"Kotak Mahindra Bank Q1 FY18 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kotak Mahindra Bank Q1 FY18 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 the conference call, please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Uday Kotak. Thank you and over to you, sir.

Uday Kotak: Good evening friends and welcome to the first quarter results call. Happy to come back to you with a pretty steady and important quarter at the beginning of FY17-18. You would have the numbers, but on a big picture basis, consolidated profits grew by 26%and standalone by 23%. The bank loan growth is 18%, consolidated loan growth 19% and we have also made some progress on the credit substitute which when we add gives us loan growth close to 20%. I continue with a broad view that we should get to a loan growth of around 20% or hopefully better if the rest of the year sort of picks up.

The big continuing trend in the theme as I see is how the credit quality pans out which is the single most important issue in minds of people. We had a total credit cost of about 61 basis points last year and for the first quarter we had credit cost at about 57 basis points. I will continue with the broad guidance that our full year credit cost should trend down from last year's 61 basis points as our current view on the credit cost. Also, interestingly out of the 12 accounts which were taken into insolvency and bankruptcy, we had 4 accounts; all the 4 accounts were inherited by us from ING Vysya Bank at merger and therefore from a Kotak Mahindra Bank's point of view, I am happy to report that on a standalone basis, we had no exposure to any of the 12 accounts which have been taken to the IDC process.

Also vis-à-vis the RBI provisioning requirement for those accounts, our provisioning is significantly higher than the provisioning requirements and this takes me back to the subject of the merger diligence which we did at the time of announcement of the merger in 2014 and all these 4 accounts were not NPLs at the time of merger in April 2015, but in our diligence, we had actually identified these amongst many other accounts as potential stress and soft accounts and had given due weightage in our evaluation of the merger valuation. So I am happy to report to you that;

1) Kotak Mahindra Bank standalone did not have exposure to any of the 12 accounts.

2) These accounts though were not NPA at the time of merger, were identified by us as potential stress accounts which is something I think is important for you to know as we go forward.

The other big theme which I have talked about and I see as a continuing strength in the Indian financial system is growth of financial savings both in banking, but even more significantly in the nonbanking businesses. So, we are continuing to see very good growth in our asset management and life insurance businesses coming due to significant push to the financial saving story. The life insurance business of course had a good quarter for profitability, but on the asset management side as the acquisition of new customers and equity accounts grow in the short run, it does put pressure on P&L, but that is a good pressure on P&L because it is finally building a stronger business as we go into the future.

The next important point which I wanted to share with you is 811. We believe that811 has made very good progress in terms of the acquisition engine which we needed to significantly beef up and I am happy to report back to you as of end of June, the bank's total customer base which includes 811 regular customer acquisitions both liabilities and assets is now in excess of 9 million and we continue to drive the 811 account opening along with the rest of it to dramatically continue to increase the customer base.

As you are aware that with the launch of 811, we incurred marketing and related costs to 811 in the first quarter of April to June, Jaimin will take you through the numbers, but that has had some increase in our operating costs for this quarter and the consequent impact on the bank's standalone P&L. Therefore broadly as I think about it, I do believe that the three key themes are credit environment continuing to be something which has to be watched very carefully; however, we are continuing to get a reasonable loan growth probably more out of getting share and which we think we should be continuing as we go forward, so that is one broad view on credit growth and the environment with reference to recovery of credit.

The second big thing is the continuing theme of financial savings which is going strong and we are seeing traction not only in our businesses in the bank, but also in our subsidiaries in particular. I talked about asset management and life insurance, but additionally our securities businesses whose numbers are also with you, continues to flourish in this environment where significant flows of money are coming into equity market and lastly on the whole digital field, we continue to see traction and the speed at which we are acquiring customers is significantly higher than what we were doing last year.

At the same time on the overall strategic size, as you know we have completed our capital raise in the month of May and we continue to explore opportunities on both inorganic and organic side as we go into the future. With that, I will hand it over to Jaimin for further specifics and other aspects of the first quarter's performance.

Jaimin Bhatt: Thanks, Uday. Let me take you through the consolidated numbers for the quarter.

We closed this quarter with a post-tax profit of Rs. 1,347 crore which is a 26% higher than the same period last year. We end this period at the group level with a tier I capital adequacy of 18.8% and an overall number of 19.5%. Our total assets across the group now just shot up Rs.3 lakh crore at the balance sheet size with a net worth of Rs. 45,600 crore. The loans and advances at the group level of Rs. 1,75,000 crore which is a 19% rise over last year. NIM at the group level at 4.4% with net NPA at 1.07%.

As Uday mentioned, we did a QIP issuance in May earlier this quarter and we raised Rs. 5,803 crore through that issuance. This quarter, we had also announced the acquisition of 26%stake in Kotak Life held by Old Mutual. This transaction is awaiting regulatory approvals as we speak. We have received all the regulatory approvals with respect to acquiring the microfinance company called BSS Microfinance and we should be closing the transaction sometime this quarter.

Kotak Mahindra Prime has launched the consumer durables financing business. We have also had another subsidiary Kotak Infra Development Fund which has commenced operations and has started lending. Our Group Assets under Management, which is what we manage across the group have crossed Rs. 1,50,000 crore which is as against about Rs. 1,10,000 crore which we were managing about a year ago.

As I mentioned, the advances at the group level have grown by 19.4% and if I look at credit substitutes, the growth of customer assets is 20.6%. Growth has come across various areas. On year-on-year basis, the corporate book has grown by 23%, CVs and CEs by 35%, small business loans by 24% and the home loans with LAP have grown by 17%. This quarter again we have seen growth coming in from some of these sectors; corporate books, CVs, CEs, home loans and the small businesses and some slowdown in the agri division and the business banking segment.

As regards the profits of the various entities in the group, the bank clocked a post-tax profit of Rs. 913 crore for the quarter. Kotak Securities ended the quarter with Rs. 125 crore as against Rs. 60 crore profit for the same quarter last year. Kotak Prime brought in Rs. 132 crore as against Rs. 120 crore last year. And Old Mutual, the Kotak Life Insurance Company with Rs. 103 crore as against Rs. 71 crore last year.

