

Kotak Mahindra Bank

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	KMB IN
Equity Shares (m)	1988
M.Cap.(INRb)/(USD\$)	4344.7 / 51.4
52-Week Range (INR)	2302 / 1544
1, 6, 12 Rel. Per (%)	-3/25/31
12M Avg Val (INR M)	9611

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
NII	283.4	317.5	368.7
OP	210.1	234.6	273.8
NP	137.2	152.3	178.2
Cons. NP	219.5	216.5	256.7
NIM (%)	4.8	4.7	4.8
EPS (INR)	69.0	76.6	89.7
EPS Gr. (%)	(0.5)	11.0	17.1
ABV. (INR)	562	597	680
Cons. BV. (INR)	762	870	997

Ratios

RoA (%)	2.1	2.1	2.1
RoE (%)	12.8	12.6	13.3
Cons. RoE (%)	14.5	12.5	12.9

Valuations

P/BV (X) (Cons.)	2.9	2.5	2.2
P/ABV (X) (Adj)	2.5	2.4	2.1
P/E(X) (Adj)	20.5	18.5	15.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	25.9	25.9	25.9
DII	30.8	30.4	25.1
FII	31.0	30.8	35.9
Others	12.3	12.9	13.1

FII Includes depository receipts

CMP: INR2,185 TP: INR2,500 (+14%) Buy

PPoP in line; Prudential provisions lead to a slight earnings miss

Asset quality steady; slippages decline QoQ

- Kotak Mahindra Bank (KMB) reported a standalone 4QFY25 PAT of ~INR35.5b (6% miss on MOFSLe), because of higher provisions (to shore up PCR, partly due to AIF provisions of INR560m). Consol. PAT stood at INR49b (5% QoQ growth and 8% YoY decline) in 4QFY25.
- NII grew 5.4% YoY to INR72.8b (largely in line). NIM expanded 4bp QoQ to 4.97% (MOFSLe: 4.92%).
- Advances growth was modest at 13.5% YoY/3.2% QoQ to ~INR4.27t, while deposits rose 11.2% YoY/5.4% QoQ. CASA mix improved 70bp QoQ to 43%.
- Fresh slippages declined 10.2% QoQ to INR14.9b (INR16.6b in 3QFY25 and INR18.7b in 2QFY25). GNPA ratio thus declined by 8bp QoQ to 1.42%, while NNPA declined 10bp QoQ to 0.31%. PCR increased 492bp QoQ to 78.1%.
- **We estimate KMB to deliver an FY27E RoA/RoE of 2.1%/13.3%. Reiterate BUY with a TP of INR2,500 (premised on 2.5x FY27E, SoTP of INR770).**

Advances growth modest; NIM surprises positively

- KMB reported a standalone PAT of ~INR35.5b (6% miss; down 14% YoY, up 7.5% QoQ) amid higher provisions. Consol. PAT stood at INR49b (5% QoQ growth and 8% YoY decline) in 4QFY25. PAT for FY25 (incl. sale of Kotak general insurance) stands at 164.5b, up 19.4% YoY (ex-KGI at INR137.2b, flat YoY), we expect FY26E PAT at INR152.3b, (up 11% YoY, ex of KGI).
- NII grew 5.4% YoY/1.2% QoQ to INR72.8b (broadly in line). NIM improved 4bp QoQ to 4.97%, benefitting from reduced day count in Feb'25. Other income grew 6.9% YoY/21.3% QoQ to INR31.8b (6% beat), led by healthy fee income.
- Opex grew 12.8% YoY/7.7% QoQ to INR49.9b. C/I ratio thus inched up 48bp QoQ to 47.7%. PPoP stood flat YoY/up 5.6% QoQ to INR54.8b (in line).
- Loan growth was modest at 13.5% YoY/3.2% QoQ, amid a decline in corporate banking as well as credit cards. PL, BL, and consumer loans have picked up significantly after the lifting of the embargo and grew 24% YoY/17% QoQ. Deposit growth gained traction at 5.4% QoQ (up 11.2% YoY). With the heavy lifting done from CA deposits at 10.6% QoQ (5% QoQ in 3QFY25). As a result, CASA improved to 43%, while TD growth also stood healthy at 4.2% QoQ.
- Fresh slippages declined 10.2% QoQ to INR14.9b, with stress continuing in the MFI segment. The GNPA ratio declined to 1.42%, while NNPA dipped 10bp QoQ to 0.31%. PCR increased 492bp QoQ to 78.1%. SMA-2 loans declined to INR1.2b (3bp of loans). CAR/CET-1 stood at 22.2%/21.1%.
- **Performance of subsidiaries:** Kotak Prime's net earnings improved 33% YoY, while Kotak Life reported a 33% YoY decline in PAT at INR0.7b. Kotak Securities' reported PAT declined 7.9% YoY to INR3.5b, while Kotak AMC reported a 143% YoY/52% QoQ increase in PAT to INR3.6b.

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Highlights from the management commentary

- The share of unsecured loans declined from 12.7% to 10.5% of total advances. The bank aims to increase this towards the mid-teen range, with a strong focus on credit cards and upcoming product launches.
- PCR has improved to 78%. With the accretion in GNPA slowing down and the new book in unsecured being of better quality, the bank remains confident in its asset quality outlook.
- Advances are expected to surge 1.5-2.0x of nominal GDP, reflecting Kotak's commitment to building a sustainable, customer-trusted franchise; this momentum is expected to carry into FY26.

Valuation and view: Reiterate BUY with a revised TP of INR2,500

KMB reported a mixed bag with NII being largely in line, while other income stood strong amid better fee income. The bank stepped up the provisioning run rate and raised PCR by ~500bp to 78. Its NIM improved 4bp QoQ to 4.97% amid the benefits from the lower number of days in Feb'25. While FY25 growth remained modest, the bank expects the same to rebound to 1.5-2.0x of nominal GDP growth backed by faster growth in the consumer segment and unsecured loans that should also support the overall yields. KMB's CA book has been growing at a healthy pace, and the CASA ratio has seen a slight improvement, while the CD ratio has witnessed a mild decline in 4QFY25. The reversal of the ban on card issuance shall revive customer onboarding, which shall result in the protection of yields in the repo cut cycle. **We tweak our earnings estimates and estimate KMB to deliver an FY27E RoA/ RoE of 2.1%/13.3%. We reiterate our BUY rating with a TP of INR2,500 (premised on 2.5x FY27E, SoTP of INR770).**

