
RESEARCH REPORT

Prepared by:-

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(Junior analyst)

Market cap: 3.59 trillion

CMP: Rs. 1799



INTRODUCTION

- Kotak Mahindra Bank (the Bank) is the flagship company of the Kotak Group. It is one amongst the fastest growing banks and most admired financial institutions in India. The Bank offers transaction banking, operates lending verticals, manages IPOs and provides working capital loans. The principal business activities of the Bank are organised into consumer banking, commercial banking, corporate banking, treasury, and other financial services.
 - The Bank along with its subsidiaries offers a comprehensive range of financial products and services to its customers. The key businesses are commercial banking, investment banking, stock broking, vehicle finance, advisory services, asset management, life insurance and general insurance. The Bank offers complete financial solutions for infinite needs of all individual & non-individual customers depending on the customers need - delivered through a state of the art technology platform. They also offer investment products like Mutual Funds, Life Insurance, retailing of gold coins and bars etc. Apart from Phone banking and Internet banking, they offer convenient banking facility through Mobile banking, SMS services, Netc@rd, Home banking and BillPay facility among others.
 - The Depository services offered by the Bank allows the customers to hold equity shares, government securities, bonds and other securities in electronic or Demat forms. Their Salary 2 Wealth offering provides comprehensive administrative solutions for Corporates with features such as easy and automated web based salary upload process thereby eliminating the paper work involved in the process, a dedicated relationship manager to service the corporate account, customized promotions and tie ups and many such unique features. The Bank offers comprehensive business solutions for the business community that includes the Current Account, Trade Services, Cash Management Service and Credit Facilities.
 - Their Wholesale banking products offer business banking solutions for long-term investments and working capital needs, advice on mergers and acquisitions and equipment financing. The Bank addresses the entire spectrum of financial needs of Non-Resident Indians (NRIs). Their tie-up with the Overseas Indian Facilitation Centre (OIFC) as a strategic partner gives them a platform to share their comprehensive range of banking & investment products and services for Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs). The bank has overseas subsidiaries with offices in Mauritius, London, Dubai, Singapore, San Francisco & New York.
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HISTORY OF THE COMPANY

Kotak Mahindra Bank has a rich history, starting from its founding in 1985 as a non-banking financial company (NBFC) to becoming a leading private bank in India today. Here's a timeline of some key milestones:

- 1985:** Founded by Uday Kotak as Kotak Capital Management Finance Ltd., focusing on bill discounting.
 - 1986:** Anand Mahindra and Harish Mahindra invest in the company, which is renamed Kotak Mahindra Finance Ltd.
 - Early 1990s:** Expands into car financing, investment banking, and opens overseas offices.
 - 1996:** Founds Kotak Mahindra Primus for car finance (joint venture with Ford Credit) and Kotak Mahindra Capital for investment banking (partnership with Goldman Sachs).
 - 1998:** Starts Kotak Mahindra AMC, its mutual fund arm.
 - 2001:** Establishes OM Kotak Mahindra Life Insurance (joint venture with Old Mutual).
 - 2003:** Becomes the first NBFC in India to convert into a bank, Kotak Mahindra Bank Ltd., with a license from the Reserve Bank of India (RBI).
 - 2014:** Merges with ING Vysya Bank, expanding its reach.
 - 2017:** Launches 811, a unique full-service digital banking platform in India.
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BOARD OF DIRECTORS



Mr. Uday Kotak
(Founder & Director)



Ms. Padmini Khare Kaicker
(Managing Partner)



Mr. Prakash Krishnaji Apte
(Independent Director)



Mr. Paresh Parasnis
(Independent Director)



Mr. Chandrashekhar Sathe
(Management Consultant)



Mr. C S Rajan
(Non-Executive Independent Part-time Chairman)

