

# Kotak Mahindra Bank (KMB)

Banking | 2QFY26 Result Update

**BUY**

**CMP: Rs2,187 | Target Price (TP): Rs2,550 | Upside: 17%**

**October 26, 2025**

**Robust loan growth; NIM performance better than expected**

## Key Points

- Kotak Mahindra Bank's 2QFY26 performance was better than our expectation by 3% at the NII level but below our expectations at PPOP/PAT level by 5.7%/9.6%. The bank reported a decline in standalone PAT by 0.9%/2.7% QoQ/YoY to Rs.32.5bn, impacted by dividend from subsidiaries of Rs. 4.49 bn in 1QFY26. Excluding this one-off, PAT grew 11% QoQ while the YoY decline was primarily driven by NIM compression and higher credit costs. Loan and deposit growth stood healthy at 15.8% and 14.6% YoY respectively. NIM declined by 11bps QoQ to 4.54%, which was better than our expectation of 20bps compression. Slippages declined from Rs 18.12bn in 1QFY26 to Rs 16.29bn in 2QFY26.
- We have estimated an earnings CAGR of 6.1% over FY25-FY28E which results in RoA/RoE of 2.1%/12.4% in FY28E. We have valued the standalone business at 2.5x Sept 2027E ABV (same as earlier), which is at a discount of 34.5% to its 5-year mean P/ABV of 3.8x. Adding subsidiary value per share of Rs 598, we maintain our target price at Rs 2,550 (Rs 2,551 earlier). We remain positive on KMB due to its higher than industry loan growth and healthy RoAs of ~2% over FY25-FY28. We maintain a 'Buy' rating on Kotak Mahindra Bank.

**Snapshot of 2QFY26 performance:** KMB reported a decline in standalone PAT by 0.9%/2.7% QoQ/YoY to Rs.32.5bn, impacted by dividend from subsidiaries of Rs. 4.49 bn in 1QFY26. Excluding this one-off, PAT grew 11% QoQ while the YoY decline was primarily driven by NIM compression and higher credit costs. NII grew by 0.7%/4.1% QoQ/YoY to Rs 73.1bn. NIM declined by 37bps YoY and 11bps QoQ to 4.54%. Cost of funds declined by 31bps/45bps QoQ/YoY to 4.70% in 2QFY26. Cost of SA deposits declined from 4.12% in 2QFY25 to 2.89% in 2QFY26. Other income grew by 3.9 YoY /15.9 % QoQ to Rs 25.89bn. Fee income grew by 4.5% YoY/7.3% QoQ to Rs 24.15bn. PPOP grew by 3.34% YoY but declined 5.3% QoQ to Rs 52.68bn. Cost to income ratio stood at 46.8% in 2QFY26 as against 46.2% in 1QFY25 and 47.5% in 2QFY25. Provisions grew by 43.5% YoY but declined by 21.6% QoQ to Rs 9.47bn, write back of AIF provision and improved asset quality led that decline. Standalone RoA and RoE stood at 1.88% and 10.38% respectively. CAR stood healthy at 22% with Tier-1 capital ratio at 21%.

**Loan book grows by 15.8% YoY:** Loan book growth improved from 14.1% YoY in 1QFY26 to 15.8% YoY in 2QFY26. The breakup of segment wise loan growth: mortgages (18%), business banking (20%), PL, BL and consumer durables (16%), credit cards (-14%), other retail loans (40%), CV & CE (12%), agriculture (10%), tractors (17%), retail microcredit (-41%), other commercial banking loans (-15%), corporate banking (18%), SME (16%) and other loans (44%). The share of unsecured loans declined from 9.7% in 1QFY26 to 9.2% in 2QFY26. Deposits grew by 14.6% YoY and 3.1% QoQ to Rs 5.28tn. SA, CA and TDs grew by 3.0% YoY, 26.1 YoY and 17.2% YoY respectively. TD sweep balance grew by 10.2% YoY to Rs 577bn. CASA ratio stood at 42.3%. C/D ratio stood at 87.5%.

Est Change	No Change
TP Change	No Change
Rating	No Change

## Company Data and Valuation Summary

Reuters	KTKM.BO
Bloomberg	KMB IN Equity
Mkt Cap (Rsbn/US\$bn)	4,349.1 / 49.5
52 Wk H / L (Rs)	2,302 / 1,679
ADTV-3M (mn) (Rs/US\$)	7,645.1 / 86.9
Stock performance (%) 1M/6M/1yr	7.7 / (1.6) / 24.1
Nifty 50 performance (%) 1M/6M/1yr	1.8 / 3.9 / 6.7

Shareholding	4QFY25	1QFY26	2QFY26
Promoters	25.9	25.9	25.9
DILs	30.8	31.3	32.0
FILs	31.0	30.7	29.7
Others	12.3	12.2	12.4
Pro pledge	0.0	0.0	0.0

## Financial and Valuation Summary

Particulars (Rsmn)	FY25	FY26E	FY27E	FY28E
Net Interest Income	283,418	306,258	351,866	398,281
% growth	9.0	8.1	14.9	13.2
Net Interest Margin %	4.5	4.3	4.4	4.4
Cost/Income Ratio	43.4	47.1	46.1	45.3
Operating Profit	245,265	226,925	264,542	304,499
% growth	25.2	(7.5)	16.6	15.1
Adjusted PAT	164,501	141,618	172,727	196,944
% growth	19.4	(13.9)	22.0	14.0
ABVPS	588	664	748	844
P/ABV	3.7	3.3	2.9	2.6
RoA (%)	2.5	1.9	2.1	2.1
Leverage	6.0	5.8	5.8	5.9
RoE (%)	15.4	11.3	12.3	12.4

