Kotak Mahindra Bank (KOTMAH)

ICICI Direct

CMP: ₹ 389 | Target: ₹ 475 (22%) | Target Period: 12 months | BUY

July 19, 2026

Mixed quarter; margins remain in focus…

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 2301 branches and 2734 ATMs
- Consistent in delivering superior RoA of 2+% and RoE of 13+%

Q1FY27 performance: Kotak Mahindra Bank delivered a mixed Q1FY27 performance, with healthy earnings but flat margin, alongside softer deposit growth and seasonal pressure in select retail portfolios. Advances grew 15.1% YoY (3.2% QoQ), led by strong momentum in SME and corporate banking, while deposits increased 11.9% YoY (0.2% QoQ) with CASA moderating to 40.3% due to seasonal decline in current account balances. Adjusted NIM remained stable at 4.53% (flat QoQ), despite the repo rate transmission. Credit cost stood at 46 bps (vs 39 bps in Q4), reflecting seasonal stress in CV and tractor portfolios, while asset quality remained resilient (GNPA/NNPA: 1.18%/0.27%). PAT stood at ₹4,123 crore (26% YoY) with CET-1 at 22.2%.

Investment Rationale

- **Institutional momentum remains healthy; liability traction remains key:** Retail growth remained relatively subdued, with secured mortgage portfolio (home loans and LAP), which constitutes ~74% of retail advances, remaining largely flat sequentially. However, early signs of recovery were visible in the unsecured portfolio, with credit cards and MFI registering ~4% and ~5% QoQ growth, respectively. Institutional banking continued to outperform, with advances growing ~20% YoY (5% QoQ), led by healthy traction in SME and corporate segments. On the liability side, deposit mobilisation remained relatively soft, with CASA declining ~300 bps QoQ to 40.3%, primarily due to seasonality and migration of affluent balances towards investment products. While management expects these headwinds to be transient and remains focused on strengthening its granular liability franchise through the 811 platform (SA balances up ~32% YoY, contributing ~12.7% of the SA book), improvement in deposit traction remains a key monitorable.
- **Margin awaits meaningful recovery:** Margin expansion remained elusive, with NIM largely flat at ~4.53% as lower lending yields offset the benefit of deposit repricing. Management expects gradual margin improvement, supported by lower funding cost, an improving loan mix and the proposed Deutsche Bank India retail acquisition. Asset quality remained steady, with GNPA/NNPA improving to ~1.18%/~0.27%, while higher slippages were largely seasonal and driven by commercial vehicle and tractor finance portfolio. Credit cost remained contained at ~46 bps (vs ~93 in Q1FY26), with expectation to sustain around these levels aided by prudent underwriting and healthy provisional buffers.

Rating and Target Price

- Credit growth was contributed by institutional business, overall business – advances (amid expected completion of acquisition of Deutsche assets) and deposits (amid focus on granular customer relationship) traction needs to pick up. Anticipation of steady margins and stable asset quality provides comfort. Anticipate smooth leadership transition, though the same remains monitorable. Following recent correction, valuations have turned favourable, basis this, we maintain our target price at ₹475, valuing standalone bank at ~2.1x FY28E ABV and assigning ₹127 for subsidiaries. Maintain Buy rating.

Key Financial Summary

₹ crore	FY24	FY25	FY26	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	25993	28342	30010	12%	33837	38532	13%
PPP	19587	24526	22067	14%	25332	28966	15%
PAT	13782	19970	14008	9%	16265	18419	15%
ABV	96	116	135		150	168	
P/E	28.0	19.4	27.6		23.8	21.0	
P/ABV	4.0	3.4	2.9		2.6	2.3	
RoA	2.5	3.1	1.9		2.0	2.0	
RoE	15.3	18.8	11.1		11.4	11.5	

Source: Company, ICICI Direct Research

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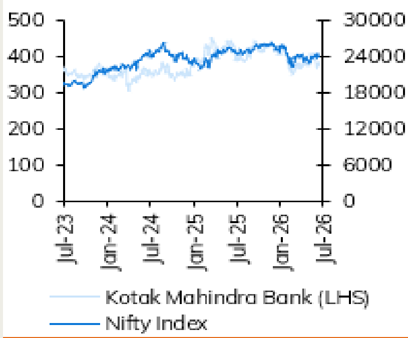
Particulars

Particulars	Amount
Market Capitalisation	₹ 3,87,898 crore
52 week H/L	₹ 453 / 345
Net worth	₹ 1,81,226 crore
Face value	₹ 1

Shareholding pattern

(in %)	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	25.9	25.9	25.9	25.9
FII	29.8	29.4	26.4	25.2
DII	32.0	32.9	36.2	37.7
Others	12.3	11.8	11.5	11.2