Kotak Mahindra Bank

MAJOR SUBSIDIARIES

- **Kotak Mahindra Bank Ltd (KMB)**: The flagship company of the group, Kotak Mahindra Bank is a full-fledged private sector bank offering banking products and financial services for corporate and retail customers across various segments including personal finance, investment banking, life insurance, and wealth management.
 - **Kotak Mahindra General Insurance Company Ltd (Kotak General Insurance)**: A wholly-owned subsidiary of Kotak Mahindra Bank, it offers general insurance products including motor, health, fire etc.
 - **Kotak Life Insurance Company Ltd (Kotak Life)**: A joint venture between Kotak Mahindra Group and Old Mutual Plc, it provides life insurance products in India.
 - **Kotak Mahindra Asset Management Company Ltd (Kotak Mahindra AMC)**: This subsidiary manages mutual fund schemes catering to a wide range of investor requirements.
 - **Kotak Securities Ltd**: A stockbroking firm offering broking services to retail and institutional investors.
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MAJOR COMPETITORS

Kotak Mahindra Bank faces competition from several major players in the Indian banking and financial services sector. Key competitors include:

1. State Bank of India (SBI): As the largest public sector bank in India, SBI is a major competitor across various segments, including retail banking, corporate banking, and investment services.

2. HDFC Bank: Known for its strong retail banking presence and innovative financial products, HDFC Bank is a leading competitor.

3. ICICI Bank: Another major private sector bank, ICICI Bank offers a wide range of financial services and has a significant market share.

4. Axis Bank: This bank is known for its extensive network and strong retail banking services, competing closely with Kotak Mahindra in several segments.

5. IndusInd Bank: With a focus on consumer and corporate banking, IndusInd Bank is also a significant competitor.

6. Yes Bank: Despite facing challenges in recent years, Yes Bank remains a competitor, particularly in the retail and corporate banking sectors.

7. Punjab National Bank (PNB): As one of the largest public sector banks, PNB competes in various banking and financial services areas.

8. Bank of Baroda: Another large public sector bank, Bank of Baroda offers extensive banking services and has a strong presence in the Indian market.

SWOT ANALYSIS

Strengths

- **Diversified Business Model:** Kotak Mahindra isn't just a bank. It offers a wide range of financial products and services, including asset management, lending, insurance, and capital markets. This diversification helps spread risk and provides steady income streams.
- **Strong Customer Service:** Kotak Mahindra is known for its excellent customer service, which helps them build customer loyalty and attract new clients.
- **Innovative Products:** Kotak Mahindra is known for its innovative financial products, which cater to a variety of customer needs. This helps them stay ahead of the competition.

Weaknesses

- **Limited Marketing Budget:** Compared to public sector banks, Kotak Mahindra spends less on marketing and advertising. This can limit brand awareness and hinder customer acquisition, especially in new markets. They may be underestimating the importance of brand building in today's competitive environment.
- **Weaker Presence in Corporate Banking:** While dominant in retail banking, Kotak Mahindra has a lesser presence in the potentially lucrative corporate banking space. Expanding here could be a significant growth opportunity.

Opportunities

- **Digital Banking Growth:** The Indian digital banking sector is booming, and Kotak Mahindra is well-positioned to take advantage of this trend. They can invest in further developing their mobile and online banking platforms to attract new customers.
- **Expansion into New Markets:** With a strong financial base, Kotak Mahindra has the potential to expand into new geographic markets, both domestically and internationally.

Threats

- **Economic Slowdown:** An economic slowdown in India could negatively impact Kotak Mahindra's business, as people and businesses may be less likely to borrow money or invest.
 - **Increased Competition:** The Indian banking sector is highly competitive, and new players are constantly emerging. Kotak Mahindra needs to stay innovative and efficient to maintain its market share.
 - **Regulatory Changes:** Stringent banking regulations can impact Kotak Mahindra's profitability and growth. The bank needs to be adaptable to comply with changing regulations.
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MAJOR ACQUISITIONS

