

Kotak Mahindra Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	KMB IN
Equity Shares (m)	1988
M.Cap.(INRb)/(USD\$)	4224.5 / 48.8
52-Week Range (INR)	2302 / 1679
1, 6, 12 Rel. Per (%)	-2/5/18
12M Avg Val (INR M)	8270

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
NII	283.4	309.5	367.8
OP	245.3	227.5	272.7
NP	164.5	147.8	177.9
Cons. NP	221.3	209.3	252.9
NIM (%)	4.8	4.6	4.7
EPS (INR)	82.7	74.3	89.5
EPS Gr. (%)	19.3	(10.2)	20.4
ABV. (INR)	568	602	686
Cons. BV. (INR)	792	869	995

Ratios

RoA (%)	2.5	2.0	2.1
RoE (%)	15.4	12.2	13.4
Cons. RoE (%)	14.1	12.1	12.8

Valuations

P/BV (X) (Cons.)	2.7	2.4	2.1
P/ABV (X) (Adj)	2.4	2.3	2.0
P/E(X) (Adj)	16.4	18.3	15.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	25.9	25.9	25.9
DII	31.3	30.8	29.4
FII	30.7	31.0	31.5
Others	12.2	12.3	13.2

FII includes depository receipts

CMP: INR2,125 TP: INR2,400 (+13%) Buy

Asset quality stress dents earnings

Advances growth healthy; NIM moderates sharply by 32bp QoQ

- Kotak Mahindra Bank (KMB) reported a standalone 1QFY26 PAT of ~INR32.8b (6% miss), due to elevated provisions amid a 22% QoQ increase in slippages. Consol. PAT stood at INR44.7b (down 9% QoQ) in 1QFY26.
- NII grew 6.1% YoY but was flat QoQ at INR72.6b (in line). NIM contracted sharply by 32bp QoQ to 4.65% (vs. our estimate of 4.8%).
- Advances growth was strong at 14.1% YoY/4.2% QoQ to ~INR4.45t, driven by faster growth in corporate advances (up 10% YoY/11% QoQ), as well as SME. Deposits grew 14.6% YoY/2.8% QoQ, while the CASA ratio declined to 40.9%.
- Slippages jumped 33% YoY/22% QoQ to INR18.1b (INR14.9b in 4Q/INR16.6b in 3QFY25). KMB's GNPA ratio thus increased 6bp QoQ to 1.48%, while NNPA rose 3bp QoQ to 0.34%. PCR declined 116bp QoQ to 76.9% for the quarter.
- We cut our earnings by 3.5%/1.4% for FY26E/FY27E amid NIM moderation and slightly elevated provisions. We estimate KMB's RoA/RoE at 2.1%/13.4% by FY27. Reiterate BUY with a TP of INR2,400 (based on 2.4x FY27E ABV).**

Slippages remain elevated due to stress from MFI, retail CV, and Agri

- KMB reported a standalone PAT of INR32.8b (6% miss; down 6.8% YoY and 7.6% QoQ) led by higher-than-expected provisions because of elevated slippages. Consol. PAT stood at INR44.7b (down 9% QoQ) in 1QFY26.
- NII grew 6.1% YoY but was flat QoQ at INR72.6b (broadly in line). NIM contracted 32bp QoQ to 4.65% amid a decline in yields as well as due to a reversal in interest from elevated slippages. Other income declined 3% QoQ (up 5% YoY; 6% lower than MOFSLe), owing to a decline in fee income.
- Opex was down 4.4% QoQ (up 5.7% YoY) to INR47.8b. KMB's C/I ratio thus contracted 153bp QoQ to 46.2%. PPop rose 6% YoY/1.7% QoQ to INR55.6b (4% beat).
- Loan growth was healthy at 14.1% YoY/ 4.2% QoQ, fueled by strong growth in corporate banking (up 10% YoY/11% QoQ) and healthy growth in home loans (up 18.7% YoY/3.6% QoQ). BB growth too was healthy at 18.3% YoY/3.9% QoQ.
- Deposit growth was also healthy at 14.6% YoY/2.8% QoQ. CASA deposits dipped 2.2% QoQ (up 8% YoY); as a result, the CASA ratio declined to 40.9% (down 210bp QoQ). TD growth was faster at 19.7% YoY/6.5% QoQ.
- Fresh slippages were elevated at INR18.1b (up 33% YoY/22% QoQ), amid stress from MFI, CV, and agri. Hence, the GNPA ratio rose 6bp QoQ to 1.48%, and the NNPA ratio rose 3bp QoQ to 0.34%. PCR dipped 116bp QoQ to 76.9%. SMA-2 loans rose to INR3.4b/8bp of loans. The CAR/CET-1 ratio stood at 21.8%/ 23.0%.
- Performance of subsidiaries:** Kotak Prime's net earnings grew 17% YoY, while Kotak Life reported an 88% YoY jump in PAT at INR3.3b. Kotak Securities' reported PAT grew 16% YoY to INR4.7b, while Kotak AMC reported an 86% YoY increase in PAT to INR3.3b.

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Highlights from the management commentary

- The bank aims to increase its unsecured retail mix to 15% of the total book. Once credit filters improve, disbursements in MFI will resume.
- Three main reasons for NIM contraction are 1) repo rate cuts, 2) higher unsecured mix, and 3) retail interest recognition based on days (4Q usually benefits from this).
- The JLG model has been replaced with an individual lending model, which has been back-tested with satisfactory loss estimates.
- MFI is expected to recover gradually through FY26, with growth picking up in 2H and credit costs declining; early signs of improving delinquencies are encouraging.
- The full impact of the 50bp repo cut will be visible in 2Q; 1Q reflected only 15 days' effect. Deposit repricing will play out over 3–4 quarters.

