REDUCE

# Kotak Mahindra Bank

## Strong growth, though margin slips

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**BFSI - Banks** | Result Update | **October 26, 2025**

**CMP (Rs): 2,193 | TP (Rs): 2,050**

**KMB posted strong credit growth yet again, well above the industry trend, with heavy lifting done by corporate growth. This, with lower investment yield, led to 11bps contraction in margin (vs 32bps in 1Q; 4-10bps for peers in 2Q), while MTM loss caused a 4% PAT miss at Rs32.5bn/RoA at 1.9%. While KMB expects growth to stay healthy, it seeks an opportune time to grow back its unsecured retail book. Stress in PL/Cards has largely peaked out, while MFI should see it moderating from 3Q, thus leading to lower LLP in 2H (1.1%/0.8% in 1Q/2Q). KMB remains open to inorganic acquisition opportunities, although it would be mindful of quality franchisees/valuations. We expect KMB to report a relatively moderate RoA of 1.9% in FY26E, albeit an improvement to 2% in FY27/28E as margins/LLP normalize. We raise our TP by ~5% to Rs2,050 (from Rs1,950), rolling forward standalone bank valuation on 1.8x Sep-27E ABV and subs at Rs690/sh (from Rs670). We though retain REDUCE, given rich valuations (2.1x FY27E ABV) for sub-optimal return ratios (RoE at 11-12%) vs peers.**

### Strong growth at the cost of margins

KMB logged system-beating strong credit growth of 16% YoY/4% QoQ, with heavy lifting done by corporates (+17.6% YoY/6% QoQ) for a 2nd quarter in a row. SME (+15.6% YoY) and retail (+17.8% YoY) growth too stayed healthy. However, within retail, the cards/MFI portfolio declined further, by 4%/3% QoQ – the bank expects a growth rebound as the environment improves. It indicated that credit card portfolio growth has been sub-par and below own estimates. CASA trended well, with ratio up by 144bps QoQ to 42%, with full benefit of the SA rate cut sinking in, and leading to lower CoF. However, NIM contracted by 11bps QoQ (vs a 32bps fall QoQ in Q1) to 4.5% due to lower investment yield. KMB, though, expects NIM to have bottomed out, subject to no further rate cut.

### Unsecured retail stress easing: CV/CE remains an area to watch

Gross slippages slightly moderated QoQ to Rs16.3bn/1.6% of loans (Rs18bn in 1Q) which, coupled with higher recovery/write-offs, led to a 9bps QoQ improvement in GNPA ratio to 1.4%. The mgmt highlighted that the decline in slippages and credit costs was mainly driven by the cards and MFI segments, while higher write-offs in the quarter were undertaken in the PL, CC, and MFI portfolios, in line with the bank's 180/270-day write-off policy. Ahead, the management expects credit cost for cards to gradually decline, MFI to ease from Q3, and PL to reduce meaningfully. However, the CV/CE portfolio remains under stress, similar to other lenders and, thus, needs to be kept a watch on.

### We retain REDUCE

We expect KMB to post a relatively moderate RoA of 1.9% in FY26E, albeit improve to 2% in FY27/28E as margins/LLP normalize. We revise TP by ~5% to Rs2,050, rolling forward standalone bank valuations on 1.8x Sep-27E ABV and subs at Rs690/sh (from Rs670). We, though, retain REDUCE, given rich valuations (2.1x FY27E ABV) for sub-optimal return ratios (RoE@11-12%) vs large peers. Key risks to our rating/estimate: Earlier than expected recovery in margin/asset quality.

| | |
|---|---|
| Target Price – 12M | Sep-26 |
| **Change in TP (%)** | **5.1** |
| Current Reco. | REDUCE |
| Previous Reco. | REDUCE |
| Upside/(Downside) (%) | (6.5) |

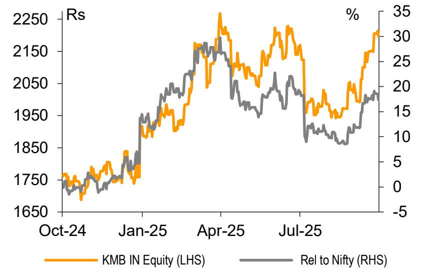
| **Stock Data** | **KMB IN** |
|---|---|
| 52-week High (Rs) | 2,302 |
| 52-week Low (Rs) | 1,679 |
| Shares outstanding (mn) | 1,988.6 |
| Market-cap (Rs bn) | 4,360 |
| Market-cap (USD mn) | 49,629 |
| Net-debt, FY26E (Rs mn) | NA |
| ADTV-3M (mn shares) | 4 |
| ADTV-3M (Rs mn) | 7,533.2 |
| ADTV-3M (USD mn) | 85.7 |
| Free float (%) | 73.8 |
| Nifty-50 | 25,795.2 |
| INR/USD | 87.9 |

| **Shareholding,Sep-25** | |
|---|---|
| Promoters (%) | 25.9 |
| FPIs/MFs (%) | 29.8/32.0 |

