

## Conservative approach to maintain resilient B/S...

Kotak Mahindra Bank reported a mixed set of numbers wherein a reduction in the moratorium book and healthy CASA growth were the silver lining while moderation in growth and dip in asset quality (despite moratorium) were dampeners. The overall performance of subsidiaries was healthy.

As on June 30, 2020, the bank reported ~9.65% of Moratorium 2.0 book, which was a sharp reduction from Moratorium 1.0 level of ~26%. The bank reported that ~95% of Morat 2.0 book is attributable to Morat 1.0 with ~80% of Morat 2.0 book being secured. The bank has provided ₹ 616 crore for Covid-19 during the quarter. Provisioning towards advances was at ₹ 353 crore. Provision came at ₹ 962 crore in Q1FY21 (~47 bps of advances) vs. ₹ 1047 crore in Q4FY20. As on June 30, 2020, the bank has maintained Covid provisions worth ₹ 1266 crore (~62 bps of advances).

Despite standstill asset classification norms, slippages surged to ₹ 796 crore, up 62.1% YoY. Absolute GNPA rose to ₹ 5619 crore, up 17.7% QoQ. GNPA, NNPA ratios were up 45 bps, 16 bps QoQ to 2.7%, 0.87%, respectively.

Credit growth was subdued at ₹ 203998 crore, down 1.9% YoY, 7.2% QoQ mainly led by regressive growth in agriculture & corporate segment. As on June 30, 2020, the bank disbursed ₹ 550 crore MSME loans under ECLGS Scheme. Also, ECLGS disbursements rose to ₹ 4000 crore by July 23, 2020. NII was at ₹ 3724 crore, up 17.4% YoY, on the back of stable NIMs at 4.4%, down 9 bps YoY. Operational performance remained healthy with opex down 9.9% YoY. On account of muted topline growth and rising provisioning, PAT came in at ₹ 1244 crore, down 8.5% YoY.

Consolidated PAT was at ₹ 1853 crore, down 4% YoY. Overall performance of subsidiaries stayed healthy with Kotak Life Insurance reporting profitability at ₹ 161 crore, up 20.1% YoY. Kotak Securities PAT healthy ₹ 169 crore, up 53.6% YoY. Kotak Prime, non-banking arm, de-grew 55.5% YoY with earnings at ₹ 68 crore.

## Risk adjusted returns to be key focus area, going forward

Amid Covid-19, management's focus is on risk adjusted returns. Due to risk aversion growth would stay benign. However, operational efficiencies via cost control measures, sharp reduction in CoF would support NII, bottomline. Management expects growth to return to pre-Covid level by FY22. We expect credit growth at 9.1% CAGR to ₹ 2.61 lakh crore in FY20-22E.

## Valuation & Outlook

KMB's long term focus continues on maintaining risk adjusted returns but given economic headwinds, we expect growth to no longer stay in limelight amid Covid. In terms of promoter overhang, the board recently approved renewal for Uday Kotak, Dipak Gupta for three years from January 2021 but RBI approval for the same is awaited. Cautious extension of moratorium based on customer profile provides comfort for delinquency shocks post moratorium period. KMB has been a consistent performer over the years, driven by reasonable RoE, high RoA ratios & strong margin profile. Hence, premium valuations for management strength, sustainability. We maintain **BUY** rating with TP of ₹ 1600, valuing at 3.9x FY22E.

### Key Financial Summary

| ₹crore      | FY18 | FY19  | FY20  | FY21E | FY22E | CAGR (FY19-22E) |
|-------------|------|-------|-------|-------|-------|-----------------|
| NII         | 9532 | 11302 | 13500 | 13375 | 14073 | 8%              |
| PPP         | 7158 | 8391  | 10021 | 9572  | 9973  | 6%              |
| PAT         | 4084 | 4893  | 5947  | 5150  | 6357  | 9%              |
| ABV         | 188  | 214   | 250   | 302   | 331   |                 |
| P/E         | 61.6 | 51.5  | 42.5  | 50.7  | 41.1  |                 |
| P/ABV       | 6.9  | 6.1   | 5.2   | 4.3   | 3.9   |                 |
| Consol P/E  | 40.4 | 32.6  | 26.7  | 22.1  | 22.1  |                 |
| Consol P/BV | 5.0  | 4.4   | 3.8   | 3.3   | 3.3   |                 |
| RoA         | 1.7  | 1.7   | 1.8   | 1.4   | 1.5   |                 |
| RoE         | 12.5 | 12.2  | 12.9  | 9.2   | 9.7   |                 |



