decline in ADV



K-Sec earnings trend (INR b)

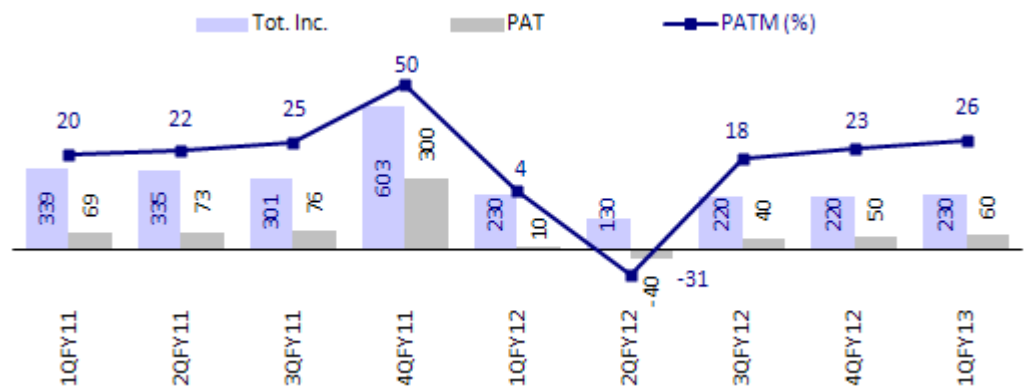
PAT declined more than 50% QoQ due to higher base and remained flat YoY



Source: Company, MOSL

Investment banking earnings trend (INR m)

Investment Banking reported PAT of INR60m v/s INR50m in 4QFY12 and INR10m in 1QFY12.



Source: Company, MOSL

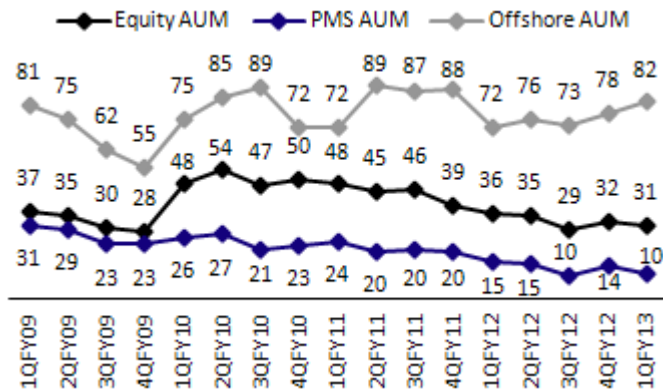
Asset Management: Profitability remains under pressure

Overall AUMs increased QoQ to INR515b v/s INR460b in 4QFY12, but remained largely flattish on a YoY basis. AUM under off-shore funds increased for the second consecutive quarter to INR83b vs. INR78b in 4QFY12. Equity AUM under MF declined to INR30.9b as against INR32.2b in 4QFY12. Notably, a very strong increase was seen in the debt AUMs to INR242b from INR189b in 4QFY12.

PAT from asset management business stood at INR40m v/s INR30m in 4QFY12 and INR90m in 1QFY12. Profits of Kotak investment advisors remained largely flat both on a YoY as well as on a QoQ basis at ~INR110m. After turning profitable, in 4QFY12, International subsidiaries once again reported a net loss of INR50m as against a net loss INR30m in 1QFY12.

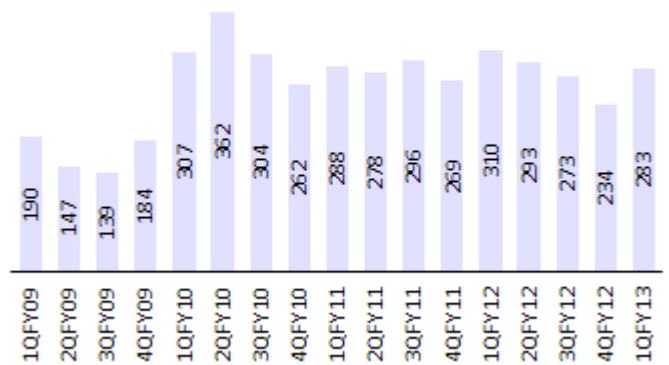
Domestic equity AUMs decline QoQ (INR b)

Equity AUM under MF declined marginally to INR31b QoQ, while offshore AUMs increased to INR82b v/s INR78b in 4QFY12



MF AUMs Increases QoQ (INR b)

