Kotak Mahindra Bank (KOTMAH)

ICICI Direct

CMP: ₹ 2187 | Target: ₹ 2570 (18%) | Target Period: 12 months | **BUY**

Result Update

October 26, 2025

Credit cost eases, focus shifts to margin and RoA recovery...

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+%

Q2FY26 performance: Kotak Mahindra Bank delivered a steady Q2FY26 performance, marked by advances growth of 16% YoY (4% QoQ), led by strong traction in business banking and mortgages, while deposits rose 15% YoY (3.1% QoQ) with CASA at 42.3%., reflecting strong franchise momentum. NIM stood at 4.54% (–11 bps QoQ) as the full impact of repo rate cuts and lower high-yield mix. Credit cost moderated to 79 bps (vs 93 bps in Q1) with improvement in MFI and credit card portfolios, while asset quality remained robust (GNPA/NNPA: 1.39%/0.32%). Operating expenses stayed flat sequentially despite continued investment in technology and distribution. PAT stood at ₹3,282 crore with CET-1 at 20.95%

Investment Rationale

- **Steady growth, margins to recover gradually:** Management reiterated its focus on disciplined growth, targeting credit expansion at 1.5–2x nominal GDP, supported by robust momentum across SME, mid-market, and retail secured portfolios. Unsecured growth (9.2% of loans) is set to revive as personal loans and credit cards gain momentum post-embargo, while MFI disbursements restart selectively. NIM at 4.54% (–11 bps QoQ) reflected the full repo-rate transmission and lower high-yield mix, but is expected to improve over the next 3–4 quarters aided by term-deposit repricing, SA rate cuts (to 2.5%), and CRR benefit from September. Margin recovery, coupled with stable funding cost, is expected to cushion profitability through H2FY26.
- **Credit cost moderation and cost control provide cushion:** Asset quality remained resilient with GNPA/NNPA at 1.39%/0.32% and PCR of 77%; credit cost eased to 79 bps (vs 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. Opex stayed flat sequentially, aided by automation and efficiency gains, despite sustained tech and marketing spends. However, Management expects further moderation in credit cost through H2FY26 as collection efficiencies improve and MFI stress subsides.

Rating and Target Price

- Management remains focused on sustainable growth, cost optimization, and risk-calibrated expansion of the unsecured portfolio.
- We expect the bank to deliver ~15% CAGR in business and RoA at ~2%. Revising multiple for standalone bank to 2.6x FY27E ABV and assigning ₹634 for subsidiaries, we revise our target price to ₹2570 (earlier 2,350). Recommend a Buy rating.

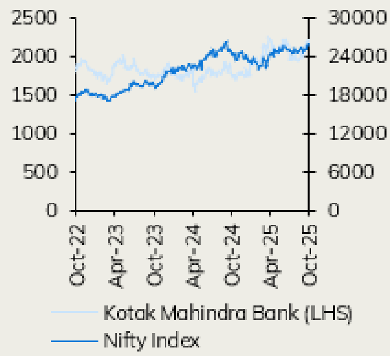
Particulars

Particulars	Amount
Market Capitalisation	₹ 4,34,913 crore
52 week H/L	2,302 / 1,679
Net worth	₹ 1,67,935 crore
Face value	₹ 5

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

(i) Asset quality stress in retail CV and MFI

(ii) Margin pressure amid slower than expected deposit repricing

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

CA Parth Chintkindi
parth.chintkindi@icicisecurities.com

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY23	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	21552	25993	28342	19.0%	30593	35923	12.6%
PPP	14848	19587	24526	26.7%	22327	26561	4.1%
PAT	10939	13782	19970	32.6%	13731	17182	-7.2%
ABV	415	481	580		647	730	
P/E	39.6	31.4	21.7		31.6	25.2	
P/ABV	5.3	4.5	3.8		3.4	3.0	
RoA	2.4	2.5	3.1		1.9	2.0	
RoE	14.0	15.3	18.8		11.2	12.4	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Performance and growth outlook

- Management expects loan growth to remain healthy, aligned with the strategy of expanding advances at 1.5–2x of nominal GDP, supported by strong SME and mid-market momentum.
- Retail Secured Loans:
    - Mortgage (Home Loans & LAP): Growth remained healthy (+18% YoY); home loan pricing remains competitive, while LAP demand continues to be strong.
    - Business Banking: Granular SME growth sustained by robust working capital demand; pipeline remains strong across sectors.
- Retail Unsecured Loans:
    - Personal Loans: Growth to continue, driven by salaried and digitally acquired customers. Portfolio performance remains stable with strong collection efficiency.
    - Credit Cards: Business being rebuilt post-embargo; Solitaire and IndiGo cards gaining traction. Portfolio quality improved with lower credit cost; card spends expected to scale up from H2FY26.
    - Microfinance (MFI): Disbursements gradually resuming in geographies where collections have normalized; stress peaked in Q1, recovery expected through H2 aided by new risk-based underwriting models.
    - Retail CV & CE: Segment remains under pressure, especially retail CV. Underwriting tightened; disbursement curtailed. Improvement expected post-festive season and monsoon.
    - Tractor Finance: Positive outlook driven by strong rural cash flows and favourable monsoon; credit costs likely to moderate in H2FY26.
- Wholesale Banking:
    - Growth led by mid-market and SME segments, supported by flow-based lending (trade, supply chain, transaction banking).
    - Large corporate lending remains competitive; focus remains on capital-light, relationship-led business.
    - Credit substitutes contracted 10% QoQ as loan pricing turned more favorable.
- Unsecured mix: To rise ~15% of total advances over the medium term (current: ~9%).