Quarterly performance

Y/E March	FY24				FY25E				FY25	FY26E	FY25E	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	V/s Our Est
Net Interest Income	62.3	63.0	65.5	69.1	68.4	70.2	72.0	72.8	283.4	317.5	74.6	-2%
% Change (Y-o-Y)	32.7	23.5	15.9	13.2	9.8	11.5	9.8	5.4	9.0	12.0	8.0	
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	26.2	31.8	114.2	130.5	30.0	6%
Total Income	89.2	86.1	88.5	98.9	97.7	97.0	98.2	104.7	397.6	448.0	104.6	0%
Operating Expenses	39.7	40.0	42.8	44.3	45.2	46.0	46.4	49.9	187.5	213.4	48.1	4%
Operating Profit	49.5	46.1	45.7	54.6	52.5	51.0	51.8	54.7	210.1	234.6	56.5	-3%
% Change (Y-o-Y)	77.8	29.2	18.6	17.5	6.2	10.6	13.5	0.2	7.2	11.7	3.4	
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	7.9	9.1	29.4	33.7	7.5	21%
Profit before Tax	45.9	42.4	39.9	52.0	46.8	44.4	43.9	45.6	180.6	200.9	49.0	-7%
Tax	11.3	10.5	9.8	10.6	11.6	11.0	10.8	10.1	43.4	48.6	11.2	-10%
Net Profit	34.5	31.9	30.1	41.3	35.2	33.4	33.0	35.5	137.2	152.3	37.8	-6%
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	10.0	-14.1	-0.4	11.0	-8.5	
Exceptional item					27.3				27.3	0.0		
PAT including exceptionals	34.5	31.9	30.1	41.3	62.5	33.4	33.0	35.5	164.5	152.3	38	
% Change (Y-o-Y)	66.7	23.6	7.6	18.2	2.0	4.8	10.0	-14.1	19.4	-7.4	-8.5	
Deposits (INRb)	3,863	4,010	4,086	4,490	4,474	4,615	4,735	4,991	4,991	5,679	5,010	
Loans (INRb)	3,286	3,483	3,596	3,761	3,900	3,995	4,138	4,269	4,269	4,944	4,325	
Deposit growth (%)	22.0	23.3	18.6	23.6	15.8	15.1	15.9	11.2	11.2	13.8	11.6	
Loan growth (%)	17.3	18.5	15.7	17.6	18.7	14.7	15.1	13.5	13.5	15.8	15.0	
Asset Quality												
Gross NPA (%)	1.77	1.72	1.73	1.39	1.39	1.49	1.50	1.42	1.42	1.54	1.48	
Net NPA (%)	0.40	0.37	0.34	0.34	0.35	0.43	0.41	0.31	0.31	0.34	0.37	
PCR (%)	78.0	79.1	80.6	75.9	74.9	71.4	73.2	78.1	78.1	77.9	75.3	

E: MOFSL Estimates

Quarterly snapshot

Profit and Loss (INRb)	FY24				FY25				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Net Interest Income	62.3	63.0	65.5	69.1	68.4	70.2	72.0	72.8	5.4	1.2
Other Income	26.8	23.1	23.0	29.8	29.3	26.8	26.2	31.8	6.9	21.3
Total Income	89.2	86.1	88.5	98.9	97.7	97.0	98.2	104.7	5.8	6.6
Operating Expenses	39.7	40.0	42.8	44.3	45.2	46.0	46.4	49.9	12.8	7.7
Employee	16.5	16.3	17.5	18.3	18.7	19.5	19.5	21.1	15.3	7.9
Others	23.2	23.7	25.4	26.0	26.5	26.5	26.9	28.9	11.1	7.5
Operating Profits	49.5	46.1	45.7	54.6	52.5	51.0	51.8	54.7	0.2	5.6
Core PPOp	47.1	44.6	47.3	53.2	51.5	50.1	51.5	54.7	2.8	6.3
Provisions	3.6	3.7	5.8	2.6	5.8	6.6	7.9	9.1	244.8	14.5
PBT	45.9	42.4	39.9	52.0	46.8	44.4	43.9	45.6	-12.2	4.0
Taxes	11.3	10.5	9.8	10.6	11.6	11.0	10.8	10.1	-5.0	-6.6
PAT	34.5	31.9	30.1	41.3	35.2	33.4	33.0	35.5	-14.1	7.5
Exceptional item					27.3					
Total PAT	34.5	31.9	30.1	41.3	62.5	33.4	33.0	35.5	-14.1	7.5
Balance Sheet (INR b)										
Loans	3,286	3,483	3,596	3,761	3,900	3,995	4,138	0	-100.0	-100.0
Deposits	3,863	4,010	4,086	4,490	4,474	4,615	4,735	0	-100.0	-100.0
CASA Deposits	1,893	1,935	1,950	2,043	1,942	2,013	2,004	0	-100.0	-100.0
-Savings	1,246	1,247	1,263	1,291	1,241	1,300	1,255	0	-100.0	-100.0
-Current	647	688	688	752	701	713	749	0	-100.0	-100.0
Loan Mix (%)										
Retail	53.9	54.3	54.5	54.7	54.5	55.1	55.3	68.3	1,368	1,306
- HL	28.2	27.8	27.4	27.2	27.3	27.8	28.1	28.6	134	51
- PL, BL and CD	5.0	5.0	5.2	5.1	5.0	5.0	4.9	5.6	47	67
Business banking	6.9	6.9	6.9	7.0	6.9	7.7	7.8	3.0	-394	-476
Agri	14.1	13.8	13.7	13.7	13.2	12.6	12.2	28.6	1,490	1,641
Corporate	23.0	22.9	22.6	22.3	23.1	22.2	22.3	20.9	-141	-142
Others	2.1	2.1	2.2	2.4	2.3	2.4	2.5	2.7	33	28
Asset Quality (INR b)										
GNPA	59.1	60.9	63.0	52.7	54.8	60.3	62.7	61.3	16.3	-2.1
NNPA	13.0	12.7	12.3	12.7	13.8	17.2	16.8	13.4	5.7	-20.1
Slippages	12.1	13.1	11.8	13.1	13.6	18.8	16.6	14.9	14.0	-10.2
Asset Quality Ratios (%)										
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY (bp)	QoQ (bp)
GNPA	1.8	1.7	1.7	1.4	1.4	1.5	1.5	1.4	3	-8
NNPA	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.3	-3	-10
Slippage	1.6	1.6	1.4	1.5	1.5	2.0	1.7	1.5	-2	-23
PCR (Exc TWO)	78.0	79.1	80.6	75.9	74.9	71.4	73.2	78.1	219	492
Credit Cost	0.5	0.5	0.7	0.3	0.6	0.7	0.8	0.9	60	8
Business Ratios (%)										
CASA	49.0	48.3	47.7	45.5	43.4	43.6	42.3	43.0	-250	70
Loan / Deposit	85.1	86.9	88.0	83.8	87.2	86.6	87.4	85.5	178	-186
Cost to Income	44.5	46.5	48.4	44.8	46.2	47.5	47.2	47.7	295	48
Cost to Assets	3.4	3.3	3.4	3.2	3.2	3.2	3.1	3.1	-16	-4
Other income/Total Income	30.1	26.9	26.0	30.1	30.0	27.7	26.7	30.4	29	370
Tax Rate	24.7	24.8	24.6	20.5	24.7	24.7	24.7	22.2	168	-251
Capitalisation Ratios (%)										
Tier-1 (inc profit)	20.9	20.6	20.1	19.2	21.3	21.5	21.7	21.1	190	-60
- CET 1 (inc profit)	20.9	20.6	20.1	19.2	21.3	21.5	21.7	21.1	190	-60
CAR (inc profit)	22.0	21.7	21.2	20.5	22.4	22.6	22.8	22.2	170	-60
LCR	122.4	126.9	126.9	132.7	139.2	135.9	132.3	135.5	278	316
Profitability Ratios (%)										
Yield on loans	10.9	10.8	11.0	10.9	10.9	10.8	10.7	10.4	-44	-26
Yield On Investments	7.5	7.6	7.1	7.1	7.2	7.3	7.0	6.5	-62	-53
Yield on Funds	10.2	10.3	10.2	10.1	10.1	10.1	9.9	9.5	-63	-43
Cost of funds	4.5	4.8	4.9	0.0	5.1	5.2	5.1	5.1	509	3
Margins	5.6	5.2	5.2	5.3	5.0	4.9	4.9	5.0	-31	4
Other Details										
Branches	1,788	1,850	1,869	1,948	1,965	2,013	2,068	2,148	200	80
ATM	3,047	3,170	3,239	3,291	3,279	3,329	3,337	3,295	4	-42

