

May 5, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	2,400		2,230	
NII (Rs. m)	3,16,150	3,64,119	3,23,496	3,75,847
% Chng.	(2.3)	(3.1)		
Op. Profit (Rs. m)	2,28,464	2,62,864	2,33,373	2,70,013
% Chng.	(2.1)	(2.6)		
EPS (Rs.)	75.3	87.7	77.2	90.1
% Chng.	(2.3)	(2.6)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	2,59,932	2,83,418	3,16,150	3,64,119
Op. Profit (Rs m)	1,95,875	2,10,066	2,28,464	2,62,864
PAT (Rs m)	1,37,816	1,64,501	1,49,806	1,74,427
EPS (Rs.)	69.3	82.7	75.3	87.7
Gr. (%)	25.9	19.3	(8.9)	16.4
DPS (Rs.)	1.7	2.5	2.3	2.6
Yield (%)	0.1	0.1	0.1	0.1
NIM (%)	4.9	4.5	4.4	4.5
RoAE (%)	15.3	15.4	12.0	12.4
RoAA (%)	2.5	2.5	2.0	2.1
P/BV (x)	4.5	3.7	3.3	2.9
P/ABV (x)	4.6	3.7	3.3	3.0
PE (x)	31.5	26.4	29.0	24.9
CAR (%)	20.5	22.4	21.6	21.2

Key Data KTKM.BO | KMB IN

52-W High / Low	Rs.2,302 / Rs.1,544
Sensex / Nifty	80,502 / 24,347
Market Cap	Rs.4,345bn / \$ 51,389m
Shares Outstanding	1,988m
3M Avg. Daily Value	Rs.9374.35m

Shareholding Pattern (%)

Promoter's	25.88
Foreign	32.65
Domestic Institution	29.14
Public & Others	12.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.4	25.3	38.7
Relative	(3.5)	24.1	28.5

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Aditya Modani

adityamodani@plindia.com | 91-22-66322257

Better loan growth a key for upgrade

Quick Pointers:

- Mixed quarter with miss on core PPOp but better asset quality.
- We trim loan growth by 1% to 15%; FY26 NIM could surprise positively.

KMB saw a mixed quarter as core PPOp missed PLe by 4% though asset quality improved. Despite lifting of embargo and acquiring StanC's PL portfolio of Rs 33bn, loan growth was weak at 13.5% YoY (PLe 15.0%). NII was 3% lower owing to QoQ increase in balance sheet liquidity by Rs377bn leading to softer NIM at 4.5% for FY25 (PLe 4.67%). While we are factoring NIM decline of 10bps YoY in FY26E to 4.4%, levers for upgrade are (1) utilization of excess liquidity (2) faster growth in PL/CC and (3) reduction in fixed SA rate from 3.8%. Asset quality was better since net slippages were lower and higher provisions were partly driven by QoQ increase in PCR by 492bps to 78%. PL credit cost declined whereas credit cost for CC is stable. Hence, we expect provisions to reduce from 73bps in FY25 to 63bps in FY26. We keep multiple at 2.4x but increase TP to Rs2,400 from Rs2,230 as we roll forward to Mar'27 core ABV. Retain 'BUY'.