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

**Key Links – [2QFY26 Presentation](#)**

*Please refer to the disclaimer towards the end of the document.*

**Improved Asset quality:** GNPA / NNPA stood at 1.39% / 0.32% in 2QFY26 as against 1.48% / 0.34% in 1QFY26. PCR remains stable QoQ at 77% in 2QFY26. Credit costs stood lower at 0.79% in 2QFY26 as against 0.93% in 1QFY26 and higher compared to 0.65% in 2QFY25. Slippages declined from Rs 18.12bn in 1QFY26 to Rs 16.29bn in 2QFY26.

**Exhibit 1: Quarterly performance**

Particulars (Rsmn)	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2Q26E	FY25	FY26E	Variation (%)	YoY	QoQ
<b>Net interest income</b>	<b>70,196</b>	<b>71,963</b>	<b>72,836</b>	<b>72,593</b>	<b>73,107</b>	<b>77,747</b>	<b>82,811</b>	<b>70,950</b>	<b>283,418</b>	<b>306,258</b>	<b>3.0</b>	<b>4.1</b>	<b>0.7</b>
YoY Change (%)	11.5	9.8	5.4	6.1	4.1	8.0	13.7	1.1	9.0	8.1	-	-	-
<b>NIM (%)</b>	<b>4.9</b>	<b>4.9</b>	<b>5.0</b>	<b>4.7</b>	<b>4.5</b>	<b>4.4</b>	<b>4.5</b>	<b>4.1</b>	<b>5.3</b>	<b>4.3</b>	<b>39bps</b>	<b>-37bps</b>	<b>-11bps</b>
Non-interest income	26,842	26,228	31,825	30,800	25,892	30,069	35,881	35,046	149,611	122,642	-26.1	-3.5	-15.9
<b>Net Revenue</b>	<b>97,038</b>	<b>98,191</b>	<b>104,660</b>	<b>103,393</b>	<b>98,999</b>	<b>107,816</b>	<b>118,692</b>	<b>105,995</b>	<b>433,029</b>	<b>428,899</b>	<b>-6.6</b>	<b>2.0</b>	<b>-4.2</b>
Operating Expenses	46,046	46,380	49,938	47,756	46,317	52,505	55,397	50,100	187,764	201,975	-7.6	0.6	-3.0
<b>Operating profit</b>	<b>50,993</b>	<b>51,810</b>	<b>54,722</b>	<b>55,637</b>	<b>52,683</b>	<b>55,311</b>	<b>63,294</b>	<b>55,896</b>	<b>245,265</b>	<b>226,925</b>	<b>-5.7</b>	<b>3.3</b>	<b>-5.3</b>
YoY Change (%)	10.6	13.5	0.2	5.9	3.3	6.8	15.7	9.6	25.2	-7.5	-	-	-
Provisions	6,604	7,941	9,094	12,078	9,474	8,192	10,822	7,913	29,424	40,565	19.7	43.5	-21.6
<b>Profit before Tax</b>	<b>44,389</b>	<b>43,869</b>	<b>45,628</b>	<b>43,559</b>	<b>43,209</b>	<b>47,119</b>	<b>52,473</b>	<b>47,983</b>	<b>251,040</b>	<b>186,359</b>	<b>-10.0</b>	<b>-2.7</b>	<b>-0.8</b>
Tax	10,951	10,821	10,111	10,743	10,675	11,780	11,544	11,996	51,340	44,741	-11.0	-2.5	-0.6
ETR (%)	25	25	22	25	25	25	22	25	20	24	-	-	-
<b>Net Profit</b>	<b>33,437</b>	<b>33,048</b>	<b>35,517</b>	<b>32,817</b>	<b>32,533</b>	<b>35,339</b>	<b>40,929</b>	<b>35,987</b>	<b>164,501</b>	<b>141,618</b>	<b>-9.6</b>	<b>-2.7</b>	<b>-0.9</b>
YoY Change (%)	4.8	10.0	-14.1	-47.5	-2.7	6.9	15.2	7.6	19.4	-13.9	-	-	-
<b>Business Metrics</b>													
Loans (Net)	3,995	4,138	4,269	4,448	4,627	4,766	4,885	4,626	4,269	4,885	0.0	15.8	4.0
YoY Change (%)	14.7	15.1	13.5	14.1	15.8	15.2	14.4	15.8	13.5	14.4	-	-	-
Deposits	4,615	4,735	4,991	5,128	5,288	5,420	5,691	5,288	4,991	5,691	-	14.6	3.1
YoY Change (%)	15.1	15.9	11.2	14.6	14.6	14.5	14.0	14.6	11.2	14.0	-	-	-
<b>Asset Quality Metrics</b>													
GNPA (%)	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4	-2bps	-10bps	-9bps
NNPA (%)	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1bps	-11bps	-2bps
PCR (%)	71.4	73.2	78.1	76.9	77.0	77.2	77.4	78.3	78.1	77.4	-133bps	556bps	5bps

Source: Company, Nirmal Bang Institutional Equities Research

## 2QFY26 Concall Highlights:

### Net Interest Income, Margin, Yields, and Costs

- Net Interest Margin (NIM) stood at 4.54%, declining by 11 bps QoQ, primarily due to the full impact of June's 50 bps repo rate cut and changes in the asset mix.
- Cost of funds reduced by 31 bps QoQ, benefiting from the savings rate cut to 2.5% and re-pricing of term deposits. This reduction was mainly attributed to the full impact of the savings account rate reduction and the re-pricing of maturing term deposits.
- The management expects the NIM to show gradual improvement during the second half of the financial year (H2 FY26) due to the ongoing re-pricing of deposits and CRR benefits, assuming no further repo rate cuts occur.
- Yield compression resulting from repo rate transmission is largely played out, and future changes in yield on advances should primarily reflect shifts in the asset mix rather than re-pricing actions.