Strong increase was seen in debt AUMs to INR242b from INR189b in 4QFY12, resulting into strong MF AUM growth



Source: Company, MOSL

Life Insurance: Premium income declines 11% YoY; PAT down 30% YoY

Kotak Life Insurance gross premium income declined by 11% YoY and down 59% to INR4.57b. While the steep seasonal decline in premium income is seasonal in nature, the YoY decline in premium income was led by 8% YoY decline in renewal premium. First year regular premium fell by 3% YoY to INR1.2b. Notably single premium income fell sharply by 58% YoY to INR170m. Life insurance business reported PAT of INR320m v/s INR570m and INR460m in 1QFY12. AUM of life insurance business increased by ~13% YoY, while it remained largely flattish on a QoQ basis.

Trend in segment-wise profitability

	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13
Total Lending Profits	2,699	2,640	2,843	3,406	3,490	3,530	3,830	4,000	3,800
QoQ Growth (%)	1	-2	8	20	2	1	8	4	-5
YoY Growth (%)	121	52	44	27	29	34	35	17	9
% Share to total profits	76	74	74	68	80	80	83	76	85
Capital market related business	543	591	543	662	240	250	280	550	290
QoQ Growth (%)	-15	9	-8	22	-64	4	12	96	-47
YoY Growth (%)	-31	-26	-11	3	-56	-58	-48	-17	21
% Share to total profits	15	17	14	13	6	6	6	10	6
AMC Businesses	355	204	209	245	170	80	60	160	70
QoQ Growth (%)	-1	-43	3	17	-31	-53	-25	167	-56
YoY Growth (%)	-29	-59	-63	-31	-52	-61	-71	-35	-59
% Share to total profits	10	6	5	5	4	2	1	3	2
Kotak Mah. Old Mutual Life Insur.	-69	134	236	712	460	530	470	570	320
QoQ Growth (%)	-116	-295	76	202	-35	15	-11	21	-44
YoY Growth (%)	-723	208	22	60	-766	294	99	-20	-30
% Share to total profits	-2	4	6	14	11	12	10	11	7
Others	1	-1	-1	0	0	0	0	0	0
Consolidated PAT (before adj.)	3,528	3,568	3,830	5,025	4,360	4,390	4,640	5,280	4,480
QoQ Growth (%)	-14	1	7	31	-13	1	6	14	-15
YoY Growth (%)	40	16	14	22	24	23	21	5	3
% Share to total profits	100	100	100	100	100	100	100	100	100
Total consolidated PAT ex Life	3,597	3,433	3,594	4,313	3,900	3,860	4,170	4,710	4,160
QoQ Growth (%)	-2	-5	5	20	-10	-1	8	13	-12
YoY Growth (%)	43	13	14	17	8	12	16	9	7
% Share to total profits	102	96	94	86	89	88	90	89	93

Source: Company, MOSL

KOTAK MAHINDRA: Highlights of result conference call**Views on macroeconomic environment**

- The management is currently factoring in the assumption of ~6% FY13 real GDP growth and 13-14% nominal GDP growth. As per mgmt, Inflation in FY13 is likely to be 7%+.
- Inaction from government over next 1-2 months will lead to sub 6% GDP growth. Pickup in economic growth and reformatory steps by the government will be the key catalysts for revival growth.

Adverse environment leading to lower growth guidance

- Mgmt has lowered the growth guidance from earlier 25-30% to 20%+ for FY13 led by cautious view on macroeconomic environment.
- Significant moderation in infrastructure activities is now putting ripple effect on CV and CE segment. While withdrawal of some of the NBFC is providing opportunities for some of the banks in this segment, early sign of asset quality deterioration is leading to cautious view on this segment.
- For growing CV and CE portfolio, mgmt is focusing on LCV and big pocket contractors.

Asset quality - early signs of deterioration

- While asset quality in the retail segment has held up well the bank is witnessing some early signs of weakness in asset quality in the CV / CE segment, which are directly correlated to economic growth.
- As per the management, a lot will depend on the government action in the coming 20-30 days, which will decide the future course of growth for the economy as well as the bank. Moreover, if the economic growth further moderates, then the stress on asset quality can spread to other segments as well.