Price Chart



Key risks

(i) Slower business growth than anticipated

(ii) Leadership transition

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Result Update

ICICI Securities – Retail Equity Research

Concall highlights and outlook

Performance and growth outlook

- Advances grew 15% YoY and 3% QoQ, while credit substitutes increased 27% YoY and 38% QoQ, aided by attractive yields in short-duration corporate instruments. Institutional banking now accounts for 49% of advance mix, retail for 39% and independent product businesses for 12%.
- SME advances stood at ~₹1.26 lakh crore, growing 20% YoY and 3% QoQ, and continue to account for ~24% of advances. Growth was supported by healthy working-capital demand, new customer acquisition and deeper wallet share.
- Corporate banking grew 15% YoY and 5% QoQ, while corporate-bank fee income increased 27% YoY and contributed ~20% of total bank fee income. Cross-selling investment banking and institutional broking products added ~85 bps to corporate-bank RoE.
- Unsecured retail advances increased by ₹707 crore during the quarter, though the unsecured mix remained broadly stable at 8.8% of net advances.
- Personal loans, business loans, and consumer durables grew 5% YoY on a reported basis; excluding the run-down in the acquired Standard Chartered personal-loan portfolio, while organic PL growth remained in double digits.
- Credit-card portfolio grew 4% QoQ, supported by higher incremental acquisition and improving spend trends. The product suite has been restructured around the “right product to right customer” strategy:
    - Solitaire for affluent and private-banking customers,
    - Air Plus and Cashback Plus for emerging and mass-market customers.
- Retail microcredit grew 10% YoY and 5% QoQ, following 8% sequential growth in Q4FY26, supported by risk-based underwriting and CGFMU guarantee coverage.
- Tractor-finance portfolio grew 11% YoY, with Kotak retaining its position as the second-largest tractor financier. Management remains watchful of El Niño-related risks and their potential impact on rural cash flows.
- Management expects the bank to deliver above-system growth over time, supported by a combination of organic expansion and inorganic opportunities, while continuing to prioritise risk-adjusted returns.
- The proposed acquisition of Deutsche Bank’s India retail banking, private banking and wealth-management businesses was highlighted as strategically aligned with Kotak’s affluent and SME focus:
    - Around 1.5 lakh customers,
    - Advances of ~ ₹29,000 crore,
    - Deposits of ~ ₹16,000 crore,
    - Wealth AUM of ~ ₹10,500 crore,
    - Purchase consideration of ₹281 crore.
- The 811 SA book grew 32% YoY and now contributes 12.7% of total SA, reinforcing the granular liability strategy.
- CASA ratio stood at 40.3%, lower than 43.3% in March due to seasonality and balance migration, while the CD ratio increased to 89.4%.

Margins

- Reported NIM stood at 4.53%, broadly stable against the adjusted Q4FY26 margin of ~4.54%.
- Margin improvement to be driven by:
    - Granular low-cost deposit mobilisation,
    - Selective corporate and credit-substitute deployment at better spreads,
    - Growth in higher-yielding retail products,
    - Controlled increase in funding cost.

- NII grew 9% YoY, supported by balance-sheet growth and stable margins.
- Other income increased 8% YoY, aided by dividend income from subsidiaries and higher FX income.
- Fee and services income grew 11% YoY, led by general banking fees, though it declined sequentially due to seasonally higher insurance-distribution income in Q4FY26.
- Trading and MTM income were negative during the quarter, as gains recorded in the fixed-income book in Q4FY26 reversed with subsequent market movements.

Opex and credit cost

- Employee cost included a ~₹100 crore hit from movement in discount rates, compared with a similar-sized reversal in Q4FY26.
- Other operating expenses declined sequentially as Q4FY26 had elevated marketing and brand-awareness spending.
- Technology spending remained at ~13% of total operating expenses, with continued focus on automation, digitisation, and lowering acquisition & servicing cost.
- Cost-to-asset improved to 2.66% from 2.83% YoY, while cost-to-income improved to 45.6% from 46.2% YoY, reflecting operating leverage and fixed-cost discipline.
- Credit cost stood at 46 bps, up from 39 bps in Q4FY26 but significantly lower than 93 bps in Q1FY26.
- Fresh slippages increased to ₹1,321 crore from ₹1,018 crore sequentially, largely due to seasonal stress in commercial vehicles and tractor finance.
- The unsecured portfolio continued to show improvement, particularly in MFI, personal loans and credit cards, supported by stronger underwriting, improving collections and better portfolio flow rates.
- SMA-2 stood at ₹249 crore, remaining low relative to the overall portfolio. Fresh slippages of ₹165 crore were upgraded within the same quarter.