Our Group Net Worth now is Rs. 45,632 crore . Apart from the bank, Prime at Rs. 4,300 crore; securities at Rs.3,100 crore and Kotak Life just below Rs. 2000 crore being the large contributors. Our book value therefore just shot up to Rs. 240 per share. At the standalone level, we closed the quarter with a profit of Rs. 913 crore as against Rs. 742 crore last year. Our net interest margin at 4.5%, loans at Rs. 1,42,000 crore which about 18% higher than last year. Capital adequacy of 19.7% overall and 18.9% at the tier I level. CASA at 44% with growth of savings account itself at 44% on a year-on-year basis.

Overall, if I look at the P&L, the net interest income has shown a 17% growth on a year-on-year basis. The other income has grown by 24%, a large part of the other income growth has also come from the fees and services which has seen growth on all aspects including third party transactions, mutual funds, insurance as well as business related activities, which contributes to the fees.

The operating cost as Uday talked about, we have incurred Rs. 63 crore in this quarter pertaining to largely marketing and other related activities in connection with the 811 launch. The operating expenses this quarter also includes what we spent on acquiring PSL certificates which was not there last year. Provisions for this quarter at Rs. 204 crore which is lower than the previous quarter, marginally higher than what we had in the same period last year. Pre-tax therefore stood at Rs. 1,392 crore with a post-tax of Rs. 913 crore compared to Rs. 742 crore last year. I must also add that in the immediately preceding quarter, quarter 4 last year, we had some tax credits resulting in lower tax rates for that quarter.

As regards the asset quality, Uday did talk about the fact that of the 12 accounts which RBI has identified for insolvency proceedings, we do have exposure to 4 of them and that aggregated to Rs. 226 crore and that we indicated were inherited through the merger process from ING Vysya Bank and none of them were originated in the Kotak system.

Restructured standard assets as at the end of the period stood at Rs. 80 crore which is 0.06% of net advances and SMA-2 outstanding is Rs. 305 crore, which is 0.21% of the net advances. The segmental numbers reflecting on the basis of the RBI split of the segments whereby all corporates include any exposure of Rs. 5 crore plus, retail banking for this quarter has taken the entire expense of Rs. 63 crore on the launch and therefore I have seen a dip in the Q-on-Q number.

At the bank level, the advances grew at 19% including customer assets. The total customer assets grew by 20% on a year-on-year basis. And with respect to the segmental classification, again going by the RBI method, Rs. 1,42,000 crore split as Rs. 56,000 crore retail and about Rs. 85,000 crore coming from the corporate sector. CASA stood at 44% and we have seen average healthy growth both on current account and savings account for the period on a year-on-year basis. The total CASA plus term deposits which are below Rs. 5 crore constitute 74% of our overall deposit numbers now.

We closed this period with 1,362 branches and we plan to reach 1400 or thereabouts by the end of the financial year. Sweep deposits constitute 6.8% of the overall deposit base. At the bank level, the balance sheet size is now at Rs. 2.26 lakh crore.

I request Shanti to take the flavor of digital before I get back to the proceedings.

Shanti Ekambaram: Thank you, Jaimin. Uday has already talked about the launch of 811 and at the bank level, we are about 9 million total customers. Just to give a little bit of flavor of the kind of customers, 82% of the customers are between 18-35 years of age, this is on 811 specifically, between 18 and 35 years of age which means you are getting a very interesting spectrum of customers both early banking as well as middle banking. 47% of 811 customers are actually salaried employees and 63% of the 811 customers come from top 20 cities. So very interesting dynamic set we are seeing as we see the pace of acquisition.

In terms of our digital initiatives, we continue to focus on trying to be the best in class. Our app continues to be rated amongst the best. In terms of mobile banking, the 134% value growth we saw Y-o-Y as well as on the volume side 117%. Two key things; 55% of the bank's active base is digitally active and mobile banking logins are more than 4x of net banking. A lot of our liability products incrementally across deposits continue to come through digital mediums and on the personal loans, 21% of the incremental loans come through the digital medium.

From a payments perspective and highlights, transaction through mobile in terms of value saw a 115% growth YoY. Payment gateway transactions again have seen a value growth of 89% and a volume growth of 32%. And online shopping using payment gateway transactions have seen a 97% growth YoY.

One of the other things that we focus on in really digitization and transformation of our processes driven by customer experience and customer journey. This is across reducing TAT dramatically for customer service requests, robotics at the backend as well as e-lobbies in digital branch which gives a very different customer experience and we are seeing very promising returns at the initial phases. It is not just about the bank, but even across subsidiaries, we have been rolling our digital initiatives, aimed at customer convenience and customer experience across Securities, Life Insurance, General Insurance, Kotak Prime and Mutual Fund.

Jaimin, over to you.

Jaimin Bhatt: At Kotak Mahindra Prime, which is the car finance and real estate, loan against shares company, the total customer assets at Rs. 27,600 crore, a growth of 24% on a year-on-year basis. Car constituted about 66% of the numbers at Rs. 18,300 crore. At the end of the period, the non-car number does include a spike in the capital market advances which were short term. Capital adequacy at Kotak Prime at a healthy 17.2% with ROA of 2% and net NPA very much contained at 0.36%.

Kotak Mahindra Investments having an overall customer asset of Rs. 6,500 crore, 29% rise on a year-on-year basis. Very contained net NPAs at 0.09%. Pre-tax profit for the quarter was Rs. 69 crore running with capital adequacy again at 16.8% and ROA at 3%.

Kotak Securities, we have seen volumes jump during this period and we also see income at Rs. 365 crore. Pre-tax profit for this quarter stood at Rs. 187 crore versus Rs. 92 crore last year with the post-tax number at Rs. 125 crore versus Rs. 60 crore for the same period last year. Kotak Life had total individual premiums for this quarter at Rs. 482 crore versus Rs. 384 crore last year. The investment performance in Kotak Life of all the equity funds in quartile one. Conservation ratio is at the best in the industry at 85.2% against the claims settlement ratio. Solvency at a high of 3.04.

The investment bank has been involved in a number of transactions both on the IPO, QIP as well as the advisory side. It was involved in the State Bank of India QIP as well as the Federal Bank QIP.

As I mentioned earlier, the total assets under management across the group crossed Rs. 1,50,000 crore. We ended the period with Rs.1,52,000 crore as against Rs. 1,10,000 crore a year ago. The domestic average AUM for this quarter crossed Rs. one lakh crore during this period with rise in the equity AUM (ex-arbitrage) which grew by 118% on a year-on-year basis with the market share continuing to improve there. PMS which is managed again out of the AMC has grown significantly on a year on year basis. So those are the highlights for the quarter.