- **Mixed quarter; lower NII/loan growth but superior asset quality:** NII was lower to PLe at Rs72.8bn (PLe Rs75.1bn). NIM (calc.) was a miss at 4.63% (PLe 4.91%); reported NIM improved by 4bps QoQ to 4.97%. Credit growth was a miss at 13.5% YoY (PLe 15%). Deposit accretion was higher at 11.2% YoY (PLe 10.1%). LDR decreased to 85.5% (87.4% in Q3FY25); CASA ratio increased to 43% (42.3% in Q3'25). Other income was higher at Rs31.8bn (PLe Rs28.6bn) due to better fees. Opex at Rs49.9bn was a 3% miss. Core PPOp at Rs49.1bn was lower to PLe by 4%; PPOp was Rs54.7bn. Asset quality improved; GNPA fell by 8bps QoQ to 1.42% (PLe 1.53%) due to lower net slippages. Provisions were Rs9.1bn (PLe Rs7.1bn) due to QoQ increase in PCR from 73% to 78% and AIF provisions. Core PAT was a 6% miss to PLe at Rs31.1bn. PAT was Rs35.5bn.
- **Sequential loan growth was soft:** Credit growth was soft at 3.2% QoQ since corporate, CC and MFI declined QoQ by 4.0%/4.9%/18.6%. HL, SME and CV saw decent growth QoQ of 4.4%, 6.0% and 5.5%. Since the embargo has been lifted, growth in PL segment jumped QoQ to 16.5%. Bank de-grew MFI due to stress and it is evaluating if this stress is cyclical or structural; portfolio would be adjusted accordingly. Guidance to increase unsecured share to mid-teens is intact. Business growth is guided at 1.5-2.0x of nominal GDP growth; we are factoring loan CAGR of 15% over FY25-27E (1% cut in FY26/27E).
- **Levers in place for NIM upgrade; asset quality was better:** Calc. NIM for FY25 was lower at 4.5% (PLe 4.67%) owing to QoQ rise in balance sheet liquidity. Due to further likely rate cuts and ~55% share of EBLR linked loans, we are factoring a 10bps decline in FY26 NIM to 4.6%. However, there is a scope of upgrade in NIM if (1) balance sheet liquidity is utilized and (2) unsecured (PL/CC) increases at a faster pace. Asset quality outlook is better in our opinion. Gross slippages were Rs14.9bn (PLe Rs18bn), recoveries were higher at Rs7.5bn (PLe Rs7.2bn) while PCR improved by 492bps QoQ suggesting that provisions for FY26 could be lower than FY25 (73bps).

Exhibit 1: PAT at Rs36bn was a miss led by miss on NII/opex/provisions

Financial Statement (Rs m)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Q4FY25E	Est. beat/miss
Interest Income	1,35,298	1,23,071	9.9	1,34,276	0.8	1,40,284	(3.6)
Interest Expenses	62,462	53,977	15.7	62,313	0.2	65,180	(4.2)
Net interest income (NII)	72,836	69,094	5.4	71,963	1.2	75,103	(3.0)
Other income	31,825	29,783	6.9	26,228	21.3	28,565	11.4
Total income	1,04,660	98,876	5.8	98,191	6.6	1,03,668	1.0
Operating expenses	49,938	44,261	12.8	46,380	7.7	48,468	3.0
-Staff expenses	21,063	18,264	15.3	19,525	7.9	20,403	3.2
-Other expenses	28,876	25,997	11.1	26,856	7.5	28,064	2.9
Operating profit	54,722	54,616	0.2	51,810	5.6	55,201	(0.9)
Core operating profit	49,062	49,503	(0.9)	49,200	(0.3)	51,201	(4.2)
Total provisions	9,094	2,637	244.8	7,941	14.5	7,055	28.9
Profit before tax	45,628	51,978	(12.2)	43,869	4.0	48,146	(5.2)
Tax	10,111	10,645	(5.0)	10,821	(6.6)	12,036	(16.0)
Profit after tax	35,517	41,333	(14.1)	33,048	7.5	36,109	(1.6)

Balance sheet (Rs m)

Deposits	49,90,551	44,89,538	11.2	47,34,970	5.4	49,42,420	1.0
Advances	42,69,092	37,60,753	13.5	41,38,390	3.2	43,24,618	(1.3)

Ratios (%)
Profitability ratios

NIM	4.6	5.3	(65)	4.9	(30)	4.9	(28)
RoaA	2.2	3.0	(84)	2.2	(4)	2.3	(10)
RoaE	13.3	18.4	(507)	12.7	56	13.4	(17)

Asset Quality

Gross NPL	61,339	52,748	16.3	62,663	(2.1)	67,028	(8.5)
Net NPL	13,434	12,706	5.7	16,810	(20.1)	17,427	(22.9)
Gross NPL ratio	1.4	1.4	3	1.5	(8)	1.5	(11)
Net NPL ratio	0.3	0.3	(3)	0.4	(10)	0.4	(9)
Coverage ratio (Calc)	78.1	75.9	219	73.2	492	74.0	410

Business & Other Ratios

Low-cost deposit mix	43.0	45.5	(254)	42.3	64	42.1	90
Cost-income ratio	47.7	44.8	295	47.2	48	46.8	96
Non int. inc / total income	30.4	30.1	29	26.7	370	27.6	285
Credit deposit ratio	85.5	83.8	178	87.4	(186)	87.5	(196)
CAR	22.2	20.5	170	22.8	(60)		
Tier-I	21.1	19.2	190	21.7	(60)		