Other highlights

- The management has maintained its margin guidance of 4.5%+ (4.7% in 1QFY13) even in case the loan mix undergoes change.
- Given the current challenging environment, the bank has taken measures to improve efficiencies and contain costs by merging different verticals with synergies. The management is targeting to reduce cost-to-income ratio to below 50% levels over the next year from ~53% currently.
- Outlook on the capital market related business remains challenging and the outlook is unlikely to improve in the near term.
- In the life insurance business, management indicated that new product guidelines are in the pipeline. It will have its bearing on the growth as well as the profitability of the insurance business. Hence one has to wait and watch, barring which the insurance business is expected to stabilize and grow steadily.
- KMB has received directive from the RBI to take promoter holding to 20% by March 2018. The bank is not looking at capital raising at least for next 12 months.

Valuation and view

- Management has toned down the growth guidance considering moderating economic growth, early warning signs of deterioration in asset quality in some of the key products and continued policy paralysis. Moderating growth especially in some of the high yielding products, expected deterioration in asset quality (due to adverse macro environment) and higher base of FY12 (on back of healthy recoveries and just 15bp of credit cost) will put pressure on lending business profitability.
- Sluggishness in profitability of capital market and asset mgmt business is likely to persist over next few quarters due to heightened competition, structural issues related to industry and regulatory changes. Overall, we expect profit growth to be muted at 10% CAGR over FY12-14 vs 40% over FY09-12.
- We have cut our earnings estimates by 3-4% for FY13/14 to account for lower growth in lending business. Share of lending business is expected to remain high at 80%. We expect consolidated EPS of INR27 in FY13 and INR31 in FY14 and consolidated BV of INR201 and INR230 in FY13 and FY14.
- KMB's RoA is likely to decline from 1.9% in FY12 to 1.5-1.6% over FY13/14 and higher capitalization (Core Tier I ratio of 15.5 %+) will keep core RoEs subdued at 14.5+% over FY13/14. On a consolidated basis, KMB is expected to report ROE of 14-15% over FY12-14.
- Stock trades at 2.9x and 2.5x FY13E and FY14E consolidated BV and 21x FY13E and 19x FY14E consolidated EPS. We to maintain **Neutral** with SOTP based target price of INR485.

Kotak Mahindra: SOTP Valuation (FY14-based)

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	306.4	5.5	414	85	
Kotak Mahindra Bank	250.7	4.5	338	70	2.5x FY14E Core NW, ~1.6% RoA and ~14% Core RoE
Kotak Prime (Car and other loans)	52.6	0.9	71	15	2x FY14E Net Worth, ~20% Core RoE
Kotak Investment Company (LAS)	3.1	0.1	4	1	1x FY14E Net Worth
Asset Management Business	23.8	0.4	32	7	
Domestic Mutual Fund	11.3	0.2	15	3	3.5% of FY14E Avg. AUM of INR323b
Alternative Assets	8.7	0.2	5	1	12% of FY14E AUM of INR77b
Offshore Funds	3.8	0.1	12	2	5% of FY14E AUM of USD1.5b
Capital Markets related Business	16.1	0.3	22	4	
Kotak Securities	12.6	0.2	17	4	12x FY14E Earnings
Kotak Investment Banking (KMCC)	3.4	0.1	5	1	1x FY14E Free Network
Kotak Life Insurance	13.4	0.2	18	4	15x FY14E NBAP, APE CAGR of ~15% in FY12-14
Target Value	359.7	6.5	486	100	Implied 2.1x PBV and 16x PE FY14; ROE of 15.3%
Current value / market price	428.9	7.7	579		
Upside (%)	-16.1		-16.1		

Source: MOSL

KMB Group: Earnings Estimates (INR Million)

	Business	FY10	FY11	FY12	FY13E	FY14E
Kotak Mahindra Bank (Standalone)	Banking Business	5,611	8,182	10,850	11,940	13,404
Kotak Mahindra Prime	Auto loans, debt capital markets	1,664	3,179	3,849	4,057	4,571
Kotak Mahindra Investments	Primarily LAS	347	240	153	185	194
Lending Business		7,622	11,600	14,852	16,182	18,170
International subsidiaries	Asset management and inv. banking	799	509	-110	0	50
Kotak Mahindra AMC & Trustee Co	Mutual funds management	725	173	220	260	278
Kotak Investment Advisors	Alternate asset management	398	327	360	375	425
Asset Management Business		1,921	1,009	470	635	753
Kotak Securities	Broking and distribution	2,601	1,819	1,260	1,044	1,052
Kotak Mahindra Capital Company	Investment banking	239	519	60	222	250
Capital Market Business		2,840	2,338	1,320	1,265	1,302
Consol. PAT excluding Kotak Life		12,382	14,948	16,642	18,082	20,224
YoY Growth (%)		89	21	11	9	12
Kotak OM Life Insurance	Life insurance	692	1,014	2,030	2,233	2,568
Consolidation Adjust.		-4	-294	-349	-150	-150
Consol. PAT Including Kotak Life		13,070	15,667	18,322	20,165	22,642
YoY Growth (%)		100	20	17	10	12