We will be open to questions now.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of Kunal from Edelweiss. Please go ahead.

Kunal: Firstly, one clarification. In terms of all these 4 accounts which were there, all of them got classified as NPL in this quarter itself. Maybe the earlier quarters none of them were NPLs as such.

Uday Kotak: No, that is not correct. We merged in April 2015. And at the point of merger in April 2015, they were not NPLs.

Kunal: No. But if I have to look at it in terms of the previous quarter, how much of these have actually slipped in this particular quarter or there was no impact in GNPLs on account of all these 4 accounts?

Jaimin Bhatt: GNPA does not change because of these in this quarter, but yes, what Uday was talking about is they were not NPLs.

Kunal: So this quarter none of them have got classified?

Uday Kotak: No. They happened between April 15 and March 17.

Kunal: Okay. So they were classified as GNPL already?

Uday Kotak: Yes.

Kunal: Okay, perfect. And secondly, in terms of Kotak Mahindra Prime again, so what we are highlighting in terms of launching the consumer durable financing business, if you can just throw some light as to how we are planning to take it forward? Maybe that is the segment wherein there is a very high gestation period, so what is the level of investments we would be making into this particular product segment?

Uday Kotak: Kunal, our approach on entering any segment, we do it steadily over long period of time. We build business in a manner which we are comfortable with, get our technology right and get our people right. Nothing in a rush, but our approach is get in and build steadily. That has been our philosophy across all our businesses. Therefore, our approach is not a sprint. So we will steadily build it over time and we think there is long term potential and we would love to grow it at a pace which is appropriate for us.

Kunal: And actually in terms of the listing plans, either for life insurance or for the asset management company?

Uday Kotak: Kunal, first let us complete the transaction and get 100% of the life company. We are fortunate that our Life Insurance Company, our General Insurance Company and our Asset Management Businesses are all owned 100% by the Bank. We will take any decision keeping in mind the interest of the shareholders of the bank and we at this stage have no intention or plans to reduce the equity stake of the bank in these ventures specifically because none of these ventures need capital, number one. Number two, the bank does not need capital and number three, we think there is tremendous growth opportunity in these areas and therefore looking at it from the point of our bank shareholders, and they are well served by the bank owning 100% of these business at least at this stage of the cycle.

Kunal: And just in terms of the Bancassurance, are we open to maybe as a platform to offer it to the other players as well?

Uday Kotak: At this stage we are evaluating everything, but there is no intention of thinking differently.

Moderator: Thank you. We take the next question from the line of Suresh Ganapathy from Macquarie. Please go ahead.

Suresh Ganapathy: Couple of questions. One is on Kotak Prime, if I see the profitability, it has been in a very narrow range of Rs.120-130 crore for the last 5 quarters. I mean, this quarter of course there has been some pickup, but then when you think the profitability could improve and what could be the drivers going ahead and the other aspect is on growth. I see there are three segments which have given loan growth. One is commercial vehicle, the other is personal loan and the third is corporate loans. Can you just give me an outlook across these three product categories? Specifically, what explains the strong CV business growth especially at a time when there has been some BS-IV related challenges and also GST related challenges, so just a color on that.

Uday Kotak: Okay. On Kotak Prime and Commercial Vehicles, Narayan who is responsible for these businesses will give his view; on personal loans and overall consumer businesses Shanti and on corporate Mr. Manian. Over to you, first, Narayan.

Narayan S. A.: At Kotak Mahindra Prime the substantial part of the assets are car finance and the other part is CRE. On the car finance as you are aware that last year the margins were under pressure, but last 3 months April, May, June were good months and it is getting reflected in the P&L. We are confident that this year will be good year. Of course, July has started slow because post GST, the sales have not yet picked up. But let me assure you that the overall growth which we expect in the car finance business this year would be higher than what we have done until now and as far as the other part of the businesses are concerned, it depends on how the markets are and we have been very selective in deciding which part, which builders we finance and our asset quality has been doing well.

Narayan S.A.: On commercial vehicles side, we have grown Y-on-Y by 8% and we have been gaining market share continuously on disbursements. And the asset side has also grown substantially. This has been a focus segment for us in the last one and a half years. We have put lot of resources behind it and we have seen gains out of it and I think end of this year we will further gain market share.

Shanti Ekambaram: On the consumer side of the business, the consumption story continues to be pretty strong. Across personal loans and cards, we saw continued demand. In fact, thanks to pre GST, I think there was very strong growth on the consumer side of the business including on card spends. I think this is the trend that we are continuing to see and we think that the consumption story is likely to hold up strong and grow. Even on the home loans and LAP side, we have seen a lot of jump in registrations in the month of June maybe pre GST, but with affordable housing, it is a focus and we see the home markets growing as well. On the small business side, what is interesting is the request for increase in limits and reassessment is happening. There was some destocking in June, so maybe it was a little more muted, but we continued to see growth. So I think consumption is holding up reasonably well and likely to continue.

Suresh Ganapathy: On corporate loans?

K. V. S. Manian: So Manian here. On the corporate side, we had earlier also given you an overall guidance that we are looking at 20-25% range of growth. We continue to remain confident that this kind of growth we will be able to get, of course you must remember that these advances that you are seeing is other than credit substitutes that we have built. So if you add that, it is actually higher growth than 21%-22% that you see there. So, we have done more on the credit substitute side than we have done in the past given the movement of the market. While we are building this, we have not seen any significant slippages at all, almost close to nothing other than that what we had in the previous quarter. So this quarter we have not seen any significant slippages at all. So we continue to build it with reasonable credit quality.

Suresh Ganapathy: And is it a market share shift because obviously the industry corporate loan growth is pretty dismal. So is it the new customers that you are getting or what exactly does get things going?

K. V. S. Manian: Yes, of course. This means market share gain for us. It is a mix of both. There are better quality corporates in which we are deepening where we are taking higher exposures, but also at the lower and mid-market end, we are getting new customer acquisition where we have very good traction on new customer acquisition as well. So it is a mixture of both.

Moderator: Thank you. We take the next question from the line of Seshadri Sen from JP Morgan. Please go ahead.