Valuation and view: Reiterate BUY with a revised TP of INR2,400

KMB reported a weak quarter, with NII broadly in line, but NIM contracted sharply by 32bp QoQ to 4.65%, hit by the steep policy rate cuts. Provisions were higher than expected due to elevated slippages, leading to a 116bp QoQ decline in PCR to 76.9%. Management expects NIM to bottom out by 2QFY26, supported by the full transmission of rate cuts, deposit repricing, and CRR benefits, with a recovery likely from 2H. Growth in the unsecured segment is expected to pick up gradually as the lending environment improves, aiding both growth and margin trajectory. Overall loan growth is guided at 1.5–2x nominal GDP, driven by strong momentum in retail and unsecured lending. Deposit growth remains robust, led by healthy traction in term deposits, resulting in a CD ratio of 86.7%. **We cut our earnings by 3.5%/1.4% for FY26E/27E amid NIM moderation and slightly elevated provisions. We estimate KMB's RoA/RoE at 2.1%/13.4% by FY27. We reiterate our BUY rating with a revised TP of INR2,400 (premised on 2.4x FY27E ABV, SoTP of INR762).**

Quarterly performance

(INR b)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	V/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Our Est
Net Interest Income	68.4	70.2	72.0	72.8	72.6	72.7	78.5	85.7	283.4	309.5	72.2	0%
% Change (Y-o-Y)	9.8	11.5	9.8	5.4	6.1	3.6	9.0	17.7	9.0	9.2	5.6	
Other Income	29.3	26.8	26.2	31.8	30.8	31.8	32.0	36.6	149.6	131.2	32.7	-6%
Total Income	97.7	97.0	98.2	104.7	103.4	104.5	110.5	122.4	433.0	440.7	104.9	-1%
Operating Expenses	45.2	46.0	46.4	49.9	47.8	52.2	53.7	59.5	187.8	213.3	51.2	-7%
Operating Profit	52.5	51.0	51.8	54.7	55.6	52.2	56.7	62.9	245.3	227.5	53.7	4%
% Change (Y-o-Y)	6.2	10.6	13.5	0.2	5.9	2.4	9.5	14.9	25.2	-7.2	2.2	
Provisions	5.8	6.6	7.9	9.1	12.1	7.8	8.2	4.4	29.4	32.5	7.6	60%
Profit before Tax	46.8	44.4	43.9	45.6	43.6	44.4	48.5	58.5	215.8	195.0	46.1	-6%
Tax	11.6	11.0	10.8	10.1	10.7	10.9	11.9	13.6	51.3	47.2	11.3	-5%
Net Profit	35.2	33.4	33.0	35.5	32.8	33.5	36.6	44.9	164.5	147.8	34.8	-6%
% Change (Y-o-Y)	2.0	4.8	10.0	-14.1	-6.8	0.1	10.8	26.4	19.4	-10.2	-1.2	
Exceptional item	27.3				0.0				27.3	0.0	0.0	
PAT including exceptionals	62.5	33.4	33.0	35.5	32.8	33.5	36.6	44.9	164.5	147.8	35	
% Change (Y-o-Y)	2.0	4.8	10.0	-14.1	-6.8	0.1	10.8	26.4	19.4	-10.2	-1.2	
Deposits (INRb)	4,474	4,615	4,735	4,991	5,128	5,266	5,445	5,679	4,991	5,679	5,115	
Loans (INRb)	3,900	3,995	4,138	4,269	4,448	4,537	4,727	4,973	4,269	4,973	4,382	
Deposit growth (%)	15.8	15.1	15.9	11.2	14.6	14.1	15.0	13.8	11.2	13.8	14.3	
Loan growth (%)	18.7	14.7	15.1	13.5	14.1	13.6	14.2	16.5	13.5	16.5	12.4	
Asset Quality												
Gross NPA (%)	1.39	1.49	1.50	1.42	1.48	1.45	1.45	1.44	1.42	1.44	1.44	
Net NPA (%)	0.35	0.43	0.41	0.31	0.34	0.33	0.33	0.32	0.31	0.32	0.33	
PCR (%)	74.9	71.4	73.2	78.1	76.9	77.4	77.2	77.9	78.1	77.9	77.6	

Quarterly snapshot

	FY25				FY26	Change (%)	
Profit and Loss (INRb)	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Interest Income	68.4	70.2	72.0	72.8	72.6	6.1	-0.3
Other Income	29.3	26.8	26.2	31.8	30.8	5.2	-3.2
Total Income	97.7	97.0	98.2	104.7	103.4	5.8	-1.2
Operating Expenses	45.2	46.0	46.4	49.9	47.8	5.7	-4.4
Employee	18.7	19.5	19.5	21.1	20.7	10.4	-1.9
Others	26.5	26.5	26.9	28.9	27.1	2.4	-6.1
Operating Profits	52.5	51.0	51.8	54.7	55.6	5.9	1.7
Core PPOp	51.5	50.1	51.5	54.7	55.6	8.1	1.7
Provisions	5.8	6.6	7.9	9.1	12.1	108.8	32.8
PBT	46.8	44.4	43.9	45.6	43.6	-6.8	-4.5
Taxes	11.6	11.0	10.8	10.1	10.7	-7.1	6.2
PAT	35.2	33.4	33.0	35.5	32.8	-6.8	-7.6
Exceptional item	27.3				0.0		
Total PAT	62.5	33.4	33.0	35.5	32.8	-47.5	-7.6
Balance Sheet (INR b)							
Loans	3,900	3,995	4,138	4,269	4,448	14.1	4.2
Deposits	4,474	4,615	4,735	4,991	5,128	14.6	2.8
CASA Deposits	1,942	2,013	2,004	2,144	2,096	7.9	-2.2
-Savings	1,241	1,300	1,255	1,316	1,279	3.1	-2.7
-Current	701	713	749	829	817	16.5	-1.4
Loan Mix (%)							
Retail	54.5	55.1	55.3	65.9	55.8	132	-1,009
- HL	27.3	27.8	28.1	28.6	28.7	136	7
- PL, BL and CD	5.0	5.0	4.9	5.6	5.3	30	-28
Business banking	6.9	7.7	7.8	3.0	7.6	64	456
Agri	9.3	12.6	12.2	28.6	9.4	6	-1,921
Corporate	23.1	22.2	22.3	20.9	22.4	-65	152
Others	3.6	2.4	2.5	3.6	3.5	-9	-12
Asset Quality (INR b)							
GNPA	54.8	60.3	62.7	61.3	66.4	21.2	8.2
NNPA	13.8	17.2	16.8	13.4	15.3	11.2	14.0
Slippages	13.6	18.8	16.6	14.9	18.1	33.4	21.8
Asset Quality Ratios (%)							
	1Q	2Q	3Q	4Q	1Q	YoY (bp)	QoQ (bp)
GNPA	1.4	1.5	1.5	1.4	1.5	9	6
NNPA	0.4	0.4	0.4	0.3	0.3	-1	3
Slippage	1.5	2.0	1.7	1.5	1.7	22	25
PCR (Exc TWO)	74.9	71.4	73.2	78.1	76.9	206	-116
Credit Cost	0.6	0.7	0.8	0.9	1.2	51	25
Business Ratios (%)							
CASA	43.4	43.6	42.3	43.0	40.9	-250	-210
Loan / Deposit	87.2	86.6	87.4	85.5	86.7	-42	119
Cost to Income	46.2	47.5	47.2	47.7	46.2	-4	-153
Cost to Assets	3.2	3.2	3.1	3.1	3.0	-28	-13
Other income/Total Income	30.0	27.7	26.7	30.4	29.8	-19	-62
Tax Rate	24.7	24.7	24.7	22.2	24.7	-6	250
Capitalisation Ratios (%)							
Tier-1 (inc profit)	21.3	21.5	21.7	21.1	21.8	50	70
- CET 1 (inc profit)	21.3	21.5	21.7	21.1	21.8	50	70
CAR (inc profit)	22.4	22.6	22.8	22.2	23.0	60	80
LCR	139.2	135.9	132.3	135.5	138.4	-79	290
Profitability Ratios (%)							
Yield on loans	10.9	10.8	10.7	10.4	10.2	-72	-27
Yield On Investments	7.2	7.3	7.0	6.5	6.7	-58	15
Yield on Funds	10.1	10.1	9.9	9.5	9.4	-76	-11
Cost of funds	5.1	5.2	5.1	5.1	5.0	-9	-8
Margins	5.0	4.9	4.9	5.0	4.7	-37	-32
Other Details							
Branches	1,965	2,013	2,068	2,148	2,154	189	6
ATM	3,279	3,329	3,337	3,295	2,927	-352	-368

