Stock Update

Result Update

MIRAE ASSET Sharekhan

Kotak Mahindra Bank

Weak Q1

Bank	Sharekhan code: KOTAKBANK
Reco/View: Buy ↔	CMP: Rs. 2,125
Price Target: Rs. 2,500 ↔	

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

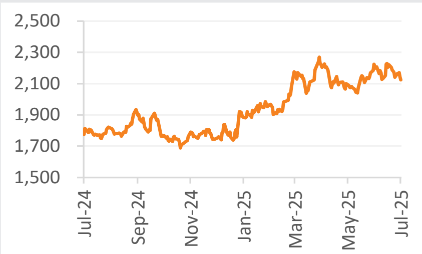
Company details

Market cap:	Rs. 4,22,509 cr
52-week high/low:	Rs. 2302/1679
NSE volume: (No of shares)	40.5 lakh
BSE code:	500247
NSE code:	KOTAKBANK
Free float: (No of shares)	146.6 cr

Shareholding (%)

Promoters	25.9
FII	32.3
DII	29.6
Others	12.2

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.3	-3.6	12.7	17.1
Relative to Sensex	-1.8	-6.4	5.7	17.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Weak core PPoP (~4% y-o-y) led by sharp decline in NIMs and higher provisions led to miss in net earnings. Credit cost stood at 93 bps versus 64 bps q-o-q and 55 bps y-o-y.
- While loan/deposit growth beat system growth, higher-than-expected NIMs pressure and weak asset quality were key negatives.
- The bank called out the stress in the retail CV segment and clarified that there is no build-up of stress in the MSME segment. In Q1FY26, MFI, stress in retail CV and lower corporate recoveries drove up credit costs but the bank guided that credit cost is peaked in MFI.
- We remain assertive from a medium to long-term perspective and maintain a Buy rating with an unchanged SOTP-based PT of Rs. 2,500. The stock trades at 2.1x/1.9x its FY2026E/FY2027E core BV estimates.

Q1FY26 numbers was weak led by higher-than-expected NIMs pressure and asset quality deterioration. NII, at Rs. 7,259 crore (below estimates) grew by 6% y-o-y/flat q-o-q. NIMs declined by 32 bps q-o-q to 4.65% versus expectation of ~25 bps decline. Core fee income was flat y-o-y/down 14% q-o-q. Treasury gains stood at Rs. 195 crore versus Rs. 23 crore q-o-q and Rs 105 crore y-o-y. Other income (ex-trading gains) at Rs. 636 crore up 9% y-o-y / 17% q-o-q. Total operating expenses grew by 6% y-o-y/down 4% q-o-q. Operating profit (below estimates) grew 6% y-o-y/ 2% q-o-q. Core PPoP (ex-treasury gains) grew 4% y-o-y. Provisions were higher at Rs. 1,208 crore (versus est. Rs. 763 crore). Core credit cost stood at 93 bps versus 64 bps q-o-q and 55 bps y-o-y. Higher core credit cost was led by MFI, stress in retail CV and lower corporate recoveries however bank guided that credit cost is peaked in MFI.PAT at Rs. 3,282 crore (below estimates) mainly led by higher provisions. YoY PAT is down sharply because Q1FY25 included stake sale gains from general insurance business. Asset-quality trends improved led by contained slippages and higher write offs. GNPA/ NNPA ratio deteriorated q-o-q to 1.48%/ 0.34% versus 1.42%/ 0.31% q-o-q. PCR at ~77% versus 78% q-o-q. Slippages increased by 22% q-o-q at Rs. 1,812 crore versus Rs. 1,488 crore q-o-q (1.9% annualized versus 1.6% q-o-q). Net slippages were also higher at Rs. 1,263 crore versus Rs. 741 crore q-o-q. The bank called out stress in retail CV segment and clarified there is no build-up of stress in the MSME segment. Loan growth at 14% y-o-y/ 4% q-o-q was strong while deposit growth also remained strong at 15% y-o-y/ 3% q-o-q. CASA balances grew 8% y-o-y/ down 2% q-o-q. CASA ratio at 40.9% versus 43.0% q-o-q and 43.4% y-o-y. Term deposits grew by 20% y-o-y/ 7% q-o-q. LDR stood at 86.7% versus 85.5% q-o-q. Among the key subsidiaries, Kotak Prime, AMC, Securities reported healthy performance.