Source: Company, PL

Q4FY25 Concall Highlights

Balance Sheet

- CV portfolio de-grew YoY on account of i) lesser govt. spending ii) heatwaves iii) liquidity crunch in H1FY25.
- With normal monsoon prediction for FY26, tractor finance may grow well.
- Bank de-grew MFI due to industry stress. Management is watchful if the stress is cyclical or structural and would adjust the portfolio accordingly.
- Guidance to increase unsecured share to mid-teens is intact.
- Bank is maintaining excess capital as it gives ability to withstand downturns and also to seize opportunities for inorganic growth. Excess capital is invested in alternative asset businesses.
- Business growth is expected at 1.5-2x of nominal GDP growth.
- Bank launched Solitaire which brings together several products for customers in a simplified and convenient manner.

Profit & Loss

- Fixed rate SA cost may settle down to 3% amid rate cut environment.
- Reported NIM improved due to i) SA cut ii) higher average CA balance during the quarter & iii) impact of day count.
- Opex increase sequentially was driven by i) PSL purchases ii) brand campaigns and iii) customer acquisitions in 811 & credit card business.

Asset Quality

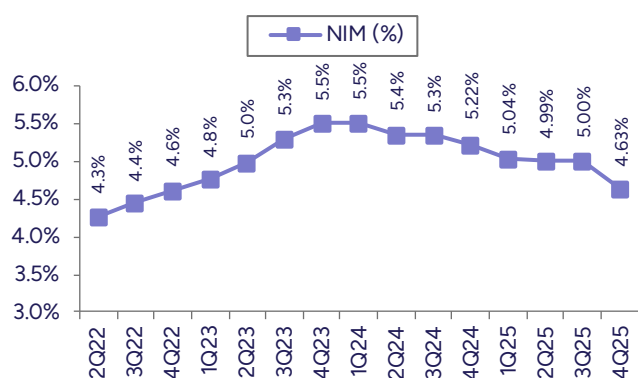
- As per management, credit cost of PL declined whereas credit cost for CC remained stable. MFI credit costs remained elevated during the quarter and are expected at current levels for next 2 quarters.
- PCR is increased to provide for the vintage unsecured pool. Management expects lesser provisions in the recent unsecured book due to better quality.

Exhibit 2: Loan growth led by SME, home loans & CV/CE.

Loan Book (Rs mn)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)
Corp Banking	9,27,790	8,73,100	6.3	9,66,490	(4.0)
SME	3,57,540	2,72,470	31.2	3,37,380	6.0
Home loans	12,70,250	10,67,260	19.0	12,17,000	4.4
CV/CE	4,30,080	3,68,330	16.8	4,07,560	5.5
Cons Bank WC (secured)	4,27,970	3,59,970	18.9	4,16,870	2.7
PL, BL, Cons Durables	2,48,180	2,00,490	23.8	2,12,980	16.5
Credit Cards	1,34,200	1,45,050	(7.5)	1,41,170	(4.9)
Agri	2,80,590	2,78,500	0.8	2,75,640	1.8
Tractor Finance	1,78,150	1,58,020	12.7	1,70,000	4.8
Retail Micro Finance	66,970	99,830	(32.9)	82,250	(18.6)
Others	1,21,440	94,270	28.8	1,06,520	14.0
IBPC	(1,74,070)	(1,56,540)	11.2	(1,95,470)	(10.9)
Total	42,69,090	37,60,750	13.5	41,38,390	3.2
Loan Book mix (%)					
Corp Banking	21.7	23.2	(6.4)	23.4	(6.9)
SME	8.4	7.2	15.6	8.2	2.7
Home loans	29.8	28.4	4.8	29.4	1.2
CV/CE	10.1	9.8	2.9	9.8	2.3
Cons Bank WC (secured)	10.0	9.6	4.7	10.1	(0.5)
PL, BL, Cons Durables	5.8	5.3	9.0	5.1	13.0
Credit Cards	3.1	3.9	(18.5)	3.4	(7.8)
Agri	6.6	7.4	(11.2)	6.7	(1.3)
Tractor Finance	4.2	4.2	(0.7)	4.1	1.6
Retail Micro Finance	1.6	2.3	(0.0)	1.9	(0.0)
Others	2.8	2.5	13.5	2.6	10.5
IBPC	(4.1)	(4.2)	(2.0)	(4.7)	(13.7)