- **ING Vysya Bank:** This acquisition stands as one of the major events in India's banking history. The merger significantly expanded Kotak Mahindra Bank's pan-India presence, expanding its branch network and customer base. This strategic move also strengthened its capabilities in the retail banking segment.
 - **Kotak Mahindra Primus:** In a noteworthy step, Kotak Mahindra Bank procured a 40% stake in Kotak Mahindra Primus from Ford Credit. This purchase confirmed that it transitioned into a subsidiary of the Kotak Mahindra Group, highlighting the group's dedication to enhancing its retail finance division.
 - **Kotak Mahindra Capital and Kotak Securities:** [Kotak Mahindra Bank](#) strengthened its hold in the finance world by purchasing Goldman Sachs' shares in two companies. The bank procured a 25% share in Kotak Mahindra Capital at a sum of ₹210 crore and an additional 25% in Kotak Securities for ₹123 crore. This move led to both companies becoming entirely owned by Kotak Mahindra Bank.
 - **Multi Commodity Exchange (MCX):** Kotak Mahindra Bank purchased a 15% share in MCX from the Financial Technologies Group at a value of ₹459 crore. With this key investment, the bank became the main stakeholder in the company.
 - **Airtel Payments Bank JV:** Bharti Airtel and Kotak Mahindra Bank formed a joint venture, with an 80:20 ownership ratio, to launch Airtel Payments Bank. This collaboration marked a unique merging of telecommunications and banking sectors, starting a fresh chapter in promoting financial accessibility.
 - **Vehicle Financing Portfolio:** Showing its strong presence in the vehicle financing domain. The group successfully procured the vehicle financing portfolio from Volkswagen Finance India. Additionally, within the same year, they expanded their reach by integrating the passenger vehicle financing portfolio from Ford Credit India, solidifying their esteemed standing in this domain.
 - **DLL India:** Demonstrating its dedication to varied financial solutions, Kotak Mahindra Bank secured the agriculture and healthcare equipment financing portfolio from DLL India. This move emphasises the bank's intent to consistently broaden its reach and cater to diverse segments of the economy.
 - **Sonata Finance:** In a forward-thinking move, Kotak Mahindra Bank acquired the leading microfinance institution, Sonata Finance, in 2023. This acquisition, valued at ₹537 crore, highlights the bank's commitment to diversifying its portfolio and intensifying its focus on financial inclusion.
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ECONOMIC FACTORS

- 1.Repo rate** : The repo rate set by the Reserve Bank of India (RBI) is a key factor, as it directly impacts the rates at which commercial banks like Kotak Mahindra can borrow. When the RBI increases the repo rate, banks in turn increase the personal loan interest rates they offer. Conversely, a lower repo rate leads to lower personal loan rates.
- 2. Inflation level** : Higher inflation in the economy causes the RBI to raise interest rates, including the repo rate, in order to curb inflation. This then leads to an increase in personal loan interest rates offered by banks like Kotak Mahindra.
- 3. State of the economy** : During periods of economic growth and high demand for credit, Kotak Mahindra can charge higher personal loan rates. However, in an economic slowdown, the bank may reduce rates to encourage borrowing.
- 4. Government policies** : Kotak Mahindra has to observe and comply with various fiscal and monetary policies set by the Indian government, which can impact the bank's personal loan interest rates.
- 5. Global economic factors** : Conditions in the broader global economy, such as exchange rates and trade policies, can also influence the macro-economic environment in India and thus affect Kotak Mahindra's personal loan pricing.

In summary, Kotak Mahindra's personal loan interest rates are primarily driven by the repo rate set by the RBI, the level of inflation in the economy, the overall state of the Indian economy, government policies, and global economic factors

KOTAK MAHINDRA CASA

Kotak Mahindra Bank offers various CASA (Current Account and Savings Account) products to cater to different needs of individuals and businesses. Here's an overview of what these accounts typically include:

Savings Accounts

- 1.Kotak 811 Savings Account:** A digital savings account that can be opened online with minimal documentation.
- 2.Kotak 811 Edge:** An upgraded version of the 811 account with more features.
- 3.Kotak Junior Account:** Designed for children with features encouraging savings from a young age.
- 4.Silk Women's Savings Account:** Tailored specifically for women, offering unique benefits and rewards.
- 5.Grand – Savings Programme for Senior Citizens:** Offers special interest rates and benefits for senior citizens.