### Particulars

| Particulars           | Amount        |
|-----------------------|---------------|
| Market Capitalisation | ₹261686 crore |
| GNPA (Q1FY21)         | ₹5619 crore   |
| NNPA (Q1FY21)         | ₹1777 crore   |
| NIM (Q1FY21)          | 4.4%          |
| 52 week H/L           | 1740/1000     |
| Net worth             | ₹45912 crore  |
| Face value            | ₹5            |
| DII holding (%)       | 15.3          |
| FII holding (%)       | 42.2          |

### Key Highlights

- Moratorium 2.0 book reduced to ~9.65% which was a sharp reduction from Moratorium 1.0 level of ~26%
- The bank has provided ₹ 616 crore for Covid-19. Outstanding provisions at ₹ 1266 crore (~62 bps of advances)
- Maintain BUY with unchanged target price of ₹ 1600

### Research Analyst

Kajal Gandhi  
kajal.gandhi@icicisecurities.com

Vishal Narnolia  
vishal.narnolia@icicisecurities.com

Yash Batra  
yash.batra@icicisecurities.com

**Exhibit 1: Variance Analysis**

|                           | Q1FY21  | Q1FY21E | Q1FY20  | YoY (%) | Q4FY20  | QoQ (%) | Comments   |
|---------------------------|---------|---------|---------|---------|---------|---------|--|
| NII                       | 3,723.9 | 3,523.3 | 3,173.0 | 17.4    | 3,559.7 | 4.6     | NII up 17% on the back of stable NIMs  |
| NIM (%)                   | 4.40    | 4.60    | 4.49    | -9 bps  | 4.72    | -32 bps | Excess liquidity outweighs deposit cost benefit. Accordingly, NIMs dip 9 bps YoY               |
| Other Income              | 773.5   | 1,317.8 | 1,304.7 | -40.7   | 1,489.4 | -48.1   |  |
| Net Total Income          | 4,497.4 | 4,841.1 | 4,477.8 | 0.4     | 5,049.0 | -10.9   |  |
| Staff cost                | 910.9   | 1,009.6 | 901.5   | 1.0     | 969.6   | -6.1    |  |
| Other Operating Expenses  | 962.8   | 1,285.0 | 1,177.3 | -18.2   | 1,354.2 | -28.9   |  |
| PPP                       | 2,623.7 | 2,546.4 | 2,398.9 | 9.4     | 2,725.3 | -3.7    | Steady operational performance aids PPP growth   |
| Provision                 | 962.0   | 890.4   | 316.8   | NA      | 1,047.5 | -8.2    | In lieu of Covid-19 emergency, the bank has provided ₹ 616 crore (~30 bps of advances)         |
| PBT                       | 1,661.7 | 1,656.0 | 2,082.2 | -20.2   | 1,677.8 | -1.0    |  |
| Tax Outgo                 | 417.3   | 397.4   | 722.0   | -42.2   | 411.2   | 1.5     |  |
| PAT                       | 1,244.5 | 1,258.6 | 1,360.2 | -8.5    | 1,266.6 | -1.7    | Higher provisioning and muted topline growth dent earnings                                     |
| <b>Key Metrics</b>        |         |         |         |         |         |         |  |
| GNPA                      | 5,619.3 | 5,077.2 | 4,613.5 | 21.8    | 5,026.9 | 11.8    | Slippage at ~₹ 796 crore. GNPA up 45 bps to 2.7%   |
| NNPA                      | 1,777.1 | 1,480.0 | 1,524.4 | 16.6    | 1,557.9 | 14.1    | NNPA increased 16 bps QoQ to 0.87%   |
| Total Restructured assets | 0.0     | 0.0     | 0.0     | NA      | 0.0     | NA      | Outstanding SMA 2 - ~₹ 274 crore (0.13% of advances)   |
| Advances                  | 203,998 | 222,592 | 208,030 | -1.9    | 219,748 | -7.2    | Credit growth down 1.9% YoY mainly led by regressive growth in agriculture & corporate segment |
| Deposits                  | 261,524 | 267,871 | 232,931 | 12.3    | 262,821 | -0.5    | CASA ratio improved 600 bps YoY to 56.7%   |