**Price Performance**

| **(%)** | **1M** | **3M** | **12M** |
|---|---|---|---|
| Absolute | 7.9 | 2.4 | 24.4 |
| Rel. to Nifty | 4.8 | (0.6) | 17.7 |

**1-Year share price trend (Rs)**




### Kotak Mahindra Bank: Financial Snapshot (Standalone)

| **Y/E Mar (Rs mn)** | **FY24** | **FY25** | **FY26E** | **FY27E** | **FY28E** |
|---|---|---|---|---|---|
| Net profit | 137,817 | 164,501 | 138,675 | 161,779 | 192,266 |
| Loan growth (%) | 17.6 | 13.5 | 15.0 | 16.6 | 17.5 |
| NII growth (%) | 20.6 | 9.0 | 6.6 | 13.7 | 18.3 |
| NIM (%) | 4.9 | 4.5 | 4.3 | 4.3 | 4.4 |
| PPOP growth (%) | 31.9 | 25.2 | (9.9) | 13.3 | 19.0 |
| Adj. EPS (Rs) | 69.3 | 82.7 | 69.7 | 81.4 | 96.7 |
| Adj. EPS growth (%) | 25.9 | 19.3 | (15.7) | 16.6 | 18.8 |
| Adj. BV (INR) | 462.1 | 567.8 | 646.8 | 723.6 | 811.5 |
| Adj. BVPS growth (%) | 16.3 | 22.9 | 13.9 | 11.9 | 12.1 |
| RoA (%) | 2.5 | 2.5 | 1.9 | 2.0 | 2.0 |
| RoE (%) | 15.3 | 15.4 | 11.1 | 11.4 | 12.1 |
| P/E (x) | 21.6 | 18.1 | 21.5 | 18.4 | 15.5 |
| P/ABV (x) | 3.2 | 2.6 | 2.3 | 2.1 | 1.8 |

*Source: Company, Emkay Research*



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# Key Concall takeaways

## Outlook on loans, deposits, and NIM

- The bank's Corporate India business witnessed a pick-up, driven by growth across the MSME and corporate segments. Consumption, which remained muted till September, saw an uptick in the last week of the month following GST rate cuts. The bank continues to grow its advances in line with 1.5-2x nominal GDP growth.
- Mortgage: the home loan segment remains price-sensitive and continues to be a key focus area.
- Business banking: Sustained demand for working capital across sectors, with strong utilization during a festive season.
- Personal Loans: Portfolio acquired from Stanc is performing in line with expectations.
- Credit Cards: The bank resumed issuance after the embargo. The Solitaire card is gaining traction, driving overall portfolio performance. Businesses are being revamped with new products such as Solitaire and Indigo. The bank remains hopeful of a comeback and expects improvement in the coming quarter.
- Credit Cards: There are no regulatory restrictions; the embargo has been lifted. Commercial cards continue to have a small share.
- CV: Higher stress observed in the retail CV segment. Disbursements are being reduced, and underwriting is being tightened. The bank has also tightened its disbursement to some extent, maintaining a cautious stance in the construction equipment segment.
- Tractors: Disbursement grew in line with the industry. CE faces some pressure due to an extended monsoon, with recovery expected ahead.
- MFI: Recovery is expected from Q3. Retail microcredit disbursement is picking up, and this trend is expected to continue in H2. Portfolio performance is expected to gradually improve in coming quarters.
- In Term deposits, the bank did not renew some bulk deposits due to high pricing.
- NIM declined by 11bps due to the 50bps repo cut and a change in asset mix. NIM is expected to gradually improve ahead due to deposit repricing, assuming no further rate cuts.
- The average cost of SA (savings account) was 3.25% in Q1 and has been aligned with 2.5% following a rate cut in June which will reflect in Q2. The 75bps reduction in the SA rate, along with the benefit from repo-linked loans (which reset fortnightly), will gradually flow through. Over the next 2-3 quarters, the impact of earnings compression is expected to be offset by lower funding costs.
- Deposit repricing will occur progressively over the next 3-4 quarters, in line with maturity cycles. The floating-rate loan book (60%) typically resets within three months. The average tenure of TDs is 9-12 months, and a significant portion of repricing is expected during this period. NIMs are expected to stabilize over the remaining quarters of the year.
- The bank reduced dependency on floating-rate SA, with the average rate at 5.5-6%. It has adjusted the threshold for floating-rate SA.
- Further, decline in yields will be primarily due to asset mix changes rather than repricing.

## Asset quality

- Decline in slippages and credit costs was mainly led by the credit card and MFI segments. Credit costs are expected to gradually moderate in H2 vs H1.
- Higher write-offs during the quarter were undertaken in the PL, CC, and MFI segments, in line with the bank's policy of writing off accounts after 180/270 days.



- Delinquencies have improved due to better flow rates and improvement in CE in the unsecured portfolio.