### Advances Growth, Mix, and Strategy

- Net advances grew 16% YoY, dominated by secured segments with unsecured loans at 9.2% of the total. Advance growth aligns with the bank's philosophy of growing advances in the range of 1.5 times to 2 times nominal GDP growth
- Business banking up 20% YoY, was driven by strong festive-season utilization. Mortgages up 18% YoY, was positioned as an anchor product for affluent customers.
- Personal loans are showing steady digital-led growth with risk control after last year's Standard Chartered portfolio integration. KMB has resumed issuance after the embargo on credit cards has been lifted; it declined by 14% YoY, with the new Solitaire credit card gaining traction among affluent customers; expected to scale up in coming quarters.
- KMB is maintaining a cautious stance on the retail CV segment and closely monitors stress in the retail CV segment. KMB may see credit costs in the retail CV segment remaining stable or slightly increasing. Commercial vehicle and microfinance remain under watch;
- Recovery is expected in H2 FY26. Strategy focuses on gradual rebuild of the unsecured portfolio, maintaining strong underwriting and leveraging digital origination and analytics.
- The bank's strategy is to gradually build back the retail unsecured business. The management is focusing on restoring segments like microfinance (MFI) and credit cards from negative growth back to positive growth, with a longer-term goal of reaching double-digit mix in the unsecured portfolio.

### Deposits, CASA, Term Deposits, and Strategy

- Deposits rose 14.6% YoY, with SA balances up 3% and CA averaging a 26% YoY increase. CASA ratio improved to 42.3% in 2QFY26, with continued granularity in deposits. Bulk deposits were strategically trimmed to manage cost of funds. The bank maintains a healthy Credit-Deposit (CD) ratio at 87.5%.
- The benefit of term deposit re-pricing is expected to continue flowing through Q3 and Q4 FY26, with the book expected to be substantially re-priced by the end of Q4 FY26 or Q1 FY27.
- For Current Accounts, the focus is on building a strong throughput by capturing customer collection and payment flows, contributing to liability balances and long-term value creation, especially within the self-employed customer base.
- For Savings Accounts, the focus continues to be on high net worth, mass affluent, and core customer segments. This is supported by a comprehensive relationship-led approach that values customer engagement across Kotak's ecosystem (including liabilities, investments, insurance, and loans).

- Kotak Solitaire proposition, launched in the last quarter, is curated to serve the high net worth and mass affluent segments, focusing on quality acquisition, deepening of relationship, and sustainable deposit growth.
- Kotak 811, top downloaded banking app in India, is driving digital acquisition from “core India.” ActivMoney flagship savings-to-FD sweep product, is up 10% YoY. The bank leverages branch + digital synergy, virtual banking, and omni-channel engagement for scalable liability growth.

### **Asset Quality, GNPA, NNPA, and Provisions**

- GNPA improved to 1.39% (from 1.48% QoQ), NNPA at 0.32% (from 0.34%), with PCR maintained at 77%.Slippages reduced to Rs. 16.29 bn from Rs. 18.12 bn QoQ. Credit cost declined to 79 bps, down 14 bps QoQ; it is expected to moderate further in H2 FY26.
- KMB reported the decrease in slippage and improvement in credit cost (which reduced sequentially from 93 bps to 79 bps) was primarily observed in the credit card and micro finance businesses.
- Segmental stress in advances, stress peaked in microfinance (Q1), now improving; stable trends in personal loans and credit cards, cautious outlook on the retail CV segment. KMB reiterated focus on cautious growth and risk normalized profitability.
- ECL guidelines are still at draft stage. KMB noted that there is a deadline for submitting suggestions by 10th of November.
- KMB emphasized that it was highly capitalized. Given this position, any potential additional provisions required by the new norms would be comfortable with their capital adequacy at this stage.