Source: Company, MOFSL

Consolidated earnings snapshot (INR m)

Y/E March	FY24				FY25		
	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Kotak Bank	31,910	30,050	41,330	35,200	33,440	33,050	35,520
Kotak Prime	2,080	2,390	2,230	2,320	2,690	2,180	2,970
Kotak Securities	3,240	3,060	3,780	4,000	4,440	4,480	3,480
KMCC	270	350	970	810	900	940	960
Kotak Life	2,470	1,400	1,090	1,740	3,600	1,640	730
AMC & Trustee	1,240	1,460	1,500	1,750	1,970	2,400	3,640
Intl. subs	410	570	590	680	760	470	640
KIL	1,260	1,570	1,290	1,380	1,410	1,070	1,160
Others	1,350	1,220	240	340	650	(80)	240
Kotak Consol.	44,230	42,070	53,020	48,220	49,860	46,150	49,340
Minority/associate adjustments	380	580	350	(3,870)	580	860	(10)
PAT on KGI investment				30,130			
Kotak Cons. Reported PAT	44,610	42,650	53,370	74,480	50,440	47,010	49,330
Contribution of the bank in total profits	72%	70%	77%	47%	66%	70%	72%

Source: Company, MOFSL



Highlights from the management commentary

Opening remarks

- Kotak offers a comprehensive product suite and is transitioning from a product-focused to a customer-centric model.
- FY25 was marked by three key events: the RBI embargo (reducing the share of unsecured loans), stress in the MFI segment (likely to keep credit costs elevated in the near term), and increased delinquencies in unsecured loans (PL and credit cards).
- Stress in PL is easing, while credit card stress has plateaued and is expected to decline in 2H.
- The StanC PL portfolio is performing strongly.
- Loan growth aligns with strategic goals; the CD ratio stood at 85.5%.
- The capital markets division had an exceptional year, leveraging market conditions effectively.
- The insurance business remains robust, with a 16% YoY increase in EV.
- BVPS rose 21% YoY at the group level.
- Liquidity has improved post-embargo, allowing growth in credit cards and unsecured lending.
- "Solitaire" was launched to target affluent customers, offering simplified access to group products.
- The 811 platform continues to attract low-ticket, granular deposits.
- Consolidated profit rose 5% YoY (excluding the KGI stake sale).
- Net worth increased by INR12.62b, aided by RBI's revised investment valuation norms.
- Tech investments stood at 12.5% of revenues in FY25.
- GNPA is at 1.42%, NNPA at 0.31%. Slippages declined in Q4 due to lower stress in secured and PL segments.
- Credit cost was 64bps vs 68bps in Q3. MFI slippages remain elevated and are expected to persist.
- Capital markets had an outstanding year; KMCC was ranked 1 in the equity capital markets.
- Kotak Prime's customer base grew to 40,000, with PAT rising 14% YoY.

- BSS Microfinance posted a loss of INR910m due to business slowdown and reduced collection efficiency.
- Kotak Life's solvency ratio stands strong at 2.5x, comfortably above the 1.5x regulatory requirement.
- Growth in consumer assets was led by secured loans, especially mortgages and home loans, which grew 19% YoY, supported by healthy asset quality.
- The LAP segment remains stable with tech enhancements in place.
- The BB portfolio (small/micro SMEs) continues to perform well across regions.
- PL share dropped to 12% YoY due to the embargo and tighter underwriting standards.
- Credit card growth was subdued due to the embargo, but new products are in the pipeline.
- Vehicle finance growth was moderated due to tough market conditions; the focus has shifted to used vehicle financing.
- Across the business, the emphasis remains on granular growth and acquiring new SME and retail customers.
- Regular savings account balances grew 2% QoQ, with a focus on affluent and mass-affluent segments. A new product in the savings space is expected soon.
- ActivMoney grew 18% YoY, gaining traction among granular and retail customers.

Asset quality

- PCR has improved to 78%. With the accretion in GNPA slowing down, the new book in unsecured has been of better quality. The old book which is yet to be fully provided has been provided.
- Credit cost accretion has been tapering, indicating improving quality in recent lending.