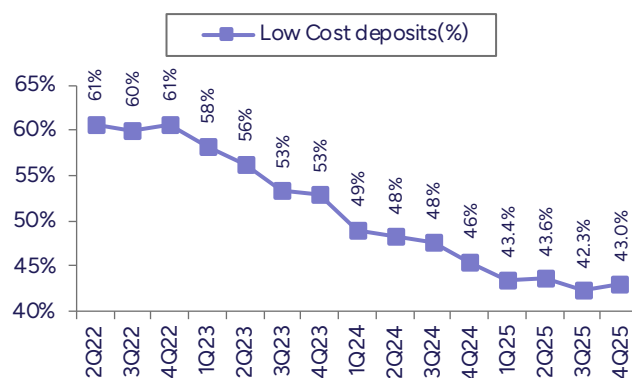
Source: Company, PL

Exhibit 3: NIMs declined QoQ to 4.63% due to lower yields



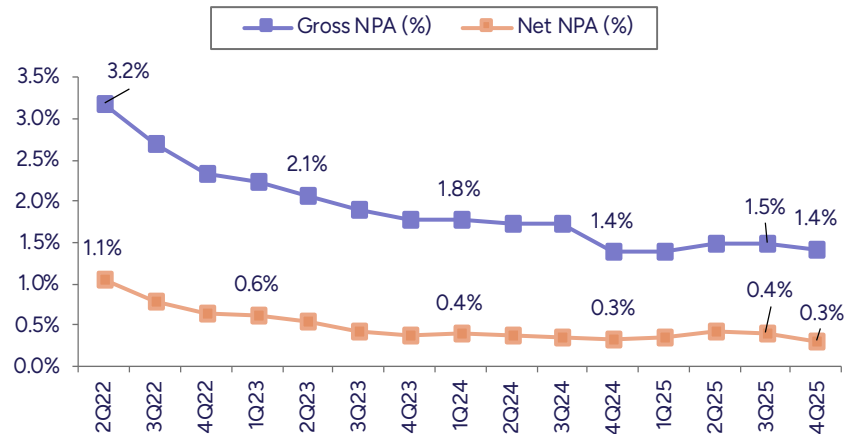
Source: Company, PL

Exhibit 4: CASA increased QoQ to 43%



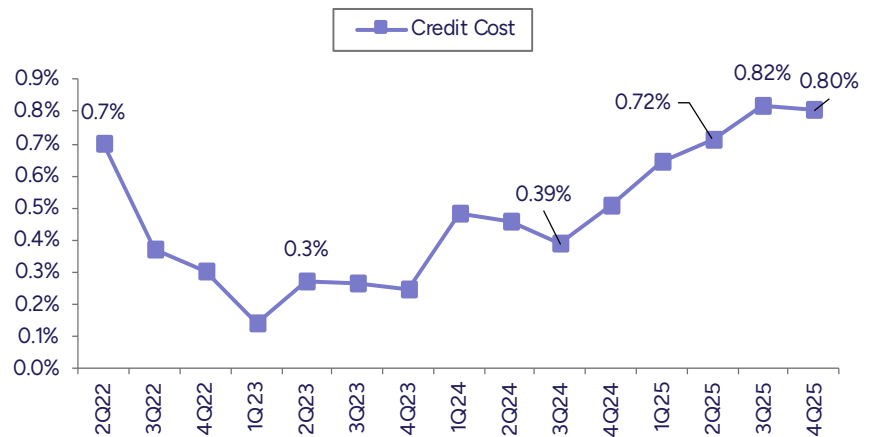
Source: Company, PL

Exhibit 5: GNPA/NNPA lower with lower slippages



Source: Company, PL

Exhibit 6: Credit costs decreased QoQ to 0.80%.



