

BUY**TP: Rs 2,603 | ▲ 23%****KOTAK MAHINDRA
BANK**

| Banking

| 27 November 2025

KMB's integrated approach to sustainable profitability

- **KMB@40 and way forward with 'One Kotak' strategy and aim to be the third largest most profitable private sector financial services group**
- **Driving profitability via digital banking initiatives and branch optimisation**
- **Maintain BUY with TP of Rs 2,603, set at 2.5x Sep'27E ABV**

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'One Kotak' strategy to cater evolving customer needs: With completion of KMB's 40-year journey, its management stated that the banking business model is undergoing a transformation driven by shift in technology, change in customer's behavior from saver to investor and customer's expectation of flexibility within the financial intermediation space. KMB's One Kotak theme of providing integrated financial solutions caters to both savers and investors across the spectrum such as banking, asset management, broking, and insurance under one umbrella. This strategy will create holistic customer experience and capture growing embedded value without immediate monetisation pressure.

Driving profitability via tech and branch optimisation: Kotak's digital banking initiatives are central to its operational transformation, balancing a selective branch footprint with scalable digital reach. Bank plans to open ~3,500 branches (2,198 as of Sep'25) in the next 3-4 years to cover the top 72-75 cities of India which accounts for three-fourth of India's deposits. Bank is channeling investment into technology, automation, and early-stage AI adoption which is expected to improve operational efficiencies. Further, the balance sheet expansion will be a mix of organic and inorganic routes based on strategic fit and valuations. KMB aims to be the third largest most profitable private sector financial services groups in India.

Sector challenges and industry consolidation: The challenge for the banking industry is to keep pace with technology as large deposits are moving to mutual funds (high return alternatives). Hence, the large ticket lazy money in the CASA accounts with banks will be reduced. However, KMB can weather this challenge and grow its asset base through, a) its presence as an integrated financial conglomerate (One Kotak), and b) technology adoption to serve customers digitally (Kotak's 811). Management expects that the banking business will narrow to fewer players adept at managing financial intermediation rather than relying solely on regulatory protection.

Valuation: KMB is well capitalised (CET1 at 20.9% - Sep'25) to fund future business growth. We estimate the bank to deliver RoA/RoE at 1.9-2.2%/11.6-13.3% over FY26E- FY28E. We maintain BUY with TP of Rs 2,603, set at 2.5x Sep'27E ABV.

Key changes

Target	Rating
◀ ▶	◀ ▶

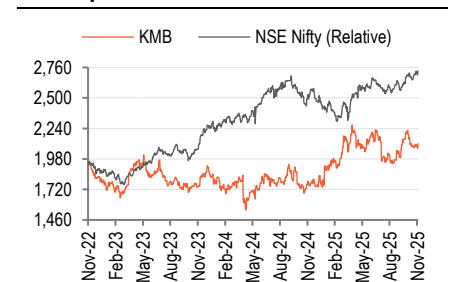
Ticker/Price	KMB IN/Rs 2,110
Market cap	US\$ 47.0bn
Free float	74%
3M ADV	US\$ 78.0mn
52wk high/low	Rs 2,302/Rs 1,724
Promoter/FPI/DII	26%/30%/32%

Source: NSE | Price as of 27 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	2,83,418	3,10,474	3,66,073
NII growth (%)	9.0	9.5	17.9
Adj. net profit (Rs mn)	1,64,501	1,43,489	1,77,163
EPS (Rs)	82.7	72.2	89.1
Consensus EPS (Rs)	82.7	73.8	88.1
P/E (x)	25.5	29.2	23.7
P/BV (x)	3.6	3.2	2.8
ROA (%)	2.0	1.9	2.1
ROE (%)	12.1	11.6	12.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	2,59,932	2,83,418	3,10,474	3,66,073	4,27,807
NII growth (%)	20.6	9.0	9.5	17.9	16.9
Non-interest income	1,02,731	1,14,412	1,26,539	1,42,249	1,56,450
Total income	3,62,663	3,97,830	4,37,013	5,08,321	5,84,257
Operating expenses	1,66,788	1,87,764	2,14,510	2,39,181	2,66,805
PPOP	1,95,875	2,10,066	2,22,503	2,69,140	3,17,451
PPOP growth (%)	31.9	7.2	5.9	21.0	18.0
Provisions	15,737	29,424	32,200	34,176	37,394
PBT	1,80,137	2,15,841	1,90,304	2,34,964	2,80,058
Tax	42,321	51,340	46,815	57,801	68,894
Reported net profit	1,37,816	1,64,501	1,43,489	1,77,163	2,11,164
Adjustments	0	0	0	0	0
Adjusted net profit	1,37,816	1,64,501	1,43,489	1,77,163	2,11,164