Current Accounts

- 1.Pro Savings Account:** A premium account with higher benefits and features.
- 2.Edge Savings Account:** A more flexible savings account with additional benefits.
- 3.Ace Savings Account:** Offers higher interest rates and exclusive benefits.
- 4.Classic Savings Account:** A traditional savings account with standard features.
- 5.Neo Savings Account:** A basic savings account with minimal fees.

Key Features

- Interest Rates:** Competitive interest rates on savings balances.
 - Digital Banking:** Access to online and mobile banking services.
 - Debit Cards:** Complimentary debit cards with various benefits and rewards.
 - ATM Access:** Free or discounted access to ATMs.
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PHYSICAL FOOTPRINT²

Our pan-India distribution network comprising branches and franchisees enables us to reach out to a large customer base. We also have an international banking unit in Gujarat International Finance Tec-City (GIFT City), a bank branch in the Dubai International Financial Centre (DIFC), and international offices in New York, London, Mauritius, Dubai, Singapore and Abu Dhabi.

1,780*
Bank branches

834
Bank pan-India operating locations

2,963**
ATMs

4,417**
Group branch network in India

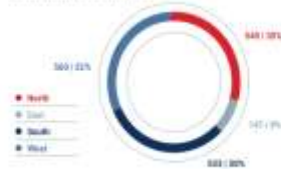
Group Branch Network in India



[†] NY / ^{**} Does not include branches in GIFT City (Gujarat) and DIFC (Dubai) / ^{††} Including cash registers / ^{†††} Kotak Securities network includes branches, franchisees and referral co-ordinators / ^{††††} SR 102-4, SR 102-6, SR 102-7



Bank branch distribution



Bank branch classification



KOTAK MAHINDRA BANK'S CSR EXPENDITURE* DURING FY 2022-23



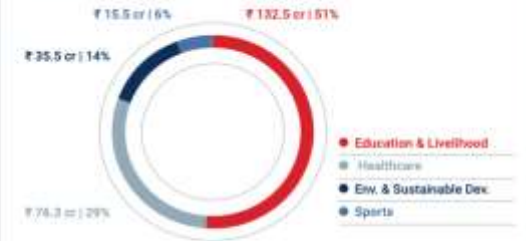
For FY 2022-23, the mandated CSR expenditure for the Bank was ₹187.4 cr and the actual CSR expenditure was ₹187.9 crore. The breakdown of actual CSR expenditure (excluding overheads and impact assessment costs) towards various themes is given above.

CSR Focus Areas

Education and Livelihood

- ▶ Improving learning outcomes in schools
- ▶ Supporting Higher Education
- ▶ Entrepreneurship and Livelihood enhancement
- ▶ Education and skilling interventions for differently abled
- ▶ Skill development for youth

KOTAK MAHINDRA GROUP'S CSR EXPENDITURE* DURING FY 2022-23



For FY 2022-23, the mandated CSR expenditure for the Group was ₹263.0 crore and the actual CSR expenditure was ₹264.7 cr. The breakdown of actual CSR expenditure (excluding overheads and impact assessment costs) towards various themes is given above.

Healthcare

- ▶ Addressing gaps in cancer care spectrum
- ▶ Improving access to healthcare
- ▶ Improving healthcare infrastructure

INDUSTRY OVERVIEW

FINANCIALS

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Statement of Profit and Loss

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Statement of Profit and loss

for the year ended 31st March 2023

Particulars	Note No.	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
I. Revenues from operations			
(a) Revenue from research distribution		17,910,393	64,946,908
(b) Referral Fee Income		99,748,356	117,465,730
(c) Service fee income		386,231,302	334,766,560
II. Other income			
(a) Income from investments		4,767,821	-5,646,483
(b) Other income	3.12	5,648,969	2,190,364
III. Total income (I+II)		476,306,248	613,724,119
IV. Expenses:			
Employee Benefit Expenses	3.13	251,497,364	217,459,426
Finance cost		-	593,927
Depreciation and Amortisation expense	3.5	434,928	1,033,623
Other expenses	3.14	68,058,602	36,134,251
Total expenses		319,991,494	255,261,226
V. PROFIT/(LOSS) BEFORE TAX		156,314,754	258,462,892
VI. Tax expense:			
Current tax			
- Pertaining to profit/(loss) for the current period		31,464,824	4,202,939
- Adjustment of tax relating to earlier periods		(13,698,776)	-
VII. PROFIT/(LOSS) FOR THE YEAR		122,649,506	254,259,954
VIII. Earnings/(Loss) per equity share (in ₹)			
Basic and Diluted	3.21	52.74	112.09

