

October 24, 2019

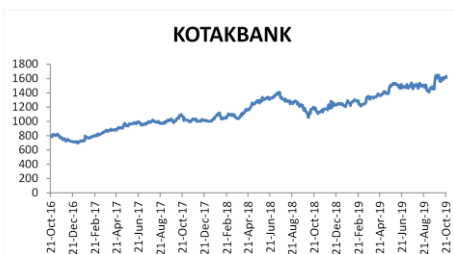
Company	Sector	CMP	Recommendation	Target	Potential Upside
Kotak Mahindra Bank Ltd.	Banks	1619	BUY	1780	10%

**Key Stock Data**

BSE Script Code	KOTAKBANK
NSE Script Code	KOTAKBANK
No. of shares	190.6
FV (Rs.)	5
MCAP (Rs.)	3,09,339 Crs
MCAP (\$)	4,419 Crs
52 Week High	Rs. 1424
52 week Low	Rs. 1002
Time Frame	6 months

**Shareholding Pattern**

Promoters	29.97%
DII's	8.44%
FII's	40.52%
Others	21.07%

**3 years Price Chart**

Kotak Mahindra Bank (KOTAK BANK) is an Indian Private sector bank led by Mr. Uday Kotak, Founder and Managing Director of the Bank. The group has a strong presence across the financial services value chain. Notably, KOTAK BANK 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 1,512 branches and 2429 ATMs as on Sep 30, 2019.

**Investments Rationale****1. Strong 2QFY20 results**

KOTAKBANK reported strong set of 2QFY20 numbers on all counts whereby NII grew by 25% Y-o-Y to Rs.3350 Crs in 2QFY20 as against Rs. 2676 Crs in 2QFY19 on a bottom-line of Rs.2407 Crs in 2QFY20 as against Rs. 1714 Crs in 2QFY19, a growth of good 38% Y-o-Y.

**2. Good growth in Life Insurance Business**

KOTAKBANK'S wholly owned subsidiary Kotak Mahindra Life Insurance reported stupendous numbers in the premium revenue which grew by 28% Y-o-Y to Rs. 2243 Crs in 2QFY20 as against Rs. 1752 Crs in 2QFY19. Its PAT reported at Rs. 144 Crs for 2QFY20 as against Rs. 127 Crs in 2QFY19.

**3. Strong advance growth**

KOTAKBANK'S advances grew by good 12% Y-o-Y and 2% on a Q-o-Q during a consumption slowdown quarter to Rs. 2,48,740 Crs in 2QFY20 as against Rs.2,22,172 Crs in 2QFY19 and Rs. 2,44,990 Crs in 1QFY20.

**Outlook & Valuations**

KOTAKBANK has been consistently growing its loan book in double digits along with its stable asset quality amid the slowdown. At CMP, the stock is trading at 6.37x FY21E P/BV and we would like to allot a multiple of 7x P/BV on account of its sustainable growth rates and also considering the growth in its insurance arm. We feel it is trading at sustainable valuation at CMP, hence we maintain BUY on the stock with a target price of Rs.1780

**Key Financial**

Amt in Crs

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
NII	22,526	12,665	14,748	16,201	17,719
Provisions	3331	4035	4501	4860	5316
PAT	4949	6147	7120	7614	8151
BV	209	264	200	225	251
P/BV	7.64	6.04	7.98	7.11	6.37

**Disclosures:**

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**Research Analyst:**

- Foram Parekh, Fundamental Analyst – Equity

Email: [foram.parekh@indiabulls.com](mailto:foram.parekh@indiabulls.com)

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Corporate Office: Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, Senapati Bapat Marg, Elphinstone Road (W), Mumbai – 400013.