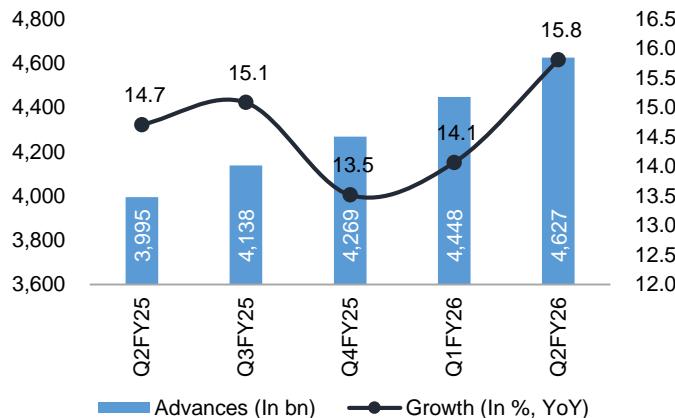
### **Subsidiaries Highlights**

- KMB's Non-lending group subsidiaries contributed 21.9% to the consolidated profits in Q2 FY26 (versus 23.6% last year). This reduction was partly due to an exceptional Q2 last year for capital markets and a one-off impact from GST this quarter.
- Kotak Prime (Auto Finance): Customer assets grew 12.64% YoY to Rs. 422.74bn. Profit decline YoY/QoQ by 9%/10% was partly attributed to non-recurring income in the prior year quarter and a marginal increase in credit cost in the core finance business. KMB expects the credit cost to stabilize at current levels going forward.
- Kotak Securities: Profits fell due to a dip in volumes in both cash and derivative markets. The overall market share increased to 13.1% (from 11.6% Y-o-Y).
- Kotak Mahindra AMC: Kotak Mutual saw 31% Y-o-Y profit growth. The Alternate Asset Management business (KAAML) is a large domestic player, average AUM increased by 20% YoY.
- Kotak Mahindra Life Insurance: Gross written premium Q2FY26 has grown by 11.1% YoY, Individual AP new business premium grew 12.2% YoY. However, profits for KLI were negatively impacted by Rs. 1.65 bn. due to the introduction of GST effective 22 September 2025.

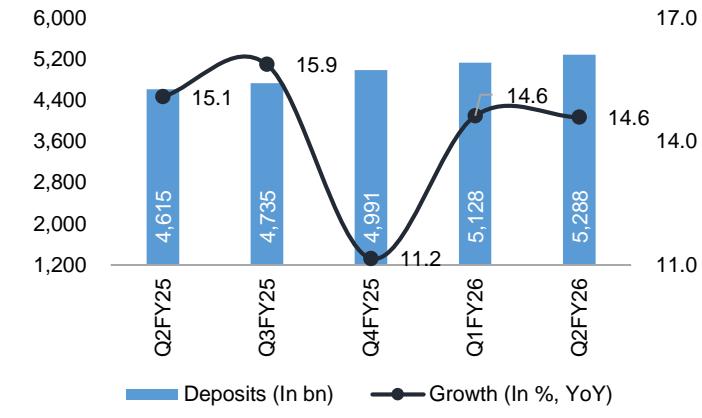
### **Guidance & Outlook**

- NIM to improve gradually in Q3–Q4 FY26 with full deposit re-pricing impact.
- Credit costs expected to decline steadily in personal loan, MFI, and credit card segments; some retail CV stress may persist short-term.
- Operating expenses to remain under control with continuing technology investments; benefits from automation and process digitization to sustain low cost-to-asset ratio.
- Capital adequacy robust at 22.8% (CET1 21.8%), providing buffer for growth and inorganic opportunities.
- KMB remains focused on scaling up responsibly while maintaining risk prudence, efficiency, and profitability discipline.

