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Quarterly Result Update

KOTAK MAHINDRA BANK LIMITED

May 15, 2020

kotak
Kotak Mahindra Bank

Current Price: **₹ 1173.75**

STOCK DATA

BSE Code	500247
NSE Symbol	KOTAKBANK
Reuters	KTKM.BO
Bloomberg	KMB IN

VALUE PARAMETERS

52 W H/L(Rs)	1739.95/1000.35
Mkt. Cap.(Rs Cr)	224542.88
Latest Equity(Subscribed)	956.52
Latest Reserve (cons.)	65677.6
Latest EPS (cons.) -Unit Curr.	48.15
Latest P/E Ratio -cons	24.38
Latest Bookvalue (cons.) -Unit Curr.	348.32
Latest P/BV - cons	3.37
Dividend Yield -%	0
Face Value	5

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2020
Foreign	43.09
Institutions	12.65
Govt Holding	0
Non Promoter Corp. Hold.	3.08
Promoters	29.93
Public & Others	11.26

Financial Results

In Cr.

	Qtr Ended Mar. 2020	Qtr Ended Mar. 2019	VAR %
Interest Earned	6804.68	6390.91	6
Interest Expended	3245.03	3354.40	-3
Net Interest Income	3559.65	3036.51	17
Other Income	1489.39	1281.65	16
Net Total Income	5049.04	4318.16	17
Operating Expenses	2323.76	2035.90	14
Operating Profits	2725.28	2282.26	19
Provisions & Contingencies	1047.47	171.26	512
Profit Before Tax	1677.81	2111.00	-21
Provision for Tax	411.21	703.20	-42
PAT	1266.60	1407.80	-10
EPS*(Rs)	26.50	29.40	

Kotak Mahindra Bank Ltd.'s quarterly profit misses estimates due to COVID-19 impact profitability.

Kotak Mahindra Bank (KMB), on a standalone basis, reported -10% decline in net profit to Rs 1266.60 crore in the quarter ended March 2020 (Q4FY2020) over the corresponding quarter of last year. The bank has exhibited healthy improvement in asset quality, while further improved its net interest margins (NIMs) in Q4FY2020. NIMs of the bank have improved to 4.72% in Q4FY2020 compared with 4.69% in the previous quarter and 4.46% in the corresponding quarter last year.

The cost-to-income rate has further improved to 46.02% in Q4FY2020 from 49.95% in the previous quarter and 47.15% in the corresponding quarter last year.

However, the credit cost (NPA provisions as an annualized percentage of loans) jumped to 0.68% in Q4FY2020 from 0.47% in Q4FY2019 due to COVID 19 related provisions of Rs 660 crore. Further, the bank exhibited some moderation in loan growth to 7% at end March 2020. The business growth of the bank also eased to 12% at end March 2020.

On consolidated front, the bank has reported -5% decline in the net profit to Rs 1905.18 crore for the quarter ended March 2020 from Rs 2014.50 crore in the quarter ended March 2019. NII increased 16% to Rs 4633.19 crore, while other income dipped 38% to Rs 3650.58 crore. The operating profit improved 24% to Rs 3936.65 crore in the quarter ended March 2020. Provisions and contingencies have zoomed 539% to Rs 1262.19 crore. The effective tax rate was lower at 27.02% in Q4FY2020, compared with 32.1% in Q4FY2019.

Asset quality improves: The bank has improved the asset quality on consolidated as well as standalone basis, in the quarter ended March 2020.

On standalone basis, GNPA ratio has improved to 2.25% and NNPA ratio to 0.71% at end March 2020.

The SMA-2 category loans of the bank also dipped to Rs 96 crore at end March 2020 from Rs 274 crore a quarter ago and Rs 138 crore a year ago.

Capital Adequacy ratio under Basel III including profits stood at 17.90% with the Tier I of 17.30% at end March 2020.

Consolidated Asset Quality Indicators: Kotak Mahindra Bank

In Cr.

Particulars	Qtr Ended 20-Mar	Qtr Ended 19-Dec	Qtr Ended 19-Sep	Qtr Ended 19-Jun	Qtr Ended 19-Mar	Variation QoQ	Variation YoY
Gross NPA (Rs Crore)	5026.89	5413.20	5033.55	4613.52	4467.94	-7	13
Net NPA (Rs Crore)	1557.89	1925.08	1811.40	1524.38	1544.37	-19	1
% Gross NPA	2.25	2.46	2.32	2.19	2.14	-21	11
% Net NPA	0.71	0.89	0.85	0.73	0.75	-18	-4
% PCR	69.00	64.40	64.00	67.00	65.40	460	360
% CRAR - Basel III	17.90	18.20	18.20	17.80	17.45	-30	45
% CRAR - Tier I - Basel III	17.30	17.70	17.60	17.30	16.90	-40	40

Variation in basis points for figures given in percentages and % for Rs crore

Bank has made a COVID 19 related general provision of Rs 650 crore, which is higher than the RBI requirement. Total provisioning towards Advances (including specific, standard and Covid provisions) is higher than the GNPA of the Bank. Amounts overdue on 29 February 2020 and moratorium availed upto 30 April 2020 considered. COVID Provisioning at 10% at account level. About 26% of borrowers by value at account level have availed moratorium upto30 April 2020.

Capital adequacy ratio of the Bank as per Basel III, as on 31 March 2020 is 17.9% and Tier I ratio is 17.3%.

