June 05, 2026

Kotak Mahindra Bank Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Infrastructure bonds	10,888.00	10,888.00	[ICRA]AAA (Stable); reaffirmed
Infrastructure bonds	150.00	0.00	[ICRA]AAA (Stable); reaffirmed and withdrawn
Total	**11,038.00**	**10,888.00**	

Instrument details are provided in Annexure II

Rationale

The rating continues to factor in Kotak Mahindra Bank Limited's (KMBL) strong capitalisation levels with the standalone common equity tier I (CET I) ratio and the capital-to-risk weighted assets ratio (CRAR) at 21.3% and 22.4%, respectively, as on March 31, 2026, supported by healthy internal capital accretion. The one-time impact of transitioning to the expected credit loss (ECL) guidelines is expected to be limited and would be comfortable, given the bank's strong capital cushions. KMBL reported healthy deposit growth, supported by its strong current account franchise. ICRA expects moderation in net interest margins (NIMs) in the near term given the persisting challenges faced by the sector in raising deposits at finer rates, as reflected in the recent rate hikes for deposits of various tenors by some banks including KMBL, which shall result in a slight uptick in the cost of funds. Its continued ability to raise deposits at competitive costs would remain important for maintaining healthy margins and core profitability. Apart from pressure on interest margins, the bank's profitability moderated in FY2026 due to a decline in fee income because of lower contribution from reduced credit card issuances and unsecured loans disbursements. However, the overall profitability was supported by lower operating expenses and steady credit costs.

KMBL's gross non-performing advances (GNPAs) improved in FY2026 due to the moderation in the fresh NPA generation rate. The elevated stress observed earlier in the microfinance and unsecured retail segments has started to stabilise. However, the ability to control fresh slippages, in the backdrop of the emerging risks arising out of the increasing uncertainties from the West Asia conflict and ongoing supply constraints, would remain monitorable for the asset quality. Going ahead, ICRA expects credit costs to increase, though the same would remain comfortable in relation to the operating profit.

The Stable outlook on the rating factors in the expectation that the bank will continue to maintain a steady credit profile, deriving strength from its established retail franchise, while keeping the solvency (net NPAs (NNPAs)/core equity), return on assets (RoA) and capital cushions better than the negative triggers.

ICRA has reaffirmed and withdrawn the rating outstanding on KMBL's matured infrastructure bonds, amounting to Rs. 150.00 crore, as these have been fully redeemed with no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on withdrawal (click here for the policy).

Key rating drivers and their description

Credit strengths

Strong capitalisation supported by healthy internal capital generation – KMBL's standalone capital adequacy ratio remains strong with the CET I at 21.3% and CRAR at 22.4% as on March 31, 2026. KMBL has continued to maintain healthy capital accretion, though it reduced slightly in FY2026 due to the pressure on margins and lower non-interest income. The bank has guided towards an impact of ~2% of its net worth upon transition to the ECL framework from April 1, 2027. In ICRA's view, KMBL's capital position, coupled with healthy internal accruals, provides it with a strong buffer to support growth. However, any inorganic growth-driven capital consumption will remain monitorable.

At the Group level, the bank has subsidiaries[1] in the insurance, asset management and broking businesses. KMBL's capitalisation remains strong on a consolidated basis as well with a CET I ratio of 22.1% as on March 31, 2026. The subsidiaries are self-sufficient, in terms of capital requirement, and any capital support to them is expected to remain manageable in relation to the bank's overall profit and capital.

Strong deposit base – KMBL's deposit base expanded by 14.7% as on March 31, 2026 (11.2% as on March 31, 2025) to Rs. 5.72 lakh crore (Rs. 4.99 lakh crore as on March 31, 2025), driven by the growth in current accounts followed by the rise in term deposits. The overall share of current account and savings account (CASA) deposits remained healthy at 43.3% as on March 31, 2026 (43.0% as on March 31, 2025). As KMBL's robust asset growth sustains, its high CASA base would help it maintain a competitive cost of funds compared to peers. The overall granularity of the deposit base remains satisfactory with CASA and term deposits (<Rs. 5 crore) accounting for 77% of the overall deposits as on March 31, 2026 compared to 78% as on March 31, 2025. The cost of average borrowed funds was competitive at 4.60% compared to 5.30% for private sector banks in 9M FY2026.