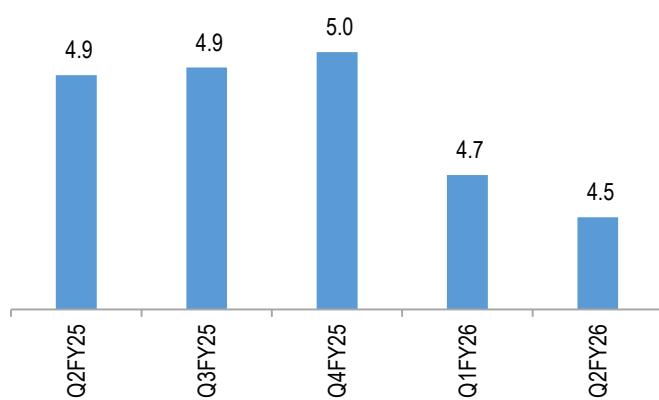
Quarterly Income Statement							
(INR mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Interest Inc. on Advances	101,327	103,490	104,852	106,145	106,051	4.7	(0.1)
Interest Inc. on Investments	27,719	27,215	27,434	28,693	26,614	(4.0)	(7.2)
Others	3,134	3,671	3,747	3,116	3,572	14.0	14.6
<b>Total Interest Inc.</b>	<b>132,180</b>	<b>134,375</b>	<b>136,032</b>	<b>137,954</b>	<b>136,237</b>	<b>3.1</b>	<b>(1.2)</b>
Interest Expended	61,967	62,313	62,462	65,773	63,387	2.3	(3.6)
<b>NII</b>	<b>70,213</b>	<b>72,062</b>	<b>73,570</b>	<b>72,182</b>	<b>72,850</b>	<b>3.8</b>	<b>0.9</b>
CXB	23,120	23,620	26,160	22,490	24,150	4.5	7.4
Other Non-Interest Inc.	3,722	2,608	5,665	8,310	1,742	(53.2)	(79.0)
Total Non-interest Income	26,842	26,228	31,825	30,800	25,892	(3.5)	(15.9)
Total Net Income	97,055	98,290	105,395	102,982	98,742	1.7	(4.1)
Payments to/Prov. for employees	19,514	19,525	21,063	20,655	19,795	1.4	(4.2)
Other operating expenses	26,532	26,856	28,876	27,101	26,521	(0.0)	(2.1)
Total Operating Exp.	46,046	46,380	49,938	47,756	46,317	0.6	(3.0)
<b>Operating Profit</b>	<b>51,010</b>	<b>51,909</b>	<b>55,457</b>	<b>55,226</b>	<b>52,425</b>	<b>2.8</b>	<b>(5.1)</b>
Provisions for NPAs	6,604	7,941	9,094	12,078	9,474	43.5	(21.6)
Total Provisions	6,604	7,941	9,094	12,078	9,474	43.5	(21.6)
PBT	44,406	43,968	46,363	43,148	42,951	(3.3)	(0.5)
Tax Provision	10,951	10,821	10,111	10,743	10,675	(2.5)	(0.6)
<b>Net Profit</b>	<b>33,454</b>	<b>33,147</b>	<b>36,252</b>	<b>32,406</b>	<b>32,276</b>	<b>(3.5)</b>	<b>(0.4)</b>
EPS	16.8	16.6	17.9	16.5	16.4	(2.7)	(0.9)
Key Ratios							
(%)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (bps)	QoQ (bps)
NIM	4.91	4.93	4.97	4.65	4.54	-37 bps	-11 bps
CAR	22.6	22.8	22.2	23.0	23.3	70 bps	31 bps
Tier I	21.5	21.7	21.1	21.8	20.9	-61 bps	-91 bps
ROA	2.2	2.3	2.4	1.9	1.9	-29 bps	-4 bps
CD Ratio	86.6	87.4	85.5	86.7	87.5	93 bps	77 bps
Asset Quality							
(INR mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
GNPA	60,332	62,663	61,339	66,377	64,796	7.4	(2.4)
NNPA	17,238	16,810	13,434	15,309	14,910	(13.5)	(2.6)
						YoY (bps)	QoQ (bps)
GNPA (in %)	1.49	1.50	1.42	1.48	1.39	-10 bps	-10 bps
NNPA (in %)	0.43	0.41	0.31	0.34	0.32	-11 bps	-2 bps
PCR (%) (Excl. Technical Write-offs)	71.4	73.2	78.1	76.9	77.0	557 bps	6 bps
Balance Sheet Details							
(INR mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Net Advances	3,995,216	4,138,390	4,269,092	4,448,230	4,626,876	15.8	4.0
Savings Deposits	1,299,750	1,255,120	1,315,560	1,279,450	1,339,040	3.0	4.7
Current Deposits	712,990	748,990	828,610	817,000	898,870	26.1	10.0
CASA Deposits	2,012,740	2,004,110	2,144,170	2,096,450	2,237,910	11.2	6.7
Term Deposits	2,601,802	2,730,860	2,846,381	3,031,930	3,049,850	17.2	0.6
Total Deposits	4,614,542	4,734,970	4,990,551	5,128,380	5,287,760	14.6	3.1
CASA (%)	43.6	42.3	43.0	40.9	42.3	-130 bps	145 bps
Quarterly Du-pont (%)							
	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26		
NII	4.57	4.57	4.38	4.20	4.19		
Non-interest income	1.75	1.66	1.91	1.78	1.48		
Total income	6.32	6.23	6.29	5.98	5.67		
Opex	3.00	2.94	3.00	2.76	2.65		
PPOP	3.32	3.29	3.29	3.22	3.02		
Provision	0.43	0.50	0.55	0.70	0.54		
PBT	2.89	2.78	2.74	2.52	2.48		
Tax	0.71	0.69	0.61	0.62	0.61		
ROA	2.18	2.10	2.14	1.90	1.86		
Leverage(x)	5.66	5.58	5.73	5.75	5.61		
ROE	12.3	11.7	12.2	10.9	10.5		

**Exhibit 2: Advances (Rsbn), growth (YoY, %)**


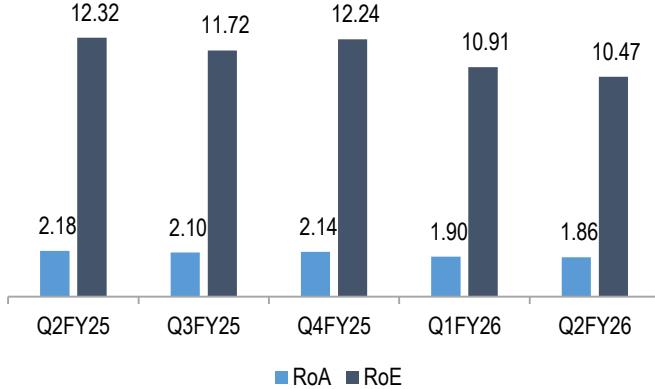
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Deposits (Rsbn), growth (YoY, %)**


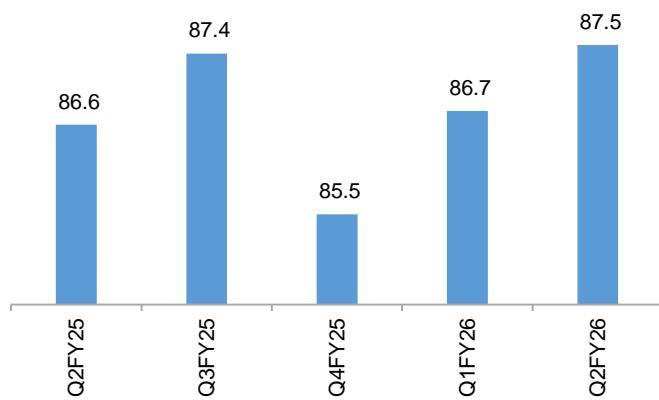
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: NIM (%)**