Margins

- NIM stood at 4.54% (down 11 bps QoQ) due to the full impact of the 50 bps repo cut and lower share of high-yield unsecured loans.
- Sequential margin compression largely reflects:
    - Full repo transmission (effect of June cut visible in Q2).
    - Loan mix shift toward secured assets.
    - Reduced high-cost SA balances and bulk deposit optimization.
- Margin recovery expected over next 3–4 quarters, driven by:
    - Deposit repricing: Most term deposits have 9–12M tenure; benefits accruing through H2FY26.
    - SA rate cut: Fixed-rate SA lowered to 2.5% (from 3.25% avg in Q1).
    - CRR cut benefit: Expected to support margins from H2FY26 onward.
- Management guided for gradual improvement in NIMs through FY26, assuming no further rate cuts.

Opex and credit cost

- Operating expenses remained well managed at ₹4,632 crore (flat QoQ) despite continued tech and marketing spends.
- Opex has major components – payroll (which remains steady), retiral benefit (witnessed reduction in Q2).
- Efficiency gains from automation, digitization, lower volume in unsecured retail segment and process simplification led to a reduction in cost-to-asset ratio.
- Tech investments account for ~13–14% of total Opex; automation driving payroll and process efficiencies.
- Gross slippages: ₹1,629 crore (down from ₹1,812 crore in Q1);
    - Credit cost: Moderated to 79 bps (vs 93 bps in Q1).
    - GNPA/NNPA: 1.39% / 0.32%; PCR: 77%.
- Credit cost decline was led by MFI and credit card portfolios; personal loan costs have normalized.
- Retail CV (generally with tenure of 5 years) remains under watch; stress contained within retail sub-segment.
- Migration to risk-based individual underwriting in MFI is underway and expected to structurally improve asset quality.
- Retiral benefit (less than ₹100 crore) aided Opex this quarter due to change in discounting rate. Without retiral benefit, opex growth would be in single digit.
- ₹50 crore write-back related to AIF provision
- Write-off in Q2FY26 pertains to MFI, credit cards and personal loan exposure on combined basis.

Other updates

- Fee income grew 7.4% QoQ, led by distribution and debt syndication, though card fees remained subdued.
- Capital adequacy: 22.1% (CET-1: 20.95%); provides significant growth headroom.
- Digital platforms: Continued investments in Kotak 811 (India's most downloaded banking app) and Kotak Fyn, enhancing cross-sell and client engagement.
- Cross-sell momentum improving, led by Solitaire for affluent clients and 811 for core digital acquisition.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
NII	7,310.7	7,019.6	4.1	7,259.3	0.7	Healthy growth in advances QoQ offset by margin compression
NIM (%)	4.54	4.91	-37 bps	4.65	-11 bps	Decline in CoF was offset by alteration in asset mix
Other Income	2,589.2	2,684.2	-3.5	3,080.0	-15.9	Fee income up 4% YoY
Net Total Income	9,899.9	9,703.8	2.0	10,339.3	-4.2	
Staff cost	1,979.5	1,951.4	1.4	2,065.5	-4.2	
Other Operating Expenses	2,652.1	2,653.2	0.0	2,710.1	-2.1	Steady opex
PPP	5,268.3	5,099.3	3.3	5,563.7	-5.3	
Provision	947.4	660.4	43.5	1,207.8	-21.6	Credit cost witnessed moderation at 0.79% vs 0.93% in Q1FY26
PBT	4,320.9	4,438.9	-2.7	4,355.9	-0.8	
Tax Outgo	1,067.5	1,095.1	-2.5	1,074.3	-0.6	
PAT	3,253.3	3,343.7	-2.7	3,281.7	-0.9	Margin pressure offset by declining credit cost thereby supporting earnings
Key Metrics						
GNPA	6,479.6	6,033.2	7.4	6,637.7	-2.4	Lower delinquencies aid improvement in asset quality
NNPA	1,491.0	1,723.8	-13.5	1,530.9	-2.6	
Advances	462,688	399,522	15.8	444,823	4.0	Robust growth across retail and corporate segment
Deposits	528,776	461,454	14.6	512,838	3.1	CASA at 42.3%, trend remains strong

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
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	69.5	100.8	69.3	86.7

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Valuation				
No. of Equity Shares	198.2	198.2	198.2	198.2
EPS (₹)	69.5	100.8	69.3	86.7
BV (₹)	487.6	586.9	654.8	739.8
ABV (₹)	481.2	580.1	647.2	730.1
P/E	31.4	21.7	31.6	25.2
P/BV	4.5	3.8	3.4	3.0
P/ABV	4.5	3.8	3.4	3.0
Yields & Margins (%)				
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
Quality and Efficiency (%)				
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 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
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
Applications of Funds				
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 5: 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	44.9	-31.2	25.1

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Parth Parmeshwar Chintkindi, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report