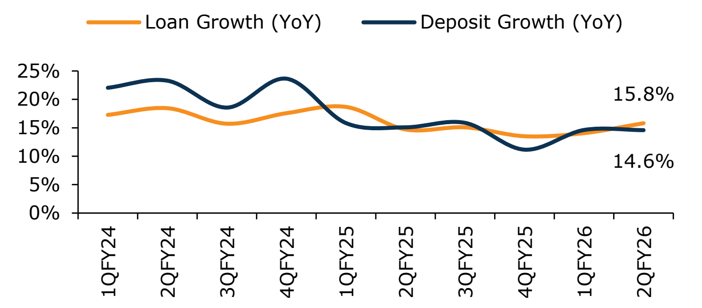
- In the credit card segment, credit costs have stabilized and are expected to gradually decline; MFI credit costs are expected to steadily decline in Q3 vs Q2; PL credit costs to reduce significantly; CV credit costs remain under stress, with some increase expected in the next couple of quarters.

## Other highlights

- The bank added 44 branches during Q2.
- Operating expenses: Payroll costs saw a sizable reduction with flat headcount. Benefits arose from retirals (<Rs1bn) due to improved G-Sec yields, with variable costs on acquisition being lower. Marketing expenses may be postponed to Q3. Credit-card volumes and spends were lower than expected, leading to lower reward costs.
- Kotak Prime: Last year's Q2 saw IPO profits, which are absent this year. Some uptick in credit costs was observed in the car business; credit costs have scaled up and are expected to hover at current levels.