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	14,940	14,941	9,941	9,941	9,941
Reserves & surplus	9,57,248	11,62,458	13,02,073	14,74,275	16,79,420
Net worth	9,72,188	11,77,399	13,12,014	14,84,216	16,89,361
Deposits	44,89,537	49,90,551	57,49,115	66,91,970	78,02,837
Borrowings	2,83,681	4,84,428	5,47,403	6,02,143	6,64,164
Other liab. & provisions	2,63,164	2,88,864	3,42,190	3,06,704	3,14,811
Total liab. & equities	60,08,570	69,41,242	79,50,722	90,85,033	1,04,71,173
Cash & bank balance	5,27,884	6,57,792	7,30,297	7,71,347	8,98,678
Investments	15,54,038	18,19,074	20,89,441	23,44,384	26,00,584
Advances	37,60,753	42,69,092	49,30,801	57,49,314	67,15,199
Fixed & Other assets	1,60,896	1,90,284	2,00,182	2,19,988	2,56,712
Total assets	60,03,570	69,36,242	79,50,722	90,85,033	1,04,71,173
Deposit growth (%)	23.6	11.2	15.2	16.4	16.6
Advances growth (%)	17.6	13.5	15.5	16.6	16.8

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	69.3	82.7	72.2	89.1	106.2
Dividend per share	2.0	2.5	1.9	2.5	3.0
Book value per share	486.5	589.7	659.9	746.5	849.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	30.4	25.5	29.2	23.7	19.9
P/BV	4.3	3.6	3.2	2.8	2.5
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	4.8	4.4	4.2	4.3	4.4
Non-interest income	1.9	1.8	1.7	1.7	1.6
Operating expenses	3.1	2.9	2.9	2.8	2.7
Pre-provisioning profit	3.6	3.2	3.0	3.2	3.2
Provisions	0.3	0.5	0.4	0.4	0.4
PBT	3.3	2.8	2.6	2.8	2.9
Tax	0.8	0.8	0.6	0.7	0.7
ROA	2.5	2.0	1.9	2.1	2.2
Leverage (x)	0.1	0.1	0.1	0.1	0.1
ROE	15.3	12.1	11.6	12.7	13.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Net interest income	20.6	9.0	9.5	17.9	16.9
Pre-provisioning profit	31.9	7.2	5.9	21.0	18.0
EPS	25.9	19.3	(12.8)	23.5	19.2
Profitability & Return ratios (%)					
Net interest margin	4.9	4.5	4.3	4.4	4.5
Fees / Avg. assets	0.5	0.4	0.4	0.4	0.4
Cost-Income	46.0	47.2	49.1	47.1	45.7
ROE	15.3	12.1	11.6	12.7	13.3
ROA	2.5	2.0	1.9	2.1	2.2
Asset quality (%)					
GNPA	1.4	1.4	1.4	1.3	1.2
NNPA	0.3	0.3	0.3	0.3	0.3
Slippage ratio	1.6	1.7	1.6	1.5	1.5
Credit cost	0.5	0.7	0.7	0.6	0.6
Provision coverage	75.7	77.9	77.8	77.8	77.8
Ratios (%)					
Credit-Deposit	83.8	85.5	85.8	85.9	86.1
Investment-Deposit	34.6	36.5	36.3	35.0	33.3
CAR	20.6	22.3	19.9	18.8	18.5
Tier-1	19.3	21.1	18.6	17.7	17.5

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

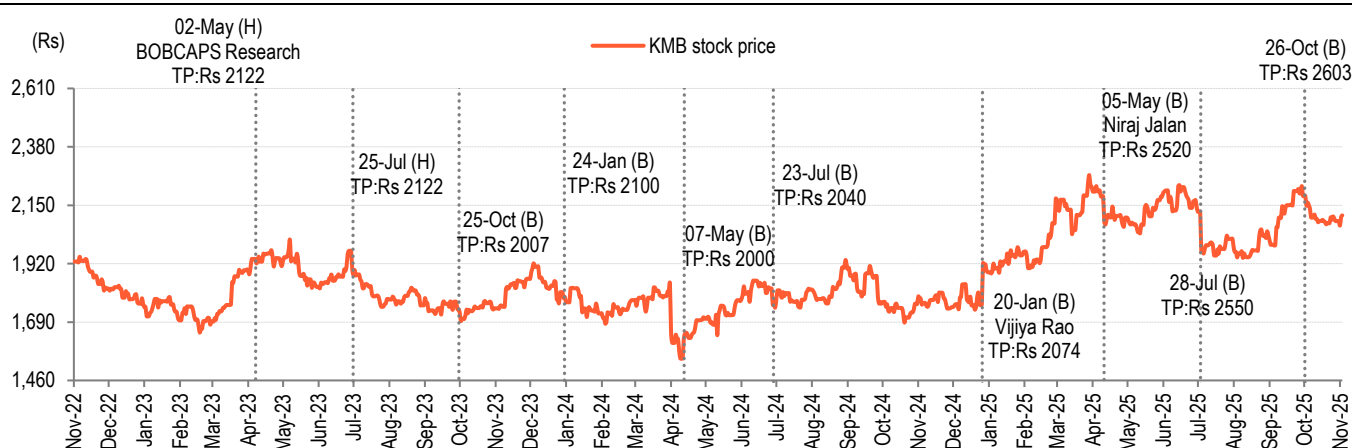
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KOTAK MAHINDRA BANK (KMB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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