Other updates

- Under the expected ECL transition:
  - One-time impact is estimated at less than 2% of net worth,
  - Ongoing credit cost could increase by ~12–15 bps after implementation.
- Standalone average LCR stood at ~134%, while group LCR increased to ~143%, partly due to regulatory changes that added roughly 9–10 percentage points to the reported ratio.
- The bank remains interested in the FCNR(B) opportunity, with early customer demand appearing encouraging, though management is evaluating supply availability, tenure mix and deployment of longer-duration foreign-currency liabilities.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
NII	7,928.4	7,259.3	9.2	7,875.5	0.7	Sequential NII growth was muted as lower asset yields offset healthy loan growth
NIM (%)	4.53	4.65	-12 bps	4.67	-14 bps	Adjusted Q4 NIM was ~4.54%, implying Q1 margins were effectively flat sequentially
Other Income	3,338.2	3,080.0	8.4	3,116.3	7.1	Impacted due to reversal of prior-quarter fixed-income and OIS trading gains
Net Total Income	11,266.6	10,339.3	9.0	10,991.8	2.5	
Staff cost	2,210.3	2,065.5	7.0	2,060.8	7.3	Increase due to annual wage revision and reversal of ₹100 crore Q4 actuarial benefits of retirement liabilities
Other Operating Expe	2,925.0	2,710.1	7.9	3,075.8	-4.9	
PPP	6,131.4	5,563.7	10.2	5,855.2	4.7	
Provision	668.1	1,207.8	-44.7	516.4	29.4	Credit cost moderated sharply to 46 bps in Q1 (vs 39 bps in Q4)
PBT	5,463.2	4,355.9	25.4	5,338.8	2.3	
Tax Outgo	1,340.3	1,074.3	24.8	1,312.2	2.1	
PAT	4,123.0	3,281.7	25.6	4,026.6	2.4	Driven by stable core income, operating leverage and lower credit cost on YoY basis
Key Metrics						
GNPA	6,121.8	6,637.7	-7.8	6,017.8	1.7	GNPA improved by 2 bps QoQ to 1.18%
NNPA	1,357.6	1,530.9	-11.3	1,262.5	7.5	
Advances	512,249.0	444,823.0	15.2	496,009.0	3.3	Growth was led by SME and Corp business
Deposits	572,820.0	512,838.0	11.7	572,456.0	0.1	CASA ratio declined by ~300 bps to 40.3%

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	63271.3	72755.4
Interest Expended	24578.0	25553.9	29433.9	34223.5
Net Interest Income	28341.8	30010.1	33837.4	38531.9
Growth (%)	9.0	5.9	12.8	13.9
Non Interest Income	14961.1	11623.3	13130.7	14650.7
Net Income	43302.9	41633.4	46968.1	53182.6
Operating expense	18776.4	19566.5	21635.8	24216.8
Gross profit	24526.5	22066.9	25332.3	28965.8
Provisions	2942.4	3481.2	3500.6	4242.7
Taxes	5134.0	4578.0	5567.1	6304.4
Exceptional item	3519.9	0.0	0.0	0.0
Net Profit	19970.0	14007.7	16264.6	18418.7
growth (%)	44.9	-29.9	16.1	13.2
EPS	20.1	14.1	16.4	18.5

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	994.1	994.3	994.3	994.3
EPS (₹)	20.1	14.1	16.4	18.5
BV (₹)	117.0	136.0	152.0	170.2
ABV (₹)	115.7	134.7	150.4	168.5
P/E	19.4	27.6	23.8	21.0
P/BV	3.4	2.9	2.6	2.3
P/ABV	3.4	2.9	2.6	2.3
Yields & Margins (%)				
Yield on avg earning assets	8.8	8.2	8.5	8.6
Avg. cost on funds	4.8	4.4	4.6	4.7
Net Interest Margins	4.7	4.5	4.5	4.6
Avg. Cost of Deposits	4.8	4.4	4.5	4.6
Yield on average advances	10.1	9.3	9.6	9.7
Quality and Efficiency (%)				
Cost / Total net income	43.4	47.0	46.1	45.5
Credit/Deposit ratio	85.5	86.6	87.2	87.6
GNPA	1.4	1.2	1.2	1.1
NNPA	0.3	0.3	0.3	0.3
RoE	18.8	11.1	11.4	11.5
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
Sources of Funds				
Capital (incl PCNPS)	994	995	995	995
ESOPS	94	113	113	113
Reserves and Surplus	115320	134204	150143	168194
Networth	116408	135312	151251	169301
Deposits	499055	572456	654207	751534
Borrowings	48443	32475	21644	22222
Other Liabilities & Provision	28886	42760	47562	52936
Total	692793	783003	874664	995993
Applications of Funds				
Fixed Assets	2359	2388	2489	2587
Investments	181907	172536	180499	204162
Advances	426909	496009	570234	658118
Other Assets	15838	27981	30943	35956
Cash with RBI & call money	65779	84089	90498	95169
Total	692793	783003	874664	995993

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	15.4	13.0	11.7	13.9
Advances	13.5	16.2	15.0	15.4
Deposits	11.2	14.7	14.3	14.9
Total Income	19.4	-3.9	12.8	13.2
Net interest income	9.0	5.9	12.8	13.9
Operating expenses	12.6	4.2	10.6	11.9
Operating profit	25.2	-10.0	14.8	14.3
Net profit	44.9	-29.9	16.1	13.2
Book value	20.4	16.2	11.8	11.9
EPS	44.4	-29.9	16.1	13.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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