Source: Company, MOFSL

Consolidated earnings snapshot (INR m)

Y/E March	FY24		FY25				FY26
	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Kotak Bank	30,050	41,330	35,200	33,440	33,050	35,520	32,820
Kotak Prime	2,390	2,230	2,320	2,690	2,180	2,970	2,720
Kotak Securities	3,060	3,780	4,000	4,440	4,480	3,480	4,650
KMCC	350	970	810	900	940	960	890
Kotak Life	1,400	1,090	1,740	3,600	1,640	730	3,270
AMC & Trustee	1,460	1,500	1,750	1,970	2,400	3,640	3,260
Intl. subs	570	590	680	760	470	640	420
KIL	1,570	1,290	1,380	1,410	1,070	1,160	1,070
Others	1,220	240	340	650	(80)	240	570
Kotak Consol.	42,070	53,020	48,220	49,860	46,150	49,340	49,670
Minority/associate adjustments	580	350	(3,870)	580	860	(10)	(4,950)
PAT on KGI investment			30,130				
Kotak Cons. Reported PAT	42,650	53,370	74,480	50,440	47,010	49,330	44,720
Contribution of the bank to total profits	70%	77%	47%	66%	70%	72%	73%

Source: Company, MOFSL



Highlights from the management commentary

Opening remarks

- Economic growth remains moderate, with the RBI projecting FY26 GDP at 6.5%.
- RBI has infused liquidity and executed 100bp repo rate cuts.
- Private sector capex remains sluggish; vehicle sales are muted, and retail credit demand has softened.
- Repo rate cuts combined with a shift in product mix have impacted its NIM.
- NIMs are expected to stabilize over the course of the year.
- Elevated credit costs in 1Q were primarily driven by the MFI segment.
- Credit card delinquencies have plateaued and are expected to improve in 2H.
- Credit costs in personal loans stabilized from 4Q.
- Stress has emerged in the retail CV segment, prompting a cautious stance.
- The legacy corporate book also contributed to elevated credit costs.
- Private banking AUM continues to grow healthily, with strong contribution from the 811 franchise, which also supports deposit growth and cross-selling.
- The KMCC pipeline remains robust, with healthy deal activity in investment banking.
- NIMs declined in 1Q due to the full impact of a 100bp repo cut; NII growth was restricted to 6% vs. 14% loan growth.
- Post-embargo, income and costs related to the new acquisition will reflect in the books.
- Credit costs peaked in 1QFY26.
- Underwriting norms in the unsecured portfolio have been tightened.
- PAT declined 7% YoY, primarily due to higher credit costs.
- 4QFY25 NIMs had a one-off benefit due to the number-of-days calculation.
- Fee income was impacted by lower credit card fees and muted deal activity.
- Marketing expenses rose due to promotional spending on the 811 proposition.
- Slippages were elevated, particularly in Micro, Retail CV, and Agri portfolios; stress in PL and credit cards has stabilized.
- Consolidated customer assets grew 13% YoY.
- Kotak Securities' market share stood at 12.8% in 1QFY26.
- Credit card growth has been slower than anticipated, but is expected to improve; a one-time portfolio clean-up led to temporary market share loss.
- Credit card portfolio delinquencies have stabilized.

- Disbursements in construction CV have stabilized; CV declined 18% YoY while PV grew 22% YoY.
- Collections in the retail commercial segment remain challenging.
- MFI is expected to recover gradually through FY26, with growth picking up in 2H and credit costs declining; early signs of improving delinquencies are encouraging.
- Wholesale banking grew 13% YoY, largely driven by SME; some SME loans have been reclassified under Corporate Banking, making YoY comparisons difficult.
- Pricing pressure continues in the large corporate segment.

Asset quality

- MFI stress began surfacing in 3QFY25; slippages over 3Q–4Q led to elevated 1Q credit costs.
- Karnataka contributed to the 1Q credit cost uptick, but the impact is now stabilizing and expected to decline.
- MFI stress is expected to ease, while PL remains stable; only limited incremental stress is expected in CV.
- The JLG model has been replaced with an individual lending model, which has been back-tested with satisfactory loss estimates.
- No signs of stress in SME or business banking; both books are fully secured.
- Smaller SME loans are being closely monitored; these are mostly sole-banked and fully secured, providing full customer visibility.
- Retail CV stress may persist for another quarter.

Advances and deposits

- The bank aims to increase its unsecured retail mix to 15% of the total book. Once credit filters improve, disbursements in MFI will resume.
- Credit card business is still scaling up; two new launches—Indigo and Solitaire—are expected to drive growth.
- MFI will be capped at 3–4% of total assets. The unsecured retail book currently stands at 9.7%, to reach 15% over time.
- No visible stress in MSME or Business Banking.
- While the legacy MFI book has been under stress, the new book is performing significantly better.
- CV stress was identified two quarters ago; disbursements in the retail CV segment have since been tightened.
- Gold loan branches are being rationalized in low-growth towns, though the overall gold loan portfolio is growing at 30% YoY.
- In PL and credit cards, the stressed legacy book is being phased out; new vintages are performing well.

NIM

- Three main reasons for NIM contraction are 1) repo rate cuts, 2) higher unsecured mix, and 3) retail interest recognition based on days (4Q usually benefits from this).
- TD rates have yet to decline but are expected to ease in the coming quarters; reliance on MIBOR-linked SA deposits has also reduced.
- Average SA rate is now at 3.25%; the reset to 2.5% will reflect in 2Q.
- Repo rate resets occur fortnightly; combined with CRR cuts and CoF reduction, this will help support margins.