Advances and deposits

- The share of unsecured loans declined from 12.7% to 10.5% of total advances. The bank aims to increase this towards the mid-teen range, with a strong focus on credit cards and upcoming product launches.
- KMB fundamentally remains an SME-centric and conservative bank. The strategic shift continues from large corporates toward retail and SME segments.
- After the RBI embargo, the bank has implemented significantly tighter credit policies compared to the earlier framework.
- CASA growth will be aligned with overall balance sheet expansion, with an emphasis on managing the cost of funds.
- The sensitivity of SA rates to changes in SA balances remains low.
- Advances are expected to grow at 1.5–2x of nominal GDP, reflecting Kotak's commitment to building a sustainable, customer-trusted franchise; this momentum is expected to carry into FY26.
- While PSLC purchases continue, the bank has shown strong performance in acquiring credit cards and 811 customers, strengthening its long-term and sustainable business foundation.

NIMs

- The bank is addressing repo rate cuts by managing deposit costs and has aligned its savings account (SA) rates with industry benchmarks.
- Sweep-term deposits (six-month tenure) currently offer a 5.5% rate, but due to faster repricing, a rate reduction is expected soon.
- Last year's NII included a one-time interest tax refund in Q4. March's longer duration vs. February positively impacted NIM accrual.
- Average savings account balances remained flat YoY, though affluent customers showed stronger trends, leaning more toward investment products.
- Floating-rate SA balances will be influenced by changes in MCLR rates.

Miscellaneous

- The bank holds surplus capital, ensuring a strong and resilient balance sheet capable of withstanding potential downturns.
- In case of any acquisition opportunities, the bank intends to evaluate them prudently and efficiently deploy capital.

