


STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Banking

COMPANY DETAILS

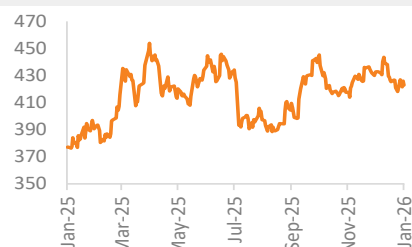
Market cap:	Rs. 4,19,899 cr
52-week high/low:	Rs. 460 / 372
NSE volume: (No of shares)	38.8 lakh
BSE code:	500247
NSE code:	KOTAK BANK
Free float: (No of shares)	146.65 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	25.9
FII	29.4
DII	32.9
Others	11.9

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-2.2	-5.0	-2.6	12.1
Relative to Sensex	2.4	-1.4	-1.2	5.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Kotak Mahindra Bank Ltd

Operationally stable, unsecured NPAs easing

 Reco/View: **BUY**

 CMP: **Rs. 422**

 Price Target: **Rs. 500**
Quick Snapshot

- Asset quality improved with a 9 bps and 1 bps q-o-q, decline in GNPA and NNPA ratio to 1.3% and 0.31% respectively. Slippages fell sequentially.
- NII grew 5% y-o-y was in-line with estimates, NIMs were steady q-o-q; reduced cost, CRR cut balanced out impact of fall in yields
- Opex rose slightly more than expected, by 8% q-o-q, employee costs rose due to labour code and retiral cost impact. Credit cost remained benign at 0.63% as stress reduced; net PAT rose 4%.
- Overall numbers for Q3FY26 were steady and we maintain a Buy rating with a PT of 500.

Result overview

- NII stood at Rs. 7,565 crore, up 5% y-o-y. NIM was reported at 4.54%, which remained flat q-o-q. Yields were impacted by the repo rate cut, impact partially offset by a CRR rate cut and the ongoing repricing of term deposits, which saw the cost of funds reduce from 4.70% in Q2 to 4.54% in Q3.
- Other income grew 8% y-o-y to Rs. 2,838 crore. Fee income rose 8% y-o-y to Rs. 2,549 crore, driven by foreign exchange, debt capital markets and distribution. Treasury reported a loss.
- Opex reached Rs. 5,023 crore, up 8% both y-o-y and q-o-q. There was provision of Rs. 96 crore related to the new labour code. Additionally, employee costs were affected by the normalisation of retiral/pension costs due to interest rate movements.
- Credit costs rose to 0.63%, down from 79 bps in Q2 and 91 bps in Q1. The decline was driven by improved delinquencies in unsecured retail segment. The bank remains cautious on the retail CV but expects stress there to plateau in Q4.
- Standalone PAT was Rs. 3,446 crore, up 4% y-o-y. Consolidated group PAT stood at Rs. 4,924 crore, a 5% y-o-y increase.
- Net Advances grew 16.1% y-o-y to Rs. 4.8 lakh crore, consumer banking grew 16% y-o-y, Personal loans and consumer durables grew 17% y-o-y, while credit cards saw a 13% y-o-y decline. Commercial Banking loans increased 7% y-o-y and wholesale banking was up 17% y-o-y.
- Total deposits grew 14.6% y-o-y to Rs. 5.42 lakh crore, and CASA ratio stood at 41.3% vs 42.3% y-o-y.

Our Call

Bank is aggressively accelerating automation and AI adoption to grow its balance sheet without a proportional headcount jump. Growth will be anchored by curated propositions for HNIs, SMEs, and the core India segment through the 811 digital platform. The Bank continues to operate as a comprehensive financial conglomerate offering gamut of financial bouquet; We value the bank at ~2.2x FY28E book value while valuing the subsidiaries at Rs125 per share to arrive at PT of Rs 500, maintain Buy.

Key Risks

Persistent stress in retail CV segments and higher credit costs could impact performance.

Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	25,993	28,342	30,300	34,905	40,587
Net profit	13,782	16,450	13,853	17,116	20,626
EPS (Rs)	13.8	16.5	13.9	17.0	20.4
P/E (x)	21.5	18.0	21.5	17.5	14.6
P/BV (x)	3.1	2.5	2.3	2.0	1.8
RoE	15.3	15.4	11.2	12.3	13.0
RoA	2.5	2.5	1.9	2.0	2.1

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 23, 2026

Concall highlights

NIMs

- **Liquidity and Treasury Impact:** The bank experienced a surge in short-term IPO-related funds, which were deployed into lower-yielding treasury assets. Mathematically, this deployment dragged the NIM down; excluding these short-term earning assets, the underlying NIM improved to 4.58%.
- Management expects a moderate NIM increase in Q4 due to the full-quarter benefit of CRR cuts and a “February kicker” (where advances earn for 30 days while deposits cost for 28). A more stable and realistic NIM outlook is expected from Q1 FY27 onwards.
- Repricing of term deposits is expected to be completed by Q1FY27