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

| (₹Crore)             | FY21E   |         |          | FY22E    |          |          |
|----------------------|---------|---------|----------|----------|----------|----------|
|                      | Old     | New     | % Change | Old      | New      | % Change |
| Net Interest Income  | 13,153  | 13,375  | 1.7      | 14,222.8 | 14,072.6 | -1.1     |
| Pre Provision Profit | 9,880.5 | 9,572.3 | -3.1     | 10,779.1 | 9,973.4  | -7.5     |
| NIM (%)              | 4.0     | 4.2     | 14 bps   | 3.9      | 3.9      | 9 bps    |
| PAT                  | 6,007.5 | 5,149.8 | -14.3    | 6,908.1  | 6,357.1  | -8.0     |
| ABV (₹)              | 306.7   | 301.7   | -1.6     | 339.7    | 331.3    | -2.4     |

Source: Company, ICICI Direct Research

**Exhibit 3: Assumption**

|                          | Current |         |         |         | Earlier |         |
|--------------------------|---------|---------|---------|---------|---------|---------|
|                          | FY19    | FY20    | FY21E   | FY22E   | FY21E   | FY22E   |
| Credit growth (%)        | 21.2    | 6.8     | 3.4     | 15.1    | 8.3     | 15.5    |
| Deposit growth (%)       | 16.4    | 17.2    | 7.9     | 17.4    | 12.7    | 17.4    |
| NIM calculated (%)       | 4.1     | 4.4     | 4.2     | 3.9     | 4.0     | 3.9     |
| Cost to income ratio (%) | 47.2    | 46.9    | 48.2    | 50.3    | 49.1    | 50.2    |
| GNPA (₹crore)            | 1,237.2 | 1,454.0 | 1,706.3 | 2,032.6 | 1,706.3 | 2,032.6 |
| NNPA (₹crore)            | 609.1   | 659.4   | 508.5   | 423.8   | 508.5   | 423.8   |
| Slippage ratio (%)       | 1.1     | 1.2     | 1.3     | 1.4     | 1.3     | 1.4     |
| Credit cost (%)          | 0.47    | 1.01    | 1.17    | 0.6     | 0.8     | 0.5     |

Source: Company, ICICI Direct Research

## Valuation & Outlook

KMB's long term focus continues on maintaining risk adjusted returns but given economic headwinds, we expect growth to no longer stay in limelight amid Covid. In terms of promoter overhang, the board has recently approved renewal for Uday Kotak and Dipak Gupta for three years from January 2021 but RBI approval for the same is awaited. Cautious extension of moratorium based on customer profile provides comfort for delinquency shocks post moratorium period. Kotak Bank has been a consistent performer over the years, driven by reasonable return ratios (because of high CAR) and high margin profile. Hence, it deserves premium valuations. Management strength, sustainability enables **BUY** rating with unchanged target price of ₹ 1600, valuing the bank at 3.9x FY22E.

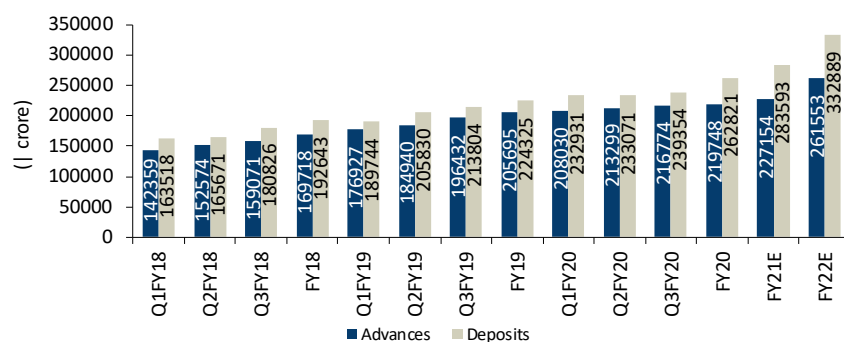
### Exhibit 3: Valuation (₹) - Merged Entity

| Company                         | Value / share |
|---------------------------------|---------------|
| KMB (Merged entity)             | 1285          |
| Kotak Life (assumed 100% stake) | 85            |
| Kotak Mahindra Prime            | 75            |
| Kotak Mahindra Capital          | 20            |
| Kotak Securities                | 60            |
| Kotak AMC                       | 75            |
|                                 | 1600          |

