Kotak Mahindra Bank

24 January 2026

Operator: Ladies and gentlemen, good day and welcome to the Kotak Mahindra Bank Q3 FY26 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashok Vaswani, Managing Director and CEO of Kotak Mahindra Bank. Thank you and over to you, sir.

Management: Thank you. Thank you so much, Operator. Good evening, everyone, and thank you for joining us. Before I begin, let me welcome Anup Saha, our new Whole-Time Director designate. Anup brings over three decades of vast experience and domain expertise across many fields including retail finance, analytics, risk, collections, and financial service operations. He will oversee our consumer bank, data analytics, and marketing verticals. His addition strengthens our leadership team and accelerates our ability to execute at scale.

Moving on to today's agenda, I will make some opening remarks. Devang will cover the numbers in detail, Pranav the deposit franchise, Umesh consumer assets, Manish commercial banking, Paritosh wholesale banking and institutional businesses, and finally, Jadik will update you on our subsidiaries.

Let me first talk a little bit about the macroeconomic environment. The global landscape has become more volatile. Geopolitical tensions, trade and tariff uncertainties have weighed on global investor confidence. While there seems to be a high level of confidence to get a trade deal with the EU, the absence of a final trade agreement with the US continues to add to this uncertainty. We have seen unprecedented strengthening of gold and silver and outflows from India by FIIs to other markets that are perceived to be more attractive to foreign investors.

However, the Indian economy continues to demonstrate strong and stable growth. GDP growth continues to be resilient with a positive outlook. This is supported by several enabling actions like the RBI's repo rate cuts and GST rate rationalization. Q3 also saw an uptick in growth led by the usual festive demand. Rural India overall looks stable, supported by good monsoons. The rupee weakness has partly offset tariff impacts but has also affected foreign flows and liquidity. With respect to capital flows, while FIIs have been net sellers, domestic institutional investors have provided support with around 24 billion dollars in inflows in Q3 FY26, reinforcing the savers to investors trend. This is also evident in the strong IPO pipeline expected for calendar 2026.

In the banking sector specifically, system credit growth has been healthy, but the flows into commodities and capital markets are putting more pressure on low-cost deposits. There is enhanced volatility seen in the banking sector liquidity. While benchmark rates are reduced, longer-term treasury yields have gone up. Within this context, coming to Kotak, we remain focused on our strategy to scale responsibly. This discipline is reflected in our quarterly performance.

In the bank, net advances grew 16% year-over-year. This is in line with our stated philosophy of growing our advances in the range of 1.5-2 times nominal GDP growth. We have seen consistent growth of around 4% per quarter for the last three quarters of this financial year. Average deposits grew 15% year-over-year. We have been focusing on granular CASA growth. This is on the back of our focus segment strategy and I will come to that shortly.

We called out unsecured retail loans earlier. We said we would grow gradually and responsibly with the unsecured assets growing in absolute terms in the first instance, and that is exactly what we have done and we will continue to do so. The bank's NIM continues to be healthy at 4.54%, supported by our low cost of funds. Credit cost, as indicated previously, continued the downward trend supported by our updated underwriting models and enhanced collection efforts. Credit cards are down sequentially from 90 basis points in Q1 to 79 basis points in Q2 and now 63 basis points in Q3. Within this, we continue to watch the retail commercial vehicle segment carefully. Overall, we expect normalization of credit cost to continue, though at a more moderated pace.

Total operating expenses continue to remain under control as we drive productivity and efficiency. This quarter includes certain one-offs which Devang will cover in his comments. In the subsidiaries, this quarter our subsidiaries contributed 30% of consolidated profits, which grew 11% on a year-over-year basis. Jadik will take you through the details. At an overall level, the consolidated book value per share grew 15% year-over-year to 176 rupees on a post-stock split basis.