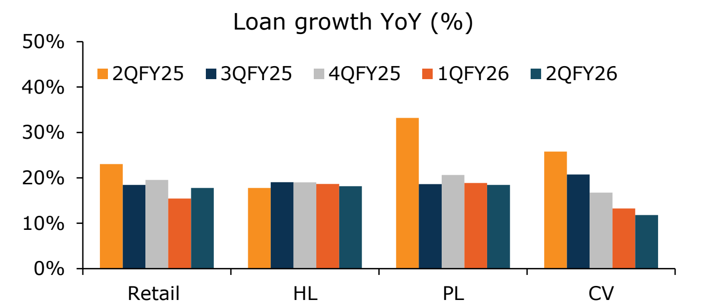
# Story in Charts

**Exhibit 1: Borad-based momentum across segments drives healthy credit growth; deposits growth was also healthy YoY**



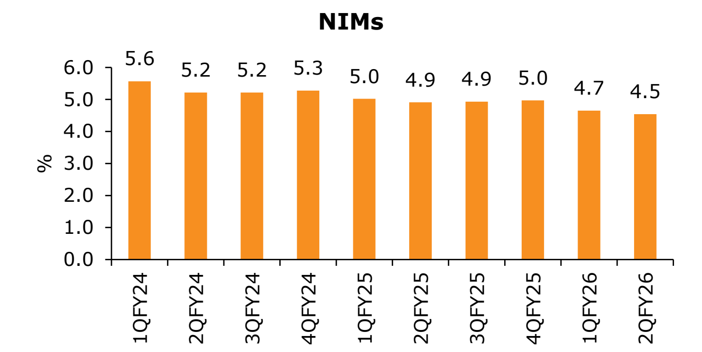

*Source: Company, Emkay Research*

**Exhibit 2: The bank remains cautious on growing the unsecured book as well as the retail CV book**



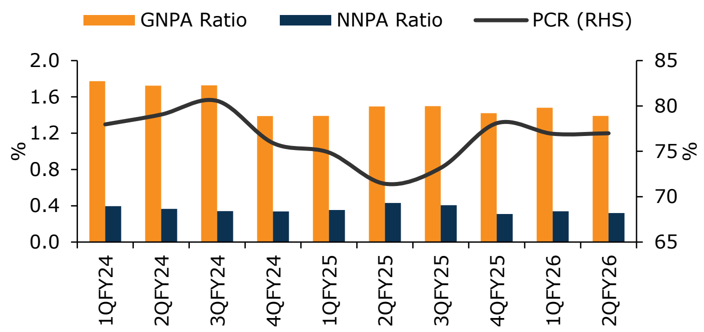

*Source: Company, Emkay Research*

**Exhibit 3: Margins continue to compress in Q2, higher than peers**



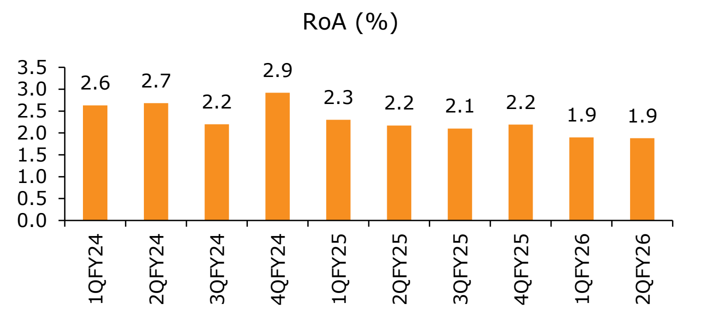

*Source: Company, Emkay Research*

**Exhibit 4: Lower slippages, coupled with higher recoveries/write-offs, led to an improvement in GNPA ratio**



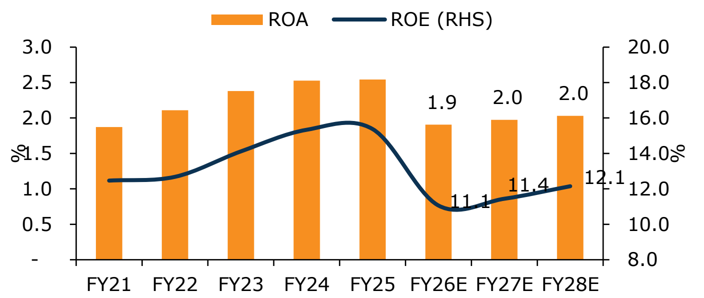

*Source: Company, Emkay Research*

**Exhibit 5: RoA stable at 1.9%, led by subdue treasury income and elevated provisions**



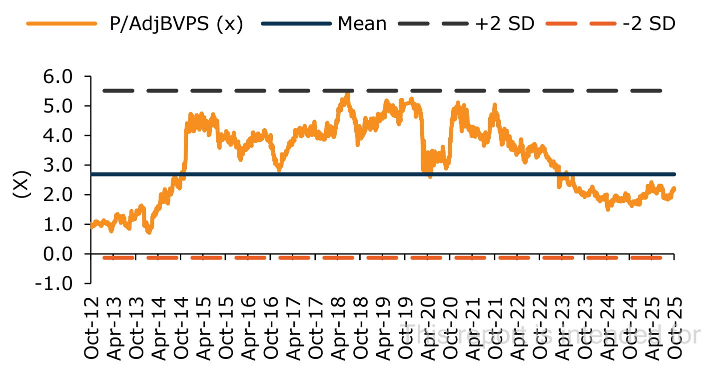

*Source: Company, Emkay Research*

**Exhibit 6: RoA expected to normalize hereon, to 2%**



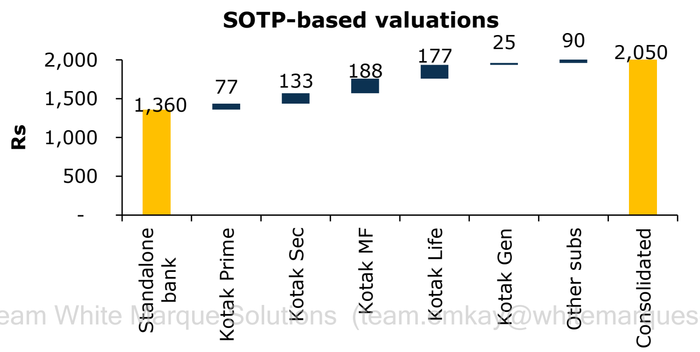

*Source: Company, Emkay Research*

**Exhibit 7: The stock is currently trading near its mean valuation**




*Source: Bloomberg, Emkay Research*

**Exhibit 8: We revise up our TP by ~5% to Rs2,050, rolling forward on Sep-27E valuations**






*Source: Emkay Research*

**Exhibit 9: Actuals vs Estimates (Q2FY26)**

| (Rs mn) | Actuals | Estimates | | Variation | | Comments |
|---|---|---|---|---|---|---|
| | | Emkay | Consensus | Emkay | Consensus | |
| Net income | 98,999 | 104,301 | 100,608 | -5% | -2% | In-line NII and lower other income led to a miss |
| PPOP | 52,683 | 54,182 | 53,962 | -3% | -2% | Lower net income partly offset by contained opex led to a miss |
| PAT | 32,533 | 33,735 | 33,446 | -4% | -3% | Lower PPoP and elevated LLP led to a PAT miss |

*Source: Emkay Research*

**Exhibit 10: Quarterly Summary**

| (Rs mn) | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | YoY (%) | QoQ (%) | FY25 | FY26E | YoY (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest Earned | 132,163 | 134,276 | 135,298 | 138,365 | 136,494 | 3.3 | -1.4 | 529,197 | 556,155 | 5.1 |
| Interest Expenses | 61,967 | 62,313 | 62,462 | 65,773 | 63,387 | 2.3 | -3.6 | 245,780 | 253,962 | 3.3 |
| Net Interest Income | 70,196 | 71,963 | 72,836 | 72,593 | 73,107 | 4.1 | 0.7 | 283,418 | 302,192 | 6.6 |
| Global NIMs (reported) | 4.91 | 4.93 | 4.97 | 4.65 | 4.54 | -37bps | -11bps | 4.51 | 4.28 | -23bps |
| Non-interest Income | 26,842 | 26,228 | 31,825 | 30,800 | 25,892 | -3.5 | -15.9 | 149,611 | 115,193 | -23.0 |
| Operating Expenses | 46,046 | 46,380 | 49,938 | 47,756 | 46,317 | 0.6 | -3.0 | 187,764 | 196,517 | 4.7 |
| Pre-Provisioning Profit | 50,993 | 51,810 | 54,722 | 55,637 | 52,683 | 3.3 | -5.3 | 245,265 | 220,868 | -9.9 |
| Provision & Contingencies | 6,604 | 7,941 | 9,094 | 12,078 | 9,474 | 43.5 | -21.6 | 29,424 | 35,969 | 22.2 |
| PBT | 44,389 | 43,869 | 45,628 | 43,559 | 43,209 | -2.7 | -0.8 | 215,841 | 184,899 | -14.3 |
| Income Tax Expense (Gain) | 10,951 | 10,821 | 10,111 | 10,743 | 10,675 | -2.5 | -0.6 | 51,340 | 46,225 | -10.0 |
| Net Profit/(Loss) | 33,437 | 33,048 | 35,517 | 32,817 | 32,533 | -2.7 | -0.9 | 164,501 | 138,675 | -15.7 |
| Gross NPA (%) | 1.49 | 1.50 | 1.42 | 1.48 | 1.39 | -10bps | -9bps | 1.42 | 1.40 | -2bps |
| Net NPA (%) | 0.43 | 0.41 | 0.31 | 0.34 | 0.32 | -11bps | -2bps | 0.31 | 0.33 | 1bps |
| Deposits (Rs bn) | 4,615 | 4,735 | 4,991 | 5,128 | 5,288 | 14.6 | 3.1 | 4,991 | 5,659 | 13.4 |
| Net Advances (Rs bn) | 3,995 | 4,138 | 4,269 | 4,448 | 4,627 | 15.8 | 4.0 | 4,269 | 4,911 | 15.0 |