Source: Company, ICICI Direct Research

## Story in Charts

**Exhibit 4: Business growth to remain subdued in medium term**



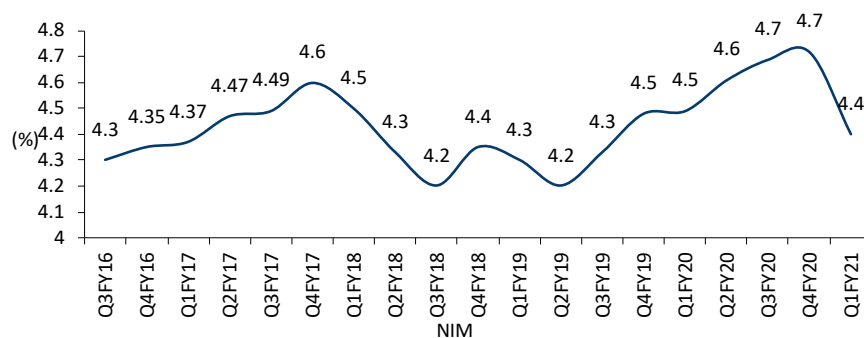
Source: Company, ICICI Direct Research

**Exhibit 5: Loan book movement**

| ₹ crore                         | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | wth yoy (%) | pportion (%) | wth qoq (%) |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|--------------|-------------|
| CVs and construction eqmt.      | 16024  | 17048  | 17999  | 19706  | 19910  | 19688  | 18993  | 19253  | 18442  | -7          | 9.0          | -4.2        |
| Personal Loans incl small busin | 26210  | 29039  | 31085  | 33164  | 33719  | 34852  | 35636  | 34294  | 31671  | -6          | 15.5         | -7.6        |
| Home loans                      | 34005  | 36064  | 38305  | 40722  | 42243  | 44371  | 46031  | 46881  | 47168  | 12          | 23.1         | 0.6         |
| Corporate banking               | 75799  | 76647  | 80984  | 80104  | 81418  | 82374  | 83423  | 84855  | 76167  | -6          | 37.3         | -10.2       |
| Agricultural finance            | 21249  | 22425  | 23742  | 26991  | 25986  | 27068  | 27736  | 28757  | 27051  | 4           | 13.3         | -5.9        |
| Others                          | 3640   | 3717   | 4317   | 5008   | 4754   | 4946   | 4955   | 5708   | 3499   | -26         | 1.7          | -38.7       |
| Total                           | 176927 | 184940 | 196432 | 205695 | 208030 | 213299 | 216774 | 219748 | 203998 | -2          | 100.0        | -7.2        |