Seshadri Sen: I had a question on big picture on growth. Your CASA momentum has been impressive but the overall asset growth has been lagging. What would be the catalyst for you to accelerate growth from these levels say from a 2-to-3-year perspective? Are you waiting for an improvement in the external environment or are there sort of internal drivers which are kicking in and which we should expect higher growth from there and the correlating question to that is, which segment would drive acceleration retail or wholesale, do you have an ideal loan mix in your mind in terms of the way you want to achieve over a 3-year perspective?

Uday Kotak: Thank you, Seshadri, very relevant question. First, let me say that internally we are now well structured, well-geared to take up the opportunity. The integration issues are fully behind us and we are now effectively one bank and in a position to capture growth opportunities from an internal point of view and a structure point of view. The pain issues which were there in some parts of the last year before are well behind us and therefore internally we are well-geared. The external environment, we believe is still not seeing the recovery of the investment cycle. So effectively private investment as you know is slow. We are seeing a continuing traction happen on the consumer side and which is happening despite the fact that the real economy could grow faster than where it is currently. Therefore, we believe that right now the opportunity for growth is coming in the context of three important factors which are happening in the economy. Number one, the economy is sort of resettling first post demonetization and now post GST that is one factor which we have to keep in mind particularly in the mid-market and SME segments which are readjusting to the realities. So as we lend there, we have to keep in mind there is a significant movement in these sectors from informal to the formal sector. So there will be some level of mortality which will happen in some segments of the informal sector which will be gained by the formal sector. Therefore as we press our accelerator for growth, we have to ensure that our risk underwriting continues to be of the highest quality or else we will get growth, but not bottom-line net of credit cost. As you know, credit cost do not necessarily show up immediately, but show up 12, 18, 24 months down the line. So as you drive through this, we have to keep in mind the fact that the macro has made the formal sector gain, but has put significant pressure on the informal segment both through demonetization and also coming out of the potential implications of GST. Therefore, we are very happy on the external side to grow but continue with disciplined underwriting standards and internally, we are fully geared. The second aspect about this situation is that the market is also seeing a significantly faster growth at the top end away from banking into nonbanking areas particularly mutual funds who are taking away the higher quality credit with significantly more competitive ability to price compared to some of the banks and the speed of response. So, we have to also look at our business as the mix of storage and distribution in the context of being competitive vis-à-vis the higher end customers. So on the one hand, the external environment of change from informal to the formal sector, number two, a part of the market which is undergoing transformation away from traditional banking into market model which is the second very important point and third is that obviously there is a market share gain which is working in our favor. But as we chose market share, we must also keep in mind that the credit environment and the kind of businesses which were getting bank credit in the past may not fundamentally be bankable in the new environment. Therefore some of the share may have to evaporate because the way the banking industry lent with very thin capital with many companies in the past and were based on very different kind of mindsets, now needs to be reassessed from the point of view of risk return in the first place and therefore a need for reasonable equity capitalization for many Indian businesses as we go into the future and the nature of the market place is also changing with new entrepreneurs' startups whose financing needs will be very different from the way traditional banking business models have understood. Therefore as you ride through these interesting developments in the external sector, I think it is important for us to be able to take your best judgment calls to grow share, grow your positioning, at the same time make sure that what you are buying overtime will prove to be good underwriting. So in that context, keeping these factors in mind we are certainly open to grow faster and as you rightly said on the liability side, particularly on CA, SA and Sweep which are relatively lower cost liabilities for us, we are seeing continuing high growth and improvement in the mix of our liabilities, which continue to make us competitive in our ability to price risk and get more competitive in the future. Therefore, our fundamental structural size continues to improve, the loan growth in the context of banking industry growing at 4% or 5% and we are not obsessed with the number of growth, we are more obsessed with the subjective factors and evaluation factors which I mentioned to you and subject to that, we are always ready to drive the accelerator as long as we meet the conditions which are important for us.

Seshadri Sen: Thank you that is a very clear response. Just a quick follow-up on the second point that you made on growth coming outside the bank. So when we look at Kotak, should we also instead of focusing just on the bank also look at the growth that is lying outside in your asset management and insurance businesses which are capturing part of the strength? So as a management, are you looking at growth more in totality of the overall group rather than just focused on the bank?

Uday Kotak: We are very committed to financial services industry. Banking is of course an integral part of financial services, but I do believe that we have to look at financial services in the context of a changing landscape for banking and the matter of fact is that financial savings are growing faster in the nonbank segments in the last few months and probably last year to 18 months compared to the bank segment and as our duty to our shareholders, we have to capture wherever the opportunity is in the context of a strategic transformation of the financial sector and we will continue to do that as aggressively as we can and if you would have seen the strategic steps which we have taken whether it is in our asset management business, our brokerage business, our life insurance business and also the entry into general insurance, it is a part of a clear strategic objective that we will capture the growth of India's financial savings in the most optimum manner and combine this with the fact that some of those businesses require much less capital and have the ability to produce significantly higher ROE and in that context, the most strategic point I think banking industry in India is as applicable to Kotak and all of us in banking. The total intermediation cost of banking needs to get much tighter in the view of the developments in financial services than we have ever seen in the past.

Moderator: Thank you. We take the next question from the line of Roshan Chutkey from ICICI Prudential Asset Management. Please go ahead.

Roshan Chutkey: So firstly wanted to understand the prognosis on tractors portfolio, how are you seeing and what is the outlook out there?

D Kannan: On the tractor side, of course the new series of tractors have been good in the last 3 months. So we see markets growing on the new tractor side. Of course, there are issues in collections initially because of demonetization and subsequently because of various farmer agitations going across the country. It is improving, the collection scenario is also improving and so are the sales. And we have grown our market share in the last quarter.

Roshan Chutkey: And on the corporate book, the 20% growth which if you can just give us split of the rating profile of the corporate book, the incremental book roughly?

K.V.S. Manian: In summary, I can tell you that our RWA has not risen significantly from where it was last quarter. So we continue to maintain the ratings. Our average rating if I was to put an average of that RWA, it will come to an AA+ kind of position.

Roshan Chutkey: Alright and are we taking market share away from other players. Is it a fair understanding?

K.V.S. Manian: Yeah, I guess if the industry is growing at 5 and we are growing at 21, that is a natural conclusion. I would feel we are gaining market share.

Roshan Chutkey: And on CV segment, which parts of the CV segment are we seeing growth? And also if you can comment on how much of the CV fee growth is due to CE and what is the outlook on CE as well?