- Full impact of 50bp repo cut will be visible in 2Q; 1Q reflected only 15 days' effect. Deposit repricing will play out over 3–4 quarters.
- No one-offs in 1Q NIMs; SA balances remained stable post rate cut, though there's been a shift from floating to fixed rate. The MIBOR book continues to decline, improving deposit mix quality.
- CoF declined 9bp. TDs have a 9–12 month tenure. Fixed-rate SA at 2.5% and lower MIBOR-linked SA reliance will further reduce CoF.
- No material impact on SA balances due to rate changes; focus continues on granular, fixed-rate SA.

Opex

- Investment continues to be directed more towards technology than payroll.
- Costs remain elevated due to 811-related marketing, but this is expected to be income-accretive over time.

Story in charts

Exhibit 1: Advances/deposits grew 14%/15% YoY

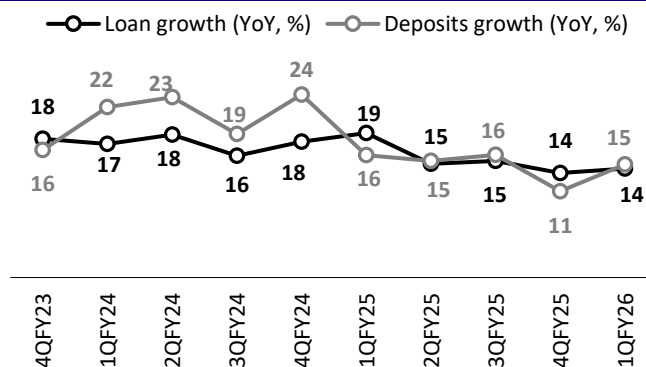


Exhibit 2: Retail loan mix stood at 65.2% in 1QFY26