Operating costs

- **Fixed vs. Volume Costs:** Excluding one-time labour code and retiral adjustments, staff payroll/CTC costs remained flat q-o-q. Growth in other expenses was linked to volume-related acquisition costs for products like 811 and tractor finance, alongside festive marketing spends.
- Reported cost-to-income ratio was 48.3%; excluding the labour code impact, it was 47.4%. Management aims to maintain the cost-to-asset ratio in the 2.5% to 2.6% range.

Deposits

- Average current account balances grew 14% y-o-y. In savings accounts, fixed-rate average balances grew 12% y-o-y, while floating-rate average balances declined 26% y-o-y as the bank reduced its reliance on repo-linked savings.
- Average current account balances grew 14% y-o-y, driven by a focus on self-employed customers, private limited companies, and proprietary firms. Growth was also supported by enhanced Cash Management Services (CMS) and payment flow throughput in both consumer and wholesale banking.
- Bank is pivoting its savings account strategy by reducing reliance on repo-linked (floating rate) savings, which saw average balances decline 26% y-o-y. Conversely, average fixed-rate SA balances grew 12% y-o-y

On IDBI Bank

- Management is evaluating potential transactions, including the IDBI Bank deal, through three lenses: strategic fit, valuation, and integration complexity. They expressed concerns regarding management bandwidth and the complexities of integrating HR systems and labor unions.

Loans segmental highlights

- Home Loans and LAP grew 18% y-o-y, serving as an anchor product for the affluent segment. The 811 digital proposition continues to accelerate customer acquisition at scale.
- Bank maintains leadership in tractor finance with 16% y-o-y growth. However, management remains cautious in the retail commercial vehicle (CV) segment due to observed stress.
- Wholesale segment saw robust growth of 17% y-o-y, driven by Corporate SME and mid-market verticals. Acquired personal loan portfolio from standard chartered is performing better than expected, with a residual book of approximately Rs. 1,500 crore that is expected to run down over the next two quarters.
- Subsidiaries contributed 30% of consolidated profits. Kotak Mahindra Prime (auto finance) saw PAT grew 15% y-o-y, and the AMC business saw a 31% y-o-y increase in profit.

Asset Quality, Credit Costs and ECL

- Management expects the normalisation of credit costs to continue, though at a more moderated pace. They are hopeful that retail CV stress will plateau during Q4.
- Management believes the peak of unsecured credit costs is now behind the bank which contributed to the reduction in overall credit costs in this quarter
- ON Expected Credit Loss (ECL) circular, the bank estimates the impact to be less than 2% of its net worth (post-tax), which it considers non-material given its strong capital position.

Results Table

					Rs cr
Particulars	Q3FY26	Q3FY25	y-o-y	Q2FY26	q-o-q
Net Interest Income	7,565	7,196	5.1%	7,311	3.5%
Other income	2,838	2,623	8.2%	2,589	9.6%
Net Income	10,402	9,819	5.9%	9,900	5.1%
Opex	5,023	4,638	8.3%	4,632	8.4%
Operating Profit	5,380	5,181	3.8%	5,268	2.1%
Provisions	810	794	1.9%	947	-14.5%
PAT	3,446	3,305	4.3%	3,253	5.9%
Advances	4,80,673	4,13,839	16.1%	4,62,688	3.9%
Deposits	5,42,638	4,73,497	14.6%	5,28,776	2.6%
NIMs %	4.54	4.93	-39 bps	4.54	0 bps
GNPA %	1.30	1.50	-20 bps	1.39	-9 bps
NNPA %	0.31	0.41	-10 bps	0.32	-1 bps
PCR %	76.3	73.2	314 bps	77.0	-67 bps

Source: Company; Mirae Asset Sharekhan Research

Additional Data
Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds	5.57
2	Kotak Uday Suresh	5.14
3	HDFC AMC	3.24
4	Blackrock INC	2.29
5	Vanguard Group INC	2.27
6	Capital Group companies	2.24
7	ICICI Prudential AMC	1.81
8	UTI AMC	1.72
9	LIC of India	1.28
10	PPFAS	1.27

Source: Bloomberg

Key management personnel

Name	Designation
Ashok Vaswani	MD & CEO
Devang Gheewalla	CFO & ED
CS Rajan	Non - ED & Part Chairman
Uday Kotak	Founder & Non-Executive Director

Source: Company Website

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