Narayan S.A.: First, let me tell you that the growth on the CV segments which you are talking about is across all segments except we are not in the small commercial vehicles, we are more in the light commercial vehicles and medium and heavy commercial vehicles. Small commercial vehicles, we are very small percent of the portfolio.

Roshan Chutkey: And can you quantify the number, what is the incremental growth on CV as well as CE, can you put numbers there?

Jaimin Bhatt: Just as a broad thing, I think if you look at the breakup, construction equipment has grown faster than commercial vehicles both YoY and QoQ.

Narayan S.A.: But let me tell you that is also because the CV portfolio was much, larger than the CE portfolio. So the base of a CV is higher. But having said that, both are growing at a good pace.

Roshan Chutkey: And you had talked about syndication related fee income in Q3 last fiscal. Could you please comment on where we are on that? Syndication fee income you had mentioned about in Q3 last fiscal.

K.V.S. Manian: Yes, so syndication income obviously comes in with a large transaction and large fees it tends to get slightly bulkier on case to case basis. So, last quarter we did have two large deals I think it evens out over a period of time. Yes, first quarter it was not as big as the last quarter. But overall, our fee income trajectory it still remains quite good.

Roshan Chutkey: Okay. And I did not understand the point the current set of SME customers becoming unbankable courtesy the GST environment.

Uday Kotak: Let me explain to you, the SME customers are very wide variety as you know it is small, medium, all different varieties. So, a lot of these smaller SME customers were dependent heavily on the informal sector model. So, some of them will obviously find their business models changing pretty significantly as a consequence of demonetization and GST. Therefore, the fundamental profitability of some of these firms who are operating on the border of the informal and the formal sector will have to relook at their core business model. For example, to be more specific there were many small businesses whose core competitive advantage was tax arbitrage compared to the organized sector.

Moderator: Thank you. We take the next question from the line of Mayank Bukrediwala from Goldman Sachs. Please go ahead.

Rahul: Hi, Good evening, this is Rahul here. Actually, a couple of questions. First is a bit of more high level. So, Uday when you look at the potential business prospects over the next three years to five years which products do you think on the asset side will be the key drivers for our growth? Of course, you answered about it partly in Seshadri's question. So, what it seemed to me was more like I think you are alluding to corporate segment being one of the key drivers of growth going forward for us. So, can you just help me understand a bit more in detail, will corporate really be the key driver and the mix will incrementally shift towards that is my understanding correct or have I missed something in that?

Uday Kotak: Let me now first correct a perception issue which may have arisen because of the split Jaimin presented on RBI related information between corporate and retail, okay. That is purely Rs. 5 crore plus and less than Rs. 5 crore, it is not the business segmentation. On the business segmentation if you look at it, we run our businesses into three buckets, consumer, commercial and wholesale. We are more or less equal across these three buckets in terms of the loan market share of each of these three segments, broadly. Because the commercial bank SME customer may have a Rs. 10 crore or Rs. 15 crore loan but that is still a part of the commercial bank business, it is not a wholesale customer. RBI's definition, of Rs. 5 crore plus and Rs. 5 crore minus is a very different, technical & legalistic requirement, it is not how the business segments are run within our bank. So, we run effectively as three clear banks which is consumer, commercial and wholesale. And let me just give you the growth of these three segments as we look at them from a management point of view. Our growth in the consumer segment is about 20%, our growth in the commercial segment is about 14% to 15%, and our in the wholesale segment is 21%. Therefore consumer and wholesale growth percentage is more or less similar.

With commercial as I gave you the reason particularly in areas like business banking and small businesses, in view of the transition because of GST it may have had a little slower growth for this quarter. But otherwise, at this point of time, a lot of the loan businesses are very much risk return and it is very challenging to prejudge which asset class will work over a five-year period. If you and I were talking about four or five years ago we in fact had highlighted that we see challenges at that stage in construction equipment and fees and commercial vehicle sector which did play out for a period of three years. But you have to really figure out what all changes in external environment are cyclical versus what all the changes in the external environment are structural and accordingly plan your business mix. We continue to be extremely positive of the consumer segment which we think has significant legs to go. And therefore, at this stage rather than saying segment A or segment B will grow, it is our job to ensure that for the risks we take we make adequate returns at ROE for what we do and we actually feel positive on the broader economy over time and India is a country right now where I think macro factors are just awesome whether you look at current account, fiscal deficit, inflation, it has never been as good as it is. On the other hand the micro is looking much tougher than what the macro seems to be signaling. So, there is a gap between these two over time this needs to fill up. And therefore, this is a great time to be out there in the financial sector whether it is the asset side or the liability. But I do also believe the development of the corporate market which will go much more the markets way and the banking industry will have to be extremely competitive in its cost of funds and intermediation cost who have a sustainable competitive advantage in that segment. Or else if you lose it completely to the markets which will be mutual funds, insurance companies and various intermediaries both FPIs and AIFs.

Rahul: Fair point. Second question was pertaining to our 811 product. I just wanted to understand when you think about this product of course, it is an interesting product and seems like you had a good start and if you can share the numbers it will be great. But without really looking for any numerical details if you can help us understand the strategy behind the customer acquisition through 811 tool because what perhaps could also happen you might end up on boarding a lot of customers who may not really be profitable for us over the next two years to three years, so how do you ensure that we kind of fine mix of good and prospective customers??

Uday Kotak: Okay. Maybe I will just quickly give you the perspective on this and I will ask Dipak add to this in terms of strategy. See, the key issue is the traditional bank branch led model comes with pretty high fixed cost. Therefore there are both high acquisition cost and high maintenance cost. And each account therefore, if you want to grow your business and get customers you need that much more physical infrastructure at high cost of acquisition and maintenance. Therefore obviously, the breakeven for those is significantly higher in terms of the time period over which a customer breaks even and against that over time yes, the argument can be the balances may be better. What we are finding is through 811 our cost of acquisition is dramatically lower and therefore, relative breakevens of those customers are lower. And we are also interestingly getting segments which are younger than what we were getting in the traditional acquisition model and therefore we get a very different segment of customers which we believe may be more fickle but coming in younger therefore, we are getting them in early. Overtime we can really grow this and effectively cross sell. These are far more digitally savvy customers and therefore less branch intensive as well which gives us a significant competitive advantage. We are working on with a number of say around 1,400 branches some of our larger competitors are 3x to 4x our branch network with a huge physical infrastructure cost, which at this stage we may actually not be requiring for acquiring customer. And therefore, our breakeven points on customers acquired digitally are significantly lower than high branch intensive customers. And the key for us is how well we are able to strategically cross sell asset products and investment products in addition to the liability product of course, to this customer base. And I will ask my colleague Dipak Gupta to share his thoughts on the implementation strategy for 811. Dipak?