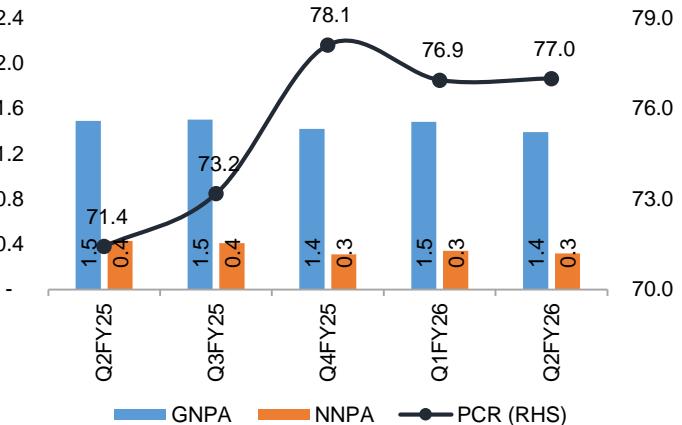
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Profitability ratio (In %)**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: CD Ratio (In %)**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Asset Quality Metrics**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: SOTP valuation**
**Calculation of June 2027E ABV**

Particulars	Amount (Rs mn)
Sept 2027E Networth	1,583,282
Sept 2027E NNPA	18,684
Cost of Investment in Subsidiaries	33,872
Sept 2027E Adj. Networth	1,530,726
Sept 2027E ABV (Rs)	770

Entity	Valuation methodology	Holding	Value per share (INR)
Kotak Mahindra Bank - standalone	2.5x Sept 2027E ABV	100.0%	1,952
Kotak Life Insurance	2.5x FY25 EV	100.0%	221
Kotak AMC	25x TTM EPS	100.0%	149
Kotak Prime	2x TTM BV	100.0%	107
Kotak Securities	15x TTM EPS	100.0%	121
Kotak Investments	1.8x TTM BV	100.0%	37
Kotak Gen. Ins	Recent Deal	30.0%	12
Kotak Capital	15x TTM EPS	100.0%	26
Kotak Infrastructure Debt Fund	1x TTM BV	100.0%	3
International subsidiaries	1x TTM BV	100.0%	12
Kotak Alternate Asset Managers	1x TTM BV	100.0%	7
BSS Microfinance	1x TTM BV	100.0%	7
Other Entities	1x TTM BV	100.0%	1
Holding co. discount (%)			15%
<b>Value of subs (INR per share)</b>			<b>598</b>
<b>Value of total (INR per share)</b>			<b>2,550</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: Financial summary**

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Net interest income	259,932	283,418	306,258	351,866	398,281
Pre-provisioning operating profit	195,875	245,265	226,925	264,542	304,499
PAT	137,816	164,501	141,618	172,727	196,944
EPS (Rs)	69	83	71	87	99
BV (Rs)	487	590	666	750	846
P/E (x)	31.5	26.4	30.7	25.2	22.1
P/BV (x)	4.5	3.7	3.3	2.9	2.6
GNPAs (%)	1.4	1.4	1.4	1.4	1.4
NNPAs (%)	0.3	0.3	0.3	0.3	0.3
RoA (%)	2.5	2.5	1.9	2.1	2.1
RoE (%)	15.3	15.4	11.3	12.3	12.4

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Actual performance versus our estimates**

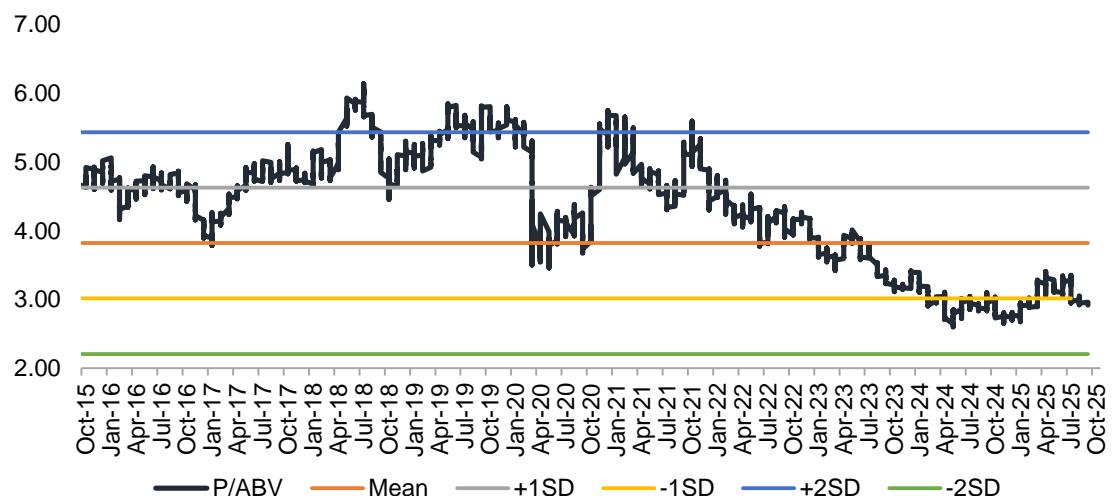
	2QFY26	2QFY26E	Deviation	BBG Consensus	Dev.
NII	72,593	70,950	2.3	73,572	(1.3)
PPoP	55,637	55,896	(0.5)	53,961	3.1
PAT	32,817	35,987	(8.8)	33,265	(1.3)

