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**Healthy performance across parameters; trend to continue...**

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 2276 branches and 2727 ATMs
- Consistent in delivering superior RoA of 2+% and RoE of 13+%

**Q4FY26 performance:** Kotak Mahindra Bank delivered healthy Q4FY26 performance, marked by advances growth of 16.2% YoY (3.2% QoQ), led by strong traction in business banking and mortgages, while deposits rose 14.7% YoY (5.5% QoQ) with CASA at 43.3% (up 200 bps). Adjusted NIM stood at 4.54% (flat QoQ) as benefits from deposit repricing and higher credit growth offset the impact of repo rate transmission. Credit cost moderated to 39 bps (vs 63 bps in Q3) with improvement in MFI and credit card portfolio, while asset quality remained robust (GNPA/NNPA: 1.2%/0.25%). PAT stood at ₹4,027 crore with CET-1 at 21.3%.

**Investment Rationale**

- **Growth led by MSME and corporate, PL and card revival to be monitored:** Kotak Mahindra Bank is expected to maintain a steady growth trajectory, supported by continued momentum in core segments and a calibrated approach to expansion. Advances grew ~16% YoY, led by SME (~24% mix) and mortgage (~18% YoY), while the corporate book grew 22% YoY but remained flat QoQ due to conscious avoidance of low-spread lending. On the liability side, CASA improved ~200 bps QoQ to 43.3%, driven by granular CA growth and scaling of the 811 franchise (~12–13% of SA book), supporting funding cost. Going ahead, management expects growth to remain healthy across SME, retail and ecosystem-led corporate banking with increasing cross sell opportunities, unsecured retail gradually scaling up as the rebuilt PL and card franchise gains traction.
- **Credit cost improves, margins to remain range-bound:** Management expects margins to remain range-bound with a gradual downward bias, as the benefit from deposit repricing is largely behind and higher term deposit rates—particularly on longer tenures—begin to reflect in the cost of funds, with pressure likely more visible in H2FY27. However, this is expected to be partly offset by an improving liability mix and incremental build-up in higher-yielding unsecured segments. Asset quality outlook remains stable, with credit cost moderating sharply to ~39 bps (vs 63 bps in Q3), supported by improving collection efficiencies and stabilization in unsecured portfolios (MFI, PL, cards), while rural and CV segments remain key monitorable. Additionally, continued focus on digitization, operating leverage and fixed cost rationalisation is likely to support further improvement in cost-to-assets (~2.7%), aiding gradual RoA expansion over the medium term.

**Rating and Target Price**

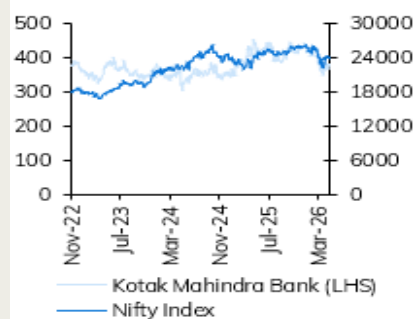
- Expect bank to deliver ~15% CAGR in business and RoA at ~2%, however scope for substantial improvement remains limited. Basis this, we value standalone bank at ~2.2x FY28E ABV and assigning ₹127 for subsidiaries, thereby revising target price at ₹475 (earlier ₹515). Maintain Buy rating.

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 3,81,248 crore
52 week H/L	453 / 345
Net worth	₹ 1,67,935 crore
Face value	₹ 1

**Shareholding pattern**

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	25.9	25.9	25.9	25.9
FII	32.3	29.8	29.4	26.4
DII	29.6	32.0	32.9	36.2
Others	12.2	12.3	11.8	11.5

**Price Chart****Key risks**

- Margin pressure amid rise in cost of funds
- Slower change in asset mix

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**Key Financial Summary**

₹ crore	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	25993	28342	30010	12%	34602	39448	15%
PPP	19587	24526	22067	14%	25348	29045	15%
PAT	13782	19970	14008	9%	16269	18458	15%
ABV	96	116	129		144	163	
P/E	27.5	19.1	27.2		23.4	20.6	
P/ABV	4.0	3.3	3.0		2.7	2.4	
RoA	2.5	3.1	1.9		2.0	2.0	
RoE	15.3	18.8	11.1		11.8	11.9	