Dipak Gupta: So, Rahul, I think Uday has mentioned most of the points but the key one is at this stage it is an acquisition tool which is (a) extremely convenient both for the customer as well as for us and (b) like Uday pointed out, it is cheaper. The cost of acquisition is significantly lower than the traditional cost of acquisition. Given that, at this stage the only input we have on profile really is that the age profile is younger. How do balances build up, whether these are more transactory customers or they will build balances or whether we will be in a position to cross sell other asset products to them. I think, we will find out over a period of time. At this stage the economics look okay because of the lower acquisition cost. So, it is tough to say whether this is a profile which we want or we do not want at stage. Actually, what we are finding out is the profile broadly is not too different from the profile of customers who we have already. You are not getting the bottom of the pyramid. So, the hope really is that we should be in a position to leverage even out of these customers and that cost of acquisition is much lower. But I think what will happen over a period of time really is this acquisition mechanism will become hygiene for the banking industry. We just have an advantage of having started early.

Rahul: Understood. Just if I may ask one more related question on this. So, let us say the starting point for 811 and any other brick and mortar branches is same than what would be the proportion in terms of customer acquisition on 811 platforms versus that of branch on a monthly basis, any ball park color okay that?

Dipak Gupta: Well, at this time, since it is a new product launch, 811 is giving some elevated acquisition. One really has to see on a sustainable basis how that moves really.

Rahul: Sure. Just two more questions, first is now that you know CASA ratio has inched up pretty nicely, when do you look to revisit your savings deposit rate?

Uday Kotak: Rahul, tell us what is going to happen on 2nd August or beyond that. Okay, that was on a lighter note. On a more serious note, first of all, we believe that we are commercial but we are strategic for franchise. So, we will appropriately take steps when required but we are very focused on getting disproportionate growth of franchise a core of who we are and my position is pretty clear Rahul. We are here at 9 million customers. The road ahead is so much larger from where we are. Therefore, we have to be very careful; we do not have the advantage of 50 million customers.

Rahul: I am sure you will have one day.

Uday Kotak: And therefore, we have to be clear that we have to pay a price for building our franchise sustainably to build an institution for the long-term. At the same time, we are commercial, I mean it does not come naturally to us to throw money but we have to get this balance right.

Rahul: Yes. No, it is fair point. I just asked because the gap between the savings deposit rate versus term deposit has really narrowed in the last say three - six months so…

Uday Kotak: But it is still profitable, it is still cheaper. And if look I think we are among the few banks who also gives us our average cost of savings and which is 5.51%. Average cost of 5.51% versus retail deposit which is at around 6.5% to 7% there is still some room. Obviously, it is getting narrow we can see that and also the tenure and everything as we have to match. So, we are watching it very closely.

Rahul: Got it. Just one last thing on Kotak Prime, so the non-vehicle business has grown pretty nicely. So, is this because of loans against shares or any other product?

Uday Kotak: Yes, I think there is some of it as Jaimin mentioned there is some growth coming out of capital markets.

Jaimin Bhatt: Yes, so towards the ends yes you had a spike on account of capital market lending.

Moderator: Thank you. Next question is from the line of Adarsh from Nomura. Please go ahead.

Adarsh: You all have seen good momentum in your core fee income, so can you just talk what is driving that and how sustainable this 40% growth is?

Jaimin Bhatt: As I mentioned Adarsh the fees have come from variety of areas, so if you look at both year-on-year and quarter-on-quarter we have seen that grow up. You do know a fact that we have a large part coming in from the third-party distribution whether it is insurance or mutual fund distribution. So, both of those keep growing and then there is syndication which Manian talked about. If you keep that aside yes, there are several other areas which are linked to regular businesses whether it is service charges, my wealth management fees, credit card related, all of them have seen sustained growth and FOREX services to client on exchanges, so that again as you know has seen a sharp growth on year-on-year basis. So, all of these are sustainable link to businesses. On the fees side, I do not really see anything which has come as a big spike for the period.

Adarsh: And you had spoken earlier about previous calls about building DCM business, so no material contribution as such from that business?

Jaimin Bhatt: It is better than last year but yes, it can do better than what it is doing today possibly.

Adarsh: I am saying, so not a disproportionate growth is coming from it?

Jaimin Bhatt: No, it is not disproportionate.

Adarsh: Perfect. And second question related to Opex, you said that you have spent about Rs. 60 odd crore on the 811 marketing. I assume that will be recurring expenditure?

Jaimin Bhatt: That was when we launched it, when you say 29th March, effectively a bulk of the initial spends happened in April, so that was a spurt of spending which happened in April.

Adarsh: Okay. So, your cost growth will also normalize again down. I was just trying to confirm whether your cost growth will again trend down?

Uday Kotak: Yes, I think there are a pretty large marketing spend in that including advertising on IPL.

Moderator: Thank you. We take the next question from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Sir, if I broadly remember when we started 811 our total customer base was 8 million roughly …

Uday Kotak: Yes, in fact when we had the meeting during end of March, as per the previous available data it was in excess of 8 million customers. As we have given in this chart today, we are now in excess of 9 million customers. So, we have added pretty decent customer base in the last one quarter and that is not only because of 811. 811 is an important new addition to that but our regular customer acquisition engine both across assets and liabilities also continue to fire away.

Nilanjan Karfa: Right. And sir, basically I just want to clarify when we talk of these 9-odd million plus customers, are these just lending product customers or this also includes customers who we cross sell our asset management?

Uday Kotak: No, there is no duplication. This is pure bank customers and these are primarily liability customers lending customers, net of liability that means pure lending customers is a small fraction of this.

Nilanjan Karfa: I am sorry, I got confuse, can you repeat that.

Uday Kotak: The total 9 million plus customers, bulk of it is liability customers who may also be asset customers and only asset customers are a small fraction of the total number. This is bank customers alone, this does not include customer of asset management, life insurance and others.