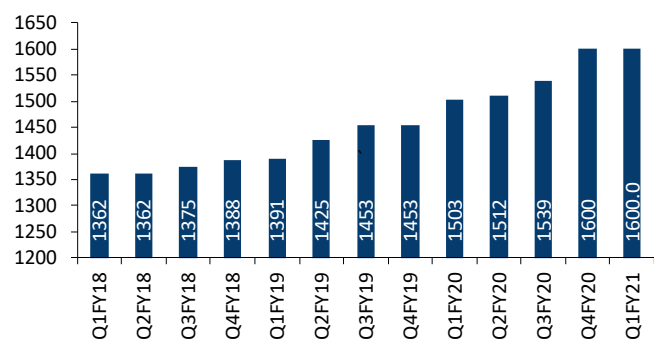
Source: Company, ICICI Direct Research

**Exhibit 6: Margins trajectory dip in Q1Y21**



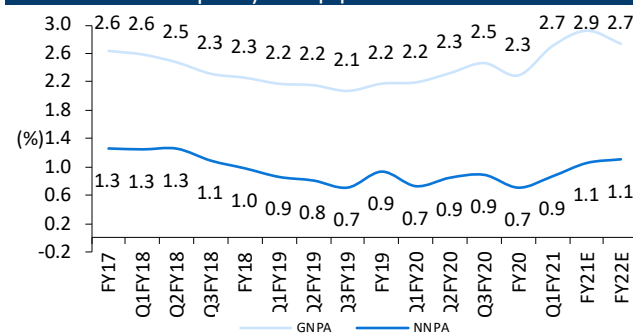
Source: Company, ICICI Direct Research

**Exhibit 7: Branch addition stable in Q1FY21**



Source: Company, ICICI Direct Research

**Exhibit 8: Asset quality to dip post moratorium**



Source: Company, ICICI Direct Research

**Exhibit 9: Consolidated performance over quarters**

|   | Q3FY18 | Q4FY18 | Q1FY19 | Q2FY19 | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Kotak Bank                                      | 1053   | 1124   | 1025   | 1142   | 1291   | 1408   | 1360   | 1724   | 1569   | 1267   | 1244   |
| Kotak Securities                                | 154    | 134    | 130    | 112    | 99     | 111    | 110    | 149    | 128    | 163    | 169    |
| Kotak Mahindra Capital                          | 36     | 25     | 25     | 14     | 3      | 21     | 45     | 1      | 40     | -7     | 6      |
| Kotak Prime                                     | 148    | 160    | 139    | 157    | 139    | 164    | 153    | 172    | 187    | 161    | 68     |
| Kotak AMC & Trust                               | 38     | 39     | 51     | 52     | 76     | 75     | 73     | 85     | 91     | 88     | 71     |
| International Subsidiaries                      | 32     | 38     | 33     | 47     | 37     | 32     | 29     | 34     | 26     | 30     | 54     |
| Kotak Investment advisors/otl                   | 12     | 2      | 28     | 13     | 11     | 15     | 17     | 22     | 30     | 8      | 35     |
| Kotak Mahindra Investments                      | 50     | 95     | 48     | 45     | 40     | 73     | 63     | 67     | 64     | 77     | 43     |
| Kotak Mahindra Life Insurance                   | 97     | 114    | 117    | 127    | 125    | 138    | 134    | 144    | 166    | 165    | 161    |
| Total (net off affiliates/minority minority etc | 1624   | 1789   | 1574   | 1747   | 1844   | 2038   | 1932   | 2407   | 2310   | 1906   | 1853   |
|   | 4      | 58     | -22    | 38     | 23     | 1      | -52    | 9      | 9      | -46    | 2      |

Source: Company, ICICI Direct Research

**Exhibit 10: Kotak Prime – Muted loan growth leads to weak profitability**

|               | Q1FY21 | Q4FY20 | Q3FY20 | Q2FY20 | Q1FY20 | Q4FY19 | Q3FY19 | Q2FY19 | Q1FY19 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| PBT           | 93     | 203    | 250    | 234    | 235    | 240    | 274    | 266    | 271    |
| PAT           | 68     | 161    | 187    | 172    | 153    | 164    | 139    | 157    | 139    |
| Loans         | 22834  | 24864  | 25855  | 27298  | 27749  | 28268  | 27907  | 28544  | 27908  |
| -car loans    | 16143  | 17480  | 17998  | 19041  | 19554  | 20271  | 20191  | 20740  | 20375  |
| CAR           | 26.2   | 24.3   | 22.6   | 21     | 20.1   | 19.4   | 18.9   | 18.2   | 17.7   |
| ROA           | 1      | 2.3    | 2.6    | 2.3    | 2      | 2.2    | 1.8    | 2      | 1.8    |
| Net NPA -cars | 1.07%  | 0.60%  | 0.61%  | 0.56%  | 0.54%  | 0.44%  | 0.43%  | 0.40%  | 0.39%  |

Source: Company, ICICI Direct Research

**Exhibit 11: Life insurance performance**

| Premium (₹crore)     | Mar-19 | Jun-19 | Sep-19 | Dec-19  | Mar-20  | Jun-20 |
|----------------------|--------|--------|--------|---------|---------|--------|
| Renewal              | 1823.0 | 0.0    | -550.0 | -1005.0 | -2225.0 | 433.0  |
| Indvl Regular        | 723.0  | 840.0  | 1366.0 | 1564.0  | 2479.0  | 222.0  |
| Group                | 617.0  | 709.0  | 659.0  | 852.0   | 769.0   | 283.0  |
| Single               | 264.0  | 91.0   | 165.0  | 229.0   | 352.0   | 133.0  |
| New Business Premium | 1604.0 | 1640.0 | 2190.0 | 2645.0  | 3865.0  | 1207.0 |
| APE                  | 1366.4 | 1558.1 | 2041.5 | 2438.9  | 3283.2  | 518.3  |
| Solvency Ratio (%)   | 3.0    | 3.0    | 3.1    | 3.0     | 2.9     | 3.0    |
| PAT                  | 138.0  | 134.0  | 144.0  | 166.0   | 165.0   | 161.0  |