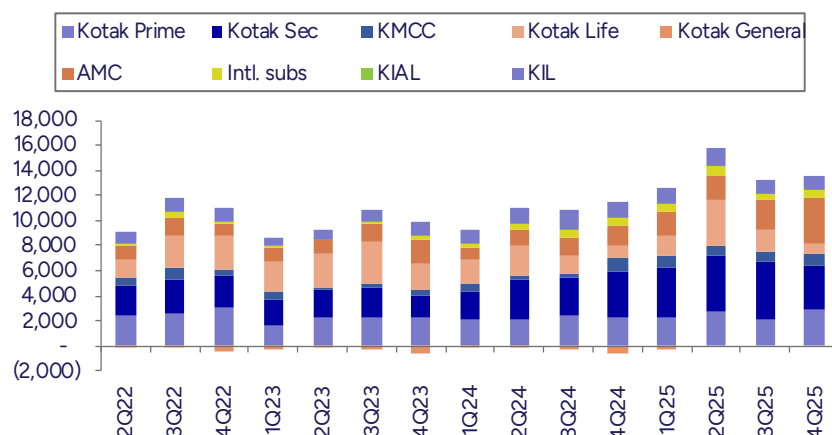
Source: Company, PL

Exhibit 7: Consolidated earnings increased QoQ to Rs493bn

Consolidated Financials (Rs mn)	Q4FY25	Q4FY24	YoY gr. (%)	Q3FY25	QoQ gr. (%)
Standalone Bank	35,517	41,333	(14.1)	33,048	7.5
Kotak Prime	2,970	2,230	33.2	2,180	36.2
KMCC	960	970	(1.0)	940	2.1
Kotak Securities	3,480	3,780	(7.9)	4,480	(22.3)
International subsidiaries	640	590	8.5	470	36.2
Kotak AMC	3,640	1,500	142.7	2,400	51.7
Kotak Mahindra Investments	1,160	1,290	(10.1)	1,070	8.4
Lending business	38,487	43,563	(11.7)	35,228	9.3
Flow business, Subsidiaries	9,880	8,130	21.5	9,360	5.6
Others	233	1,167	(80.1)	782	(70.3)
Consolidated PAT (ex -insurance)	48,600	52,860	(8.1)	45,370	7.1
Insurance*	730	510	43.1	1,640	(55.5)
Consolidated PAT**	49,330	53,370	(7.6)	47,010	4.9

Source: Company, PL; *Note: Insurance includes both Life and General Insurance (On 18th June, 2024, Kotak General Insurance has ceased to be a wholly-owned subsidiary and became an associate of the Bank.)

Exhibit 8: Robust group earnings with 28% share from non-banking cos



Source: Company, PL

Exhibit 9: Return ratios to remain close to 12-12.5% over FY26E/27E

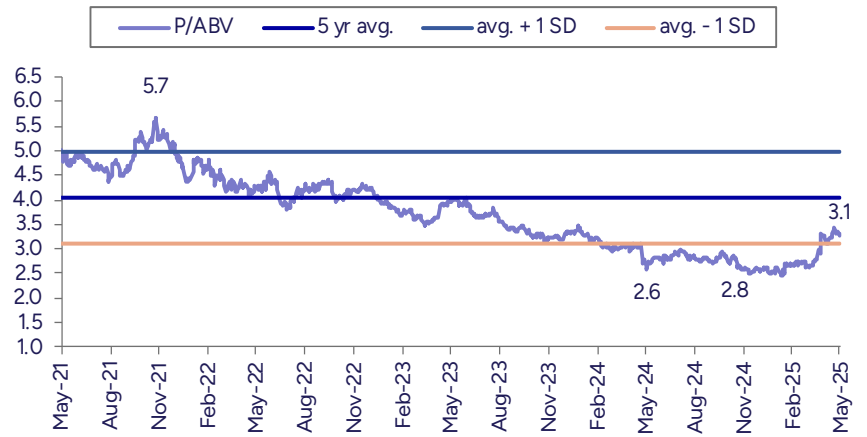
RoA decomposition	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Net interest income	4.1	4.1	4.7	4.8	4.4	4.3	4.3
Other Inc. from operations	1.3	1.5	1.5	1.9	1.8	1.7	1.7
Total income	5.5	5.6	6.2	6.7	6.1	6.0	6.1
Employee expenses	1.0	1.1	1.2	1.3	1.2	1.2	1.2
Other operating expenses	1.3	1.5	1.8	1.8	1.7	1.7	1.8
Operating profit	3.2	3.0	3.2	3.6	3.2	3.1	3.1
Tax	0.6	0.7	0.7	0.8	0.8	0.7	0.7
Loan loss provisions	0.7	0.2	0.1	0.3	0.5	0.4	0.4
RoAA	1.9	2.1	2.4	2.5	2.0	2.0	2.1
RoAE	12.4	12.6	14.0	15.3	12.1	12.0	12.4