Source: Company, ICICI Direct Research

## Concall highlights and outlook

### Performance and growth outlook

- Management reiterated its disciplined growth strategy, targeting advances growth at 1.5–2.0x nominal GDP, while focusing on scaling the franchise with a long-term objective of delivering high-teen RoE.
- Growth continues to be led by SME (19% YoY) and mortgage (18%+ YoY), with SME book at ~₹1.2 lakh crore (contributing ~24% of book) and mortgage portfolio showing strong traction across home loans and LAP.
- Retail engines remain diversified:
  - 811 platform continues to scale (2.5–3 lakh additions/month), contributing ~12–13% of SA balances (32% YoY growth).
  - Strong affluent franchise with ₹10.8 lakh crore relationship value across ~66k families.
  - Credit cards remain flat QoQ but product stack rebuild is complete, positioning for growth ahead.
  - MFI grew 8% QoQ
- Corporate book grew 22% YoY but was flat QoQ, as the bank consciously avoided low-spread short-term lending in March; management reiterated focus on flow-based, capital-light corporate banking.
- Unsecured retail portfolio stabilised, with Q4 growth of ~₹1,200 crore vs ~₹500 crore in Q3, while mix remained stable at ~8.9% of advances. Management indicated growth will first scale in absolute terms, with mix being an outcome.
- Weakness in fees income was primarily due to muted credit card business post embargo; with product rebuild complete, management expects:
  - Improved card issuance and spends,
  - Gradual recovery in fee income
- Management highlighted strong granular traction in SA despite rate cuts, led by affluent customers and 811. 811 SA book now forms nearly 13% of total SA and grew ~32% YoY.
- Cross-sell of subsidiary products (AMC, insurance, IB, broking) through “One Kotak” ecosystem remains a key lever for fee growth.

### Margins

- NIM stood at 4.67% in Q4FY26 (vs 4.54% in Q3), though adjusted for day-count, margins were broadly stable QoQ despite full repo transmission.
- FY26 NIM declined to 4.6% (vs 4.96% in FY25) due to 100 bps repo cuts, partially offset by:
  - Deposit repricing
  - Growth in low-cost granular deposit
- Cost of funds declined to ~4.67% in FY26 (vs 5.1% in FY25), aided by SA repricing and liability mix optimisation.
- CASA improved to 43.3%, driven by strong growth in current account and fixed-rate SA balances, while high-cost SA balances declined ~30% YoY.
- FY27 NIM outlook:
  - Expected to remain range-bound with slight downward bias vs FY26; decline to be much more gradual vs FY26
  - Impact largely from longer-tenor TD repricing, partly offset by CASA growth and unsecured build-up

### Opex and credit cost

- Asset quality improved across metrics:
  - GNPA/NNPA: 1.2% / 0.25% (vs 1.3% / 0.31% QoQ)
  - PCR: improved to ~79%
  - Slippages reduced to ₹1,018 crore (vs ₹1,605 crore in Q3)

- Credit cost moderated sharply to 39 bps in Q4 (vs 63 bps in Q3), with FY26 showing steady decline trajectory.
- Improvement driven by granular retail segments (MFI, CV, PL, cards) through better collections and tighter underwriting; secured book continues to show negligible delinquencies.
- ECL transition impact estimated at <2% of net worth, with negligible ongoing P&L impact.
- ₹100 crore write-back in staff cost due to higher discount rate on retiral liabilities supported Q4 opex.
- Technology spend remains at ~13% of total opex, with automation and digitisation driving efficiency gains.
- Q4 opex saw some uptick due to marketing spends and acquisition cost, though underlying payroll remained stable.
- Opex remained well controlled:
  - FY26 opex growth: ~4% YoY
  - Cost-to-assets: improved 27 bps YoY to 2.75%

**Other updates**

- Strong capital position:
  - CAR: 22.4%
  - CET-1: 21.3%
- Reported consolidated LCR was ~134%, but management clarified standalone average LCR remains around 120–125%; year-end number was elevated due to balance sheet timing.
- Subsidiaries contributed ~23% of consolidated PAT, though Q4 saw impact from MTM losses in capital market-linked businesses.
- Panchkula branch case: Matter is under investigation by law enforcement agencies. Management said the bank is cooperating with authorities and carries adequate provisions, though no specific provision was disclosed for the case.