Source: MOSL

Kotak Group Earnings Snapshot (% to total)

	Business	FY10	FY11	FY12E	FY13E	FY14E
Kotak Mahindra Bank (Standalone)	Banking Business	43	52	59	59	59
Kotak Mahindra Prime	Auto loans, debt capital markets	13	20	21	20	20
Kotak Mahindra Investments	Primarily LAS	3	2	1	1	1
Lending Business		58	74	81	80	80
International subsidiaries	Asset management and inv. banking	6	3	-1	0	0
Kotak Mahindra AMC & Trustee Co	Mutual funds management	6	1	1	1	1
Kotak Investment Advisors	Alternate asset management	3	2	2	2	2
Asset Management Business		15	6	3	3	3
Kotak Securities	Broking and distribution	20	12	7	5	5
Kotak Mahindra Capital Company	Investment banking	2	3	0	1	1
Capital Market Business		22	15	7	6	6
Consol. PAT excluding Kotak Life		95	95	91	90	89
Kotak OM Life Insurance	Life insurance	5	6	11	11	11
Consol. PAT Including Kotak Life		100	100	100	100	100

Source: MOSL

Financials and Valuation

Income Statement (Standalone)					(INR Million)	
Y/E March	2009	2010	2011	2012	2013E	2014E
Interest Income	30,651	32,556	41,898	61,802	76,212	89,659
Interest Expense	15,466	13,975	20,922	36,677	45,039	52,648
Net Interest Income	15,185	18,581	20,976	25,125	31,172	37,010
Change (%)	23.9	22.4	12.9	19.8	24.1	18.7
Non Interest Income	2,736	6,282	7,805	9,773	11,040	13,209
Net Income	17,922	24,864	28,781	34,898	42,213	50,220
Change (%)	6.1	38.7	15.8	21.3	21.0	19.0
Operating Expenses	11,964	11,894	15,533	18,348	22,533	26,333
Pre Provision Profits	5,958	12,970	13,248	16,550	19,680	23,886
Change (%)	-11.1	117.7	2.1	24.9	18.9	21.4
Provisions (excl tax)	1,697	4,859	1,371	551	2,121	4,174
PBT	4,261	8,111	11,877	15,999	17,559	19,712
Tax	1,500	2,500	3,695	5,149	5,619	6,308
Tax Rate (%)	35.2	30.8	31.1	32.2	32.0	32.0
Standalone PAT	2,761	5,611	8,182	10,850	11,940	13,404
Change (%)	-6.1	103.2	45.8	32.6	10.0	12.3
Consolidated PAT	6,524	13,070	15,667	18,322	20,165	22,642
Change (%)	-34.2	100.3	19.9	16.9	10.1	12.3
Equity Dividend (Incl tax)	278	297	462	517	590	662
Core PPP (Standalone)*	5,650	10,375	11,083	14,445	17,180	20,936
Change (%)	15.0	83.6	6.8	30.3	18.9	21.9

*Core PPP is (NII+Fee income-Opex)

Balance Sheet (Standalone)					(INR Million)	
Y/E March	2009	2010	2011	2012	2013E	2014E
Equity Share Capital	3,457	3,481	3,684	3,703	3,703	3,703
Reserves & Surplus	34,679	41,370	64,280	75,756	87,106	99,848
Net Worth	38,136	44,851	67,965	79,459	90,809	103,552
Deposits	156,440	238,865	292,610	385,365	489,414	601,979
Change (%)	-4.7	52.7	22.5	31.7	27.0	23.0
of which CASA Dep	51,181	74,631	87,905	124,024	154,102	195,524
Change (%)	9.6	45.8	17.8	41.1	24.3	26.9
Borrowings	67,340	61,405	117,239	165,955	198,695	237,683
Other Liabilities & Prov.	25,202	29,242	30,693	25,885	30,985	37,113
Total Liabilities	287,119	374,363	508,507	656,665	809,903	980,326
Current Assets	11,407	23,003	24,710	26,346	45,504	54,406
Investments	91,102	125,127	171,214	215,668	258,802	310,562
Change (%)	-0.3	37.3	36.8	26.0	20.0	20.0
Loans	166,253	207,751	293,293	390,792	476,767	581,655
Change (%)	6.9	25.0	41.2	33.2	22.0	22.0
Fixed Assets	2,134	4,276	4,256	4,500	4,632	4,665
Other Assets	16,223	14,207	15,033	19,359	24,199	29,039
Total Assets	287,119	374,363	508,507	656,665	809,903	980,326

