

February 12, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
Kotak Mahindra Bank Ltd.	Banks	1305	BUY	1436	10%

**Key Stock Data**

BSE Script Code	KOTAKBANK
NSE Script Code	KOTAKBANK
No. of shares	190.6
FV (Rs.)	5
MCAP (Rs.)	2,49,716 Crs
MCAP (\$)	3567 Crs
52 Week High	Rs. 1424
52 week Low	Rs. 1002
Time Frame	6 months

Kotak Mahindra Bank (KOTAKBANK) is part of the larger Kotak Mahindra Group led by Mr. Uday Kotak, Founder and Managing Director of the Bank. The group has a strong presence across financial services value chain. Notably, KOTAKBANK is the only bank in India's corporate history to be converted into a bank from a non-banking finance company. The bank has pan-India presence with 1,453 branches and 2,270 ATMs as on Dec 31, 2018.

**Investments Rationale****1. Strong 3QFY19 results**

KOTAKBANK reported strong set of 3QFY19 numbers on all counts whereby NII grew by 19% Y-o-Y to Rs. 3,805 Crs in 3QFY19 as against Rs. 3,186 Crs in 3QFY18 on a bottom-line of Rs.1,822 Crs in 3QFY19 as against Rs. 1618 Crs in 3QFY18, a growth of 13% Y-o-Y.

**2. Steep decline in Asset Qualities.**

KOTAKBANK asset quality decline steeply by 38 bps on a Y-o-Y and 10 bps Q-o-Q TO 0.71% in 3QFY19 as against 1.09% in 3QFY18 and 0.81% in 2QFY19. Its GNPA too declined by 24 bps Y-o-Y and 8 bps Q-o-Q to 2.07% in 3QFY19 as against 2.31% in 3QFY18 and 2.15% in 2QFY18.

**3. Strong advance growth**

KOTAKBANK advances grew by good 23% Y-o-Y and 6% on a Q-o-Q to Rs. 1,96,432 Crs in 3QFY19 as against Rs. 1,59,071 Crs in 3QFY18 and Rs. 1,84,940 Crs in 2QFY19.

**Outlook & Valuations**

KOTAKBANK has been consistently growing its loan book above 20% along with its stable asset quality. At CMP, the stock is trading at 3.78x FY20E P/BV and we would like to allot a multiple of 4.2x P/BV on account of its sustainable growth rate. We feel it is trading at sustainable valuation at CMP, hence we maintain BUY on the stock with target price of Rs.1436

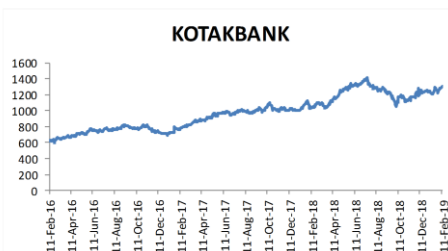
**Key Financial**

Amt in Crs

Particulars	FY16 A	FY17 A	FY18 A	FY19 E	FY20 E
NII	9278	10867	12664	14675	16143
PAT	3434	4949	6147	7071	7920
BV	182	209	265	302	344
P/BV	7.15	6.21	4.91	4.30	3.78

**Shareholding Pattern**

Promoters	30.01%
DII's	9.25%
FII's	39.36
Others	21.38%

**3 years Price Chart**

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