Source: Company, ICICI Direct Research

**Exhibit 12: Du point analysis ( Standalone)**

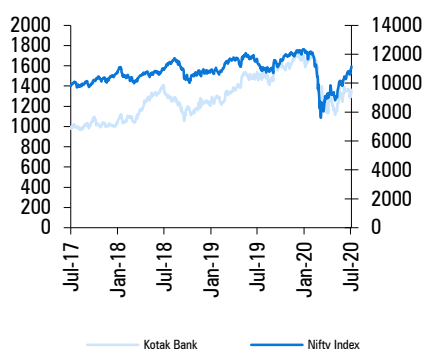
|   | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E |
|---|------|------|------|------|------|------|------|-------|-------|
| Net interest income/ avg. total assets  | 4.3  | 4.4  | 4.0  | 4.0  | 4.0  | 3.9  | 4.0  | 3.5   | 3.3   |
| Non-interest income/ avg. total assets  | 1.6  | 2.1  | 1.7  | 1.7  | 1.7  | 1.6  | 1.6  | 1.3   | 1.4   |
| Non-operating profit/ avg. total assets | 6.0  | 6.5  | 5.7  | 5.7  | 5.7  | 5.5  | 5.6  | 4.9   | 4.7   |
| Operating expenses/ avg. total assets   | 3.0  | 3.4  | 2.8  | 2.8  | 2.7  | 2.6  | 2.6  | 2.4   | 2.4   |
| Operating profit/ avg. total assets     | 3.0  | 3.1  | 2.9  | 2.9  | 3.0  | 2.9  | 3.0  | 2.5   | 2.3   |
| Provisions/ avg. total assets           | 0.4  | 0.4  | 0.4  | 0.4  | 0.4  | 0.3  | 0.7  | 0.7   | 0.3   |
| Return on avg. total assets             | 1.8  | 1.7  | 1.7  | 1.7  | 1.7  | 1.7  | 1.8  | 1.4   | 1.5   |
| Leverage                                | 7.9  | 7.4  | 7.9  | 7.9  | 7.4  | 7.2  | 7.3  | 6.8   | 6.5   |
| Return on equity                        | 13.8 | 12.7 | 13.2 | 13.2 | 12.5 | 12.2 | 12.9 | 9.2   | 9.7   |

Source: Company, ICICI Direct Research

**Exhibit 13: Shareholding Pattern**

| (in %)   | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 30.0   | 30.0   | 30.0   | 29.9   | 26.1   |
| FII      | 40.5   | 40.2   | 39.8   | 39.2   | 42.2   |
| DII      | 11.7   | 12.3   | 12.4   | 12.6   | 15.3   |
| Others   | 17.8   | 17.6   | 17.9   | 18.3   | 16.5   |

Source: Company, ICICI Direct Research

**Exhibit 14: Price Chart**


Source: Company, ICICI Direct Research

## Financial summary

| Exhibit 15: Profit and loss statement |         |         |         |         |
|---------------------------------------|---------|---------|---------|---------|
|                                       | ₹ crore |         |         |         |
| (Year-end March)                      | FY19    | FY20    | FY21E   | FY22E   |
| Interest Earned                       | 23943.2 | 26929.6 | 27679.7 | 30234.9 |
| Interest Expended                     | 12641.6 | 13430.0 | 14304.4 | 16162.3 |
| Net Interest Income                   | 11301.6 | 13499.7 | 13375.3 | 14072.6 |
| growth (%)                            | 18.6    | 19.4    | -0.9    | 5.2     |
| Non Interest Income                   | 4604.0  | 5372.1  | 5091.2  | 6012.6  |
| Net Income                            | 15905.6 | 18871.8 | 18466.5 | 20085.2 |
| Operating expense                     | 7514.8  | 8850.9  | 8894.2  | 10111.8 |
| Gross profit                          | 8390.8  | 10020.8 | 9572.3  | 9973.4  |
| Provisions                            | 962.4   | 2216.2  | 2659.8  | 1440.4  |
| Taxes                                 | 2535.0  | 1857.5  | 1762.7  | 2175.9  |
| Net Profit                            | 4893.5  | 5947.2  | 5149.8  | 6357.1  |
| growth (%)                            | 19.8    | 21.5    | -13.4   | 23.4    |
| EPS                                   | 25.6    | 31.1    | 26.0    | 32.1    |