Story in charts

Exhibit 1: Advances/deposits grew 14%/11% YoY

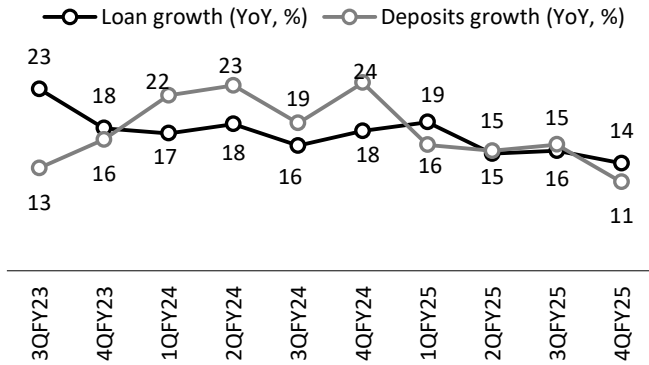


Exhibit 2: Retail loan mix stood at 68.3% in 4QFY25

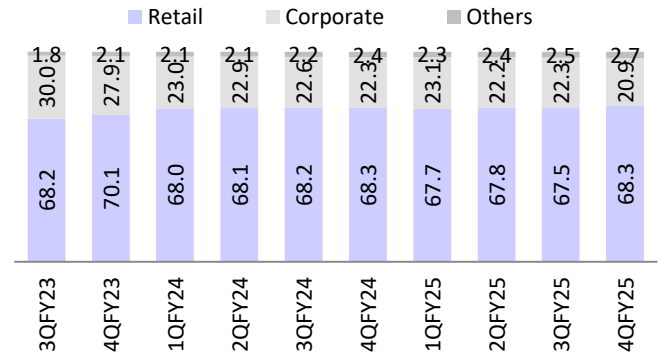


Exhibit 3: NIM improved 4bp QoQ to 4.97%

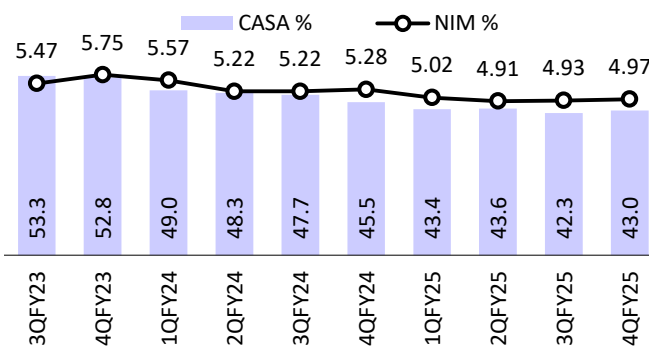


Exhibit 4: Yields/CoF stood at 10.4%/5.1% in 4QFY25

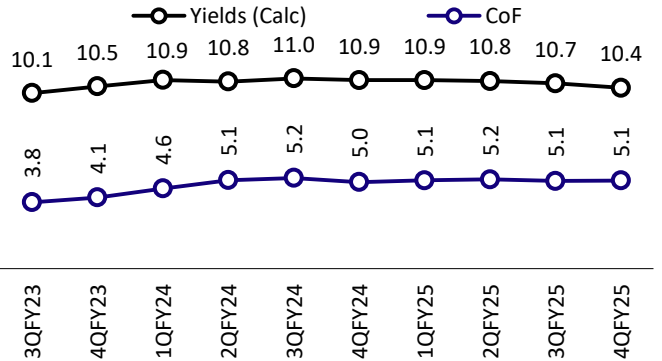


Exhibit 5: C/I ratio increased 48bp QoQ to 47.7%

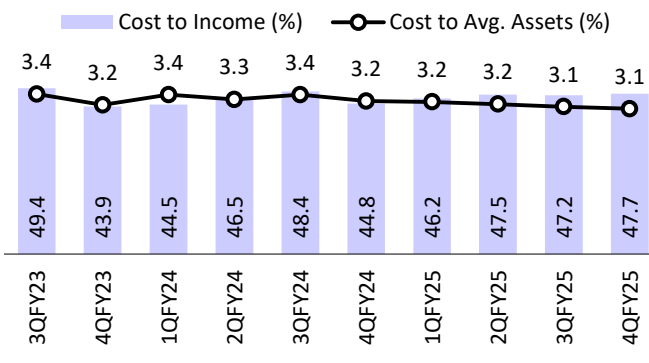


Exhibit 6: C/D ratio declined to 85.5% vs. 87.4% in 3QFY25

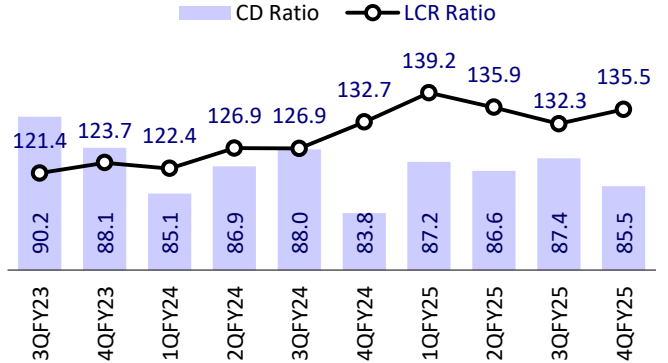


Exhibit 7: Slippages dipped to INR14.9b, credit costs at 0.9%

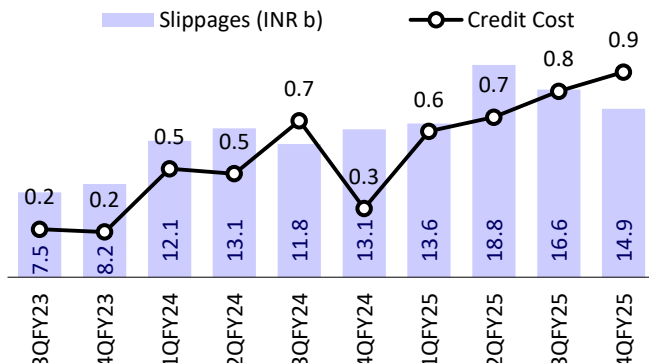
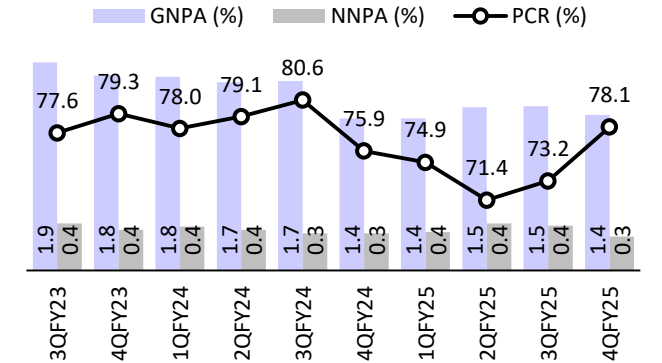


Exhibit 8: GNPA/NNPA ratios stood at 1.4%/0.3% in 4QFY25

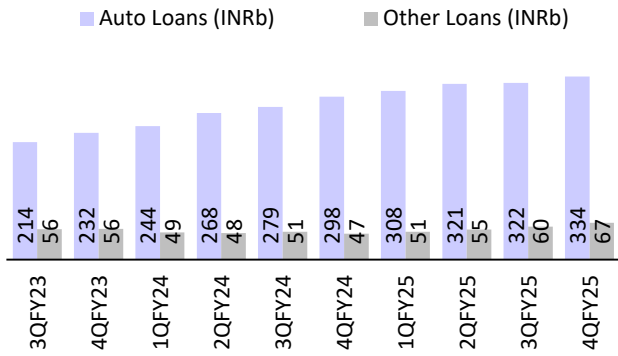


Source: MOFSL, Company

Source: MOFSL, Company

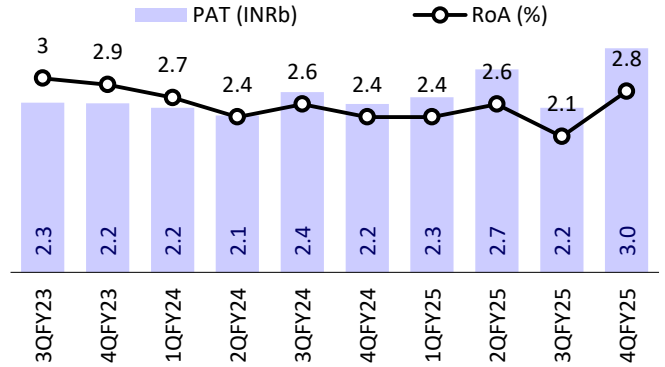
Subsidiaries' performances and consolidated earnings snapshot