Source: Company, PL

Exhibit 10: SOTP-based TP of Rs2,400 basis Mar'27E core ABV of bank

Particulars	Stake	Rs per share	% of total	Valuation (x)	Basis
Standalone bank	100%	1,723	69.6	2.4	x Mar'27 core ABV
Insurance	100%	204	8.2	2.3	of Mar'25 EV
Kotak Prime	100%	159	6.4	3.3	of Mar'25 ABV
Kotak AMC	100%	144	5.8	6.0	6% of Mar'25 MAAuM
Kotak Sec	100%	173	7.0	21.0	of FY25 PAT
KMCC	100%	27	1.1	15.0	of Mar'25 PAT
Intl Subs	100%	11	0.5	1.0	of Mar'25 Book
Others	100%	35	1.4	14.0	of Mar'25 PAT
Total		2,476	100		
Holdco discount		75			
SOTP based TP		2,400			

Exhibit 11: One-year forward P/ABV trades at 3.1x



Source: Company, PL


Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	3,56,580	4,07,462	4,46,001	5,06,150
Int. Earned from invt.	88,981	1,08,289	1,18,129	1,33,149
Others	4,634	4,501	2,800	2,800
Total Interest Income	4,57,989	5,29,197	5,72,449	6,49,017
Interest Expenses	1,98,057	2,45,780	2,56,299	2,84,899
Net Interest Income	2,59,932	2,83,418	3,16,150	3,64,119
Growth(%)	20.6	9.0	11.5	15.2
Non Interest Income	1,02,731	1,14,185	1,27,992	1,46,717
Net Total Income	3,62,663	3,97,603	4,44,142	5,10,836
Growth(%)	35.7	14.7	8.9	13.6
Employee Expenses	68,926	78,806	87,990	98,360
Other Expenses	91,714	1,08,731	1,27,688	1,49,612
Operating Expenses	1,66,788	1,87,537	2,15,678	2,47,972
Operating Profit	1,95,875	2,10,066	2,28,464	2,62,864
Growth(%)	31.9	7.2	8.8	15.1
NPA Provision	14,865	15,648	25,703	26,831
Total Provisions	15,737	29,424	28,723	30,294
PBT	1,80,137	2,15,841	1,99,741	2,32,570
Tax Provision	42,321	51,340	49,935	58,142
Effective tax rate (%)	23.5	23.8	25.0	25.0
PAT	1,37,816	1,64,501	1,49,806	1,74,427
Growth(%)	26.0	19.4	(8.9)	16.4

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	5	5	5	5
No. of equity shares	1,988	1,988	1,988	1,988
Equity	9,940	9,941	9,941	9,941
Networth	9,67,188	11,72,399	13,17,710	14,86,905
Growth(%)	15.8	21.2	12.4	12.8
Adj. Networth to NNPA's	12,706	13,434	16,541	20,281
Deposits	44,89,537	49,90,551	57,36,897	65,94,861
Growth(%)	23.6	11.2	15.0	15.0
CASA Deposits	20,43,035	21,44,170	24,66,336	28,59,061
% of total deposits	45.5	43.0	43.0	43.4
Total Liabilities	60,03,570	69,36,242	78,53,573	89,86,893
Net Advances	37,60,753	42,69,092	49,07,543	56,41,475
Growth(%)	17.6	13.5	15.0	15.0
Investments	15,54,038	18,19,075	20,65,283	23,24,688
Total Assets	60,03,570	69,36,242	78,53,573	89,86,893
Growth (%)	22.6	15.5	13.2	14.4

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	52,748	61,338	75,113	92,180
Net NPAs (Rs m)	12,706	13,434	16,541	20,281
Gr. NPAs to Gross Adv.(%)	1.4	1.4	1.5	1.6
Net NPAs to Net Adv. (%)	0.3	0.3	0.3	0.4
NPA Coverage %	75.9	78.1	78.0	78.0

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	4.9	4.5	4.4	4.5
RoAA	2.5	2.5	2.0	2.1
RoAE	15.3	15.4	12.0	12.4
Tier I	19.2	20.5	20.0	19.6
CRAR	20.5	22.4	21.6	21.2