Nilanjan Karfa: Right. Okay. And what you had explained sometime back and I fully agree is this huge financial savings which is happening, so what we are essentially doing within the bank is channeling the savings which is specifically in the household sector into the commercial sector. So, in that context I also hear you that you are worried about the external environment how the capitalization has been. But still, on the wholesale side we are growing at 21%. So, I mean…

Uday Kotak: And consumer side is doing well, 20%.

Nilanjan Karfa: But my sense is whether it is ticket size or overall mix, the consumer is relatively much smaller compared to the commercial and the wholesale.

Uday Kotak: As I said, all the three are equal, wholesale, commercial and consumer, equal size all three.

Dipak Gupta: In terms of asset size they are about the same, in terms of growth rates for the last quarter if you see the consumer and the wholesale have grown faster. The commercial which is the SME largely is a little lower that is the way it is.

Nilanjan Karfa: Okay. Let me rephrase the question, what we have been hearing from you for last several years is this huge I would not say risk aversion but cognizance of the risk because of which my sense is our growth has been relatively slightly on the cautious side. But then, when I look at the capital base I mean theoretically your capital base is typically used for an unrealized losses. So, I do not see it when you lend you are very risk averse so to speak but then also we are holding a lot of capital.

Uday Kotak: Yes, I think that is a good question. First principle in our business is return of capital is more important than return on capital.

Nilanjan Karfa: Absolutely.

Uday Kotak: And in that context yes, we value the fact that we have got a strong capital but when we are lending money the equation is pretty simple. I must make a reasonable risk-adjusted return on the money I am lending and I cannot afford to destroy capital because I have more.

Nilanjan Karfa: Correct. Then why are we holding so much amount of capital, if you are already very cognizant of the risk that we are talking and still making the spreads why are we holding and then if you are saying on a per product basis our ROEs are reasonable and at a bank level it is obviously lower because of the excess capital. So, assuming on a per product basis we are making on an average let us say 20% hypothetically. Why are we holding excess capital?

Uday Kotak: I think when we raised capital we also said that in addition to organic we are obviously evaluating from time-to-time inorganic opportunities and the stress asset space which is just beginning to move forward. And therefore, we will continue to grow organically and in addition to that we will look at inorganic opportunities and after announcing our capital raise as a small step we went ahead and bought our 26% partner in life insurance businesses. And look at it from a strategic point of view, we are going against the wind. We are one of the few players amongst the large players which is now owning 100% of Asset Management, Life Insurance, and General Insurance. When the market seems to be taking a call or some of our competitor seem to be taking a call to list all their subs and our strategic view is these are businesses which are very valuable for our shareholders, we are ready to invest more why take outside capital.

Nilanjan Karfa: Okay. So, are you basically hinting one of the ways I mean this is a very personal question for you but one of the ways this dilution is going to happen is though inorganic route while the…

Uday Kotak: It is certainly an option my friend and if you certainly get onto if something materializes.

Moderator: Thank you. Next question is from the line of Pramod Pande from Reliance Treasury. Please go ahead.

Pramod Pande: Sir, I have two questions. One was on the CV portfolio that is in the core book which has grown close to 40% Y-o-Y if I look at other peers like Sundaram Finance or IRB the growth is close to 17% or sub-17%. Just want to understand what is driving this growth and is this growth something which you also see in terms of volume growth as well for you in terms of the units you finance, what that number may be, that was one? And number two was that how is the sourcing for these loans is primarily from the group branches only or you also use external DSAs and stuff like that to source these loans and what proportion will that be?

Narayan S.A.: Okay, let me answer that question. First, as I said earlier in the call, the commercial vehicle business we have put focus on it about 1.5 years back and that is bearing fruits and that you can see in our overall portfolio growth and that is why you are seeing our advances substantially higher than may be what the market growth is. And I should also tell you we have increased market share on month-on-month on our disbursements. Coming back to what is our sourcing model, we use the DSA model, and we use direct sales as well as the branches. So, it is a combination of all three things.

Pramod Pande: Could you also help me with the break-up in terms of how much will you be sourcing through?

Narayan S.A.: No, we do not give this break-up.

Moderator: Thank you. We take the next question from the line of Gurpreet Arora from Quest Investment. Please go ahead.

Gurpreet Arora: My two quick questions. My first question is why the consumer durable financing venture being done under Kotak Mahindra Prime and Bank especially when we have far bigger consumer portfolio in terms of bank especially when the cross-sell opportunities under the bank could be far higher, that is one. Second question is related to the just concluded narrative by Uday with respect to stressed asset space. I think at a lot of forums Uday has mentioned that he wants to do something big in the stressed asset space. So, if you can elaborate on that, you have mentioned on and off regarding partnership model, you have an associate which is into ARCs, so do you have any capital infusion plans to do that ARC, what role will the ARC play in that? And my last and third question is, if you can quantify the CASA accretion from 811 accounts? These three, thank you.

Uday Kotak: Okay. First on consumer durable, if you notice Kotak Mahindra Prime it has significant surplus capital, it is the car finance business therefore understands the consumer space. We believe that one of the challenges when you are building a new business that you have to be careful that it is not lost in translation. And therefore, a focused approach with a tight team, well-managed in a separate company would probably make more sense at the initial stages and as far as cross-sell is concerned there can be formal arms' length arrangements between Kotak Mahindra Prime and the Bank which is what we have successfully done in many other products including credit cards. So, we do not see that as an issue. But we like to get a niche focus approach to some of these businesses and therefore, collective view of us and of Kotak Mahindra Prime board was that it is better housed in Kotak Prime. On the stressed assets, I think the issue is we are all watching how IBC works and this is only the first 12 ones, there could be 500 others. So, in what shape, what form, whether it makes sense to have a tie-up with operating management teams or whether it makes a sense to do it out of ARCs or out of the bank or out of stress asset fund. All the options are on the table and we are actually looking at how the evolution of IBC happens as the next major step in Indian financial services. So, we will wait for that before we take a call on that. The CASA accretion to 811 account, at this stage it is very early to give the split. For example we have rural branches, urban branches, we have worked out internal logistics basis where it is mapped to each branch because there is a last mile issue for KYC and everything else. Therefore, it is pretty deeply now embedded in the consumer bank and we also drive behavior which is more embedded. Therefore, trying to isolate it from a point of your driving behavior is something which we would like to keep away from and make it an integral part of the bank.

Gurpreet Arora: Sure. My last question, if you can spell a little bit of strategy of BSS MFI and what are the latest NPA numbers and the growth numbers have been for the MFI?