*Source: Company, Emkay Research*

**Exhibit 11: Revision in estimates**

| Y/E Mar (Rs mn) | FY26E | | | FY27E | | | FY28E | | |
|---|---|---|---|---|---|---|---|---|---|
| | Earlier | Revised | Change | Earlier | Revised | Change | Earlier | Revised | Change |
| Net income | 429,603 | 417,386 | -2.8% | 482,227 | 472,462 | -2.0% | 568,024 | 556,710 | -2.0% |
| PPOP | 223,099 | 220,868 | -1.0% | 248,541 | 250,158 | 0.7% | 297,360 | 297,780 | 0.1% |
| PAT | 142,279 | 138,675 | -2.5% | 160,980 | 161,779 | 0.5% | 192,362 | 192,266 | 0.0% |
| EPS (Rs) | 71.6 | 69.7 | -2.5% | 81.0 | 81.4 | 0.5% | 96.7 | 96.7 | -0.1% |
| BV (Rs) | 673.3 | 671.4 | -0.3% | 752.0 | 750.5 | -0.2% | 842.8 | 841.3 | -0.2% |

*Source: Emkay Research*

**Exhibit 12: Key Assumptions**

| (%) | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Loan Growth | 13.5 | 15.0 | 16.6 | 17.5 |
| Deposit Growth | 11.2 | 13.4 | 16.8 | 19.6 |
| NIM | 4.5 | 4.3 | 4.3 | 4.4 |
| GNPA | 1.4 | 1.4 | 1.4 | 1.4 |
| Credit Cost | 0.7 | 0.7 | 0.6 | 0.6 |
| Yield on Advances | 10.2 | 9.4 | 9.0 | 9.0 |
| Cost of Deposits | 4.8 | 4.6 | 4.2 | 3.9 |