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Change in our estimates**

	Revised Estimate			Earlier Estimate			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest Income (Rsmn)	306,258	351,866	398,281	298,310	343,655	392,010	2.7	2.4	1.6
NIMs (%)	4.32	4.43	4.41	4.22	4.34	4.35	11 bps	10 bps	6 bps
Operating Profit (Rsmn)	226,925	264,542	304,499	226,996	266,775	307,428	(0.0)	(0.8)	(1.0)
Profit after tax (Rsmn)	141,618	172,727	196,944	142,647	174,366	199,149	(0.7)	(0.9)	(1.1)
Loan Book (Rsbn)	4,885	5,578	6,369	4,883	5,576	6,368	0.0	0.0	0.0
ABVPS (Rs)	664	748	844	672	757	854	(1.2)	(1.2)	(1.2)

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: One-year forward P/ABV**


Source: Company, Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 13: Income statement

Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	457,989	529,197	557,410	632,254	732,815
Interest expense	198,057	245,780	251,152	280,387	334,534
<b>Net interest income</b>	<b>259,932</b>	<b>283,418</b>	<b>306,258</b>	<b>351,866</b>	<b>398,281</b>
Non-interest income	102,731	149,611	122,642	139,026	157,894
<b>Net Revenue</b>	<b>362,663</b>	<b>433,029</b>	<b>428,899</b>	<b>490,893</b>	<b>556,175</b>
Operating Expense	166,788	187,764	201,975	226,351	251,676
-Employee Exp	68,926	79,183	84,788	94,194	102,535
-Other Exp	97,862	108,581	117,187	132,157	149,141
<b>Operating profit</b>	<b>195,875</b>	<b>245,265</b>	<b>226,925</b>	<b>264,542</b>	<b>304,499</b>
Provisions	15,737	29,424	40,565	36,697	41,908
Exceptional Items	-	35,199	-	-	-
<b>PBT</b>	<b>180,137</b>	<b>251,040</b>	<b>186,359</b>	<b>227,845</b>	<b>262,592</b>
Taxes	42,321	51,340	44,741	55,117	65,648
<b>PAT</b>	<b>137,816</b>	<b>164,501</b>	<b>141,618</b>	<b>172,727</b>	<b>196,944</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 15: Key ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>					
NII growth	20.6	9.0	8.1	14.9	13.2
Pre-provision profit growth	31.9	25.2	-7.5	16.6	15.1
PAT growth	26.0	19.4	-13.9	22.0	14.0
<b>Business (%)</b>					
Deposit growth	23.6	11.2	14.0	14.2	14.2
Advance growth	17.6	13.5	14.4	14.2	14.2
CD	83.8	85.5	85.8	85.8	85.9
CASA	45.5	43.0	42.5	42.9	43.3
<b>Operating efficiency (%)</b>					
Cost/income	46.0	43.4	47.1	46.1	45.3
Cost-to-assets	3.1	2.9	2.8	2.8	2.7
<b>Spreads (%)</b>					
Yield on advances	10.2	10.1	9.4	9.4	9.5
Yield on investments	6.4	6.4	5.8	5.8	5.9
Cost of deposits	4.51	4.77	4.5	4.3	4.5
Yield on assets	8.7	8.4	7.9	8.0	8.1
Cost of funds	4.59	4.80	4.3	4.2	4.4
NIMs	4.9	4.5	4.3	4.4	4.4
<b>Capital adequacy (%)</b>					
Tier I	19.2	21.1	20.5	20.2	20.0
Tier II	1.3	1.1	0.9	0.8	0.7
Total CAR	20.5	22.2	21.4	21.0	20.7
<b>Asset Quality (%)</b>					
Gross NPA	1.39	1.42	1.4	1.4	1.4
Net NPA	0.34	0.31	0.3	0.3	0.3
PCR	75.9	78.1	77.4	78.3	78.8
Slippage	1.3	1.5	1.4	1.4	1.4
Credit cost	0.5	0.7	0.9	0.7	0.7
<b>Return (%)</b>					
ROE	15.3	15.4	11.3	12.3	12.4
ROA	2.5	2.5	1.9	2.1	2.1
RORWA	3.3	3.4	2.4	2.5	2.5
<b>Per share</b>					
EPS	69	83	71	87	99
BV	487	590	666	750	846
ABV	485	588	664	748	844
<b>Valuation</b>					
P/E	31.5	26.4	30.7	25.2	22.1
P/BV	4.5	3.7	3.3	2.9	2.6
P/ABV	4.5	3.7	3.3	2.9	2.6