Asset Quality (Standalone) (Excl. acquired NPA)					(%)	
GNPA (INR m)	4,475	4,983	3,618	4,778	8,131	10,984
NNPA (INR m)	2,055	2,572	1,461	2,243	4,497	5,874
GNPA Ratio	2.65	2.37	1.22	1.21	1.69	1.87
NNPA Ratio	1.24	1.24	0.50	0.57	0.94	1.01
PCR (Incl acquired NPA)	42.4	53.1	65.0	61.4	50.0	50.0
PCR (Excl acquired NPA)	54.1	48.4	59.6	53.0	44.7	46.5

E: MOSL Estimates

Financials and Valuation

Ratios (Standalone)						
Y/E March	2009	2010	2011	2012	2013E	2014E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	11.7	11.0	10.4	11.4	11.2	10.9
Avg. Yield on loans	15.5	13.5	12.8	14.2	13.5	13.0
Avg. Yield on Investments	6.1	6.7	6.5	6.8	7.4	7.4
Avg. Cost-Int. Bear. Liab.	6.9	5.3	5.9	7.6	7.3	6.9
Avg. Cost of Deposits	6.8	5.0	5.6	7.4	7.1	6.6
Interest Spread	4.7	5.6	4.5	3.8	4.0	4.0
Net Interest Margin	5.8	6.3	5.2	4.6	4.6	4.5
Profitability Ratios (%)						
Consolidated ROE	10.6	18.1	16.6	15.4	14.5	14.2
Standalone Core RoE	8.2	14.6	15.4	15.4	14.6	14.3
Standalone RoA	1.0	1.7	1.9	1.9	1.6	1.5
Int. Expense/Int.Income	50.5	42.9	49.9	59.3	59.1	58.7
Non Int. Inc./Net Income	15.3	25.3	27.1	28.0	26.2	26.3
Asset-Liability Profile (%)						
Loans/Deposit Ratio	106.3	87.0	100.2	101.4	97.4	96.6
Loans/(Deposits+Borrowings)	74.3	69.2	71.6	70.9	69.3	69.3
CASA Ratio	32.7	31.2	30.0	32.2	31.5	32.5
Investment/Deposit Ratio	58.2	52.4	58.5	56.0	52.9	51.6
Invest/(Deposits+Borrowings)	40.7	41.7	41.8	39.1	37.6	37.0
CAR	20.0	18.3	19.9	17.5	17.1	16.2
Tier 1	16.1	15.4	18.0	15.7	15.3	14.5
Valuation						
Book Value (INR)	55.2	64.4	92.2	107.3	122.6	139.8
BV Growth (%)	7.6	16.8	43.2	16.3	14.3	14.0
AP/BV (x)				4.3	3.7	3.1
Consol BV (INR)	94.3	113.6	148.8	174.2	200.6	230.3
BV Growth (%)	11.7	20.4	30.9	17.1	15.2	14.8
Price-Consol BV (x)				3.3	2.9	2.5
Adjusted BV (INR)*	48.6	57.5	86.5	100.9	114.2	130.2
AP/ABV (x)				4.6	3.9	3.3
Adjusted Consol BV	92.3	111.0	147.4	172.1	196.4	224.7
Price-Consol ABV (x)				3.4	2.9	2.6
Standalone EPS (Rs)	3.7	7.7	10.5	14.2	15.5	17.4
EPS Growth (%)	-6.9	105.8	36.4	35.3	9.7	12.0
Price-Earnings (x)				32.5	28.9	24.8
Consol EPS (INR)	9.4	18.8	21.3	24.7	27.2	30.6
Con. EPS Growth (%)	-34.4	98.9	13.3	16.3	10.1	12.3
Price-Concol EPS (x)				23.4	21.3	18.9
Dividend Per Share (INR)	0.4	0.4	0.5	0.6	0.7	0.8
Dividend Yield (%)				0.1	0.1	0.1

E: MOSL Estimates

* For Investments in Subs and NPA, All nos are standalone unless specified

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