Source: Company, ICICI Direct Research

| Exhibit 16: Key Ratios      |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March)            | FY19  | FY20  | FY21E | FY22E |
| Valuation                   |       |       |       |       |
| No. of Equity Shares        | 190.9 | 191.3 | 197.8 | 197.8 |
| EPS (₹)                     | 25.6  | 31.1  | 26.0  | 32.1  |
| BV (₹)                      | 223.8 | 258.6 | 313.9 | 346.0 |
| ABV (₹)                     | 213.7 | 250.4 | 301.7 | 331.3 |
| P/E                         | 51.5  | 42.5  | 50.7  | 41.1  |
| P/BV                        | 6.2   | 5.3   | 4.4   | 4.0   |
| P/ABV                       | 6.1   | 5.2   | 4.3   | 3.9   |
| Yields & Margins (%)        |       |       |       |       |
| Yield on avg earning assets | 8.8   | 8.9   | 8.6   | 8.5   |
| Avg. cost on funds          | 5.3   | 4.8   | 4.6   | 4.6   |
| Net Interest Margins        | 4.1   | 4.4   | 4.2   | 3.9   |
| Avg. Cost of Deposits       | 5.1   | 5.1   | 4.9   | 4.9   |
| Yield on average advance    | 9.9   | 9.9   | 9.8   | 9.7   |
| Quality and Efficiency (%)  |       |       |       |       |
| Cost/Total net income       | 47.2  | 46.9  | 48.2  | 50.3  |
| Credit/Deposit ratio        |       |       |       |       |
|                             | 91.7  | 83.6  | 80.1  | 78.6  |
| GNPA                        |       |       |       |       |
|                             | 2.2   | 2.3   | 2.9   | 2.7   |
| NNPA                        |       |       |       |       |
|                             | 0.9   | 0.7   | 1.1   | 1.1   |
| ROE                         |       |       |       |       |
|                             | 12.2  | 12.9  | 9.2   | 9.7   |
| ROA                         |       |       |       |       |
|                             | 1.7   | 1.8   | 1.4   | 1.5   |

Source: Company, ICICI Direct Research

| Exhibit 17: Balance sheet  |          |          |          |          |
|----------------------------|----------|----------|----------|----------|
|                            | ₹ crore  |          |          |          |
| (Year-end March)           | FY19     | FY20     | FY21E    | FY22E    |
| Sources of Funds           |          |          |          |          |
| Capital                    | 1454.4   | 1456.5   | 1489.0   | 1489.0   |
| ESOPS                      | 2.1      | 2.1      | 2.1      | 2.1      |
| Reserves and Surplus       | 41269.6  | 48006.6  | 60598.9  | 66956.0  |
| Networth                   | 42726.0  | 49465.2  | 62090.0  | 68447.1  |
| Deposits                   | 224325.2 | 262821.0 | 283593.0 | 332889.1 |
| Borrowings                 | 32248.3  | 37993.3  | 38530.2  | 42129.9  |
| Other Liabilities & Provis | 11143.0  | 10419.7  | 11723.3  | 12976.5  |
| Total                      | 310442.5 | 360699.2 | 395936.6 | 456442.5 |
| Applications of Funds      |          |          |          |          |
| Fixed Assets               | 1651.6   | 1623.1   | 2162.1   | 2479.4   |
| Investments                | 71189.1  | 75052.3  | 88553.6  | 104730.9 |
| Advances                   | 205695   | 219748.0 | 227154.4 | 261553.2 |
| Other Assets               | 7231.5   | -909.4   | 55297.4  | 64673.0  |
| Cash with RBI & call mor   | 24675.5  | 65185.2  | 22769.1  | 23006.0  |
| Total                      | 310442.5 | 360699.2 | 395936.6 | 456442.5 |

Source: Company, ICICI Direct Research

| Exhibit 18: Key ratios |      |      |       |       |
|------------------------|------|------|-------|-------|
|                        | (%)  |      |       |       |
| (Year-end March)       | FY19 | FY20 | FY21E | FY22E |
| Total assets           | 17.2 | 16.2 | 9.8   | 15.3  |
| Advances               | 21.2 | 6.8  | 3.4   | 15.1  |
| Deposits               | 16.4 | 17.2 | 7.9   | 17.4  |
| Total Income           | 19.9 | 13.2 | 1.5   | 10.6  |
| Net interest income    | 18.6 | 19.4 | -0.9  | 5.2   |
| Operating expenses     | 16.9 | 17.8 | 0.5   | 13.7  |
| Operating profit       | 17.2 | 19.4 | -4.5  | 4.2   |
| Net profit             | 19.8 | 21.5 | -13.4 | 23.4  |
| Book value             | 14.0 | 15.8 | 25.5  | 10.2  |
| EPS                    | 19.6 | 21.3 | -16.3 | 23.4  |