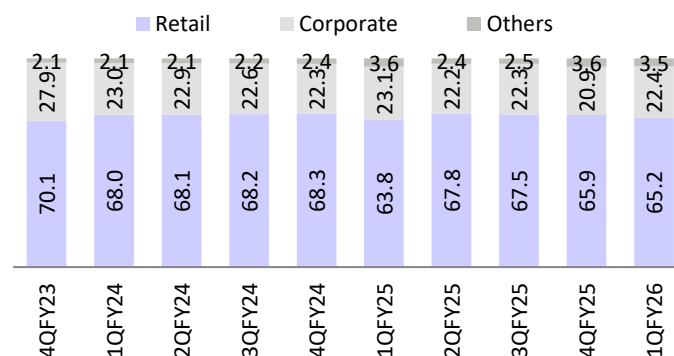


Exhibit 3: NIM contracted 32bp QoQ to 4.65%

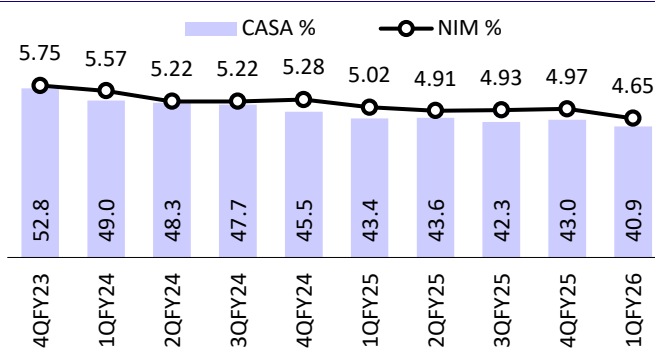


Exhibit 4: Yields/CoF declined to 10.2%/5.0% in 1QFY26

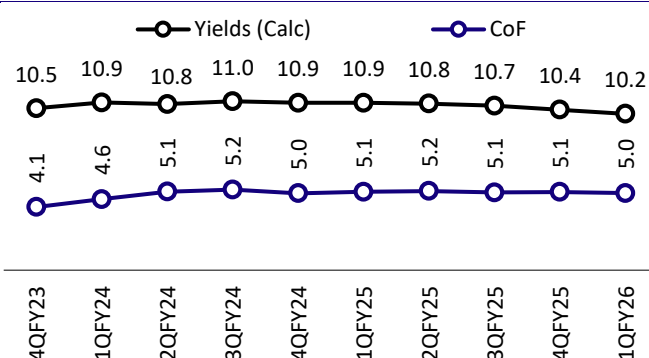


Exhibit 5: C/I ratio declined 153bp QoQ to 46.2%

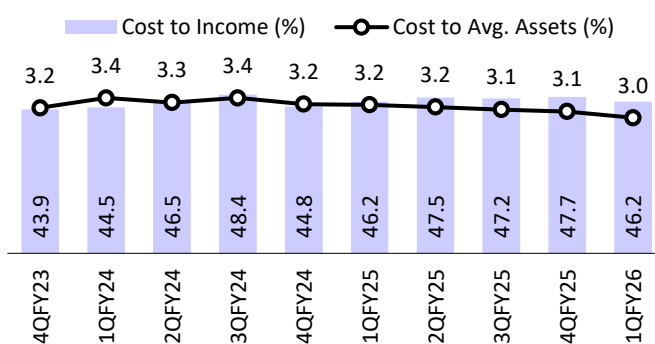


Exhibit 6: C/D ratio increased to 86.7% vs. 85.5% in 4QFY25

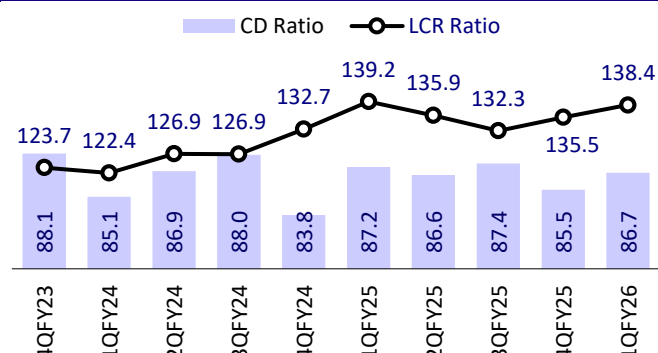


Exhibit 7: Slippages rose to INR18.1b; credit costs at 1.2%

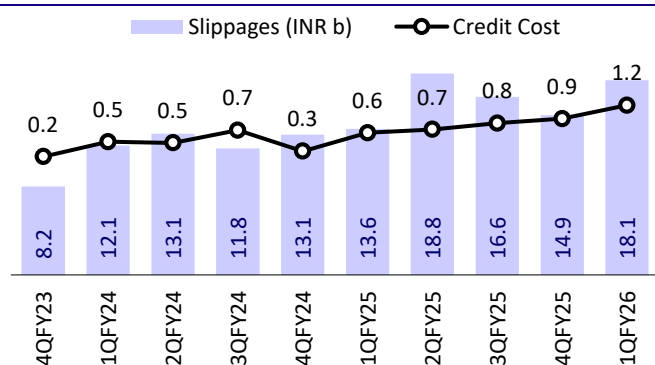
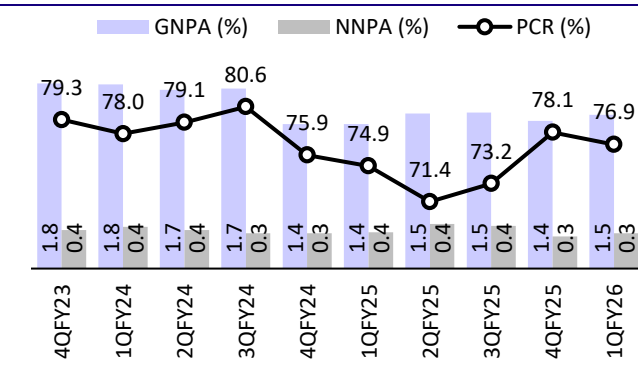


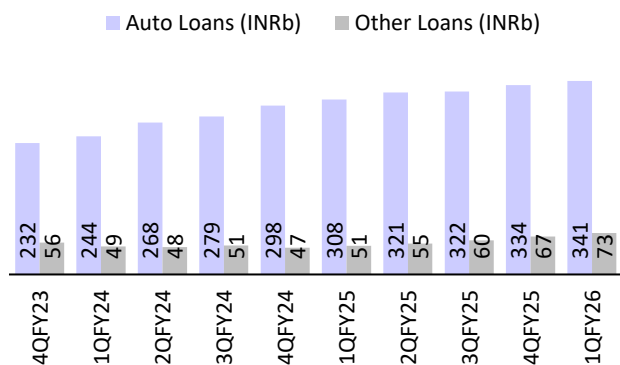
Exhibit 8: GNPA/NNPA ratios increased to 1.5%/0.3% in 1QFY26



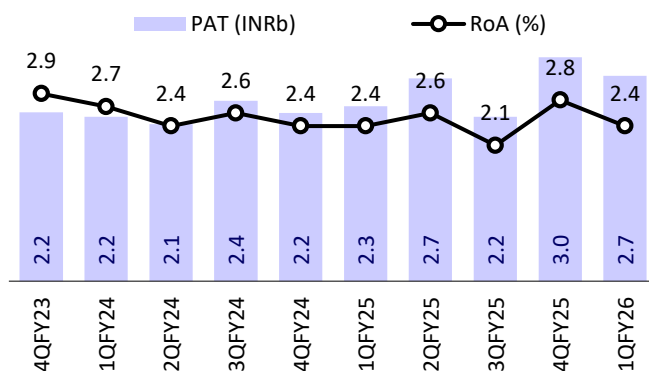
Source: MOFSL, Company

Source: MOFSL, Company

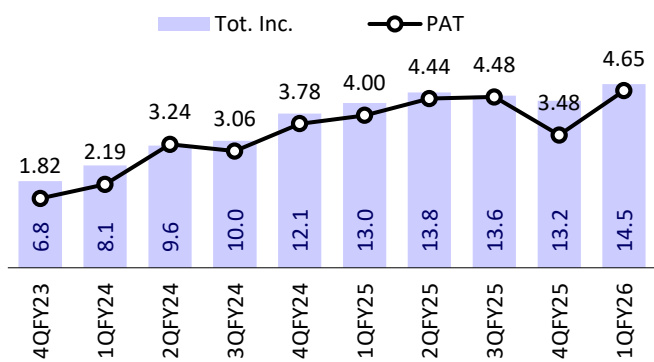
Subsidiaries' performances and consolidated earnings snapshot