Exhibit 9: Kotak Prime: Auto loans up 12.2% YoY/3.6% QoQ



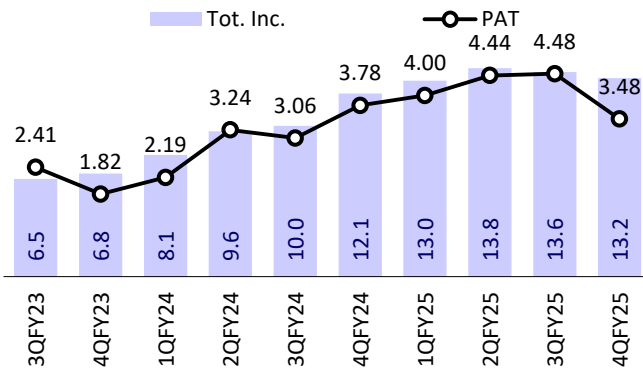
Source: MOFSL, Company

Exhibit 10: Kotak Prime: PAT improved to INR3.0b in 4QFY25



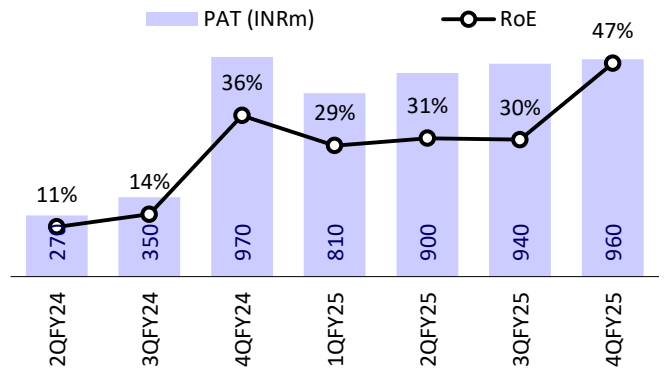
Source: MOFSL, Company

Exhibit 11: Kotak Securities: PAT declined 8% YoY to INR3.5b



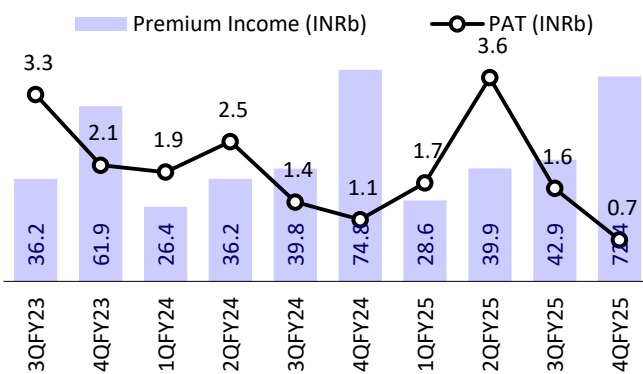
Source: MOFSL, Company

Exhibit 12: Investment Banking: PAT stood at INR960m



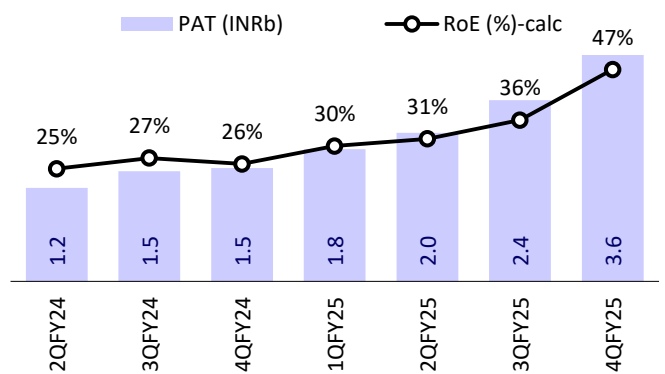
Source: MOFSL, Company

Exhibit 13: Kotak Life Insurance: PAT was INR0.7b in 4QFY25

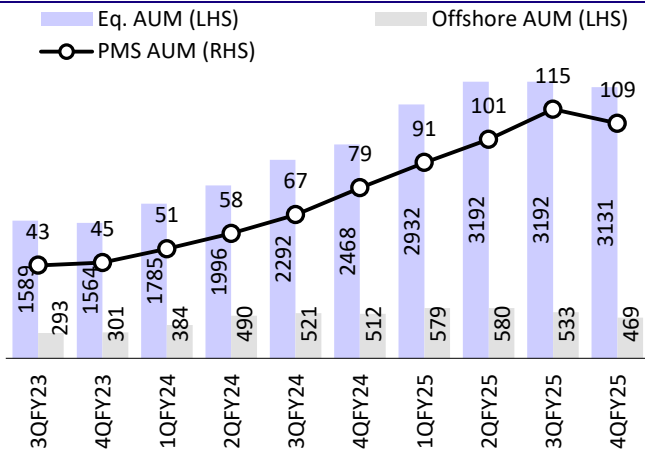


Source: MOFSL, Company

Exhibit 14: Kotak AMC: PAT stood at INR3.6b; RoE at 47%



Source: MOFSL, Company

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


Source: MOFSL, Company

Exhibit 16: KMB: Consol. PAT details

KMB Group: Qtrly. Performance	4QFY25	4QFY24	YoY	3QFY25	QoQ
Kotak Bank	35.5	41.3	(14.1)	33.1	7.5
Kotak Prime	3.0	2.2	33.2	2.2	36.2
Kotak Securities	3.5	3.8	(7.9)	4.5	(22.3)
KMCC	1.0	1.0	(1.0)	0.9	2.1
Kotak Life	0.7	1.1	(33.0)	1.6	(55.5)
AMC & Trustee	3.6	1.5	142.7	2.4	51.7
Intl. subs	0.6	0.6	8.5	0.5	36.2
KIL	1.2	1.3	(10.1)	1.1	8.4
Kotak Consol	49.3	53.0	(6.9)	46.2	6.9
Minority adjustments	0.0	0.4	(102.9)	0.9	(101.2)
Consol PAT (after MI)	49.3	53.4	(7.6)	47.0	4.9

Source: MOFSL, Company

Valuation and view: Reiterate BUY with a revised TP of INR2,500

- KMB reported a mixed bag with NII being largely in line, while other income stood strong amid better fee income. The bank stepped up the provisioning run rate and raised PCR by ~500bp to 78. Its NIM improved 4bp QoQ to 4.97% amid the benefits from the lower number of days in Feb'25.
- While FY25 growth remained modest, the bank expects the same to rebound to 1.5-2.0x of nominal GDP growth backed by faster growth in the consumer segment and unsecured loans that should also support the overall yields. KMB's CA book has been growing at a healthy pace, and the CASA ratio has seen a slight improvement, while the CD ratio has witnessed a mild decline in 4QFY25.
- The reversal of the ban on card issuance shall revive customer onboarding, which shall result in the protection of yields in the repo cut cycle. **We tweak our earnings estimates and estimate KMB to deliver an FY27E RoA/ RoE of 2.1%/13.3%. We reiterate our BUY rating with a TP of INR2,500 (premised on 2.5x FY27E, SoTP of INR770).**

Exhibit 17: We tweak our earnings estimates and estimate KMB to deliver an FY27E RoA/ RoE of 2.1%/13.3%

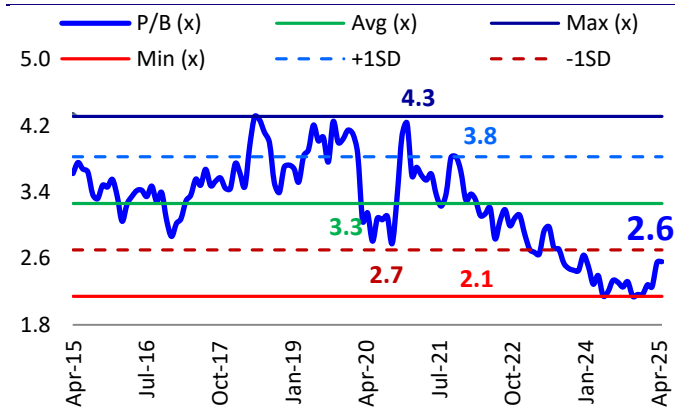
INR b	Old Est.			Revised Est.			Change (%)/bps		
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27
Net Interest Income	285.2	318.8	375.0	283.4	317.5	368.7	-0.6	-0.4	-1.7
Other Income	112.4	128.5	146.4	114.2	130.5	148.8	1.6	1.6	1.6
Total Income	397.6	447.3	521.5	397.6	448.0	517.5	0.0	0.2	-0.8
Operating Expenses	185.7	213.4	246.0	187.5	213.4	243.7	1.0	0.0	-0.9
Operating Profits	211.8	233.9	275.4	210.1	234.6	273.8	-0.8	0.3	-0.6
Provisions	27.8	32.4	37.4	29.4	33.7	38.7	5.8	4.3	3.4
PBT	184.0	201.6	238.0	180.6	200.9	235.2	-1.8	-0.3	-1.2
Tax	44.5	48.8	57.6	43.4	48.6	56.9	-2.5	-0.3	-1.2
Standalone PAT	139.5	152.8	180.4	137.2	152.3	178.2	-1.6	-0.3	-1.2
Loans	4,325	5,017	5,845	4,269	4,944	5,774	-1.3	-1.5	-1.2
Deposits	5,010	5,717	6,591	4,991	5,679	6,554	-0.4	-0.7	-0.6
Margins (%)	4.87	4.76	4.85	4.80	4.70	4.77	(7)	(6)	(8)
RoA (%)	2.19	2.13	2.20	2.12	2.07	2.14	(7)	(5)	(6)
Core RoE (%)	13.5	13.0	13.5	12.8	12.6	13.3	(64)	(39)	(12)
EPS	70.2	76.9	90.8	69.0	76.6	89.7	-1.6	-0.4	-1.2
BV	555.1	630.2	719.2	589.7	628.7	716.6	6.2	-0.2	-0.4
Consol BV	746.2	850.9	975.9	762.2	869.6	997.2	2.1	2.2	2.2