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Balance Sheet

as at 31st March 2023

Particulars	Note No.	As at 31 st March, 2023	As at 31 st March, 2022
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3.1	1,429,715	1,429,715
(b) Reserves and surplus	3.2	881,881,139	694,910,440
2 Non-current liabilities			
(a) Long-term borrowings		-	-
(b) Long-term provisions	3.3	16,955,624	13,905,630
3 Current liabilities			
(a) Trade payables		-	-
1. Total outstanding dues of micro and small enterprises		-	-
2. Total outstanding dues of creditors other than micro enterprises and small enterprises		8,213,523	3,971,339
(b) Short-term provisions	3.4	74,153,421	31,266,001
TOTAL		962,633,824	720,602,026
II. ASSETS			
1 Non-current assets			
(a) Property, Plant and Equipment and intangible assets	3.5	2,616,109	406,047
(b) Non-current investments	3.6	63,089,370	312,130,287
(c) Long-term loans and advances	3.7	7,346,496	3,526,816
(d) Deferred tax asset		13,065,030	-
2 Current assets			
(a) Current Investments	3.8	355,586,699	-
(b) Trade receivables	3.8	49,237,232	99,297,371
(c) Cash and Cash Equivalents	3.9	348,598,159	362,447,837
(d) Short-term loans and advances	3.10	46,266,478	6,907,700
(e) Other current assets	3.11	46,840,921	39,887,268
TOTAL		962,633,824	720,602,026

Significant Accounting Policies and Notes to Accounts 263

CASH FLOW STATEMENT

Cash Flow Statement

for the year ended 31st March 2023

Particulars	For the Year ended 31st March, 2023	For the Year ended 31st March, 2022
Cash Flow from Operating Activities		
Net Profit / (Loss) before taxation	150,314,754	258,462,892
Adjustments for:		
- Interest	(18,143,323)	(3,877,080)
- Dividend income	(57,882)	(48,280)
- Unrealised (gain)/ loss on investment	6,532,799	9,297,223
- Interest Expense	-	593,927
- Exchange Adjustments	47,919,527	9,682,759
- Depreciation and Amortisation Expense	434,928	1,093,623
Operating Profit before Working Capital Changes	187,000,804	275,205,063
Adjustments for:		
(Increase) / Decrease in Trade Receivable	46,060,139	(65,676,677)
Increase / (Decrease) in Deferred Tax assets	(13,065,030)	-
Increase / (Decrease) in Long-term provisions	3,049,994	(1,950,022)
(Increase) / Decrease in Other current assets	(6,953,652)	(1,597,758)
(Increase) / Decrease in Long-term loans and advances	(3,818,650)	(124,823)
Increase / (Decrease) in Short term provisions	42,768,420	(2,612,900)
(Increase) / Decrease in Short-term loans and advances	(39,358,779)	(956,032)
Increase / (Decrease) in Trade payables	4,242,184	(492,733)
Cash Generated from Operations	219,925,430	201,794,116
Direct taxes (paid)/ refund	(34,773,393)	(4,202,939)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES (A)	185,152,037	197,591,177
Cash Flow from Investing Activities		
Purchase of fixed assets	(2,564,800)	(86,225)
Proceeds from Purchase/Sale of Investments	(214,549,820)	(217,224,928)
Interest Received	18,143,323	3,877,080
Fixed Deposits (Placed)/Redeemed during the year	(20,972,000)	(5,365,000)
NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES (B)	(220,043,297)	(218,799,073)
Cash Flow from Financing Activities		
Proceeds from issuance of share capital	-	297,545,398
Dividend Income	57,882	48,280
Interest Expense	-	(593,927)
Proceeds/(Repayment) of subordinated loan	-	(219,330,000)
NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES (C)	57,882	77,669,752
Net Increase in Cash and Cash Equivalents (A + B)	(34,833,378)	56,461,856
Cash and Cash Equivalents at the beginning of the year	210,862,537	154,400,681
Cash and Cash Equivalents at the end of the year	176,029,159	210,862,537
	(34,833,378)	56,461,857

