

August 01, 2017

## Kotak Mahindra Bank Limited

Kotak Mahindra Bank Limited (KMBL) has announced its Q1FY2018 results on July 20, 2017.

**Advances and Deposits:** During Q1FY2018, the bank has reported a growth of 18% in advances on YoY basis, which is higher than the recent trends of ~15% growth in advances during FY2017. The QoQ growth is also higher at 4.6% in Q1FY2018 as compared to a QoQ growth of 1.8% in Q1FY2017. Supported by demonetization, CASA also improved YoY basis to 43.9% as on June 30, 2017 (37.4% as on June 30, 2016 and 44.0% as on March 31, 2017).

**NIMs & NII:** With high growth in advances, the Net Interest income (NII) witnessed a QoQ growth of 17% during Q1FY2018 (20% in Q1FY2017 and 18% during FY2017). In-line with declining interest rate environment, the yield on advances declined to 10.0% during Q1FY2018 (11.0% in Q1FY2017 and 10.5% during FY2017) with a concurrent decline in the cost of funds to 5.3% during Q1FY2018 (6.2% in Q1FY2017 and 5.7% during FY2017). The Net Interest margins (NIMs) (as % of average total assets – ATA) improved marginally to 4.1% during Q1FY2018 (4.0% in Q1FY2017 and 4.0% during FY2017).

**Asset Quality:** The asset quality remained stable with Gross NPAs (GNPAs) reported at 2.58% at end Q1FY2018 (2.50% at end of Q1FY2017 and 2.59% at end of Q4FY2017) with the increase in GNPA amount being moderated out due to increase in total advances. The net NPAs (NNPAs) also remained stable at 1.25% at end of Q1FY2018 (1.21% at end of Q1FY2017 and 1.26% at end of Q4FY2017). KMBL has exposure to 4 accounts (all inherited from erstwhile ING Vysya Bank) out of 12 identified by RBI for insolvency proceedings amounting to Rs. 236 crore.

**Profitability:** With a marginal increase (QoQ) in NIMs and non interest income (4.1% and 1.7% respectively during Q1FY2017, 4.0% and 1.5% respectively during Q1FY2017 and 4.2% and 2.0% during Q4FY2017) and stable credit cost and operating expenses at 0.4% and 2.8% respectively during Q1FY2018 (0.4% and 2.8% respectively during Q1FY2017 and 0.5% and 2.8% respectively during Q4FY2017), the profit before tax (PBT) was higher on YoY basis for the bank at Rs. 1,392 crore during the quarter (Rs. 1,136 crore during Q1FY2017 and Rs. 1,435 crore during Q4FY2017). With improved profitability, the profit after tax / ATA (PAT/ATA) improved and stood at 1.7% during Q1FY2018 (1.6% in Q1FY2017 and 1.9% during Q4FY2017).

**Capitalisation:** KMBL raised ~Rs. 5,800 crore of equity capital during Q1FY2018 via qualified institutional placement (QIP) which led to the capital ratios (CET1, Tier 1 and CRAR) of the bank improving to (as % of risk weighted assets) 18.9%, 18.9%, and 19.7% respectively at end of Q1FY2018, which are strong in relation to regulatory levels. The solvency level remained strong with NNPAs/Net worth of 5.2% at end of Q1FY2018 (5.9% at end of Q1FY2017 and 6.2% at end of Q4FY2017), and is better than industry average.

- The key operating and financial metrics remain stable
- During Q1FY2018, KMBL agreed to acquire Old Mutual's 26% stake in Kotak Mahindra Old Mutual Life Insurance Ltd for ~Rs.1,293 crore. With this transaction, KMBL's stake in the entity will increase to 100%. The bank also received regulatory approval to acquire BSS microfinance, a micro finance company having presence in Karnataka and Maharashtra with a base of close to 217,000 customers and a loan book of Rs. 483 crore (June 30, 2016).

ICRA currently has outstanding ratings of [ICRA]AAA(stable) for the Infrastructure bonds programme

and Lower Tier II bonds programme and [ICRA]AA+(stable) for the Upper Tier II bonds programme of the bank.

The previous rating rationale is available on the following link: [Click here](#)

**Key Financial Indicators:**

	<b>FY2016</b>	<b>FY2017</b>	<b>Q1FY2017</b>	<b>Q1FY2018</b>
Net Interest Income	6,900	8,126	1,919	2,246
Profit before tax	3,124	5,148	1,136	1,392
Profit after tax	2,090	3,411	742	913
Net advances	118,665	136,082	120,765	142,359
Total assets	192,260	214,590	189,820	226,385
% CET 1	15.3%	15.9%	15.8%	18.9%
% Tier 1	15.3%	15.9%	15.8%	18.9%
% CRAR	16.3%	16.8%	16.8%	19.7%
% Net Interest Margin / Average total assets	4.63%	3.99%	4.02%	4.07%
% Net Profit / Average total assets	1.40%	1.68%	1.55%	1.66%
% Return on Net Worth	10.97%	13.23%	12.19%	11.79%
% Gross NPAs	2.36%	2.59%	2.50%	2.58%
% Net NPAs	1.06%	1.26%	1.21%	1.25%
% Provision coverage excl. technical write offs	55.54%	51.99%	52.04%	52.29%
% Net NPA/ Net worth	5.27%	6.22%	5.93%	5.18%

*Source: Bank's investor presentation and ICRA research; Amount in Rs. crore  
All ratios are as per ICRA calculations*

**Contact Details**

**Analyst Contacts**

**Karthik Srinivasan**

**+91 22 61143 444**

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Anil Gupta**

**+91 124 4545 314**

[anilg@icraindia.com](mailto:anilg@icraindia.com)

**Neha Parikh**

**+91 22 6114 3426**

[neha.parikh@icraindia.com](mailto:neha.parikh@icraindia.com)

**Akshay Kumar Jain**

**+91 22 6114 3430**

[akshay.jain@icraindia.com](mailto:akshay.jain@icraindia.com)

**Relationship Contact**

**Mr. L. Shivakumar**

**+91 22 61143406**

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)



About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

© Copyright, 2017, ICRA Limited. All Rights Reserved  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500