

CMP: ₹ 422

Target: ₹ 514 (22%)

Target Period: 12 months

BUY

January 14, 2026

Kotak Bank splits 1:5; margin and RoA recovery to aid valuation

About the stock: Kotak Mahindra Bank is one of the leading private sector banks in India providing a wide array of banking and financial services.

- It spans over 2198 branches and 2758 ATMs
- Consistent in delivering superior RoA of 2+% and RoE of 13+%

Key Development: Kotak Mahindra Bank's 1:5 stock split comes into effect on 14 January 2026, which was earlier announced as the record date. Under the split, each existing equity share of face value ₹5 has been subdivided into five equity shares of face value ₹1 each. The move, approved earlier by the board, is aimed at improving share affordability and enhancing liquidity, with no impact on the bank's fundamentals or overall valuation.

Investment Rationale

- **Healthy provisional business figures:** Kotak Mahindra Bank reported healthy business growth in Q3FY26, with net advances (EOP) rising 16% YoY (3.8% QoQ) to ₹4,80,229 crore as of December 31, 2025. Total deposits (EOP) increased 14.6% YoY (2.6% QoQ) to ₹5,42,638 crore, reflecting steady liabilities accretion. CASA balances (EOP) stood at ₹2,24,199 crore, up 11.9% YoY (0.2% QoQ), indicating muted sequential growth in low-cost deposits. Sequential growth in advances outpaced deposits, while modest QoQ CASA growth suggests continued pressure on the funding mix. Though, overall business momentum remains stable, with improvement in margins likely in Q3FY26 aided by repricing of deposits.
- **Asset quality resilient; stabilization in unsecured retail segment to aid RoA:** Asset quality remained resilient with GNPA/NNPA at 1.39%/0.32% and PCR of 77% (Q2FY26). Credit cost eased to 79 bps in Q2FY26 (from 93 bps QoQ) led by normalization in MFI and card portfolios. Retail CV stress persists in select pockets but is being contained through tightened underwriting and calibrated disbursement, while wholesale and SME books continue to perform well. Management expects further moderation in credit cost through H2FY26 as collection efficiencies improve and MFI stress subsides.

Rating and Target Price

- Margin recovery, coupled with stable funding cost, is expected to cushion profitability through H2FY26.
- Factoring stock split, we revise our target price at ₹514, valuing standalone bank at 2.6x FY27E ABV (keeping it unchanged) and assigning ₹127 for subsidiaries. Maintain Buy rating on the stock.



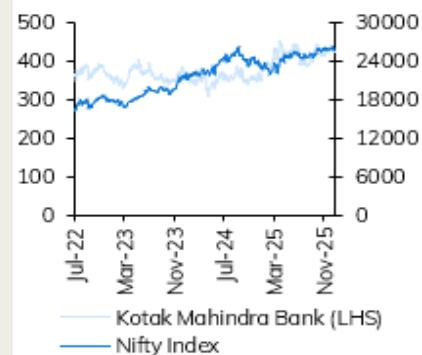
Particulars

Particulars	Amount
Market Capitalisation	₹ 4,20,147 crore
52 week H/L	460 / 350
Net worth	₹ 1,67,935 crore
Face value	₹ 1

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	25.9	25.9	25.9	25.9
FII	32.5	32.6	32.3	29.8
DII	28.8	29.1	29.6	32.0
Others	12.8	12.4	12.2	12.3

Price Chart



Key risks

- Asset quality stress in retail CV and MFI
- Margin pressure amid slower than expected deposit repricing

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Key Financial Summary

₹ crore	FY23	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	21552	25993	28342	19%	30593	35923	13%
PPP	14848	19587	24526	27%	22327	26561	4%
PAT	10939	13782	19970	33%	13731	17182	-7%
ABV	83	96	116		129	146	
P/E	38.2	30.3	21.0		30.6	24.4	
P/ABV	5.1	4.4	3.7		3.3	2.9	
RoA	2.4	2.5	3.1		1.9	2.0	
RoE	14.0	15.3	18.8		11.2	12.4	

Financial Summary

Exhibit 1: Profit and loss statement				
(Year-end March)	FY24	FY25	FY26E	₹ crore
Interest Earned	45798.9	52919.7	55792.4	65876.9
Interest Expended	19805.7	24578.0	25199.4	29954.3
Net Interest Income	25993.2	28341.8	30593.0	35922.6
Growth (%)	20.6	9.0	7.9	17.4
Non Interest Income	10273.1	14961.1	12176.9	13771.9
Net Income	36266.3	43302.9	42769.9	49694.5
Operating expense	16678.8	18776.4	20442.8	23133.3
Gross profit	19587.5	24526.5	22327.1	26561.2
Provisions	1573.7	2942.4	3896.7	3498.7
Taxes	4232.1	5134.0	4699.7	5880.9
Exceptional item	0.0	3519.9	0.0	0.0
Net Profit	13781.6	19970.0	13730.6	17181.6
growth (%)	26.0	44.9	-31.2	25.1
EPS	13.9	20.1	13.8	17.3

Source: Company, ICICI Direct Research

Exhibit 2: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
<u>Valuation</u>				
No. of Equity Shares	990.9	994.1	994.3	994.3
EPS (₹)	13.9	20.1	13.8	17.3
BV (₹)	97.5	117.0	130.5	147.4
ABV (₹)	96.2	115.7	129.0	145.5
P/E	30.3	21.0	30.6	24.4
P/BV	4.4	3.6	3.3	2.9
P/ABV	4.4	3.7	3.3	2.9
<u>Yields & Margins (%)</u>				
Yield on avg earning assets	8.9	8.8	8.1	8.4
Avg. cost on funds	4.6	4.8	4.3	4.5
Net Interest Margins	5.1	4.7	4.4	4.6
Avg. Cost of Deposits	4.5	4.8	4.3	4.5
Yield on average advances	10.2	10.1	9.4	9.8
<u>Quality and Efficiency (%)</u>				
Cost / Total net income	46.0	43.4	47.8	46.6
Credit/Deposit ratio	83.8	86.0	86.3	86.4
GNPA	1.4	1.4	1.4	1.4
NNPA	0.3	0.3	0.3	0.3
RoE	15.3	18.8	11.2	12.4
RoA	2.5	3.1	1.9	2.0

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
(Year-end March)	FY24	FY25	FY26E	₹ crore
<u>Sources of Funds</u>				
Capital (incl PCNPS)	994	994	994	994
ESOPs	79	94	94	94
Reserves and Surplus	95646	115320	128776	145614
Networth	96719	116408	129864	146702
Deposits	448954	496595	570608	656302
Borrowings	28368	48443	51854	55750
Other Liabilities & Provision:	26316	28886	32011	35500
Total	600357	690332	784337	894254
<u>Applications of Funds</u>				
Fixed Assets	2155	2359	2747	3177
Investments	155404	181907	197524	215724
Advances	376075	426909	492638	566865
Other Assets	13934	13378	21321	33441
Cash with RBI & call money	52788	65779	70107	75048
Total	600357	690332	784337	894254

Source: Company, ICICI Direct Research

Exhibit 4: Growth ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	22.6	15.0	13.6	14.0
Advances	17.6	13.5	15.4	15.1
Deposits	23.6	10.6	14.9	15.0
Total Income	26.7	19.4	-1.2	16.2
Net interest income	20.6	9.0	7.9	17.4
Operating expenses	21.0	12.6	8.9	13.2
Operating profit	31.9	25.2	-9.0	19.0
Net profit	26.0	44.9	-31.2	25.1
Book value	15.8	20.4	11.6	13.0
EPS	26.0	44.4	-31.3	25.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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