Key positives

- Loan/deposit growth beat system growth.

Key negatives

- NIMs declined by 32 bps q-o-q to 4.65% versus expectation of ~25 bps decline.
- Slippages increased by 22% q-o-q at Rs. 1,812 crore versus Rs. 1,488 crore q-o-q (1.9% annualized versus 1.6% q-o-q) led by MFI and stress in retail CV segment resulting in higher credit cost.

Management Commentary

- The bank called out stress in retail CV segment and clarified there is no build-up of stress in the MSME segment.
- Higher core credit cost was led by MFI, stress in retail CV and lower corporate recoveries however bank guided that credit cost is peaked in MFI.
- MFI segment is expected to recover gradually through FY26, with growth picking up in H2FY26.
- The full impact of the 50-bps repo cut happened in June 2025, will be visible in Q2. Deposit repricing will play out over the next 3–4 quarters.
- The bank is confident of growing at 1.5-2.0x times the nominal GDP.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 2,500: Going forward, NIMs are likely to bottom out in Q2FY26, supported by the full transmission of repo rate cuts, deposit repricing, and CRR benefits, with a recovery likely from H2FY26 onwards. Additionally, growth in the unsecured segment is expected to pick up gradually aiding both growth and margin trajectory. We reiterate buy on Kotak Mahindra Bank with an unchanged SOTP-based PT of Rs. 2,500. The bank is reasonably confident to sustain an RoA of ~2% in the near to medium term. We also expect its subsidiaries' contribution to increase to consolidated earnings, as it gains scale and market share gradually going forward. The stock is trading at 2.1x/1.9x its FY2026E/ FY2027E core BV estimates.

Key Risks

Slower loan growth, higher credit cost, lower margins and slower growth in retail liabilities.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Interest Income	21,552	25,993	28,342	30,249	34,831
Net profit	10,939	13,782	16,450	14,361	16,877
EPS (Rs.)	54.9	69.2	82.7	71.8	84.0
P/E (x)	25.5	20.2	16.9	19.5	16.7
P/BV (x)	3.3	2.9	2.4	2.1	1.9
RoE	14.1	15.3	15.4	11.5	12.1
RoA	2.4	2.5	2.5	1.9	2.0

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone) Rs cr

Particulars	Q1FY26	Q1FY25	Q4FY25	Y-o-Y %	Q-o-Q %
Interest Inc.	13,837	12,746	13,530	9%	2%
Interest Expenses	6,577	5,904	6,246	11%	5%
Net Interest Income	**7,259**	**6,842**	**7,284**	**6%**	**0%**
NIM (%)	4.65	5.02	4.97		
Core Fee Income	2,249	2,240	2,616	0%	-14%
Other Income	831	689	566	21%	47%
Net Income	**10,339**	**9,771**	**10,466**	**6%**	**-1%**
Employee Expenses	2,066	1,871	2,106	10%	-2%
Other Opex	2,710	2,647	2,888	2%	-6%
Total Opex	**4,776**	**4,517**	**4,994**	**6%**	**-4%**
Cost to Income Ratio	46.2%	46.2%	47.7%		
Pre Provision Profits	**5,564**	**5,254**	**5,472**	**6%**	**2%**
Provisions & Contingencies - Total	1,208	578	909	109%	33%
Profit Before Tax	**4,356**	**4,676**	**4,563**	**-7%**	**-5%**
Exceptional item	0	3,520	0		
Tax	1,074	1,946	1,011	-45%	6%
Effective Tax Rate	25%	42%	22%		
Reported Profits	**3,282**	**6,250**	**3,552**	**-47%**	**-8%**
Basic EPS (Rs)	16.51	31.44	17.86	-47%	-8%
Diluted EPS (Rs)	16.50	31.44	17.86	-48%	-8%
RoA (%)	1.9	4.2	2.2		
Advances	4,44,823	3,89,957	4,26,909	14.1%	4.2%
Deposits	5,12,838	4,47,418	4,99,055	14.6%	3%
Gross NPA	**6,638**	**5,477**	**6,134**	**21%**	**8%**
Gross NPA Ratio (%)	1.48	1.39	1.42		
Net NPA	**1,531**	**1,376**	**1,343**	**11%**	**14%**
Net NPAs Ratio (%)	0.34	0.35	0.31		
PCR - Calculated	76.9%	74.9%	78.1%		