Notes:

1. The Cash Flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 'Cash Flow Statements'

KEY RATIOS

Kotak Mahindra Bank Ltd

₹ 1,799 ▲ 1.68%

03 Jul 1:14 p.m.

[kotak.com](https://www.kotak.com)

[BSE: 500247](https://www.bse.co.in)

[NSE: KOTAKBANK](https://www.nse.co.in)

Market Cap ₹ 3,57,712 Cr.

Current Price ₹ 1,799

High / Low ₹ 1,988 / 1,544

Stock P/E 19.7

Book Value ₹ 563

Dividend Yield 0.08 %

ROCE 8.75 %

ROE 16.3 %

Face Value ₹ 5.00

Return on assets 2.94 %

EPS ₹ 91.6

Return on equity 16.3 %

Debt to equity 3.75

Price to Earning 19.7

Change in Prom Hold -0.01 %

Price to book value 3.21

Pledged percentage 0.00 %

Current ratio 1.96

PAT Qtr ₹ 5,337 Cr.

ANALYSIS

Stock P/E: A P/E ratio of **19.7** indicates that investors are willing to pay Rs.19.70 for every rs.1 of earnings the company generates. It means that company is stable in its earnings and utilising its resources efficiently.

ROCE: A ROCE of **8.75%** indicates that the company generates an 8.75% return on the capital it employs in its business. It also suggests that moderate profitability and efficiency.

Return on assets: A return on assets (ROA) of **2.94%** is a relatively low number, which could indicate that the company is not very efficient at using its assets to generate profits.

Debt to equity: A debt-to-equity (D/E) ratio of **3.75** is considered high. This indicates the company is heavily reliant on debt financing compared to its shareholder equity.

Return on equity: A return on equity (ROE) of **16.3%** is a strong indicator of a company's profitability. It shows that the company is generating a significant amount of profit from the money invested by shareholders.

Dividend yield: A dividend yield of **0.08%** is quite low, indicating the company is growth oriented and retain most of its earnings.

Current ratio: A current ratio of **1.96** is generally considered good . It indicates that a company has almost twice the amount of current assets needed to cover its current liabilities. This means the company is likely able to meet its short-term obligations comfortably.

PEER COMPARISON

Peer comparison

Sector: [Banks](#) Industry: [Banks - Private Sector](#)

 [EDIT COLUMNS](#)

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	HDFC Bank	1769.90	21.03	1346561.63	1.09	18012.87	39.92	79433.61	67.06	9.50
2.	ICICI Bank	1202.10	19.12	845820.18	0.68	12200.05	18.46	42606.72	23.72	8.37
3.	Axis Bank	1283.50	15.00	396633.15	0.08	7630.07	53.87	30230.58	22.74	7.06
4.	Kotak Mah. Bank	1799.40	19.71	357711.92	0.08	5337.20	16.88	15156.18	26.50	8.75
5.	IndusInd Bank	1453.40	12.68	113179.88	1.15	2346.84	15.01	12198.53	21.73	8.42
6.	IDBI Bank	84.14	15.87	90470.66	1.78	1672.00	36.83	6994.70	22.08	5.44
7.	Yes Bank	23.90	58.29	74892.23	0.00	467.29	126.61	7457.81	19.93	6.29

CONCLUSION

- Company is expected to give good quarter.
- Company has delivered good profit growth of 20.4% CAGR over last 5 years.
- Stock is trading at 3.20 times its book value.
- Contingent liabilities of Rs.5,08,058 Cr.

I would suggest to buy Kotak Mahindra.



kotak
Kotak Mahindra Bank