*Source: Emkay Research*

**Exhibit 13: Key Ratios and Trends**

| | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 |
|---|---|---|---|---|---|---|---|---|---|
| **Loans (Rs bn)** | **3,483** | **3,596** | **3,761** | **3,900** | **3,995** | **4,138** | **4,269** | **4,448** | **4,627** |
| YoY growth (%) | 18.5 | 15.7 | 17.6 | 18.7 | 14.7 | 15.1 | 13.5 | 14.1 | 15.8 |
| QoQ growth (%) | 6.0 | 3.2 | 4.6 | 3.7 | 2.5 | 3.6 | 3.2 | 4.2 | 4.0 |
| **Composition (%)** | | | | | | | | | |
| - Corporate | 23.5 | 23.4 | 23.2 | 24.0 | 23.2 | 23.4 | 21.7 | 23.1 | 23.6 |
| - Retail and Agri | 70.4 | 73.0 | 73.7 | 72.9 | 73.6 | 73.2 | 74.0 | 72.2 | 71.9 |
| **Liability Profile and Margins** | | | | | | | | | |
| CASA (%) | 48.3 | 47.7 | 45.5 | 43.4 | 43.6 | 42.3 | 43.0 | 40.9 | 42.3 |
| CA (%) | 17.2 | 16.8 | 16.8 | 15.7 | 15.5 | 15.8 | 16.6 | 15.9 | 17.0 |
| SA (%) | 31.1 | 30.9 | 28.8 | 27.7 | 28.2 | 26.5 | 26.4 | 24.9 | 25.3 |
| **NIM (%)** | **5.2** | **5.2** | **5.3** | **5.0** | **4.9** | **4.9** | **5.0** | **4.7** | **4.5** |
| Branches | 1,850 | 1,869 | 1,948 | 1,965 | 2,013 | 2,068 | 2,148 | 2,154 | 2,198 |
| **Asset Quality (Rs mn)** | | | | | | | | | |
| Gross NPA (Opening Balance) | 59,092 | 60,870 | 63,020 | 52,748 | 54,772 | 60,332 | 62,663 | 61,339 | 66,377 |
| GNPA | 60,870 | 63,020 | 52,748 | 54,772 | 60,332 | 62,663 | 61,339 | 66,377 | 64,796 |
| **GNPA (%)** | **1.7** | **1.7** | **1.4** | **1.4** | **1.5** | **1.5** | **1.4** | **1.5** | **1.4** |
| NPA | 12,750 | 12,250 | 12,706 | 13,763 | 17,238 | 16,810 | 13,434 | 15,309 | 14,910 |
| **NNPA (%)** | **0.4** | **0.3** | **0.3** | **0.4** | **0.4** | **0.4** | **0.3** | **0.3** | **0.3** |
| PCR (%) | 78.8 | 80.3 | 75.7 | 74.6 | 71.1 | 72.9 | 78.2 | 77.0 | 77.0 |
| Slippages (Rs mn) | 13,140 | 11,770 | 13,050 | 13,580 | 18,750 | 16,570 | 14,880 | 18,120 | 16,290 |
| Slippages (annualized) | 1.8% | 1.5% | 1.6% | 1.7% | 2.2% | 1.8% | 1.6% | 1.9% | 1.6% |
| **Capital Adequacy (%)** | | | | | | | | | |
| CAR | 21.7 | 21.2 | 20.5 | 22.4 | 22.6 | 22.8 | 22.2 | 23.7 | 22.1 |
| Tier I | 20.6 | 20.1 | 19.2 | 21.3 | 21.5 | 21.7 | 21.1 | 22.7 | 20.9 |
| **ROE Decomposition (%)** | | | | | | | | | |
| **NII** | **4.8** | **4.9** | **4.8** | **4.5** | **4.6** | **4.6** | **4.4** | **4.2** | **4.2** |
| Other Income (ex-treasury) | 1.7 | 1.8 | 2.0 | 1.9 | 1.7 | 1.6 | 1.9 | 1.7 | 1.6 |
| Treasury | 0.1 | -0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | -0.1 |
| Opex | 3.1 | 3.2 | 3.1 | 3.0 | 3.0 | 2.9 | 3.0 | 2.8 | 2.7 |
| **PPOP** | **3.5** | **3.4** | **3.8** | **3.5** | **3.3** | **3.3** | **3.3** | **3.2** | **3.0** |
| Provisioning Cost | 0.3 | 0.4 | 0.2 | 0.4 | 0.4 | 0.5 | 0.5 | 0.7 | 0.5 |
| **PBT** | **3.2** | **3.0** | **3.6** | **3.1** | **2.9** | **2.8** | **2.7** | **2.5** | **2.5** |
| **RoA** | **2.4** | **2.2** | **2.9** | **2.3** | **2.2** | **2.1** | **2.1** | **1.9** | **1.9** |
| **RoE** | **14.2** | **12.9** | **17.1** | **13.2** | **12.1** | **11.5** | **12.1** | **10.6** | **10.4** |

*Source: Emkay Research*

# Kotak Mahindra Bank: Standalone Financials and Valuations

## Profit & Loss

| Y/E Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Interest Income | 457,989 | 529,197 | 556,155 | 608,655 | 697,904 |
| Interest Expense | 198,056 | 245,780 | 253,962 | 264,922 | 291,290 |
| **Net interest income** | **259,933** | **283,418** | **302,192** | **343,733** | **406,614** |
| NII growth (%) | 20.6 | 9.0 | 6.6 | 13.7 | 18.3 |
| Other income | 102,731 | 149,611 | 115,193 | 128,729 | 150,095 |
| **Total Income** | **362,664** | **433,029** | **417,386** | **472,462** | **556,710** |
| Operating expenses | 166,789 | 187,764 | 196,517 | 222,304 | 258,930 |
| **PPOP** | **195,875** | **245,265** | **220,868** | **250,158** | **297,780** |
| PPOP growth (%) | 31.9 | 25.2 | (9.9) | 13.3 | 19.0 |
| **Core PPOP** | **186,656** | **200,219** | **217,319** | **246,254** | **293,681** |
| Provisions & contingencies | 15,737 | 29,424 | 35,969 | 34,165 | 40,739 |
| **PBT** | **180,138** | **215,841** | **184,899** | **215,993** | **257,040** |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Tax expense | 42,321 | 51,340 | 46,225 | 54,214 | 64,774 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Income from JV/Associates | - | - | - | - | - |
| **Reported PAT** | **137,817** | **164,501** | **138,675** | **161,779** | **192,266** |
| PAT growth (%) | 26.0 | 19.4 | (15.7) | 16.7 | 18.8 |
| **Adjusted PAT** | **137,817** | **164,501** | **138,675** | **161,779** | **192,266** |
| **Diluted EPS (Rs)** | **69.3** | **82.7** | **69.7** | **81.4** | **96.7** |
| Diluted EPS growth (%) | 25.9 | 19.3 | (15.7) | 16.6 | 18.8 |
| **DPS (Rs)** | **4.0** | **4.0** | **6.0** | **7.5** | **8.5** |
| **Dividend payout (%)** | **2.9** | **2.4** | **4.3** | **4.6** | **4.4** |
| Effective tax rate (%) | 23.5 | 23.8 | 25.0 | 25.1 | 25.2 |
| Net interest margins (%) | 4.9 | 4.5 | 4.3 | 4.3 | 4.4 |
| Cost-income ratio (%) | 46.0 | 43.4 | 47.1 | 47.1 | 46.5 |
| Shares outstanding (mn) | 1,988.0 | 1,988.2 | 1,988.6 | 1,988.6 | 1,988.6 |