Business Highlights:

Standalone Business Highlights

The business level of the bank increased 12% yoy to Rs 482569 crore at end March 2020. The deposits moved up 16% to Rs 262821 crore, while advances increased 7% to Rs 219748 crore at end March 2020. The credit-deposit ratio eased to 83.61% at end March 2020 from 90.57% a quarter ago.

Home loans & LAP loans increased 15%, personal loans 8%, credit cards 15%, secured consumer banking 3% end March 2020 over March 2019. The agriculture loans moved up 7% and corpoate and business banking loan rose 6%, while commercial vehicle & construction equipment (CV&CE) loan declined 2% end March 2020 over March 2019.

The CASA deposits ratio zoomed to 56.17% at end March 2020 from 53.69% a quarter ago and 52.50% a year ago. The cost of saving account deposits eased to 5.23% at end March 2020.

The bank has added 61 branches and 72 ATMs in the quarter ended March 2020. The branch and ATMs network of the bank stood at 1600 branches and 2519 ATMs at end March 2020.

Book Value per share of the bank stood at Rs 256.2 per share at end March 2020. Adjusted book value (net of NNPA and 10% of restructured advances) stood at Rs 248.1 per share at end March 2020.

Consolidated Business Highlights

Total assets of the bank increased 12% to Rs 443173 crore at end March 2020. Consolidated Advances increased 3% to Rs 249879 crore at end March 2020. The NIM improved to 4.73% in Q4FY2020 from 4.66% in the previous quarter and 4.43% in the corresponding quarter last year. COVID 19 related general provision of Rs 714 crore has been made at the consolidated level, which includes Rs 650 crore at the Bank level.

Book Value per share stood at Rs 350.9 per share at end March 2020, while adjusted book value (net of NNPA) stood at Rs 341.8 per share at end March 2020.

Consolidated Quarterly Performance:

On the consolidated front, the bank has reported -5% decline in the net profit at Rs 1905.18 crore, with the NII growth of 16% to Rs 4633.19 crore in the quarter ended March 2020. Non-interest income dipped -38% to Rs 3650.58 crore and net total income fell -16% to Rs 8283.77 crore in the quarter ended March 2020. The expense ratio stood at 52.5%, while the tax rate was lower at 27.0% in the quarter ended March 2020.

Kotak Prime has reported 9% yoy improvement in the net total income at Rs 412 crore for Q4FY2020, while net profits fell -2% to Rs 161 crore. Total customer asset declined -12% yoy to Rs 24864 crore at end March 2020. Car advances constituting 70.3% of the total customer assets increased -14% to Rs 17480 crore. Asset quality has eased with %NNPA moderating to 0.60% at end March 2020 from 0.44% at end March 2019.

Kotak Mahindra Life Insurance has reported 13% increase in the gross premium collection to Rs 3865 crore in Q4FY2020. PAT increased 20% to Rs 165 crore in Q4FY2020. Solvency ratio eased to 2.90% in Q4FY2020 against 3.02% in Q4FY2019. The Embedded Value (IEV methodology) of Kotak Mahindra Life Insurance was Rs 8388 crore end March 2020. The Value of New Business (VNB) for FY20 was Rs 643 crore and the New Business (VNB) Margin for FY20 was 28.8%. The 13th month persistency as on YTD February 2020 was 87.8%.

Kotak Securities has reported PAT at Rs 163 crore in Q4FY2020, exhibiting 47% surge from Rs 111 crore in Q4FY2019. Total income moved up 17% to Rs 463 crore. Market share improved to 1.7% at end March 2020 from 1.6% a quarter ago and declined from 2.6% a year ago.

Kotak Mahindra Capital has reported a net loss of Rs -7 crore, against Rs 21 crore in the corresponding quarter last year. Total income of the company declined -60% to Rs 22 crore. AUM was flat at Rs 226059 crore at end March 2020 over March 2019.

Kotak Mahindra AMC and Trustee Co reported 24% surge in Average AUM at Rs 186480 crore in the quarter ended March 2020. The net profit of the company dipped -89% to Rs 8 crore in Q4FY2020.

Standalone Financial Performance Fy2020

For the year ended March 2020 (Fy2020), the bank posted 22% jump in the net profit to Rs 5947.18 crore. The net interest income increased 20% to Rs 13499.66 crore, while the non-interest income improved 15% to Rs 5372.11 crore in FY2020. Expense ratio increased sharply to 31.09% in FY2020 compared to 25.4% in FY2019. The provision and contingencies jumped 130% to Rs 2216.16 crore FY2020. The profit before tax rose 6% to Rs 7804.67 crore in FY2020. The effective tax rate was lower at 23.8% in FY2020 compared to 34.1% in FY2019. Net profit surged 22% to Rs 5947.18 crore in FY2020.

Consolidated Financial Performance Fy2020

For the ended March 2020 (Fy2020), the bank posted 19% surge in the net profit to Rs 8593.36 crore. The net interest income improved 20% to Rs 17573.48 crore, while non-interest income rose 5% to Rs 16825.53 crore in FY2020. Expense ratio was lower at 59.4% in FY2020 compared to 62.2% in FY2019. The provision and contingencies jumped 145% to Rs 2558.10 crore in FY2020. The profit before tax moved up 8% to Rs 11421.80 crore in FY2020. The effective tax rate was lower at 24.6% in FY2020 compared to 32.7% in FY2019. The net profit increased 19% to Rs 8593.36 crore in FY2020

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