By Prakash Apte

Ladies and Gentlemen,

Financial Year 2020-21 was a year when safety and security became a top-of-the-mind phenomenon for countries, businesses and individuals alike. The world was not prepared for the kind of risks it faced and, as a result, priorities changed overnight with protecting families, lives and livelihoods, taking precedence.

The world has been forced to embrace a pace of change, effecting a seemingly instantaneous generational shift. Almost instantly, almost everyone is online; almost everything is digital. The rules of social engagement have been replaced overnight with new behavioural traits. The ways of life have been altered irreversibly.

The COVID-19 challenge this year

India had implemented a nationwide lockdown towards the end of March 2020 in response to the pandemic. This had strong repercussions for an already weak economy. The combined impact of demand compression and supply disruptions led to an unprecedented decline in fixed investment, private consumption and exports, with overall GDP contracting 24.4% in Q1FY21. With the gradual unlocking of the economy from May/June 2020, signs of stabilization appeared and real GDP growth recorded sequential upturn in Q2FY21 and regained positive growth in Q3FY21.

Given the sharp meltdown in economic activity during H1FY21, with GDP contracting by 15.9%, H2FY21 sequentially picked up by 1.1%. FY 2021 GDP growth came in at (-) 7.3% (as against 4% in FY 2019-20), according to the National Statistical Office ("NSO").

The overall external position remains comfortable with the current account balance having turned into surplus owing to a sharper deceleration in import activity compared to exports. As per the official release, the current account surplus for FY 2020-21 was at 0.9%.

Meanwhile, the capital account surplus rose to 2.4% of GDP in FY 2020-21 on account of stronger foreign investment aided by the global accommodative policy stance. Portfolio investment recorded a net inflow of US$ 36 billion as against an inflow of US$ 1 billion in FY 2019-20. With FDI flows remaining buoyant at US$44 billion and RBI's aggressive intervention, India's FX reserves rose by US$ 103 billion to around US$ 579 billion at the end of FY 2020-21.

During the pandemic, while there was a rapid decline in demand, inflation readings hovered close to or above the RBI's upper limit of 6% for FY 2020-21 owing to non-monetary factors, such as supply disruptions in food, higher fuel prices, and increase in gold price. Overall, headline CPI inflation ranged between 4.1-7.6% and averaged 6.2% in FY 2020-21 as against 4.8% in FY 2019-20.

To revive the economy, the Government announced the Atmanirbhar Bharat Package to strengthen infrastructure logistics, capacity building, governance and administrative reforms. The ECLGS Scheme was introduced to give relief to businesses that needed support. Further, in order to boost domestic manufacturing, growth and employment and to cut-down on import bill, the government introduced the production-linked incentive (PLI) scheme that aims to give companies incentives on incremental sales from products manufactured in domestic units. The Government's push to domestic manufacturing through extension of the PLI scheme also complements its labour market reforms and corporate tax rates reduction announced earlier.

Although the uncertainty continues, we are confident of the economy recovering and emerging stronger

In these testing times, your Bank took steps to help, protect and provide relief to customers and employees. Entering the pandemic with a strong financial and technology foundation, gave your Bank the resources to support customers and employees.

Technology and Digitization

The banking and financial services industry is undergoing transformative changes powered by digitalization. COVID-19 has further accelerated digitization of banking with evolving customer expectations and changing behaviour experienced during the pandemic.

The pandemic has brought about years of change in the way your Bank does its business. Your Bank recognizes the importance of building technology capabilities focused on providing improved customer experience, increasing employee productivity, improving operational performance, capabilities for superior regulatory compliance and proactive risk management.

Your Bank has further accelerated the digitization in a variety of areas - Customer Experience and Digital Channels, Transactions and Payments, Productivity and Growth Initiatives, New Business Models, Future Ready-Technology and Capability Building.

Financials

For the year ended 31st March 2021, the Group's consolidated profit after tax was Rs. 9,990 crore, which was 16% higher than the previous year. At a standalone level, the Bank reported a profit after tax of Rs. 6,965 crore, an increase of 17% over the previous year.

The Bank's CASA ratio was at 60.4% as at March 31, 2021 as against 56.2% a year ago. A high CASA ratio has significantly contributed in lowering our cost of funds. The Bank's Gross NPA stood at 3.25% as at March 31, 2021 and the Net NPA, at 1.21%. The consolidated advances were Rs. 252,188 crore in FY 2020-21 as against Rs. 249,879 crore in FY 2019-20.

The Group's subsidiaries and associates have been an important driver of our consolidated results and they contributed over 30% to the Group's consolidated profit after tax for FY 2020-21, reflecting the diversity of our business model. All subsidiaries are 100% beneficially owned by the Bank, and many of these subsidiaries, including stock broking, investment banking, asset management and advisory, are low-capital and non-credit-risk taking businesses.

The second wave of COVID-19 led to an unprecedented increase in fatalities in the country and consequently, increase in the death claims being reported from May 2021. Due to increased claims and higher mortality related provisioning, Kotak Mahindra Life Insurance Company Limited (KLI), a subsidiary of the Bank, incurred a loss for the quarter ended June 30, 2021.

CSR and ESG

Your Bank continues its efforts to minimize the environmental impact of its operations by reducing waste and energy consumption in its operations. We are strengthening performance in all the relevant pillars of Environmental Social Governance, including human resources, customer service, financial inclusion, data integrity and privacy, energy conservation, waste reduction, governance standards and corporate social responsibility spending. I am happy to inform you that the Corporate Social Responsibility Expenditure for FY 2020-21 was Rs. 143.0 crore for the Bank standalone and Rs. 201.2 crore at a Group level.

Awards

I am happy to inform you that your Bank was recognized by Euromoney Private Banking and Wealth Management Survey 2021 as:

- Best Private Bank, India
- Best for Super Affluent Clients, India

Also, Great Place to Work® Institute has certified your Bank as a 'Great Place to Work' in 2021.

Apart from this, as in the past years, your Bank has won a number of significant awards for its excellence in Product & Banking Services and Information Technology.

Outlook for the Group

The Group believes that with sound risk management and a strong capital adequacy ratio, it is well positioned to capitalize on the growth opportunities offered by India of the future.

The Group aims to expand its market share in Indian financial services by increasing the customer base across the Group, and enhancing customer experience, which will lead to higher cross-selling of products, thereby contributing to the future growth and profitability.

The Group will actively seek inorganic growth opportunities in the Indian financial services space. This could be in businesses or assets that enables it to expand its market share and increase customer base.

With that, on behalf of Board of Directors, I would like to thank all the Central and State Governments, our customers, shareholders, regulators and other stakeholders for the continued trust and encouragement, sustained support and timely guidance that we have benefited from.

Thank you.