Source: Company, ICICI Direct Research

**Exhibit 19: ICICI Direct coverage universe (BFSI)**

| Sector / Company              | CMP   |        |        | M Cap<br>(₹Cr) | EPS (₹) |       |       | P/E (x) |       |       | P/ABV (x) |       |       | RoA (%) |       |       | RoE (%) |       |       |
|-------------------------------|-------|--------|--------|----------------|---------|-------|-------|---------|-------|-------|-----------|-------|-------|---------|-------|-------|---------|-------|-------|
|                               | (₹)   | TP (₹) | Rating |                | FY20    | FY21E | FY22E | FY20    | FY21E | FY22E | FY20      | FY21E | FY22E | FY20    | FY21E | FY22E | FY20    | FY21E | FY22E |
| Bank of Baroda (BANBAR)       | 50    | 65     | Hold   | 22,756.3       | -0.4    | -1.9  | -4.3  | -113.4  | NA    | NA    | 0.7       | 0.6   | 0.5   | 0.0     | -0.1  | -0.2  | -0.3    | -1.2  | -2.5  |
| State Bank of India (STABAN)  | 193   | 250    | Buy    | 1,66,310       | 16.8    | 24.2  | 33.7  | 11.5    | 8.0   | 5.7   | 1.1       | 1.0   | 0.9   | 0.4     | 0.6   | 0.7   | 7.6     | 11.0  | 13.2  |
| Indian Bank (INDIBA)          | 46    | 50     | Hold   | 2,810          | -27.2   | 8.5   | 13.0  | -1.7    | 5.4   | 3.5   | 0.3       | 0.3   | 0.3   | -0.8    | 0.2   | 0.3   | -11.6   | 3.5   | 5.1   |
| Axis Bank (UTIBAN)            | 460   | 530    | Buy    | 1,10,439       | 5.8     | 23.7  | 38.0  | 79.8    | 19.4  | 12.1  | 1.8       | 1.7   | 1.5   | 0.2     | 0.7   | 1.0   | 2.2     | 7.5   | 11.1  |
| City Union Bank (CITUNI)      | 133   | 171    | Buy    | 8,711          | 8.7     | 10.1  | 11.4  | 15.3    | 13.2  | 11.6  | 2.1       | 1.8   | 1.6   | 1.4     | 1.4   | 1.4   | 12.6    | 13.0  | 13.0  |
| Development Credit Bank (DCB) | 102   | 92     | Hold   | 2,524          | 13.0    | 13.5  | 15.0  | 7.9     | 7.5   | 6.8   | 1.1       | 1.0   | 0.9   | 1.1     | 1.0   | 1.0   | 13.3    | 12.2  | 12.0  |
| Federal Bank (FEDBAN)         | 52    | 55     | Hold   | 8,355          | 7.7     | 7.9   | 12.5  | 6.7     | 6.6   | 4.2   | 0.8       | 0.8   | 0.7   | 0.9     | 0.8   | 1.2   | 11.0    | 10.4  | 14.9  |
| HDFC Bank (HDFBAN)            | 1,103 | 1,320  | Buy    | 6,03,467       | 47.9    | 48.5  | 66.3  | 23.0    | 22.8  | 16.6  | 3.6       | 3.4   | 3.1   | 1.9     | 1.6   | 1.9   | 16.4    | 14.6  | 17.9  |
| Indusind Bank (INDBA)         | 472   | 400    | Hold   | 27,461         | 69.5    | 55.8  | 82.0  | 6.8     | 8.5   | 5.8   | 1.0       | 0.9   | 0.8   | 1.6     | 1.2   | 1.6   | 14.4    | 10.1  | 13.4  |
| Jammu & Kashmir Bank (JAMKAS) | 14    | 12     | Sell   | 671            | -12.7   | -0.1  | -6.1  | -1.1    | NA    | NA    | 0.2       | 0.2   | 0.3   | -0.7    | 0.0   | -0.3  | -10.1   | -0.1  | -4.9  |
| Kotak Mahindra Bank (KOTMAH)  | 1,322 | 1,600  | Buy    | 2,61,686       | 31.1    | 26.0  | 32.1  | 42.5    | 50.8  | 41.1  | 5.3       | 4.4   | 4.0   | 1.8     | 1.4   | 1.5   | 12.9    | 9.2   | 9.7   |
| Bandhan Bank (BANBAN)         | 220   | 400    | Hold   | 30,740         | 18.1    | 23.1  | 29.1  | 12.2    | 9.5   | 7.6   | 2.4       | 2.1   | 1.7   | 3.9     | 3.6   | 3.6   | 22.1    | 22.6  | 23.5  |
| IDFC First (IDFBAN)           | 26    | 30     | Buy    | 10,221         | -5.7    | 1.1   | 2.4   | NA      | NA    | 10.8  | 0.9       | 0.9   | 0.8   | -1.6    | 0.3   | 0.6   | -15.9   | 3.4   | 7.0   |

Source: Company, ICICI Direct Research



## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Namolia, MBA and Yash Batra, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.