Narayan S.A.: Okay. We got the RBI approval about a month back and as per the approval we will be going forward and we hope to complete the integration by this quarter. BSS has been growing and I should tell you like all other MFIs there was some pain in that portfolio, it is well under control and they have been doing very well. So, that is good news from our point of view and we hope to grow this portfolio over a period of time of course, keeping in consideration of the overall external scenario.

Uday Kotak: And our standard view is and I am not saying we are necessarily tough but the core of our philosophy is when the going gets tough, the tough must get going.

Moderator: Thank you. We take the next question from the line of Krishnan ASV from SBICAP Securities. Please go ahead.

Krishnan ASV: I have two questions, one specific to the bank and one general, the environment around us. Specific to the bank, my question is around the quality of customer acquisition, you mentioned in one your responses to the query that you are being very careful in credit selection especially on the credit side and you are being very careful on credit selection because you want to avoid some of the risk, so the market share gains there could be some leakage between what the market loses and what private sector banks such as yours will gain. Just wanted to understand is a lot of that opportunity going to be low profitability high volume or do you see there is a lot of opportunity in bankable customers coming into this?

Uday Kotak: No, I think it is across the spectrum. As a lot of the traditional wholesale banks fees space in the wholesale space, there is an opportunity for getting higher credit at lower margins but at significantly lower risks. So, that is one gain which is clearly available. The second gain which is available is the space which was historically dominated by public sector banks where there are very large number of bankable customers who may be looking at alternatives and who are looking at alternatives. So, there is clearly a space there and there could may be slightly higher risk but certainly better spreads. So, the gain is available at both the ends. And for us it is to be able to play the game across the board and there is third gain coming out of the higher end which is in addition to what you may want to do as storage how well you can handle genuine distribution and not distribution which shows frontend fees alone.

Krushnan Asv: Okay. And you believe this is especially at the lower end which is non-wholesale you believe this is a scalable model that you are finding now these are opportunities that are scalable?

Uday Kotak: Yes. And you have to be able to separate the quality from what may be stressed.

Krushnan ASV: Okay, thanks. My second question is around the environment, you have spoken briefly about the stressed asset situation, IBC is still just about evolving, just wanted your general commentary on your early experiences under this IBC regime, you have seen a lot of such regimes in the past or such suggestions in the past what is the banking system looking for from the IBC regime? I mean what are the key things that you know analyst and investors can track under this IBC regime?

Uday Kotak: Okay. I think, one of the important points which we see as a result of the IBC regime is the nature of credit cost in the banking system. While I have given you guidance about where we see our credit cost which I have said will be trending down from 61 basis points last year. Our view about the general banking system is the impact of IBC in the next 12 months to 18 months is increasing credit cost. Because account goes into IBC, bank is required to provide 50% on secured and 100% on unsecured. If you look at the traditional RBI methodology for provisioning, it was over four years. But it will get accelerated thanks to IBC because if any company goes into IBC for whatever reason provisioning immediately goes to 50% irrespective of the period over which it has happened. Therefore, the historical advantage if you go for secured account you went to 40% at three years, okay. Now, assuming a customer has defaulted and within six months or around the customer is taken to IBC instead of providing 40% over three years banks will have to provide 50% in six months. So, that will dramatically push credit cost in the next 12 months to 18 months higher. This is a RBI requirement. Now, it is a different matter RBI has allowed amortizing this over three quarters or whatever but that is still three quarters.

Krushnan Asv: Yes, right. But while you are on this, does the law or does the IBC regime under its current avatar right now have any cracks that allow for frivolous operational creditors or financial creditors who can take…

Uday Kotak: We will have to see, therefore, it is a completely new era which we are getting into, untested. All that I know that RBI's mandated provisioning irrespective of what the uncharted territories we may be getting into.

Moderator: Thank you. We take the next question from the line of Harish Jhaveri from DSP BlackRock. Please go ahead.

Harish Jhaveri: Just one question to Uday, how do you actually think about equity because today when you use your equity in the lending business itself you have a NIM which is like at the highest ever. And theoretically, you could continue with this NIM for quite some time going forward also or the other way is to look at investing this NIM itself in terms of improving your own market share across segments. And we do see growth which is accelerating across market share and across segments. So, just your thoughts on while the inorganic part is fine and you will take a call when it comes but in the meantime, this is certainly helping your NIM and that was what I was wondering about at what point do you say okay, I can go to 4.7% NIM, I can go to 4.8%. But is there a thought in your mind that no, this is a NIM that I would not want to exceed?

Uday Kotak: Okay, I think it is a very interesting question, let me just answer that. We obviously price based on what we think is the risk. But subject to that our broad view is and I think Jaimin has spoken about it, around 4.25% is what we think is sustainable NIM. In many ways, you also have to combine it with the higher fixed cost. Therefore, NIM maybe higher in a retail loan but fixed cost of retail may be much higher and NIM may be much lower in a wholesale loan but fixed cost also may be much lower. Therefore, we look at the total cost which is NIM plus the operating costs of that business as a metric and then obviously, add it with the risk-adjusted return metrics.

Moderator: Thank you. Well, that was the last question. I now hand the floor over to Mr. Uday Kotak for his closing comments. Over to you, sir!

Uday Kotak: Thank you friends. We are coming nearly to one and half hours, really appreciate the interest and following which all of you on the call have with reference to the Kotak story. We at Kotak are excited about the story and as I said, the three important themes which drive us at this stage are, a fundamental reshaping of the financial sector which is happening in India from a point of view industry structure. The second is, a significant movement from the informal sector to the formal sector and the consequent changes both in the real economy as well as a drive for formal financial savings which I think is a very big ongoing story and transformative across financial services. And as you know, we play across the whole range of financial services. So, the second one is the whole formalization of finance which we see as a very significant opportunity. And third, undoubtedly is a very different world of the future which is getting significantly more digital and us being able to play at significantly higher productivity and focusing on the customer trends for the future. So, a combination of a changing fundamental industry structure of Indian banking and finance, a fundamental move in the formal financial market and financial savings market and a transformation on the digital are the three key drivers which are driving us into the future. And we do feel pretty excited about the future of course, with its significant amount of risks which are inevitable part of finance whether in India or anywhere else. Thank you, friends. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Kotak Mahindra Bank, we conclude today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.