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Interest Income	1,27,461	1,32,163	1,34,276	1,35,298
Interest Expenses	59,038	61,967	62,313	62,462
Net Interest Income	68,424	70,196	71,963	72,836
YoY growth (%)	9.8	11.5	9.8	5.4
CEB	22,400	23,120	23,620	26,160
Treasury	-	-	-	-
Non Interest Income	29,290	26,842	26,228	31,825
Total Income	97,714	97,038	98,191	1,04,660
Employee Expenses	18,705	19,514	19,525	21,063
Other expenses	26,468	26,532	26,856	28,876
Operating Expenses	45,173	46,046	46,380	49,938
Operating Profit	52,541	50,993	51,810	54,722
YoY growth (%)	6.2	10.6	13.5	0.2
Core Operating Profits	45,651	47,273	49,200	49,062
NPA Provision	5,780	6,690	7,940	8,060
Others Provisions	5,785	6,604	7,941	9,094
Total Provisions	5,785	6,604	7,941	9,094
Profit Before Tax	46,756	44,389	43,869	45,628
Tax	11,596	10,951	10,821	10,111
PAT	35,161	33,437	33,048	35,517
YoY growth (%)	1.8	4.8	10.0	(14.1)
Deposits	44,74,180	46,14,542	47,34,970	49,90,551
YoY growth (%)	15.8	15.1	15.9	11.2
Advances	38,99,570	39,95,216	41,38,390	42,69,092
YoY growth (%)	18.7	14.7	15.1	13.5

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	2,185	2,185	2,185	2,185
EPS (Rs)	69.3	82.7	75.3	87.7
Book Value (Rs)	487	590	663	748
Adj. BV (Rs)	480	583	654	738
P/E (x)	31.5	26.4	29.0	24.9
P/BV (x)	4.5	3.7	3.3	2.9
P/ABV (x)	4.6	3.7	3.3	3.0
DPS (Rs)	1.7	2.5	2.3	2.6
Dividend Payout Ratio (%)	2.4	3.0	3.0	3.0
Dividend Yield (%)	0.1	0.1	0.1	0.1

Efficiency

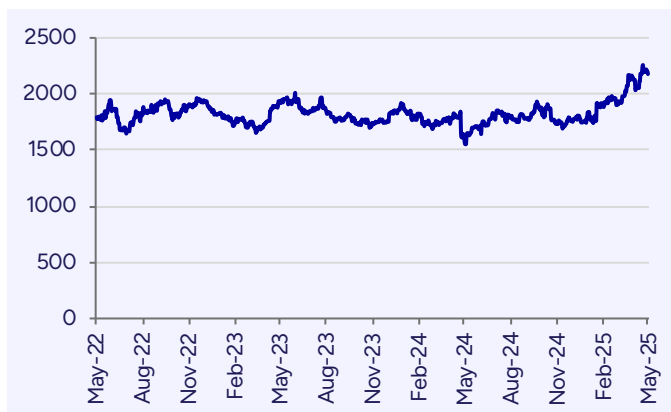
Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	46.0	47.2	48.6	48.5
C-D Ratio (%)	83.8	85.5	85.5	85.5
Business per Emp. (Rs m)	106	112	123	136
Profit per Emp. (Rs lacs)	18	20	17	19
Business per Branch (Rs m)	4,235	4,414	4,735	5,103
Profit per Branch (Rs m)	71	78	67	73

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	4.77	4.38	4.28	4.32
Total Income	6.65	6.15	6.01	6.07
Operating Expenses	3.06	2.90	2.92	2.94
PPoP	3.59	3.25	3.09	3.12
Total provisions	0.29	0.45	0.39	0.36
RoAA	2.53	2.54	2.03	2.07
RoAE	15.29	15.38	12.03	12.44

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	BUY	2,230	2,038
2	20-Jan-25	BUY	2,230	1,759
3	08-Jan-25	BUY	2,230	1,772
4	20-Oct-24	BUY	2,230	1,872
5	07-Oct-24	BUY	2,125	1,809
6	21-Jul-24	BUY	2,125	1,821
7	08-Jul-24	BUY	2,100	1,853
8	05-May-24	BUY	2,100	1,547

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	2,038
2	Axis Bank	BUY	1,500	1,207
3	Bank of Baroda	BUY	285	230
4	Can Fin Homes	BUY	860	723
5	City Union Bank	BUY	200	160
6	DCB Bank	BUY	155	113
7	Federal Bank	BUY	220	197
8	HDFC Asset Management Company	BUY	4,600	4,218
9	HDFC Bank	BUY	2,125	1,907
10	ICICI Bank	BUY	1,700	1,407
11	IndusInd Bank	Hold	860	676
12	Kotak Mahindra Bank	BUY	2,230	2,038
13	LIC Housing Finance	BUY	650	566
14	Nippon Life India Asset Management	BUY	700	638
15	State Bank of India	BUY	900	747
16	Union Bank of India	BUY	140	119
17	UTI Asset Management Company	BUY	1,320	1,035

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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