Profitability expected to remain strong despite expected pressure on margins – KMBL's net interest margin [NIM; as a percentage of average total assets (ATA)] moderated to 4.1% in FY2026 from 4.4% in FY2025 as the yields on advances declined at a faster pace than deposit repricing. Non-interest income (excluding trading gains/losses) also decreased to 1.6% of ATA in FY2026 from 1.7%[2] in FY2025 on account of lower fees from credit card issuances and unsecured loan disbursements. Operating costs remained under control due to efficiencies from automation and digitisation. The bank's operating profitability (excluding trading gains/losses) moderated in FY2026.

Additionally, credit costs increased slightly to 0.47% of ATA in FY2026 from 0.45% in FY2025 on account of the elevated stress in the microfinance institution (MFI) and unsecured segments. However, it improved significantly over the course of the year, declining on a quarter-on-quarter (QoQ) basis in Q4 FY2026.

The RoA declined to 1.90% in FY2026 from 2.1%[3] (excluding one-time gains) in FY2025 on account of the moderation in NIMs and net operating income (NOI), though it was supported by steady credit costs. NIMs and operating profitability are likely to remain under pressure in FY2027 amid persisting challenges in raising deposits. Despite a moderation, ICRA expects the bank's profitability levels to remain strong.

Credit challenges

Asset quality remains monitorable – With the improvement in the operating environment post the Covid-19 pandemic, the gross fresh NPA generation rate witnessed a relative moderation to 1.5% and 1.6% of standard advances in FY2023 and FY2024, respectively, from 2.0-2.5% in FY2022 and FY2021. Thereafter, it increased marginally to 1.7% in FY2025 on account of the stress in unsecured loans. Nonetheless, it declined again to 1.4% in FY2026 as the earlier stress observed in retail unsecured products started to stabilise. The improvement was attributed to strict underwriting and stronger collection efficiency in retail granular segments. ICRA expects the slippage rate to increase slightly but to remain range-bound in the near term, which shall result in steady headline asset quality metrics. The higher write-off of unsecured loans also helped contain the increase in GNPAs in FY2026. The overall overdue book (special mention accounts (SMA)-2) for larger exposures (>Rs. 5 crore) and the standard restructured book remained negligible as on March 31, 2026.

[1] *On March 24, 2026, in compliance with the provisions of the Reserve Bank of India (RBI), the business activities of Kotak Mahindra Investments Limited (KMIL), a wholly-owned subsidiary of KMBL, will be conducted departmentally within the Bank on and from April 1, 2026.*
[2] *Including the capital gain from stake sale of Zurich Kotak General Insurance (ZKG)I, non-interest income stood at 2.3% of ATA in FY2025*
[3] *Including the capital gain from stake sale of ZKGI, RoA stood at 2.5% of ATA in FY2025*

The share of the unsecured retail segment, as a percentage of net advances, declined to 8.9% as of March 2026 from 10.5% as of March 2025 on account of the moderate growth in the credit card segment, personal loans and consumer durables. KMBL's ability to sustain the asset quality and credit costs, in the backdrop of the emerging risks due to the ongoing West Asia war, would remain monitorable. Nevertheless, ICRA expects the healthy operating profitability and capital cushions to provide comfort with the solvency level likely to remain strong.

Environmental and social risks

While banks like KMBL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such risk is not material for KMBL as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure as seen in the case of other banks in the recent past. Banks including KMBL also remain exposed to fraud risks, especially at the branch level, as has been seen in the past few months wherein some banks including KMBL witnessed misappropriation of customers deposits in one of their branches.

Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce operating costs. KMBL has been making the requisite investments to enhance its digital interface with its customers. Based on its satisfaction with the actions taken by the bank, the Reserve Bank of India (RBI) lifted its embargo on KMBL's digital onboarding and issuance of new credit cards in April 2025. While KMBL contributes to promoting financial inclusion by lending to underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers. Though some pressure was witnessed in the past few quarters, in line with the industry, the bank's business practices continue to evolve and its overall asset quality remains comfortable.