*Source: Company, Emkay Research*

## Balance Sheet

| Y/E Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Share capital | 9,940 | 9,941 | 9,943 | 9,943 | 9,943 |
| Reserves & surplus | 957,248 | 1,162,458 | 1,325,166 | 1,482,488 | 1,663,003 |
| **Net worth** | **967,188** | **1,172,399** | **1,335,109** | **1,492,431** | **1,672,946** |
| Deposits | 4,489,537 | 4,990,551 | 5,658,933 | 6,611,831 | 7,904,542 |
| Borrowings | 283,681 | 484,428 | 256,747 | 269,584 | 283,063 |
| **Interest bearing liab.** | **4,773,218** | **5,474,979** | **5,915,680** | **6,881,415** | **8,187,605** |
| **Other liabilities & prov.** | **263,164** | **288,864** | **369,479** | **398,891** | **305,896** |
| **Total liabilities & equity** | **6,003,570** | **6,936,242** | **7,620,268** | **8,772,737** | **10,166,447** |
| Net advances | 3,760,752 | 4,269,092 | 4,910,855 | 5,724,350 | 6,728,778 |
| Investments | 1,554,036 | 1,819,074 | 1,910,513 | 2,163,851 | 2,483,717 |
| Cash, other balances | 527,884 | 657,792 | 591,568 | 653,734 | 695,946 |
| **Interest earning assets** | **5,842,672** | **6,745,958** | **7,412,936** | **8,541,936** | **9,908,441** |
| Fixed assets | 21,553 | 23,589 | 26,683 | 30,219 | 34,262 |
| Other assets | 139,343 | 166,695 | 180,649 | 200,582 | 223,744 |
| **Total assets** | **6,003,570** | **6,936,242** | **7,620,268** | **8,772,737** | **10,166,447** |
| BVPS (Rs) | 466.9 | 572.8 | 652.9 | 731.0 | 820.8 |
| Adj. BVPS (INR) | 462.1 | 567.8 | 646.8 | 723.6 | 811.5 |
| Gross advances | 3,800,795 | 4,316,996 | 4,964,546 | 5,783,696 | 6,795,842 |
| Credit to deposit (%) | 83.8 | 85.5 | 86.8 | 86.6 | 85.1 |
| CASA ratio (%) | 45.5 | 43.0 | 41.7 | 42.1 | 43.3 |
| Cost of deposits (%) | 4.5 | 4.8 | 4.6 | 4.2 | 3.9 |
| Loans-to-Assets (%) | 62.6 | 61.5 | 64.4 | 65.3 | 66.2 |
| Net advances growth (%) | 17.6 | 13.5 | 15.0 | 16.6 | 17.5 |
| Deposit growth (%) | 23.6 | 11.2 | 13.4 | 16.8 | 19.6 |
| Book value growth (%) | 16.2 | 22.7 | 14.0 | 12.0 | 12.3 |

*Source: Company, Emkay Research*

## Asset quality and other metrics

| Y/E Mar (Rs mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Asset quality** | | | | | |
| Gross NPLs | 52,748 | 61,339 | 69,729 | 79,127 | 91,869 |
| Net NPLs | 12,706 | 13,434 | 16,038 | 19,782 | 24,805 |
| GNPA ratio (%) | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| NNPA ratio (%) | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 |
| Provision coverage (%) | 75.9 | 78.1 | 77.0 | 75.0 | 73.0 |
| Gross slippages | 50,011 | 63,786 | 64,539 | 72,296 | 84,948 |
| Gross slippage ratio (%) | 1.3 | 1.5 | 1.3 | 1.3 | 1.3 |
| LLP ratio (%) | 0.4 | 0.7 | 0.7 | 0.6 | 0.6 |
| NNPA to networth (%) | 1.3 | 1.1 | 1.2 | 1.3 | 1.5 |
| **Capital adequacy** | | | | | |
| Total CAR (%) | 20.5 | 22.2 | 22.4 | 21.8 | 21.1 |
| Tier-1 (%) | 19.2 | 21.1 | 21.5 | 20.9 | 20.3 |
| CET-1 (%) | 18.5 | 19.9 | 20.4 | 20.0 | 19.9 |
| RWA-to-Total Assets (%) | 76.0 | 76.0 | 78.0 | 78.0 | 78.0 |
| **Miscellaneous** | | | | | |
| Total income growth (%) | 35.7 | 21.1 | (1.1) | 9.8 | 15.0 |
| Opex growth (%) | 21.0 | 12.6 | 4.7 | 13.1 | 16.5 |
| Core PPOP growth (%) | 19.6 | 7.3 | 8.5 | 13.3 | 19.3 |
| PPOP margin (%) | 34.9 | 36.1 | 32.9 | 33.9 | 35.1 |
| PAT/PPOP (%) | 70.4 | 67.1 | 62.8 | 64.7 | 64.6 |
| LLP-to-Core PPOP (%) | 8.4 | 14.7 | 16.6 | 13.9 | 13.9 |
| Yield on advances (%) | 10.3 | 10.2 | 9.4 | 9.0 | 9.0 |
| Cost of funds (%) | 4.6 | 4.8 | 4.5 | 4.1 | 3.9 |