Stepping back, this was another quarter of solid progress against our stated strategy. Kotak is the most comprehensive financial conglomerate. We run the group through the bank and 19 wholly owned subsidiaries. This enables us to create holistic propositions for our chosen customer segments. In addition to this, we run tractor finance and CVCE as standalone product verticals. We have identified four focus segments: High Net Worth, Core India, SME, and Institutional clients.

For the high net worth segment, we have the private bank and Solitaire propositions. Our private bank has shown consistent good growth in AUMs across mutual funds, NDPMF, AIF, etc. Solitaire, our offering for the affluent, has worked well in growing CASA, SIPs, mutual funds, and driving card spend. In Core India, we have our 811 offering. After the embargo, we are back to acquiring a large number of customers every month. This has also contributed to the savings book growth. Our recently launched 811 Super is attracting the digitally savvy younger customer with a much better ticket size.

SME continues to be the backbone of Kotak. The total SME book grew 17% year-over-year to 1.16 lakh crores. On the institutional side, investment banking and alternate asset businesses had a very good quarter. Additionally, we continue to be leaders in tractor finance with a quarterly growth of 5% and year-over-year growth of 16%.

On the tech front, we are now further accelerating progress on automation and digitization of Kotak, improving customer service and enhancing efficiency. This covers the entire gamut of the customer life cycle and our various channels across sales offices, branches, call centers, and digital channels. These efforts have allowed us to grow the balance sheet without corresponding headcount growth. We have made significant progress on strengthening technology resilience and recalibrating credit risk. Our strategy is clear, execution is progressing well, and we are seeing good traction in customer acquisitions, deposit, and asset levels. The results are a reflection of our continued progress against the execution of our strategy of driving scale for relevance without diluting our DNA of risk prudence and profitability. With that, I will hand it over to Devang to walk through the numbers in detail.

Management: Thank you, Ashok. Good evening, friends, and wishing you all a Happy New Year. Let me start with the overall bank performance for Q3. This quarter saw all-round improvement in net interest income, fee income, as well as credit cost, combined with growth in granular low-cost deposits while maintaining credit growth. Operating cost saw some one-offs related to acquisition and volume-related costs. I will speak about that later.

The bank's balance sheet grew 15% on a year-over-year basis with net advances growing at 16% year-over-year. In the advances book, mortgage assets continue their growth trajectory with 18% year-over-year growth. Aggregate SME advances, which we manage from three separate verticals put together, grew at 17% on a year-over-year basis. We maintain our leadership position in the tractor finance business at 16% year-over-year growth. Absolute unsecured retail loan book shown gradual growth as we had indicated. We remain cautious in growing the retail commercial vehicle book while addressing the credit concerns.

On the deposit side, total deposits grew 15% year-over-year, supported by healthy growth in low-cost deposits, CASA, and fixed-rate savings both growing at 15% across customer segments. Even on average balances, we saw significant granular movement in low-cost deposits with average CASA growing 8% quarter-on-quarter and average fixed-rate savings growing 4% on a quarter-on-quarter basis. We also reduced our reliance on Libor-linked savings, which has helped us in getting a higher cost of fund benefit. The CASA ratio as of December 31 was 41.3%.

The bank's net worth is at 130,000 crores with an ROE for Q3 of 10.68%. Net worth increase in Q3 included about 2,000 crore unrealized gain on valuation of strategic investments in MCX and NSE. As you know, we have been accounting these post-tax gains under AFS reserve and we are not taking it through the profit and loss account. ROE for Q3 computed on net worth excluding this cumulative AFS reserve from the strategic investment is 11.29%. Further adjusting for the excess equity at 15% capital adequacy, our ROE is closer to 14%. At the bank standalone level, the capital adequacy is very healthy at 22.6%, of which CET1 is 21.5%.

Coming to the income statement, the bank ended the quarter with a PAT of 3,400 crores. Q3 includes high cost on account of new labor code related provisions which at the bank standalone is 96 crore pre-tax. Adjusting for this, profit grew 8% on a quarter-on-quarter basis. NIM for the quarter remained at 4.5%, same as last quarter, despite a 50 basis points repo rate cut in June. During the quarter, we also saw higher short-term liquidity which was deployed in treasury assets. If we exclude those short-term earning assets, our NIM improved to 4.58%, up 4 basis points within the quarter.

