

Kotak Mahindra Bank Ltd

Kotak Mahindra Bank provides a full suite of banking services to its customers encompassing Retail Banking, Treasury and Corporate Banking in India and also has a representative office in Dubai.

The bank is known for its well managed asset quality. As of 1QFY20, its GNPA stood at 2.19% marking a marginal rise of 2bps yoy and 5bps qoq. Along with this, its PCR is also improving each quarter. At the end of 1QFY20, PCR stands at 67% vs 60.8% in 1QFY19. The improving asset quality is reflected on the operational front also. Kotak's 50% of the deposits is constitutes CASA, which helps it maintain lowers interest expenses. Therefore, in the latest reporting quarter NIM widened by 21bps to 4.5%.

With a branch network of 1503 branches, focus on retail segment, KMB plans to drive credit growth. Deposit base was at ₹2,32,931 crore as of Q1FY20 with CASA ratio of 50.7%, best in industry. Going ahead, it is poised to pedal credit growth focusing on retail and better rated corporate.

The stock is currently trading at 4.8x of its book value, which is at a lower side when compared to a high of 5.2x in the last one year. The bank generates an ROE of 13.2%. Considering Kotak's superior NIMs, strong CASA, a well-capitalized balance sheet and their ability to maintain a healthy asset quality over others this valuation looks justified. Hence BUY.

BUY

CMP ₹1,484

Stock Info

Sector	Bank
Market Cap (₹ cr)	2,83,415
Beta	1.0
52 Week High / Low	1556/1002
Avg. Daily Volume	1,49,440
Face Value (₹)	5
BSE Sensex	38,736
Nifty	11,553
Reuters Code	KTKM.BO
Bloomberg Code	KMB IN

Shareholding Pattern (%)

Promoters	30.0
MF / Banks / Indian FIs	11.7
FII / NRIs / OCBs	40.5
Indian Public / Others	17.8

Abs. (%)	3m	1yr	3yr
Sensex	(0.1)	6.0	39.3
KOTAKBANK	10.3	6.5	94.4

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Disclosure of Interest Statement

Kotak Mahindra Bank Ltd

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)