Source: Company; Mirae Asset Sharekhan Research

SOTP valuation

Subsidiary/Associate	Per share value (Rs.)
Kotak Prime	147
Kotak Securities	151
Kotak Life Insurance	233
Kotak Mahindra Investments	46
Kotak AMC	118
Others	30
Value of subs/ associates	**726**
Core Bank	1,774
Total SOTP-based valuation (Rs.)	**2,500**

Source: Company; Mirae Asset Sharekhan Estimates

Outlook and Valuation

■ Sector Outlook – Deposit mobilisation, NIMs and asset quality to be in focus

System credit growth has further declined to ~9% y-o-y from 16% year ago as per the latest fortnight data, mainly driven by slower deposit growth, slower growth in secured retail segment and stress in the unsecured retail segment. Deposit growth for the system has been broadly at ~10% y-o-y. However, deposit growth is mainly led by time deposits rather than CASA. Margins are expected to be under pressure due to lower repo rates. Overall, asset quality outlook is stable to positive for the sector, except for the unsecured retail loans and the MFI segment but it appears that stress in unsecured segment has also broadly peaked out. We believe that banks with a robust capital base, strong asset quality, and healthy retail deposit franchises are well-placed to capture growth opportunities.

■ Company Outlook – Attractive franchise

We believe that Kotak Mahindra Bank is an attractive business franchise over the medium to long term. The bank's subsidiaries are shaping up well, and while at present, they are relatively small, we believe each one has a strong business model and is well on track to be a significant value contributor to the consolidated business in the long term. We remain constructive from a medium to long-term perspective.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 2,500

Going forward, NIMs are likely to bottom out in Q2FY26, supported by the full transmission of repo rate cuts, deposit repricing, and CRR benefits, with a recovery likely from H2FY26 onwards. Additionally, growth in the unsecured segment is expected to pick up gradually aiding both growth and margin trajectory. We reiterate buy on Kotak Mahindra Bank with an unchanged SOTP-based PT of Rs. 2,500. The bank is reasonably confident to sustain an RoA of ~2% in the near to medium term. We also expect its subsidiaries' contribution to increase to consolidated earnings, as it gains scale and market share gradually going forward. The stock is trading at 2.1x/1.9x its FY2026E/FY2027E core BV estimates.

Peer valuation

Banks	CMP (Rs./Share)	MCAP (Rs. Cr)	P/E (x)		P/B (x)		RoE (%)		RoA (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Kotak Mahindra Bank	2,125	4,22,509	19.5	16.7	2.1	1.9	11.5	12.1	1.9	2.0
ICICI Bank	1477	10,53,475	17.7	15.7	2.5	2.2	15.5	15.0	2.2	2.2
Axis Bank	1,087	3,37,106	10.9	9.5	1.4	1.3	13.9	14.5	1.6	1.7

Source: Company; Mirae Asset Sharekhan Research

About company

Established in 1985, Kotak Mahindra Group is one of India's leading financial services conglomerates. KMB has a national footprint of 2,154 branches and 2,927 ATMs. The group offers a wide range of financial services that include commercial banking, stock broking, mutual funds, insurance, and investment banking. The group caters to the diverse financial needs of individuals and the corporate sector. The bank has a well-diversified pan-India presence (~32% in North, 31% in West, 29% in South, and 8% in Eastern India).

Investment theme

We believe KMB is an attractive business franchise over the medium to long term. The bank's subsidiaries are also shaping up well; and while at present, they are relatively small, we believe each one has a strong business model and is well on track to be a significant value contributor to the consolidated business in the long term.

Key Risks

Slower loan growth, higher credit cost, lower margins, slower growth in retail liabilities.

Additional Data

Key management personnel

Name	Designation
Ashok Vaswani	Managing Director and CEO
S. Ekambaram	Deputy MD
Devang Gheewala	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Uday Suresh	25.70
2	Life Insurance Corp of India	7.36
3	SBI Funds Management Ltd	5.87
4	Capital Group Cos Inc	2.83
5	HDFC Asset Management Co Ltd	2.66
6	Vanguard Group Inc	2.34
7	Blackrock Inc	2.21
8	UTI Asset Management Co Ltd	1.74
9	Sumitomo Mitsui Financial Group In	1.65
10	Invesco Ltd	1.35

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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