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 14: Balance sheet

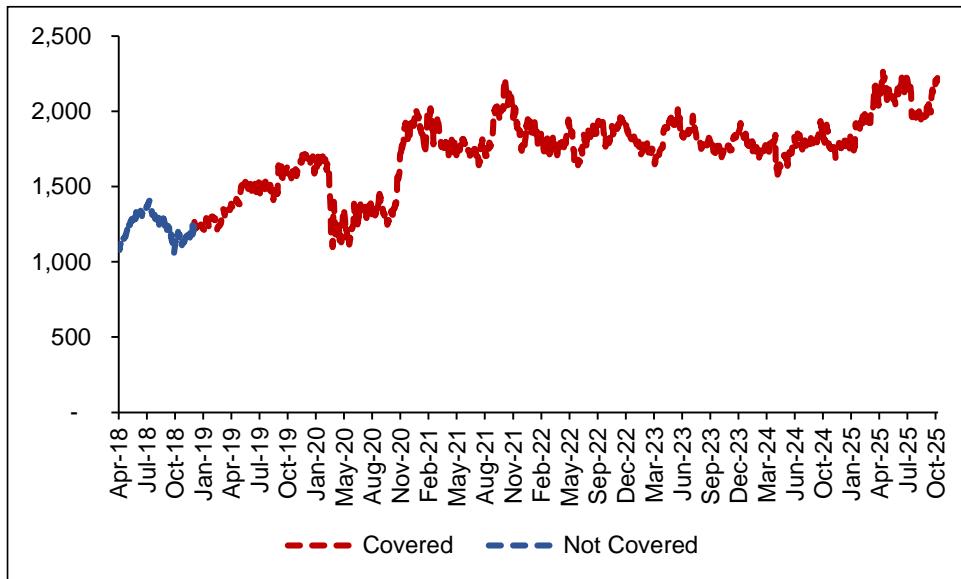
Y/E March (Rsmn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9,940	9,941	9,943	9,943	9,943
Reserves & Surplus	957,248	1,162,458	1,314,652	1,482,198	1,673,233
<b>Shareholder's Funds</b>	<b>967,188</b>	<b>1,172,399</b>	<b>1,324,595</b>	<b>1,492,141</b>	<b>1,683,176</b>
<b>Deposits</b>	<b>4,489,537</b>	<b>4,990,551</b>	<b>5,690,952</b>	<b>6,497,892</b>	<b>7,419,252</b>
Borrowings	283,681	484,428	528,995	577,662	630,807
Other liabilities	263,164	288,864	114,942	148,664	185,979
<b>Total liabilities</b>	<b>6,003,570</b>	<b>6,936,242</b>	<b>7,659,484</b>	<b>8,716,359</b>	<b>9,919,215</b>
Cash/Equivalent	527,884	657,792	535,884	611,868	698,628
<b>Advances</b>	<b>3,760,753</b>	<b>4,269,092</b>	<b>4,884,824</b>	<b>5,577,977</b>	<b>6,369,488</b>
Investments	1,554,038	1,819,074	2,005,817	2,264,238	2,555,615
Fixed Assets	21,553	23,589	24,808	25,815	26,863
Other assets	139,343	166,695	208,151	236,461	268,621
<b>Total assets</b>	<b>6,003,570</b>	<b>6,936,242</b>	<b>7,659,484</b>	<b>8,716,359</b>	<b>9,919,215</b>

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
13 December 2018	Buy	1,237	1,558
22 January 2019	Buy	1,267	1,559
8 April 2019	Buy	1,336	1,561
2 May 2019	Buy	1,387	1,638
8 July 2019	Buy	1,517	1,751
23 July 2019	Buy	1,454	1,676
7 October 2019	Buy	1,563	1,830
23 October 2019	Buy	1,629	1,905
4 December 2019	Accumulate	1,649	1,781
8 January 2020	Accumulate	1,655	1,781
21 January 2020	Accumulate	1,617	1,757
27 March 2020	Buy	1,390	1,658
9 April 2020	Buy	1,188	1,658
14 May 2020	Buy	1,186	1,463
9 July 2020	Buy	1,463	1,614
28 July 2020	Buy	1,322	1,578
23 September 2020	Buy	1,271	1,639
7 October 2020	Buy	1,338	1,633
27 October 2020	Buy	1,410	1,642
26 November 2020	Accumulate	1,862	1,840
08 January 2021	Accumulate	1,952	1,973
27 January 2021	Accumulate	1,795	1,910
21 February 2021	Accumulate	1,942	1,950
4 May 2021	Accumulate	1,724	1,926
27 July 2021	Accumulate	1,739	1,922
26 September 2021	Accumulate	2,028	2,048
27 October 2021	Accumulate	2,210	2,115
30 January 2022	Accumulate	1,891	2,115
21 February 2022	Buy	1,842	2,240
05 May 2022	Buy	1,776	2,134
24 July 2022	Buy	1,826	2,117
19 September 2022	Buy	1,930	2,281
24 October 2022	Buy	1,902	2,289
22 January 2023	Buy	1,763	2,121
22 March 2023	Buy	1,705	2,077
30 April 2023	Buy	1,933	2,243
24 July 2023	Buy	1,971	2,372
22 October 2023	Buy	1,770	2,247
23 January 2024	Hold	1,806	2,057
21 February 2024	Hold	1,763	1,909
05 May 2024	Buy	1,547	1,923
08 June 2024	Hold	1,754	1,923
07 July 2024	Hold	1,853	1,975
22 July 2024	Hold	1,822	2,036
10 October 2024	Hold	1,804	2,048
20 October 2024	Hold	1,870	2,045
06 December 2024	Hold	1,777	1,976
10 January 2025	Hold	1,756	1,956
19 January 2025	Buy	1,759	2,077
9 April 2025	Buy	2,055	2,345
4 May 2025	Hold	2,185	2,372
27 July 2025	Buy	2,125	2,515
10 October 2025	Buy	2,145	2,551
26 October 2025	Buy	2,187	2,550

Coverage was transferred to Rati J Pandit with effect from July 23, 2023

**Rating track graph**

## DISCLOSURES

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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