**Exhibit 1: Variance Analysis**

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	7,875.5	7,283.6	8.1	7,564.6	4.1	Moderate growth amid rate cut, offset by higher advances and deposit repricing
NIM (%)	4.67	4.97	-30 bps	4.54	13 bps	Margins were impacted by day-count benefit; adjusted for this, NIM was broadly stable at ~4.54%
Other Income	3,116.3	3,182.5	-2.1	2,837.8	9.8	Fee growth was muted in FY26 mainly due to subdued credit card business
Net Total Income	10,991.8	10,466.0	5.0	10,402.4	5.7	
Staff cost	2,060.8	2,106.3	-2.2	2,245.8	-8.2	₹100 crore write-back in staff cost due to higher discount rate on retiral liabilities
Other Operating	3,075.8	2,887.6	6.5	2,776.8	10.8	
PPP	5,855.2	5,472.2	7.0	5,379.8	8.8	
Provision	516.4	909.4	-43.2	809.6	-36.2	Credit cost moderated sharply to 39 bps in Q4 (vs 63 bps in Q3)
PBT	5,338.8	4,562.8	17.0	4,570.2	16.8	
Tax Outgo	1,312.2	1,011.1	29.8	1,124.1	16.7	
PAT	4,026.6	3,551.7	13.4	3,446.1	16.8	Supported by steady margins and lower credit cost
<b>Key Metrics</b>						
GNPA	6,017.8	6,133.9	-1.9	6,319.8	-4.8	GNPA improved by 10 bps QoQ to 1.2%
NNPA	1,262.5	1,343.4	-6.0	1,496.9	-15.7	
Advances	496,009.0	426,909.0	16.2	480,673.0	3.2	Growth was led by SME and mortgage business
Deposits	572,456.0	499,055.0	14.7	542,638.0	5.5	CASA improved by ~200 bps to 43.3%

Source: Company, ICICI Direct Research

## Financial Summary

**Exhibit 2: Profit and loss statement**

	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	52919.7	55564.0	65348.2	74716.8
Interest Expended	24578.0	25553.9	30746.4	35268.9
Net Interest Income	28341.8	30010.1	34601.8	39447.9
Growth (%)	9.0	5.9	15.3	14.0
Non Interest Income	14961.1	11623.3	13003.6	14513.4
Net Income	43302.9	41633.4	47605.3	53961.3
Operating expense	18776.4	19566.5	22257.0	24916.7
Gross profit	24526.5	22066.9	25348.4	29044.6
Provisions	2942.4	3481.2	3510.5	4268.8
Taxes	5134.0	4578.0	5568.7	6317.8
Exceptional item	3519.9	0.0	0.0	0.0
Net Profit	19970.0	14007.7	16269.3	18457.9
growth (%)	44.9	-29.9	16.1	13.5
EPS	20.1	14.1	16.4	18.6

Source: Company, ICICI Direct Research

**Exhibit 3: Key ratios**

(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Valuation</b>				
No. of Equity Shares	994.1	994.7	994.3	994.3
EPS (₹)	20.1	14.1	16.4	18.6
BV (₹)	117.0	136.0	146.3	164.5
ABV (₹)	115.7	128.8	144.4	162.6
P/E	19.1	27.2	23.4	20.6
P/BV	3.3	2.8	2.7	2.4
P/ABV	3.3	3.0	2.7	2.4
<b>Yields &amp; Margins (%)</b>				
Yield on avg earning assets	8.8	8.1	8.5	8.5
Avg. cost on funds	4.8	4.4	4.7	4.8
Net Interest Margins	4.7	4.4	4.5	4.5
Avg. Cost of Deposits	4.8	4.4	4.6	4.7
Yield on average advances	10.1	9.4	9.8	9.8
<b>Quality and Efficiency (%)</b>				
Cost / Total net income	43.4	47.9	46.8	46.2
Credit/Deposit ratio	86.0	88.0	87.9	88.1
GNPA	1.4	1.2	1.3	1.3
NNPA	0.3	0.3	0.3	0.3
RoE	18.8	11.1	11.8	11.9
RoA	3.1	1.9	2.0	2.0

Source: Company, ICICI Direct Research

**Exhibit 4: Balance sheet**

	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
<b>Sources of Funds</b>				
Capital (incl PCNPS)	994	995	994	994
ESOPS	94	113	113	113
Reserves and Surplus	115320	134204	144505	162594
Networth	116408	135312	145612	163701
Deposits	496595	572456	648248	748715
Borrowings	48443	32475	33047	35191
Other Liabilities & Provision	28886	42760	35500	39399
Total	690332	783003	862408	987006
<b>Applications of Funds</b>				
Fixed Assets	2359	2388	2843	2936
Investments	181907	172535	198544	224619
Advances	426909	496009	570102	659732
Other Assets	13378	27981	12608	15419
Cash with RBI & call money	65779	84089	78311	84300
Total	690332	783003	862408	987006

Source: Company, ICICI Direct Research

**Exhibit 5: Growth ratios**

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	15.0	13.4	10.1	14.4
Advances	13.5	16.2	14.9	15.7
Deposits	10.6	15.3	13.2	15.5
Total Income	19.4	-3.9	14.3	13.4
Net interest income	9.0	5.9	15.3	14.0
Operating expenses	12.6	4.2	13.8	12.0
Operating profit	25.2	-10.0	14.9	14.6
Net profit	44.9	-29.9	16.1	13.5
Book value	20.4	16.3	7.6	12.4
EPS	44.4	-29.9	16.1	13.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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