Cost of funds reduced by 16 basis points during Q3 to 4.54%, driven by low-cost deposits and repricing of maturing term deposits. If I look at the cost of fund trajectory, it was 5.01% in Q1, reduced to 4.7% in Q2, and is now down to 4.54%. Fee income saw a healthy growth of 6% quarter-on-quarter, contributed mainly by FX, debt capital, and distribution income. Credit card fee growth continues to remain muted. Employee cost of the bank is 2,200 crores for Q3, which includes the 96 crore provision for the new labor code. Further, there was a saving in retirement cost during Q2 which was normalized during Q3. There is an effect of this movement which has impacted the cost. Actual payroll cost, the CTC cost of all staff, remains flat on a quarter-on-quarter basis.

Other operating expenditure of the bank is 2,700 crores for Q3, which is up 5% quarter-on-quarter. This includes marketing spend during the festive period and brand promotions. Further, this quarter saw a significant seasonal increase in tractor finance disbursements, resulting in higher upfront brokerage costs. There was also increased acquisition in 811 products which increased volume-related costs. The cost-to-income ratio, without considering the labor code impact, is at 47.4%. Asset quality parameters across all parameters improved significantly during Q3 on expected lines.

Gross NPA is at 1.3% versus 1.39% last quarter. Net NPA is 0.31% versus 0.32% last quarter, with a provision coverage ratio now at 76%. Credit cost for Q3 reduced to 63 basis points, down 16 basis points quarter-on-quarter from 79 basis points. While delinquencies in unsecured retail business are showing improvement, we remain cautious on the retail commercial vehicle segment. Slippages for Q3 were 1,600 crores, which includes 257 crores that got upgraded within the same quarter. The slippage ratio improved to 1.34% from 1.41% in Q2.

Regarding consolidated performance of group companies, capital market subsidiaries showed growth with increased volume and improved market share. Our AMC business, including the trusteeship company, continues to perform well. The insurance business, which was impacted by GST regulation changes in Q2, has normalized. Consolidated customer assets are at 5,98,000 crores and AUM managed by the group is 7,87,000 crores, both growing at 15% year-over-year. Q3 FY26 consolidated PAT is 4,900 crores, up 10% from 4,400 crores. This profit is after the labor code impact of 128 crores pre-tax at the group level. ROE at the consolidated level is 11.39% and ROA for Q3 is 2.10%. The consolidated net worth of the group is now 1,75,000 crores. Capital adequacy remains strong at the group level at 23.3% with CET1 at 22.4%. The book value per share is 176, grown by 15% year-over-year. I now hand over to Pranav for the highlights of the deposit franchise.

Management: Thank you. I will take you through the underlying strategy of the bank's deposit franchise. Our strategy focuses on three levers: consumption-led, investment-led, and asset-led growth in a cost-effective manner. Customers expect real-time frictionless engagement across every touchpoint. We are curating journeys to capture patterns across High Net Worth, mass affluent, and Core India.

First, we have a consumption-first mindset, leveraging spending patterns to create banking opportunities. Second, we are tapping the shift from savers to investors via SIPs, Demats, and trading accounts to build granular CASA. Third, we are building a banking ecosystem around customers with asset relationships by offering liabilities products.

On current accounts, our average balances grew by 14% year-over-year this quarter. Our focus on the self-employed customer base continued to show momentum in new acquisitions. Furthermore, the focus on collection and payment flows drove the growth in throughput. On savings accounts, our average fixed-rate savings balances grew 12% year-over-year. Kotak Solitaire, launched in Quarter 1, is designed for the affluent and we have observed an uplift in new affluent customers with an increase in relationship value driven by deposits and investments.