Source: MOFSL, Company

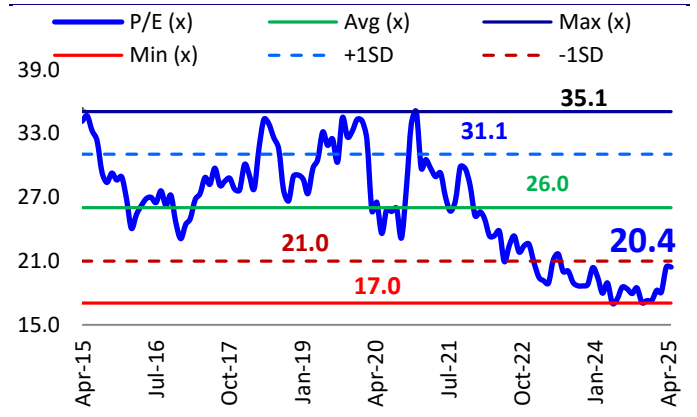
Exhibit 18: KMB – SoTP valuation based on FY27E

	Stake (%)	Total value (INR b)	Attributed Value (INR b)	Value (USD B)	INR per share	% to total	Rationale
Lending Business		3,405	3,877	46.5	1,950	78	
Kotak Mahindra Bank		3,008	3,429	41.2	1,725	69	2.5x FY27E NW
Kotak Prime (Car and other loans)	100%	285	319	3.8	161	6	2.3x FY27E NW
Kotak Investment Company (LAS)	100%	111	128	1.5	65	3	2.3x FY27E NW
Asset Management Business		345	408	4.9	205	8	5.5% of FY27E AUMs
Domestic Mutual Fund	100%	270	319	3.8	160	6	
Alternative Assets	100%	34	41	0.5	20	1	
Offshore Funds	100%	41	49	0.6	24	1	
Capital Markets related Business		372	455	5.5	229	9	
Kotak Securities	100%	320	391	4.7	196	8	16x FY27E PAT
Kotak Investment Banking (KMCC)	100%	52	64	0.8	32	1	2.2x FY27E NW
Kotak Life Insurance	100%	505	616	7.4	310	12	2.2x FY27E EV
Subs value @ 20% discount		1,294	1,541	18.5	775	31	
Target Value (Post 20% holding discount)		4,303	4,971	59.7	2,500	100	
- contribution of subs/associates to total PT					31%		

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 2.14%/13.3%

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	6.65	7.45	8.40	8.18	7.89	7.91
Interest Expense	2.51	2.76	3.63	3.80	3.56	3.49
Net Interest Income	4.14	4.69	4.77	4.38	4.32	4.43
Fee income	1.70	1.75	1.72	1.58	1.57	1.54
Trading and others	-0.23	-0.21	0.17	0.19	0.21	0.24
Non-Interest income	1.47	1.54	1.88	1.76	1.78	1.79
Total Income	5.61	6.23	6.65	6.15	6.10	6.21
Operating Expenses	2.65	3.00	3.06	2.90	2.91	2.93
Employee cost	1.14	1.21	1.26	1.22	1.22	1.24
Others	1.51	1.79	1.80	1.68	1.68	1.69
Operating Profits	2.96	3.23	3.59	3.25	3.20	3.29
Core operating Profits	3.19	3.44	3.42	3.06	2.98	3.04
Provisions	0.17	0.10	0.29	0.45	0.46	0.46
NPA	0.27	0.11	0.27	0.45	0.43	0.44
Others	-0.10	-0.01	0.02	0.00	0.03	0.03
PBT	2.80	3.13	3.30	2.79	2.74	2.82
Tax	0.69	0.75	0.78	0.67	0.66	0.68
RoA	2.11	2.38	2.53	2.12	2.07	2.14
Leverage (x)	6.0	5.9	6.0	6.0	6.1	6.2
RoE	12.6	14.0	15.3	10.3	12.6	13.3

Source: Company, MOFSL

Financials and valuations

Income Statement						(INRb)
Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	270.4	342.5	458.0	529.2	578.9	659.2
Interest Expense	102.2	127.0	198.1	245.8	261.4	290.4
Net Interest Income	168.2	215.5	259.9	283.4	317.5	368.7
-growth (%)	9.6	28.1	20.6	9.0	12.0	16.1
Non-Interest Income	59.9	70.8	102.7	114.2	130.5	148.8
Total Income	228.0	286.3	362.7	397.6	448.0	517.5
-growth (%)	12.1	25.6	26.7	9.6	12.7	15.5
Operating Expenses	107.5	137.9	166.8	187.5	213.4	243.7
Pre Provision Profits	120.5	148.5	195.9	210.1	234.6	273.8
-growth (%)	2.5	23.2	31.9	7.2	11.7	16.7
Core PPOp	129.9	158.2	186.7	198.1	219.0	253.6
-growth (%)	8.7	21.9	18.0	6.1	10.6	15.8
Provisions	6.9	4.6	15.7	29.4	33.7	38.7
PBT	113.6	143.9	180.1	180.6	200.9	235.2
Tax	27.9	34.5	42.3	43.4	48.6	56.9
Tax Rate (%)	24.5	24.0	23.5	24.0	24.2	24.2
PAT	85.7	109.4	137.8	137.2	152.3	178.2
-growth (%)	23.1	27.6	26.0	-0.4	11.0	17.1
Extraordinary Item	0	0	0	27	0	0
Adjusted PAT	85.7	109.4	137.8	164.5	152.3	178.2
Change (%)	23.1	27.6	26.0	19.4	-7.4	17.1
Consolidated PAT	117.2	149.3	182.1	219.5	216.5	256.7
-growth (%)	17.3	27.3	22.0	20.5	-1.3	18.6

Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	9.9	9.9	9.9	9.9	9.9	9.9
Reserves & Surplus	710.0	820.3	957.2	1,162.5	1,240.0	1,414.8
Net Worth	724.9	835.2	967.2	1,172.4	1,249.9	1,424.7
- Equity Networth	719.9	830.2	967.2	1,172.4	1,249.9	1,424.7
Deposits	3,116.8	3,631.0	4,489.5	4,990.6	5,679.2	6,553.9
-growth (%)	11.3	16.5	23.6	11.2	13.8	15.4
- CASA Dep	1,891.3	1,918.2	2,043.0	2,144.2	2,476.2	2,903.4
-growth (%)	11.7	1.4	6.5	5.0	15.5	17.3
Borrowings	259.7	234.2	283.7	484.4	491.7	555.7
Other Liabilities & Prov.	192.9	198.3	263.2	288.9	326.4	378.6
Total Liabilities	4,294.3	4,898.6	6,003.6	6,936.2	7,747.3	8,912.9
Current Assets	429.2	325.4	527.9	657.8	580.1	625.6
Investments	1,005.8	1,214.0	1,554.0	1,819.1	2,022.8	2,295.9
-growth (%)	-4.3	20.7	28.0	17.1	11.2	13.5
Loans	2,712.5	3,198.6	3,760.8	4,269.1	4,943.6	5,774.1
-growth (%)	21.3	17.9	17.6	13.5	15.8	16.8
Fixed Assets	16.4	19.2	21.6	23.6	27.3	31.1
Other Assets	130.3	141.3	139.3	166.7	173.5	186.2
Total Assets	4,294.3	4,898.6	6,003.6	6,936.2	7,747.3	8,912.9

Asset Quality

Y/E MARCH	FY22	FY23	FY24	FY25	FY26E	FY27E
GNPA	64.7	57.7	52.7	61.3	77.1	89.6
NNPA	17.4	11.9	12.7	13.4	17.0	20.1
GNPA Ratio (%)	2.34	1.78	1.39	1.42	1.54	1.53
NNPA Ratio (%)	0.64	0.37	0.34	0.31	0.34	0.35
Slippage Ratio (%)	1.55	1.20	1.36	1.64	1.70	1.60
Credit Cost (%)	0.45	0.17	0.43	0.73	0.68	0.68
PCR (Excl Tech. write off) (%)	73.2	79.3	75.9	78.1	77.9	77.5

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Yield and Cost Ratios (%)						
Avg. Yield-Earning Assets	7.2	8.0	9.1	9.0	8.6	8.5
Avg. Yield on loans	7.8	9.1	10.2	10.1	9.5	9.4
Avg. Yield on Investments	6.8	6.1	6.7	6.6	6.8	6.7
Avg. Cost-Int. Bear. Liab.	3.2	3.5	4.6	4.8	4.5	4.4
Avg. Cost of Deposits	3.1	3.5	4.5	4.8	4.6	4.5
Interest Spread	4.7	5.6	5.7	5.3	4.9	4.9
Net Interest Margin	4.5	5.1	5.2	4.8	4.7	4.8

Capitalisation Ratios (%)

CAR	23.7	21.8	20.5	19.4	18.4	17.5
CET-1	21.5	20.6	19.2	18.3	17.5	16.6
Tier I	22.8	20.6	19.2	18.3	17.5	16.6
Tier II	0.9	1.2	1.3	1.0	1.0	0.9

Business Ratios (%)

Loans/Deposit Ratio	87.0	88.1	83.8	85.5	87.0	88.1
CASA Ratio	60.7	52.8	45.5	43.0	43.6	44.3
Cost/Assets	2.5	2.8	2.8	2.7	2.8	2.7
Cost/Total Income	47.2	48.1	46.0	47.2	47.6	47.1
Cost/Core Income	45.3	46.6	47.2	48.6	49.3	49.0
Int. Expense/Int. Income	37.8	37.1	43.2	46.4	45.2	44.1
Fee Income/Total Income	30.3	28.1	25.8	25.7	25.7	24.8
Non Int. Inc./Total Income	26.2	24.7	28.3	28.7	29.1	28.7
Empl. Cost/Total Expenses	42.9	40.2	41.3	42.0	42.1	42.4

Efficiency Ratios (INRm)

Employee per branch (in nos)	39.1	37.3	40.0	41.2	42.3	43.6
Staff cost per employee (INR m)	0.7	0.8	0.9	0.9	1.0	1.1
CASA per branch	1,113	1,078	1,049	1,058	1,175	1,325
Deposits per branch	1,833	2,040	2,305	2,463	2,695	2,991
Business per Employee	88	103	106	111	119	129
Profit per Employee	1.3	1.6	1.8	1.6	1.7	1.9

Profitability Ratios and Valuation

RoE (%)	12.7	14.1	15.3	12.8	12.6	13.3
RoA (%)	2.1	2.4	2.5	2.1	2.1	2.1
Consolidated ROE (%)	12.1	13.3	14.0	14.5	12.5	12.9
Consolidated ROA (%)	2.3	2.6	2.6	2.7	2.4	2.3
RoRWA (%)	2.2	2.4	2.4	2.1	2.0	2.0
Book Value (INR)	363	418	487	590	629	717
-growth (%)	13.7	15.2	16.4	21.2	6.6	14.0
Price-BV (x)	3.9	3.4	2.9	2.4	2.3	2.0
Adjusted BV (INR)	342	398	462	562	597	680
-growth (%)	15.3	16.4	16.3	21.5	6.3	14.0
Price-ABV (x)	4.1	3.6	3.1	2.5	2.4	2.1
EPS (INR)	43.2	55.1	69.4	69.0	76.6	89.7
-growth (%)	20.9	27.5	25.9	-0.5	11.0	17.1
Price-Earnings (x)	32.7	25.7	20.4	20.5	18.5	15.8
Consolidated EPS (INR)	59.1	75.1	91.6	110.4	108.9	129.1
Change (%)	17.1	27.2	21.9	20.5	-1.3	18.6
Price-Consolidated Earnings (x)	37.0	29.1	23.8	19.8	20.1	16.9
Dividend Per Share (INR)	1.1	1.3	1.7	1.7	1.8	1.8
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.1	0.1

E: MOFSL Estimates

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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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