

Kotak Mahindra Bank's ING Vysya Bank integration working well, loan growth to pick up: Nomura

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Kotak Bank's ING Vysya Bank integration has worked well from a cost perspective (cost income lower than pre-merger levels) and liability franchise of the combined entity is now getting comparable to larger peers (42% in Q3FY17). Growth momentum lagged expectations, but Kotak is finally delivering on core fee growth and we expect loan growth to pick up to +20% as the ING integration and demonetisation impact is now behind. With earnings CAGR of 27% expected over FY17-19F we remain positive on Kotak bank. Our TP of R840 implies ~25x Sep-18 P/E which adequately captures in the strong earnings compounding.

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