Kotak 811 continues to accelerate digital customer acquisition at scale. The Kotak 811 Super savings account is a first-of-its-kind proposition based on cash flows, not average monthly balances, offering 5% cashback on debit card spends. Term deposits grew by 17% year-over-year and 4% quarter-on-quarter. Our distribution strategy leverages physical, digital, and virtual channels to enhance efficiency. I now hand over to Umesh for consumer assets.

Management: Thank you. Demand in consumer assets remains favorable. Our customer asset portfolio delivered 16% growth year-over-year and 4% growth sequentially, led by the MSME segment. Mortgages, comprising home loans and loan against property, grew 18% year-over-year and 5% quarter-on-quarter. Our focus on positioning home loans as an anchor product for the affluent segment continues to drive traction and cross-sell. Loan against property segment, serving MSME customers, shows strong momentum supported by healthy demand and disciplined underwriting.

In business banking, there is sustained demand for working capital driven by consumption trends. Our secured business banking portfolio recorded strong growth of 21% year-over-year and 5% quarter-on-quarter. Disbursements in personal loans stayed strong, led by the salaried segment and digital lending journeys. The personal loan portfolio acquired from Standard Chartered last year is performing better than expected, although the rundown has been quicker this quarter.

For credit cards, our new Solitaire credit card continues to gain traction in the high net worth segment. GST cuts and the festive season improved customer spends. Delinquency in the overall unsecured portfolio has improved with better flow rates and collection efficiencies. We continue to leverage analytics and machine learning for risk management. I now hand over to Manish for the commercial banking business.

Management: Thank you, Umesh. The commercial vehicle industry saw a sales growth of 22% year-over-year on account of growth across small commercial vehicles, primarily due to GST reduction and price hikes. We continue to maintain our market position. We witness some stress in the retail CV segment, so we have tightened underwriting and reduced disbursements to this segment. Construction equipment sales saw negative growth of 14% year-over-year, impacted by slower infrastructure activity and extended monsoons. Small contractors and first-time users are navigating tighter liquidity.

The tractor industry saw 22% year-over-year growth in Q3 due to favorable rural sentiment and GST cuts. Our disbursements grew in line with the industry, helping us maintain our leadership. Microfinance has started degrowing quarter-on-quarter. Our retail microcredit book remained flat. We expect disbursements to gradually improve from this quarter. Finally, the Agri SME book saw a year-over-year growth of 12% and quarter-on-quarter growth of 8% supported by working capital utilization. I now hand over to Paritosh for wholesale banking.

Management: Thank you, Manish. Our wholesale banking assets along with credit substitutes grew at 17% year-over-year and 3% quarter-on-quarter. SME advances grew at 26% year-over-year and 7% quarter-on-quarter. SME remains a core strategic pillar, and we are digitizing customer journeys to improve productivity. Pricing continues to be a challenge in the larger corporate space, especially in project finance. We focus more on flow-based businesses and profitability through cross-sell.

Overall, transactional throughput has grown well, complemented by capital market transactions. Our unified corporate portal, Finn, is seeing good adoption. This quarter we managed 11 IPOs and 3 QIPs, raising approximately 74,000 crores. In advisory, the investment bank advised on five transactions with a cumulative value of 26,000 crores. Overall, the wholesale banking and institutional businesses remain in good health. I now hand over to Jadik for the subsidiaries.

Management: Thank you. In Q3 FY26, our subsidiaries reported a profit of 1,453 crores, up 11% year-over-year. Subsidiaries contributed 30% of consolidated profits. Kotak Mahindra Prime delivered PAT growth of 16% year-over-year. Kotak Securities saw its overall market share increase to 13.5%. Kotak AMC saw a growth of 31% year-over-year, with domestic mutual fund AUM increasing to 5,86,610 crores. Kotak Alternative Asset Managers is one of the largest domestic managers with 11.08 billion US dollars raised since inception. For life insurance, individual premium grew 18.7% year-over-year. In conclusion, our unique strength lies in our breadth, manufacturing every major financial product and retaining alignment within the group. We will now begin the Q&A; session.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one. Our first question comes from the line of Kunal Shah from City Group. Please go ahead.

Kunal Shah - City Group: Hi, thanks for taking the question. Firstly, on the margin part, it was flat quarter-on-quarter. Last time you indicated gradual improvement from deposit repricing and the CRR benefit. What changed expectations? You mentioned 4 basis points impact from short-term liquidity in treasury, but apart from that, what is the outlook for Q4 and next year?

Management: Hi, Kunal. You are right. This quarter, the floating yield was impacted by the 50 basis points cut in June, the effect of which came in Q3 as expected. However, this was partially offset by the CRR rate cut and repricing of deposits where the cost of funds reduced to 4.54%. We saw lot of IPO-related short-term funds which were deployed in treasury assets, which are lower yielding. If we remove that effect, the NIM improvement is effectively 4.58%.

In Q4, we will have the impact of the 0.25% rate cut. Repricing of deposits obviously will continue in Q4 but at a lower pace. The CRR cut that happened during Q3 will have a full quarter benefit in Q4. Also, February has a lower number of days, creating an aberration that brings a kicker to the NIM. Assuming no further rate cuts in February, we expect a moderate increase in Q4. However, we are seeing some tightening in liquidity and term deposit rates hardening. We also expect to see growth in the unsecured business, which will impact margins.

Kunal Shah - City Group: That helps. My second question is regarding credit cost. Specific credit cost is down to 63 basis points. You indicated stress in retail CV, but are we comfortable elsewhere, like in PL, cards, and MFI? Where do we see the trajectory going?

Management: The reduction is on expected lines. Unsecured businesses like microfinance and personal loans have started decreasing their credit cost. Credit cards have plateaued. The primary reason for the reduction is the unsecured business credit cost coming down. On commercial vehicles, we are cautiously observing and hope it will plateau in Q4. Pre-COVID, our credit cost was around 0.4-0.45%. As we increase the unsecured mix, credit cost must higher than the historical average, but it brings higher returns. We expect credit cost to gradually go down further in Q4 and continue that trend in Q1.

Operator: Thank you. Our next question comes from the line of Rickin Shah from IIFL Capital. Please go ahead.

Rickin Shah – IIFL Capital: Hi, good evening. First, as you mentioned benefit from current account and capital markets, how much do you attribute to capital markets and how sticky are these deposits?

Management: In our wholesale business, we have a large number of financial segment customers like private equity and mutual funds. While there is some deal-related volatility, one or the other customer consistently provides this current account balance, so it is sustainable overall. Furthermore, consumer current accounts and SME current accounts are growing granularly.

Rickin Shah – IIFL Capital: Second, on savings deposits, peers see rundowns in institutional savings. What is the quantum for Kotak and your outlook?

Management: We focus on granularity. We are consciously running down Libor-indexed savings. The fixed-rate savings are built with a retail focus, especially through the 811 engine, which provides smaller ticket size but high granularity and sustainability.

Rickin Shah – IIFL Capital: Lastly, on the cost of deposits, how would that look? How much term deposit repricing is remaining?

Management: The cost of fund benefit reduced to 16 basis points in Q2 and now down further. As repricing completes, it will go down further. Term deposit average maturity is 9-12 months, so we expect repricing to be completed by Q1 of the next financial year.

Operator: Thank you. Our next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka – HSBC: Good evening. What is holding you back in card issuances and spends?

Management: We have completely revamped our proposition, right from Solitaire at the top end to cashback products. These are going out, and you will see growth in spend and AUM. We want to be cautious and avoid credit problems. Q3 was generally muted for cards across the industry. We will see spend go up first as we ramp up acquisition, then AUM will build over time.

Abhishek Murarka – HSBC: On OPEX and marketing spends, what is a sustainable run rate? Does cost growth lag loan growth significantly?

Management: We want cost to go up when we are acquiring new customers in 811, cards, and tractor loans. These are good costs. They are offset by our effort in automation and digitization to improve efficiency. While we don't give guidance on cost-to-income ratios, we are trying to drive that effective balance. Over a trend basis, we should see cost-to-assets coming down. It has already reduced from above 3% last year to the 2.5-2.7% range. We would like to maintain it in the range of 2.5-2.6%.

Operator: Thank you. Our next question is from Maruk Adajania from Nuwama. Please go ahead.

Maruk Adajania – Nuwama: Hi, what would be the likely impact on credit cost from ECL based on the draft circular? Also, can you clarify the rundown on the Standard Chartered PL portfolio?

Management: On ECL, based on the draft circular, the impact is less than 2% of post-tax net worth. We have significantly higher net worth than required, so it is not a significant impact. Regarding the Standard Chartered portfolio, the residual portion is less than 1,500 crores, approximately 20% of what it was, and it will run down over the next two quarters.

Operator: Thank you. Our next question comes from Pranab Engineer from CLSA. Please go ahead.

Pranab Engineer – CLSA: Hi, is the current account growth due to capital markets or structural changes?

Management: It is not by chance. It is a focus on granular current accounts, acquisitions of private limited companies and proprietorships, and building CMS capabilities for corporate customers. We have driven changes through our branch network, focusing on affluent catchments and automating payment flows.

Pranab Engineer – CLSA: On Agri finance, why has it been unchanged at 25,000 crores?

Management: This is the Agri SME value chain—traders and processors—not KCC. We pivoted this strategy over the last couple of years and numbers have started inching up over the last three quarters.

Operator: Thank you. Our next question comes from Suraj Das from Sundaram Mutual Fund. Please go ahead.

Suraj Das – Sundaram Mutual Fund: You slowed down card acquisition through the 811 channel. Has that reopened? Also, regarding the IDBI deal, what are your comments?

Management: For 811, we previousy experimented with card products, and some did not work well. We are now selling them in a more refined way with advanced risk models and capped exposures. Regarding IDBI, we look at three criteria: strategic add, valuation, and integration feasibility. Scale for us is about relevance, not just size. We way the management bandwidth required for integration against our transformation goals like AI and customer centricity.

Operator: Thank you. Our next question is from Jay Mundra from ICICI Securities. Please go ahead.

Jay Mundra – ICICI Securities: Absolute slippages are stable, but you mentioned improvements in PL and cards. Which piece is rising to keep slippages stable?

Management: If you look at fresh slippages upgraded within the same quarter, it is 257 crores. If you exclude the upgraded portion, the absolute number has come down by about 100 crores quarter-on-quarter. The remaining slippages are coming from commercial vehicles and some rural-related advances.

Jay Mundra – ICICI Securities: How does "One Kotak" impact core fee income, given it hasn't grown as fast as loans?

Management: Fee income includes FX, DCM, insurance, and mutual fund distribution. We saw green shoots with 6% quarter-on-quarter growth. This is a beginning, and we expect to grow this progressively as we leverage the bank to sell subsidiary products and vice versa.

Operator: Thank you. Our next question is from Chintan from Autonomous. Please go ahead.

Chintan – Autonomous: You mentioned rates are tightening. Do the RBI measures not help ease this?

Management: My comment was based on initial liquidity data in January where term deposit rates quoted by banks actually inched up. If RBI measures ease this out, it will reflect later, but the current experience shows tightening.

Chintan – Autonomous: Could you provide the yield on advances and cost of deposits in the next quarter?

Management: We will consider your request.

Operator: Thank you. Ladies and gentlemen, that was the last question. I hand the conference over to Mr. Ashok Vaswani for closing comments.

Management: Thank you so much. Thanks, everybody, for joining us on a Saturday evening. I look forward to seeing you all again in approximately 90 days. Thank you so much. Goodbye.

Operator: On behalf of Kotak Mahindra Bank, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.