Exhibit 9: Kotak Prime: Auto loans up 10.7% YoY/2.2% QoQ


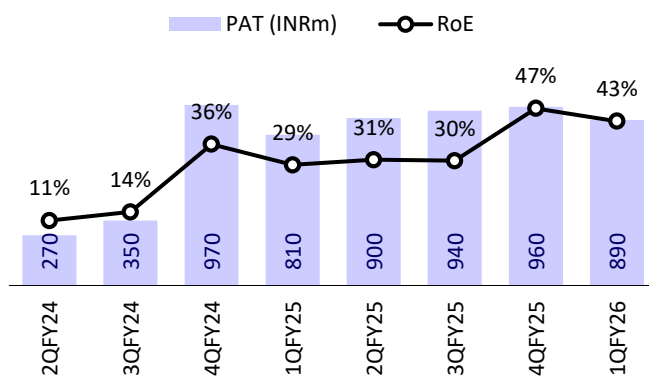
Source: MOFSL, Company

Exhibit 10: Kotak Prime: PAT declined to INR2.7b in 1QFY26


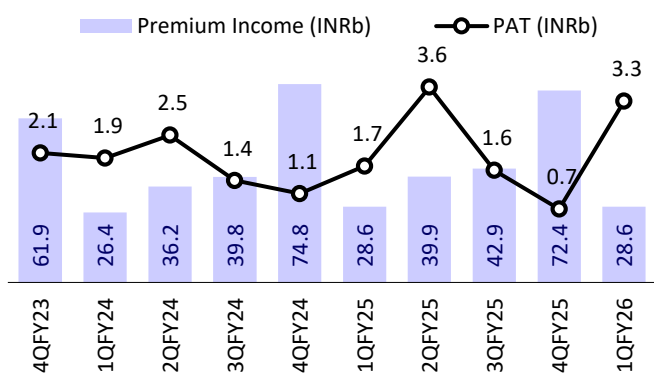
Source: MOFSL, Company

Exhibit 11: Kotak Securities: PAT rose 34% QoQ to INR4.65b


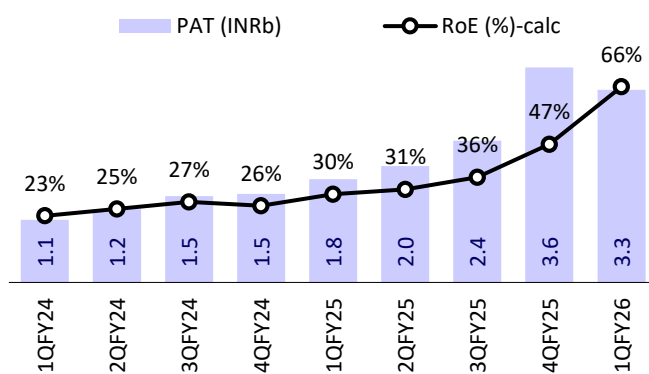
Source: MOFSL, Company

Exhibit 12: Investment Banking: PAT declined to INR890m


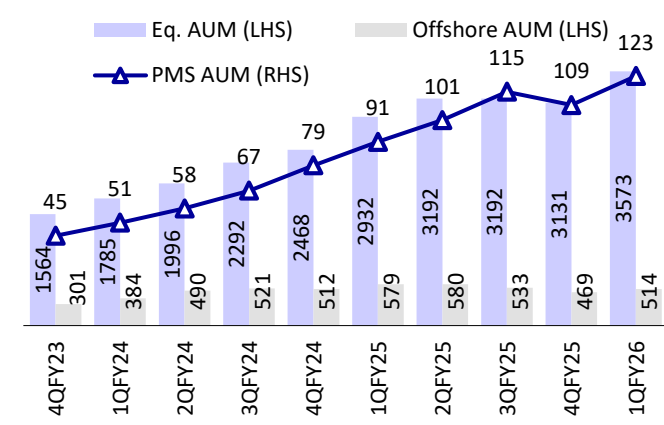
Source: MOFSL, Company

Exhibit 13: Kotak Life Insurance: PAT increased to INR3.3b


Source: MOFSL, Company

Exhibit 14: Kotak AMC: PAT stood at INR3.3b; RoE at 66%


Source: MOFSL, Company

Exhibit 15: Kotak AMC: AUM mix (INR b)


Source: MOFSL, Company

Exhibit 16: KMB: Consol. PAT details

KMB Group: Qtrly. Performance	1QFY26	1QFY25	YoY	4QFY25	QoQ
Kotak Bank	32.8	35.2	(6.8)	35.5	(7.6)
Kotak Prime	2.7	2.3	17.2	3.0	(8.4)
Kotak Securities	4.7	4.0	16.3	3.5	33.6
KMCC	0.9	0.8	9.9	1.0	(7.3)
Kotak Life	3.3	1.7	87.9	0.7	347.9
AMC & Trustee	3.3	1.8	86.3	3.6	(10.4)
Intl. subs	0.4	0.7	(38.2)	0.6	(34.4)
KIL	1.1	1.4	(22.5)	1.2	(7.8)
Kotak Consol	49.7	48.2	3.0	49.3	0.7
Minority adjustments	-5.0	-3.9	27.9	0.0	
Consol PAT (after MI)	44.7	74.5	(40.0)	49.3	(9.3)

Source: MOFSL, Company

Valuation and view: Reiterate BUY with a revised TP of INR2,400

- KMB reported a weak quarter, with NII broadly in line, but NIM contracted sharply by 32bp QoQ to 4.65%, hit by the steep policy rate cuts. Provisions were higher than expected due to elevated slippages, leading to a 116bp QoQ decline in PCR to 76.9%.
- Management expects NIM to bottom out by 2QFY26, supported by the full transmission of rate cuts, deposit repricing, and CRR benefits, with a recovery likely from 2H. Growth in the unsecured segment is expected to pick up gradually as the lending environment improves, aiding both growth and margin trajectory.
- Overall loan growth is guided at 1.5–2x nominal GDP, driven by strong momentum in retail and unsecured lending. Deposit growth remains robust, led by healthy traction in term deposits, resulting in a CD ratio of 86.7%.
- We cut our earnings by 3.5%/1.4% for FY26E/27E amid NIM moderation and slightly elevated provisions. We estimate KMB's RoA/RoE at 2.1%/13.4% by FY27. We reiterate our BUY rating with a revised TP of INR2,400 (premised on 2.4x FY27E ABV, SoTP of INR762).**

Exhibit 17: We cut our earnings estimates and project KMB to deliver an FY27E RoA/RoE of 2.1%/13.4%

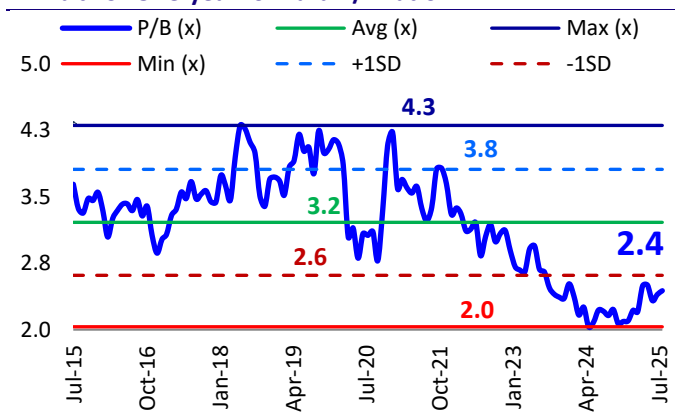
INR b	Old Est.		Revised Est.		Introduced	Change (%) /bps	
	FY26	FY27	FY26	FY27	FY28	FY26	FY27
Net Interest Income	316.1	370.0	309.5	367.8	441.3	-2.1	-0.6
Other Income	131.2	149.2	131.2	149.2	171.7	0.0	0.0
Total Income	447.3	519.2	440.7	517.0	613.0	-1.5	-0.4
Operating Expenses	213.5	243.8	213.3	244.2	279.2	-0.1	0.2
Operating Profits	233.8	275.4	227.5	272.7	333.8	-2.7	-1.0
Provisions	31.8	37.3	32.5	38.0	45.1	2.3	1.9
PBT	202.0	238.0	195.0	234.7	288.6	-3.5	-1.4
Tax	48.9	57.6	47.2	56.8	69.9	-3.5	-1.4
Standalone PAT	153.1	180.4	147.8	177.9	218.8	-3.5	-1.4
Loans	4,931	5,735	4,973	5,784	6,756	0.9	0.9
Deposits	5,679	6,554	5,679	6,560	7,583	0.0	0.1
Margins (%)	4.69	4.79	4.58	4.73	4.91	(11)	(6)
RoA (%)	2.09	2.17	2.01	2.14	2.28	(7)	(3)
Core RoE (%)	12.6	13.5	12.2	13.4	14.3	(42)	(12)
EPS	77.0	90.8	74.3	89.5	110.0	-3.5	-1.4
BV	629.2	718.1	626.5	714.2	822.4	-0.4	-0.6
Consol BV	871.8	999.4	869.0	995.1	1,149.7	-0.3	-0.4