*Source: Company, Emkay Research*

## Valuations and key Ratios

| Y/E Mar | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| P/E (x) | 21.6 | 18.1 | 21.5 | 18.4 | 15.5 |
| P/B (x) | 3.2 | 2.6 | 2.3 | 2.0 | 1.8 |
| P/ABV (x) | 3.2 | 2.6 | 2.3 | 2.1 | 1.8 |
| P/PPOP (x) | 22.3 | 17.8 | 19.7 | 17.4 | 14.6 |
| Dividend yield (%) | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| **DuPont-RoE split (%)** | | | | | |
| NII/avg assets | 4.8 | 4.4 | 4.2 | 4.2 | 4.3 |
| Other income | 1.9 | 2.3 | 1.6 | 1.6 | 1.6 |
| Fee income | 1.6 | 1.5 | 1.4 | 1.4 | 1.5 |
| Opex | 3.1 | 2.9 | 2.7 | 2.7 | 2.7 |
| **PPOP** | **3.6** | **3.8** | **3.0** | **3.1** | **3.1** |
| Core PPOP | 3.4 | 3.1 | 3.0 | 3.0 | 3.1 |
| Provisions | 0.3 | 0.5 | 0.5 | 0.4 | 0.4 |
| Tax expense | 0.8 | 0.8 | 0.6 | 0.7 | 0.7 |
| **RoA (%)** | **2.5** | **2.5** | **1.9** | **2.0** | **2.0** |
| Leverage ratio (x) | 6.1 | 6.0 | 5.8 | 5.8 | 6.0 |
| **RoE (%)** | **15.3** | **15.4** | **11.1** | **11.4** | **12.1** |

## Quarterly data

| Rs mn | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 |
|---|---|---|---|---|---|
| NII | 70,196 | 71,963 | 72,836 | 72,593 | 73,107 |
| NIM (%) | 4.9 | 4.9 | 5.0 | 4.7 | 4.5 |
| PPOP | 50,993 | 51,810 | 54,722 | 55,637 | 52,683 |
| PAT | 33,437 | 33,048 | 35,517 | 32,817 | 32,533 |
| EPS (Rs) | 16.8 | 16.6 | 17.9 | 16.5 | 16.4 |

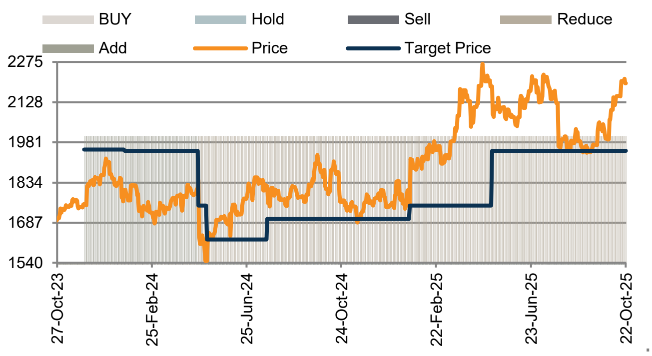
*Source: Company, Emkay Research*

### RECOMMENDATION HISTORY - DETAILS

| Date | Closing Price (Rs) | TP (Rs) | Rating | Analyst |
|---|---|---|---|---|
| 27-Jul-25 | 2,125 | 1,950 | Reduce | Anand Dama |
| 15-Jun-25 | 2,107 | 1,950 | Reduce | Anand Dama |
| 04-May-25 | 2,185 | 1,950 | Reduce | Anand Dama |
| 09-Apr-25 | 2,053 | 1,750 | Reduce | Anand Dama |
| 13-Feb-25 | 1,973 | 1,750 | Reduce | Anand Dama |
| 19-Jan-25 | 1,759 | 1,750 | Reduce | Anand Dama |
| 20-Oct-24 | 1,871 | 1,700 | Reduce | Anand Dama |
| 21-Jul-24 | 1,822 | 1,700 | Reduce | Anand Dama |
| 05-May-24 | 1,547 | 1,625 | Reduce | Anand Dama |
| 24-Apr-24 | 1,843 | 1,750 | Reduce | Anand Dama |
| 19-Feb-24 | 1,731 | 1,950 | Add | Anand Dama |
| 21-Jan-24 | 1,807 | 1,950 | Add | Anand Dama |
| 30-Nov-23 | 1,755 | 1,955 | Add | Anand Dama |

*Source: Company, Emkay Research*

### RECOMMENDATION HISTORY - TREND




*Source: Company, Bloomberg, Emkay Research*

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|---|---|
| BUY | >15% upside |
| ADD | 5-15% upside |
| REDUCE | 5% upside to 15% downside |
| SELL | >15% downside |

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