Liquidity position: Strong

KMBL's (consolidated Group level) daily average liquidity coverage ratio (LCR) stood at 134.4% in Q4 FY2026, which was well above the regulatory requirement of 100%. On a standalone basis also, its LCR exceeded 120% in Q4 FY2026. Similarly, the net stable funding ratio (NSFR) stood at 116.5%, which was higher than the regulatory ask of 100%. Besides this, the bank has excess statutory liquidity ratio (SLR) holdings above the regulatory level, which can be utilised to avail liquidity support from the RBI (through repo), apart from the RBI's marginal standing facility in case of urgent liquidity requirement.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise if there is a deterioration in the asset quality or capital position, leading to the weakening of the solvency profile with NNPA/core equity exceeding 15% on a continued basis. Further, a sustained RoA of less than 1.0% and/or a decline in the capital cushion over the regulatory level for CET I to less than 4% on a continued basis will remain negative triggers. Material weakening in the bank's liability franchise, thereby impacting its resource profile, will also be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the rating, ICRA has considered the standalone financials of KMBL. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiaries. In ICRA's view, KMBL's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near-to-medium term and the bank will continue to meet the regulatory capital requirements comfortably at the consolidated level.

About the company

KMBL is the flagship company of the Kotak Group. It commenced operations in 1986 as a bill discounting and leasing non-banking financial company (NBFC), Kotak Mahindra Finance Limited, which was converted into a bank in 2003. Effective April 1, 2015, ING Vysya Bank merged with KMBL. As on March 31, 2026, KMBL had a network of 2,276 branches (excluding GIFT and DIFC) and its net advances stood at Rs. 4,96,009 crore. It reported a profit after tax (PAT) of Rs. 14,008 crore in FY2026 against Rs. 16,450 crore in FY2025.

The Kotak Group is one of India's leading full services financial conglomerates with a significant presence in the securities and investment banking space. The Group is currently growing its banking, asset management and insurance businesses. It derives synergies from its various platforms, given their presence across the financial spectrum. Other than KMBL, the key subsidiaries of the Kotak Group include Kotak Mahindra Prime Limited (car financing; rated [ICRA]AAA (Stable)/[ICRA]A1+), Kotak Securities Limited (retail and institutional broking and portfolio management services; rated [ICRA]AAA (Stable)/[ICRA]A1+), Kotak Mahindra Investments Limited (commercial real estate lending and securities-based lending; rated [ICRA]AAA (Stable)/[ICRA]A1+), Kotak Mahindra Capital Company Limited (investment banking), Kotak Mahindra Life Insurance Company Limited (life insurance), and Kotak Mahindra Asset Management Company Limited (asset management business; rated [ICRA]A1+ for bank facilities for managing redemption of Kotak Mahindra Mutual Fund's schemes). On a consolidated basis, the Kotak Group reported a PAT of Rs. 19,288 crore (Rs. 19,103 crore excluding gains of Rs. 185 crore on sale of stake in Infina Finance Private Limited) in FY2026 compared to Rs. 22,126 crore (Rs. 19,113 crore excluding gains of Rs. 3,013 crore on sale of stake in Zurich Kotak General Insurance Company (India) Limited) in FY2025.

Key financial indicators (standalone)

Kotak Mahindra Bank Limited	FY2025	FY2026
Total income*	43,027	41,515
Profit after tax	16,450^	14,008
Total assets (Rs. lakh crore)	6.94	7.83
CET I	21.1%	21.3%
CRAR	22.2%	22.4%
PAT / ATA	2.5%^	1.9%
Gross NPAs	1.4%	1.2%
Net NPAs	0.3%	0.25%

Source: KMBL, ICRA Research; All calculations and ratios as per ICRA's calculations, including those in the table above
**Total income = Net interest income + Non-interest income; ^Including one-time gain on ZKGI divestment – excluding this, PAT would have been Rs. 13,720 crore; Amount in Rs. crore unless mentioned otherwise*