Source: MOFSL, Company

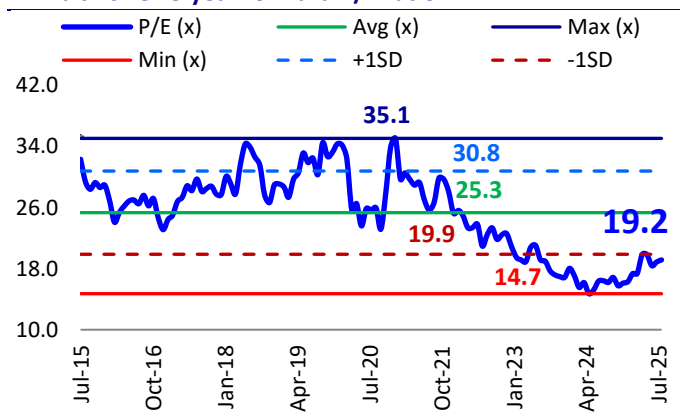
Exhibit 18: KMB – SoTP valuation based on FY27E

	Stake (%)	Total value (INR b)	Attributed Value (INR b)	Value (USD B)	INR per share	% to total	Rationale
Lending Business		3,230	3,678	44.1	1,850	77	
Kotak Mahindra Bank		2,857	3,257	39.1	1,638	68	2.4x FY27E NW
Kotak Prime (Car and other loans)	100%	269	300	3.6	151	6	2.3x FY27E NW
Kotak Investment Company (LAS)	100%	105	121	1.4	61	3	2.3x FY27E NW
Asset Management Business		345	408	4.9	205	9	5.5% of FY27E AUMs
Domestic Mutual Fund	100%	270	319	3.8	160	7	
Alternative Assets	100%	34	41	0.5	20	1	
Offshore Funds	100%	41	49	0.6	24	1	
Capital Markets related Business		368	450	5.4	226	9	
Kotak Securities	100%	319	389	4.7	196	8	16x FY27E PAT
Kotak Investment Banking (KMCC)	100%	49	60	0.7	30	1	2.2x FY27E NW
Kotak Life Insurance	100%	505	616	7.4	310	13	2.2x FY27E EV
Subs value @ 20% discount		1,273	1,516	18.2	762	32	
Target Value (Post 20% holding discount)		4,129	4,773	57.3	2,400	100	
- contribution of subs/associates to total PT					32%		

Source: Company, MOFSL

Exhibit 19: One-year forward P/B ratio


Source: MOFSL, Company

Exhibit 20: One-year forward P/E ratio


Source: MOFSL, Company

Exhibit 21: DuPont Analysis – We estimate KMB to report an FY27 RoA/RoE of 2.1%/13.4%

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	6.65	7.45	8.40	8.18	7.71	7.87	8.00
Interest Expense	2.51	2.76	3.63	3.80	3.50	3.46	3.41
Net Interest Income	4.14	4.69	4.77	4.38	4.22	4.42	4.60
Fee income	1.70	1.75	1.72	1.62	1.58	1.55	1.51
Trading and others	-0.23	-0.21	0.17	0.70	0.21	0.24	0.27
Non-Interest income	1.47	1.54	1.88	2.31	1.79	1.79	1.79
Total Income	5.61	6.23	6.65	6.69	6.00	6.21	6.39
Operating Expenses	2.65	3.00	3.06	2.90	2.91	2.93	2.91
Employee cost	1.14	1.21	1.26	1.22	1.22	1.24	1.23
Others	1.51	1.79	1.80	1.68	1.68	1.69	1.68
Operating Profits	2.96	3.23	3.59	3.79	3.10	3.27	3.48
Core operating Profits	3.19	3.44	3.42	3.09	2.89	3.03	3.20
Provisions	0.17	0.10	0.29	0.45	0.44	0.46	0.47
NPA	0.27	0.11	0.27	0.40	0.41	0.43	0.44
Others	-0.10	-0.01	0.02	0.06	0.03	0.03	0.03
PBT	2.80	3.13	3.30	3.34	2.66	2.82	3.01
Tax	0.69	0.75	0.78	0.79	0.64	0.68	0.73
RoA	2.11	2.38	2.53	2.54	2.01	2.14	2.28
Leverage (x)	6.0	5.9	6.0	6.0	6.1	6.2	6.3
RoE	12.6	14.0	15.3	15.4	12.2	13.4	14.3

Source: Company, MOFSL

Financials and valuations

Income Statement							(INRb)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	270.4	342.5	458.0	529.2	566.2	655.6	768.2
Interest Expense	102.2	127.0	198.1	245.8	256.7	287.8	326.9
Net Interest Income	168.2	215.5	259.9	283.4	309.5	367.8	441.3
-growth (%)	9.6	28.1	20.6	9.0	9.2	18.8	20.0
Non-Interest Income	59.9	70.8	102.7	149.6	131.2	149.2	171.7
Total Income	228.0	286.3	362.7	433.0	440.7	517.0	613.0
-growth (%)	12.1	25.6	26.7	19.4	1.8	17.3	18.6
Operating Expenses	107.5	137.9	166.8	187.8	213.3	244.2	279.2
Pre Provision Profits	120.5	148.5	195.9	245.3	227.5	272.7	333.8
-growth (%)	2.5	23.2	31.9	25.2	-7.2	19.9	22.4
Core PPOp	129.9	158.2	186.7	200.2	211.9	252.5	307.4
-growth (%)	8.7	21.9	18.0	7.3	5.8	19.1	21.8
Provisions	6.9	4.6	15.7	29.4	32.5	38.0	45.1
PBT	113.6	143.9	180.1	215.8	195.0	234.7	288.6
Tax	27.9	34.5	42.3	51.3	47.2	56.8	69.9
Tax Rate (%)	24.5	24.0	23.5	23.8	24.2	24.2	24.2
PAT	85.7	109.4	137.8	164.5	147.8	177.9	218.8
-growth (%)	23.1	27.6	26.0	19.4	-10.2	20.4	23.0
Extraordinary Item	0	0	0	0	0	0	0
Adjusted PAT	85.7	109.4	137.8	164.5	147.8	177.9	218.8
Change (%)	23.1	27.6	26.0	19.4	-10.2	20.4	23.0
Consolidated PAT	117.2	149.3	182.1	221.3	209.3	252.9	310.4
-growth (%)	17.3	27.3	22.0	21.5	-5.4	20.8	22.7

Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Reserves & Surplus	710.0	820.3	957.2	1,162.5	1,235.6	1,410.0	1,625.2
Net Worth	724.9	835.2	967.2	1,172.4	1,245.6	1,419.9	1,635.1
- Equity Networth	719.9	830.2	967.2	1,172.4	1,245.6	1,419.9	1,635.1
Deposits	3,116.8	3,631.0	4,489.5	4,990.6	5,679.2	6,559.5	7,582.8
-growth (%)	11.3	16.5	23.6	11.2	13.8	15.5	15.6
- CASA Dep	1,891.3	1,918.2	2,043.0	2,144.2	2,425.0	2,807.5	3,321.3
-growth (%)	11.7	1.4	6.5	4.9	13.1	15.8	18.3
Borrowings	259.7	234.2	283.7	484.4	491.7	555.7	628.9
Other Liabilities & Prov.	192.9	198.3	263.2	288.9	326.4	378.6	439.2
Total Liabilities	4,294.3	4,898.6	6,003.6	6,936.2	7,742.9	8,913.8	10,286.0
Current Assets	429.2	325.4	527.9	657.8	580.1	626.1	681.6
Investments	1,005.8	1,214.0	1,554.0	1,819.1	2,022.8	2,316.1	2,628.8
-growth (%)	-4.3	20.7	28.0	17.1	11.2	14.5	13.5
Loans	2,712.5	3,198.6	3,760.8	4,269.1	4,973.5	5,784.2	6,755.9
-growth (%)	21.3	17.9	17.6	13.5	16.5	16.3	16.8
Fixed Assets	16.4	19.2	21.6	23.6	27.3	31.1	35.4
Other Assets	130.3	141.3	139.3	166.7	139.3	156.3	184.3
Total Assets	4,294.3	4,898.6	6,003.6	6,936.2	7,742.9	8,913.8	10,286.0

Asset Quality

Y/E MARCH	FY22	FY23	FY24	FY25	FY26E	FY27E	FY27E
GNPA	64.7	57.7	52.7	61.3	72.4	84.6	97.0
NNPA	17.4	11.9	12.7	13.4	16.0	18.3	21.8
GNPA Ratio (%)	2.34	1.78	1.39	1.42	1.44	1.45	1.42
NNPA Ratio (%)	0.64	0.37	0.34	0.31	0.32	0.32	0.32
Slippage Ratio (%)	1.55	1.20	1.27	1.39	1.66	1.60	1.56
Credit Cost (%)	0.45	0.17	0.43	0.64	0.65	0.67	0.67
PCR (Excl Tech. write off) (%)	73.2	79.3	75.9	78.1	77.9	78.4	77.5

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Yield and Cost Ratios (%)							
Avg. Yield-Earning Assets	7.2	8.0	9.1	9.0	8.4	8.4	8.5
Avg. Yield on loans	7.8	9.1	10.2	10.1	9.2	9.3	9.5
Avg. Yield on Investments	6.8	6.1	6.7	6.7	6.9	6.8	6.8
Avg. Cost-Int. Bear. Liab.	3.2	3.5	4.6	4.8	4.4	4.3	4.3
Avg. Cost of Deposits	3.1	3.5	4.5	4.8	4.4	4.4	4.3
Interest Spread	4.7	5.6	5.7	5.4	4.8	4.9	5.2
Net Interest Margin	4.5	5.1	5.2	4.8	4.6	4.7	4.9

Capitalisation Ratios (%)

CAR	23.7	21.8	20.5	22.3	18.5	15.7	15.3
CET-1	21.5	20.6	19.2	21.1	17.5	14.8	14.5
Tier I	22.8	20.6	19.2	21.1	17.5	14.8	14.5
Tier II	0.9	1.2	1.3	1.2	1.0	0.9	0.8

Business Ratios (%)

Loans/Deposit Ratio	87.0	88.1	83.8	85.5	87.6	88.2	89.1
CASA Ratio	60.7	52.8	45.5	43.0	42.7	42.8	43.8
Cost/Assets	2.5	2.8	2.8	2.7	2.8	2.7	2.7
Cost/Total Income	47.2	48.1	46.0	43.4	48.4	47.2	45.6
Cost/Core Income	45.3	46.6	47.2	48.4	50.2	49.2	47.6
Int. Expense/Int.Income	37.8	37.1	43.2	46.4	45.3	43.9	42.6
Fee Income/Total Income	30.3	28.1	25.8	24.1	26.2	24.9	23.7
Non Int. Inc./Total Income	26.2	24.7	28.3	34.5	29.8	28.9	28.0
Empl. Cost/Total Expenses	42.9	40.2	41.3	42.2	42.0	42.4	42.3

Efficiency Ratios (INRm)

Employee per branch (in nos)	39.1	37.3	40.0	35.1	42.4	43.6	44.9
Staff cost per employee (INR m)	0.7	0.8	0.9	1.1	1.0	1.1	1.2
CASA per branch	1,113	1,078	1,049	998	1,152	1,282	1,459
Deposits per branch	1,833	2,040	2,305	2,323	2,698	2,996	3,330
Business per Employee	88	103	106	123	119	129	140
Profit per Employee	1.3	1.6	1.8	2.2	1.7	1.9	2.1

Profitability Ratios and Valuation

RoE (%)	12.7	14.1	15.3	15.4	12.2	13.4	14.3
RoA (%)	2.1	2.4	2.5	2.5	2.0	2.1	2.3
Consolidated ROE (%)	12.1	13.3	14.0	14.1	12.1	12.8	13.6
Consolidated ROA (%)	2.3	2.6	2.6	2.7	2.3	2.5	2.5
RoRWA (%)	2.2	2.4	2.4	2.6	2.0	2.0	2.1
Book Value (INR)	363	418	487	590	626	714	822
-growth (%)	13.7	15.2	16.4	21.2	6.2	14.0	15.2
Price-BV (x)	3.7	3.3	2.8	2.3	2.2	1.9	1.7
Adjusted BV (INR)	342	398	462	568	602	686	790
-growth (%)	15.3	16.4	16.3	22.9	6.0	14.0	15.2
Price-ABV (x)	4.0	3.4	2.9	2.4	2.3	2.0	1.7
EPS (INR)	43.2	55.1	69.4	82.7	74.3	89.5	110.0
-growth (%)	20.9	27.5	25.9	19.3	-10.2	20.4	23.0
Price-Earnings (x)	31.4	24.7	19.6	16.4	18.3	15.2	12.3
Consolidated EPS (INR)	59.1	75.1	91.6	111.3	105.2	127.2	156.1
Change (%)	17.1	27.2	21.9	21.5	-5.4	20.8	22.7
Price-Consolidated Earnings (x)	35.9	28.2	23.2	19.1	20.2	16.7	13.6
Dividend Per Share (INR)	1.1	1.3	1.7	2.0	1.8	1.8	1.8
Dividend Yield (%)	0.1	0.1	0.0	0.0	0.1	0.1	0.1

E: MOFSL Estimates

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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