Sensitivity Label : Public

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jun-05-26	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Infrastructure bonds	Long term	10,888	[ICRA]AAA (Stable)	Jun-05-25	[ICRA]AAA (Stable)	Jun-06-24	[ICRA]AAA (Stable)	Jun-20-23	[ICRA]AAA (Stable)
						May-03-24	[ICRA]AAA (Stable)		
Infrastructure bonds	Long term	150	[ICRA]AAA (Stable); withdrawn	Jun-05-25	[ICRA]AAA (Stable)	Jun-06-24	[ICRA]AAA (Stable)	Jun-20-23	[ICRA]AAA (Stable)
						May-03-24	[ICRA]AAA (Stable)		

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.
($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
(#)Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Infrastructure bonds	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE237A08940	**Infrastructure bonds**	Mar 28, 2019	8.25%	Apr 28, 2026	150	[ICRA]AAA (Stable);withdrawn
INE237A08957	**Infrastructure bonds**	Dec 01, 2022	7.63%	Dec 01, 2029	1,500	[ICRA]AAA (Stable)
INE237A08965	**Infrastructure bonds**	Mar 20, 2023	7.85%	Mar 20, 2030	300	[ICRA]AAA (Stable)
INE237A08973	**Infrastructure bonds**	Jun 23, 2023	7.55%	Jun 24, 2030	1,895	[ICRA]AAA (Stable)
INE237A08981	**Infrastructure bonds**	Feb 14, 2024	7.60%	Feb 14, 2031	1,000	[ICRA]AAA (Stable)
Unplaced	**Infrastructure bonds**	Yet to be placed	-	-	6,193	[ICRA]AAA (Stable)

Source: KMBL

Annexure III: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach*
Kotak Mahindra Prime Limited	100.00%	Full consolidation
Kotak Mahindra Investments Limited$	100.00%	Full consolidation
Kotak Securities Limited	100.00%	Full consolidation
Kotak Mahindra Capital Company Limited	100.00%	Full consolidation
Kotak Mahindra Life Insurance Company Limited	100.00%	Full consolidation
Kotak Mahindra Asset Management Company Limited	100.00%	Full consolidation
Kotak Mahindra Trustee Company Limited	100.00%	Full consolidation
Kotak Mahindra (International) Limited	100.00%	Full consolidation
Kotak Mahindra (UK) Limited	100.00%	Full consolidation
Kotak Mahindra INC	100.00%	Full consolidation
Kotak Alternate Asset Managers Limited (erstwhile known as Kotak Investment Advisors Limited)	100.00%	Full consolidation
Kotak Mahindra Trusteeship Services Limited	100.00%	Full consolidation
Kotak Infrastructure Debt Fund Limited	100.00%	Full consolidation
Kotak Mahindra Pension Fund Limited	100.00%	Full consolidation
Kotak Mahindra Financial Services Limited	100.00%	Full consolidation
Kotak Mahindra Asset Management (Singapore) PTE Limited	100.00%	Full consolidation
IVY Product Intermediaries Limited	100.00%	Full consolidation
BSS Sonata Microcredit (formerly known as BSS Microfinance Limited)^	100.00%	Full consolidation
Phoenix ARC Private Limited	49.90%	Full consolidation
Zurich Kotak General Insurance (India) Limited	30.00%	Full consolidation

*Source: KMBL; *This refers to the policy followed by ICRA while rating the bank and not the accounting policy followed by the bank*

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 – Consolidated Financial Statements and the investments in associates are accounted for under the equity method in accordance with Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements

$On March 24, 2026, in compliance with the provisions of the RBI, the business activities of Kotak Mahindra Investments Limited (KMIL), a wholly-owned subsidiary of KMBL, will be conducted departmentally within the Bank on and from April 1, 2026. Accordingly, KMIL shall not sanction any new loans from April 1, 2026 while continuing to service its existing facilities and honor its obligations under facility agreements executed on or before March 31, 2026

^W.e.f. October 11, 2025 Sonata Finance Private Limited merged with BSS Microfinance Limited

Sensitivity Label : Public

ANALYST CONTACTS

Mr. Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Mr. Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Mr. Sachin Sachdeva
+91 124 4545 307
sachin.sachdeva@icraindia.com

Ms. Nikita Garg
+91 22 6114 3465
nikita.garg@icraindia.com

Mr. Kuldeep Hange
+91 22 6114 3449
kuldeep.hange@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches