"Kotak Mahindra Bank Limited Q1 FY 2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Kotak Mahindra Bank Limited Q1 FY 2022 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 phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Uday Kotak. Thank you, and over to Mr. Kotak.

Uday Kotak: Good evening, friends. And welcome to the call post quarter one results announcement by Kotak Mahindra Bank. The right place obviously to start with is the situation with reference to COVID, particularly in Q1 FY 2022. And as we are all aware, but I must say that what happened in May 2021, it is one of the most impactful periods in my living memory, and I have never seen anything like this ever before and it was something which we could not have bargained or planned irrespective of what our thinking was, even a few months ago. And effectively, quarter one, we have to keep in mind that about somewhere between 30 to 60 days of the quarter were lost in the mayhem which happened in May 2021.

And that brings me to first my views on COVID. I think India is now, after the shock of COVID 2.0, gearing itself in terms of getting better prepared for a potential risk of COVID 3.0, should it happen. And therefore, at this point of time, I would like to believe with a combination of vaccination and actually a large number of people having had COVID and antibodies, my current view, and obviously this nobody knows, no scientist has predicted well on this, my current view is that even if there is a COVID 3.0, I would like to hope and believe it will not be as intense as or anywhere as intense as COVID 2.0.

So, our current planning is on the basis that, yes, there is some risk of 3.0 coming, but the intensity of that will not be anywhere near as vicious as COVID 2.0. Yes, there could be implications, there could be impact, there could be significant amount of job losses; and therefore, indirect impact on consumer's ability to pay his loans and debts. But overall, I think, we should not have as bad a situation going forward as we did in May 2021. And it is on this expectation that we are looking at planning our way forward.

And this brings me to the whole area of economic growth and how do we see it. We certainly see the economy coming back and we can debate whether GDP growth for the current year is going to be 9%, 9.5%, 10%. But this is broadly the range in which I would like to currently assume the GDP growth to be, give or take around the 9% mark. And it brings me back to how are we thinking at Kotak about growth. As I had mentioned to you a couple of quarters ago, after getting the initial feeler on the COVID situation, if you go back to our call on October 2020, we were clearly having a mindset shift towards a higher growth on the lending side.

And if you looked at our quarter four on an annualized basis, quarter four FY 2021, we were running at an annualized growth rate of 18%. And I compared what happened in quarter one to a situation where we started going out from the home into the open. And suddenly there was a big cloud burst, which made all of us rush back to have some cover over our head; and that's exactly what happened in Q1 FY 2022.

I must also say that we are pretty revved up and ready with our engine, we have made significant investments in technology and continue to do so. We have had a reasonably strong hiring cycle as well which we have continued through this first quarter FY 2022. And we actually believe that through this year, we would be able to get to higher rates of growth on the lending. And finally, the proof is in the pudding, and we will see it as we go through this year, subject, of course, to not a very extreme Wave 3.

So this is how we look at the growth situation. We believe that there is an opportunity now also in many pockets, because we see this as now a game-changer certainly in our secured lending business, but we are now also seeing opportunities going forward with a very light position in unsecured retail lending to be actually able to step up on our engine. So, we will obviously brief you over the next few quarters as we make progress on this.

Going through the whole area of asset quality, the true picture of the book. Before I go into specifics of Kotak, I want to actually highlight to all of you that we are trying to find meaning in very disparate kind of situations. Last year Q1 was a situation where there was a lockdown, people didn't know how it would work. There was a moratorium, therefore numbers could not speak. Then you look at Q4, which is the immediately preceding quarter, most people had started believing that we are coming back to normalcy. And then you had the COVID 2.0, where the lockdowns may not be as heavy and as severe as lockdown one, but you had much higher mortality and loss of lives as also potential risk to livelihood.

Therefore, when we try and compare Q1 FY 2021, that is April to June 2020; Q4, that is January to March 2021; and Q1, April to June 2021, I think it's trying to compare numbers which each of them have tweaks and unpredictability and volatility in being able to get a steady trend of what the underlying true situation of the economy and the balance sheets of individual entities will be. The true picture will come out I think over the next few quarters which again is further complicated by restructuring which also will happen in the future quarters, because the current timeline given by RBI for restructuring is up to September 30, 2021. So it's very important for each of us to have a deep dive in our respective balance sheets and there is no better way to know the truth than being deep into our own reality.

And therefore, for the analysts and the investor community, the challenge is to be able to figure out the nuances of different players and to make expense and meaning through this extremely challenging inconsistent period which you will be comparing with. And in that context vis-a-vis Kotak, I would like to inform that we, of course, had a very significant impact on our recoveries and collections in month of May. We have seen very steady recovery in collections, particularly from second half of June, and it is looking much better even as we speak in the month of July.

Going specifically to the quarter one, that is April to June quarter, our slippages for the quarter were about Rs. 1,500 crore for the quarter. Last year, our full-year slippage was Rs. 5,500 crore, and our slippage for quarter four of last year, that is January to March 2021 alone, was Rs. 4,400 crore. Therefore, for the immediately preceding quarter was Rs. 4,400 crore, and it is now at Rs. 1,500 crore for this quarter. Additionally, a very large proportion of this Rs. 1,500 crore slippages in our case have been on account of secured assets. The number for unsecured assets is significantly small, keeping in mind that our balance sheet on the unsecured side is also pretty small, which enables us to be very light from here on the unsecured retail side as well.

I want to also talk about the fact that consistent with our conservative philosophy, our approach to restructuring is very measured, based on wherever we are convinced that by restructuring it improves our ability to collect money and not forbearance for forbearance sake as the call to our restructuring approach. Similarly, we do not believe in selling our loans to ARCs, nor do we believe in a philosophy of what is popularly known as flexi loans. So, we continue with our reasonably clear philosophy with reference to recognition and we will continue to do so. I would also like to share with you a very significant increase in our technology spend, which started sometime around September last year onwards when we put up our plan for a very big boost to our technology spend, and that process is going on in full steam. We are now about six to eight months into it, and we are feeling much better with the progress we are making on the technology side. And we think a lot of development and action should get done through calendar 2021.

And last, I need to mention about a very significant event, which happened in the quarter one, which is our subsidiary Kotak Life Insurance. By early end May, early June, we started getting a huge flow of claims from various sources in our life insurance business, and we had a Board Meeting by middle of June, and immediately Kotak Life Insurance shared with the bank and we shared with the investors the fact that there was an abnormal increase in death claims coming out post end-April. And we were the first of the block to alert the market that there is an issue and the mortality claims are going to be significantly higher than at least what we had anticipated or planned for coming out of COVID 2.0. And this was something I think on 15th or 16th June we disclosed this to the market, that there is an impending tidal wave hit which has happened in the month of May.

Therefore, irrespective of what statistics may have reported on the deaths which happened in the month of May, insurance claims, which is cash to be paid out, is finally a real evidence of the levels of mortality which have happened to people who have been insured. And the ratios were multiples of what any underwriting could have planned for and significantly higher than the experience of Wave 1.0. And we had given a profit warning from the insurance company, indicated a loss of between Rs. 225 crore to Rs. 275 crore, against a previous year profit of Rs. 160 crore. And we have finally reported today Kotak Life Insurance loss for the quarter was Rs. 243 crore, making a delta move over last year's quarterly profit in the insurance company itself in excess of Rs. 400 crore. And that of course has impacted our consolidated earnings with this delta of Rs. 400 crore on an after-tax basis.

With that, I will now hand over to my colleague Jaimin Bhatt to take this presentation forward. Thank you.

Jaimin Bhatt: Thank you, Uday. As Uday mentioned, comparing the quarters, this year April-June versus last year April-June or even the January-March quarter of the previous year of 2021 is not exactly comparable because of activity levels and what we saw on the ground. Nevertheless, if we look at this quarter, as we said, we closed the quarter with overall profit of Rs. 1,642 crore, which compares to Rs. 1,244 crore, which we did in the same period last year.

Our net interest income, we closed at Rs. 3,942 crore, which is about 6% higher than last year. On our other income, I will split it between fees and other part of other income. On the fees, the distribution fees saw a jump of about 50% on a year-on-year basis, and saw growth on most of the areas, whether it is syndication, referrals, distribution of mutual funds and what not. On a quarter-on-quarter basis, you will see a graph which largely comes from the fact that the insurance commissions earned in quarter one are lower than what we did in quarter four, but that's always a yearly phenomenon where quarter four shows up with the highest numbers of insurance commission for any distributor.

On other part of other income, which is non-fees and services, where we got a total income of Rs. 414 crore this quarter, versus about Rs. 571, which we clocked in quarter four. In this quarter, we were also helped by some dividend which we got from the subsidiaries. In the previous quarter, we had earned some income from PSL certificates which we had sold out. On overall expenses, again, similar story, where if you look at expenses this quarter compared to last year first quarter, they are significantly higher. But if you look at the activity levels of what was there in January, March, they are actually lower than what we did in the previous quarter.

So, on the employee cost, this quarter includes, of course, the increments, which we went through in April. The variable pay which we paid out, earlier what was provided. And in the previous year, in the April to June quarter, also reflected the fact that a number of senior managers had taken a salary cut in that period.

Other expenses showing a rise over the last year, again, reflective of what was on the ground. Host of areas, whether it is expenses related to credit card, expenses related to sourcing of loans, brokerage, advertisements, recovery, all of them compared to last year which showed a rise Y-o-Y. But almost all of them again if I look at the previous quarter, would be on a lower number.

So operating profit, we did Rs. 3,121 crore for this quarter, which is about 19% higher than what we did same period last year.

On provisions, we have taken a total provision of Rs. 935 crore this quarter, which includes Rs. 725 crore of provisions towards advances, which takes our credit cost to 133 bps for this quarter. If I look at the whole of last year, we had total credit cost other than COVID provision of about 84 bps.

On overall asset quality, we had seen collections slowdown in the months of April and May, which led to slippages, which Uday touched upon. We have seen collections pickup in June and continuing in July, but that does result in the GNPA going up to 3.56% as against 3.25% a quarter ago, and net NPA is now at 1.28% as against 1.21% a quarter ago. We have not dipped into any of the COVID provisions and we continue to carry the COVID provision of Rs. 1,279 crore as we had.

The total restructuring as at the balance sheet date on account of COVID 1.0, COVID 2.0 and MSME all put together, we are at a small number of Rs. 552 crore as at June. We continue to have no sale to the ARC activity, so we have not sold any NPAs to ARCs, as well as we have not done any flexi loans or any of that type. Our SMA-2 numbers for this period end at Rs. 430 crore as at June 30, 2021.

Our overall advances growth has been 6.6% on a year-on-year basis, whereas if I include credit substitutes, customer assets have grown at 8.6% on a year-on-year basis. Our capital adequacy again continued to be pretty strong at overall level of 23.7% and the Tier 1 itself at 22.8% capital adequacy at the bank level.

I will request Shanti to take the digital slides and the deposit slides, please.

Shanti Ekambaram: Thank you, Jaimin. I will start with our digital strategy and initiatives. Our digital strategy is centered around customers with key focus on customer acquisition, engagement, and experience. Let me start with acquisitions. We have a range of options in the digital acquisition process, DIY, Do-It-Yourself, Do-It-With-You, Do-It-For-You. This is to cater to all kinds of customers. We have powered multiple engines of acquisition to acquire customers digitally across our platforms of savings, lending, payment, investment and protection.

We acquire about 5 lakh customers digitally every month, this is powered by extensive use of AI and internet. We have one of the highest rated and high usage mobile app with over 200 features across each of these engines which the customer can use, from making a FD to paying for bills, shop online, apply for a loan, invest in IPOs, amongst others, all with a few clicks. We introduced a new feature this quarter, Pay to Contact, whereby customers of the bank can make UPI based payments to the mobile number of their friends, associates, merchants across various payment apps. This has enhanced our payment stack significantly.

We have embarked on building a new age mobile experience, Mobile 2.0. It is designed to be a super app that will provide our customers personalized banking, payment, shopping and ecosystem connect experience. It will enhance customized offerings, ease of transacting and thus the whole experience. We have successfully migrated to our new net banking platform with over 90% of the retail customers adopting to this. This is designed in the cloud and offers a one-page banking experience. We will be launching an investment ecosystem and a new state-of-the-art stock trading platform over the course of this year.

Now, let me talk about engagement. For all customers, whether acquired through physical or digital, existing or new, we have run extensive AI and ML in our data stack to make them personalized offers on loan products, payments, investment, and protection. This is available omni-channel, be it mobile, net, contact center, branch, ATM, etc. In addition to the above, we have enabled DIY services across our voice and chatbot Keya and WhatsApp. We have seen significant adoption by customers of these channels for service. We have used APIs to integrate the providers in the e-com, OTT, travel, transportation segments to offer our customers a one-stop experience, all in one app. And we will be enhancing this significantly in the next few quarters.

Service is a very important metric for the customer, and digitization of services and automation of all processes has been at the core of our delivery to customers. We have enabled STP for many of our service requests at the branch and in the mobile app, and this better customer experience has actually enabled in NPS per service at the branches of 80 plus. We have enabled robotic process automation across 23 business verticals and enabled 40 plus service options in WhatsApp. We remain committed to the journey of enhancing customer experience constantly. All of the above has been possible only because of investing and enhancing our technology stack which Uday has referred to. That is the backbone of our digital strategy.

In the infrastructure side, our focus has been to build resiliency and go-to-cloud for agility, flexibility and skills. In the last year, we have invested significantly towards it. In the core applications, we have upgraded our platforms to be able to offer new features, functionalities, and customized solutions to our customers. This includes risk and fraud protection for our customers. In digital channels, we have revised our DIV, DIY, STP and automation, again enabling the customer to consume our products in a seamless, frictionless, and convenient manner. This investment in our core tech stack will be a continuous journey and will be the backbone of our digital strategy. A significant part of our transactions have moved to digital across payments, deposit, loans and investment, largely through mobile and we will continue with our mobile-first strategy.

Now to business and trends. As Uday said, April and May were muted but we saw a pickup in June, particularly the second half across markets and products. Our average savings deposit growth Y-T-D, Y-o-Y is 10% and current account 28%, sweep TD 24%. Focus on granular customer acquisition continues and we continue significant acquisitions through the 811 platform. Our CASA ratio was at 60.2% as at June 2021 versus 56.7% in Q1 last year. CASA and TDs below Rs. 5 crore comprise 92% of deposits versus 90% in Q1 last year, sweep deposits was at 8% versus 7.2% in Q1 last year, and cost of SA is at 3.73% versus 4.22% in Q1 last year. The bank had 27 million customers as of June 30, 2021. Our asset cross-sell was strong, led by home loans and working capital business banking. Focus on distribution fee income continued in the quarter.

On the lending side, mortgages continue to be a key focus, and in June, we were back to around 80% of March volumes. We continued our strategy on scaling home loans and our consistent focus on improving stack and right pricing has helped us grow our market share in this space. We also focused on higher penetration in the salaried segment, which showed significant growth. About 50% of the salaried segment comes through the Digi Home Loan route. Mortgages across home loan and LAP will continue to be a big focus area. MSME, which is the working capital business, new business acquisitions in June were better than pre-COVID levels. Utilization in the portfolio was muted in the quarter except for the export segment. We will continue our focus in building a quality franchise in the MSME segment.

On the unsecured lending side, we have done significant investments over the last two quarters in revamping our risk models and analytics setup. We have seen green shoots by way of increased acquisition. PL June volumes were at about 80% of March, and we expect to be ahead of our pre-COVID level over the next few months. Cards, we have seen a Q-o-Q increase in acquisition numbers from the back of four new products that we have launched in the last two quarters we will continue to build this business. Consumer finance business had made strategic strides in the last two quarters, both in offline and online and is a focused business for us to build.

Uday talked about collections, just repeating, in COVID 2.0 our bounce numbers were largely stable. We did see some pressures on efficiency in May due to the strict lockdown, however, June saw a pull back and July is looking better. We continue to invest in technology analytics and capacity enhancements to grow our consumer asset businesses.

I now request Kannan to take you through the commercial bank business highlights.

D. Kannan: Thank you, Shanti. I will start with the commercial vehicle finance business. Commercial vehicle sales were lower during the quarter as compared to the previous quarter. Both disbursements and collections were impacted during the quarter because of the lockdown restrictions, closure of dealerships, as also restrictions on movement of people. Unlike the last wave, non-metro markets were also impacted.

Collections improved in the month of June as compared to April and May, and this collection trend continues in July. Capacity utilization for operators has improved in June and further improved in July. However, difficulty in getting return loads and high diesel prices are impacting their viability. There's no perceptible improvement in the passenger vehicle segment, it continues to be a problem owing to restrictions on movement of people.

Demand for construction equipment has improved in the month of June as compared to the previous months. And again, this trend continues into the month of July, driven mainly by government projects. The receivable cycles have got elongated and cash flows for the small and medium sized businesses are getting delayed a bit. However, collections in the month of June have improved as compared to April and May, and July collections continues to do well, reflecting the same trend as we saw in commercial vehicles.

Demand for tractors and tractor finance continues to be good. Rural cash flows are less impacted. However, collections during the quarter for us, and in general, were impacted due to localized shutdowns and restrictions. June collections again was much better than April and May, and this trend of improving collections continues into July and there is good credit demand in the tractor segment of the business.

Agri SME segment has been stable, the demand for credit in the segment has been good. Again, restrictions on movement had restricted our disbursement ability in the first two months, but that has improved in June and further improving in July. The collection environment in this segment of the business was stable during the quarter and further improving in July.

Microfinance disbursements and collections were again impacted during the quarter. However, collection efficiency has improved in the month of June as compared to May. July shows an improvement over June. And with the gradual relaxation of restrictions, both demand for credit and disbursements are showing an improvement in this segment of the business.

I will now hand it over to Manian to take the presentation forward.

K.V.S. Manian: Thank you, Kannan. Good afternoon. Let me take you through the wholesale side of the business. If you look at the wholesale side of the business, there are two parts to that, I will take it in two parts. The first one being the SME side and the second one being the rest of the corporate banking business. And I would like to look at the corporate banking business along with the credit substitutes there because there is a reasonable amount of fungibility that is happening today in the market.

So, let me first come to SME. SME, I think we are seeing extremely good traction already, but for the loss of about 30 - 45 days in the first quarter, this growth could have been even better. We are seeing good traction in acquisition of new customers, and we see it accelerating from here as well. In fact, we have put in significant capacity enhancements in terms of sales and service to handle larger capacities, that team has been put in place already and large part of it is already in place and rest of it will fall in place in the coming quarters. We have also been able to launch analytics-based credit evaluation mechanism, which will help us improve the TAT and onboard customers faster. So, this is an area where I would say that we see it accelerating from here immediately.

On the corporate side, of course, as I said, if you take a combination of the corporate banking book and the credit substitutes book, we have had a flattish quarter and a modest 4% odd growth in the book Y-o-Y. Here, of course, we have still not seen big demand from corporates for new capacity creation and things like that, it is largely working capital utilization, which is just switching hands. And obviously, that brings in its own challenges in terms of pricing, which we are seeing in the market. But our focus remains very clear that we maintain high asset quality and look for higher wallet share in corporates in a manner that our non-risk income grows definitely faster and significantly faster than the assets, and we can maintain a sustainable ROE in the business.

Of course, credit costs are at all-time low in this business and asset quality has stood up quite well. In fact, our transaction banking focus continues to be high and we have had significantly faster growth in incomes out of current account, trade, FOREX, DCM and fee incomes of that kind. So, on an overall basis, I would say that our income growth is significantly higher than the quarter end asset growth, especially also due to the focus on transaction banking, as well as our focus on intra-quarter assets. Broadly, I would say the health of the business is fairly good and we are confident that as credit growth cycle returns, we will be able to capitalize on that.

As Uday said and Shanti mention for the retail bank, even in the wholesale bank side we continue to invest significantly in the transaction banking side of the business, especially on the technology side. In fact, over the last year, we have upgraded our trade platform. And we have also upgraded last quarter our cash management platform. That brings our platforms to state-of-art and it gives us a platform to build significant customer experience and digital capabilities at the front end. In fact, capacity enhancement and building in this side of the business is very, very key focus area for us. Our mobile app, specifically different from the retail bank mobile app, corporate mobile app continues to get good traction. In fact, our transactions on the corporate mobile app have grown by over 80% and it continues to gain good traction and acceptance and has seen good adoption.

A word or two on the sectors. Actually, CRE portfolio, overall, the quality of the portfolio has stood up well without any significant negative impact on the portfolio. And while we are still a bit cautious on the commercial and retail sectors, we are seeing very, very positive trends on the residential project side and we are continuing to build that side of the business. In fact, in the projects that we have financed, the quarter one flow-throughs of collections of these projects were 40% higher than the overall average of the last year, and almost 3x more than what it was in the first quarter of last year. So, the projects we have financed continue to be showing extremely good sales, and we, therefore, continue to want to build the residential project share in this business.

On the NBFC segment also, of course, we have been present in the higher rated part of this segment and our portfolio has stood up quite well. And in fact, within this sector, as a sub-sector, we are focused on housing finance which has done even better than the broader NBFC sector, and we continue to build that. And we have also focused on building portfolio purchases in terms of PTCs and trade substitutes in terms of NCDs to this sector, part of our credit substitutes have been built in this sector, and we are reasonably comfortable with this segment just now. And you can see the Y-o-Y growth there is somewhat significant.

And overall, on credit substitutes, of course, since I mentioned earlier, our credit substitutes have been built primarily in the NBFC and the high-end corporate segment. And we believe that it makes more economical sense to build credit substitutes than build a loan book in some of these segments.

So overall, I would say, the health of the business is fairly good and in good shape and we are quite optimistic about the outlook on profitability as well as growth from here. Thank you. Can I hand it over to Jaimin to take it forward?

Jaimin Bhatt: Thanks, Manian. If I take the consolidated numbers, this quarter, we end with the consolidated profit of Rs. 1,806 crore compared to Rs. 1,853 crore last year. A large part of this drop, as Uday explained initially, comes from the life insurance loss for this quarter, which is Rs. 243 crore as against a profit of Rs. 161 crore last year. Adjusted for the life insurance loss, the consolidated number would have been a Y-o-Y growth of about 20%+ plus.

The contributors other than the bank to the profitability, if you look at the capital markets, as against a Rs. 175 crore in quarter one last year, the two entities KS and KMCC brought in Rs. 278 crore of post-tax profit. The two NBFCs, Kotak Prime and Kotak Investments, which had clocked in Rs. 111 crore of post-tax profit in quarter one last year, got in Rs. 150 crore between the two of them this quarter.

The mutual funds and the trustee company put together, which was Rs. 71 crore first quarter last year, brought in a total profit of Rs. 107 crore in this quarter. Overall, customer assets at the group level at Rs. 2.64 lakh crore, which is up from about Rs. 2.45 lakh crore, which we were a year ago. Pretty well capitalized, the total capital and reserves at the group level now at Rs. 86,700 crore. Our consolidated capital adequacy overall at 24.9% and with Tier 1 itself, at 24.1%, and we end with a book value of Rs. 435 per share.

I would just request Gaurang to take up the insurance increase.

Gaurang Shah: Yes. Thank you, Jaimin. Let me divide the performance for this quarter for Kotak Life into two parts; the business growth and claims. The gross written premium increased by 37.9% Y-o-Y. Individual new business premium grew by 8.2%, however, individual APE was down by around a couple of percentages. We had a strong performance on renewal premiums, which is growth of around 46.7% year-on-year. This is in line with our consistently top quartile persistency performance. Group business also increased by 57% so as our AUM at a healthy growth of around 30%.

Now coming to claims. During the quarter, we posted a loss of Rs. 243 crore against profit of Rs. 161 crore in Q1 FY 2021. This was mainly due to increase in death claims and extra mortality reserves created to cover expected future claims. Claims, net of reinsurance, amounted to Rs. 562 crore against last year, what we paid was Rs. 96 crore. A little unusual quarter in terms of lock down and other thing last year, the claim was slightly lower reported. So, this itself gives a delta incremental claim of Rs. 466 crore.

Now it is important to note three things. Number one is, that reserves as on 31st March, 2021, were sufficient to cover claims received in Q1 for deaths occurring prior to 31st March, 2021. The real Wave 2 death claim reporting started somewhere in the week commencing 21st of April, that also later part of the week, and lasted till maybe end of June. The second thing is that after writing-off these losses also, our solvency ratio continued to be strong at 2.57x against the required solvency margin of 1.5x. And the third thing, we have not made any changes whatsoever to our valuation rate as on 30th June. So whatever was the valuation rate at which reserves were calculated, we continue to retain at the same rate by June 20th.

Now, taking you through our digital update. Our digitization strategies are focused on empowering distribution, engaging channels, and enhancing customer experience. The post-COVID environment has also hastened the whole process. Coming to the distributors, almost all advisors are now recruited with end-to-end digital process. The Boost application, which was launched for advisor performance and productivity management is now further enhanced with persistency boosting solutions. A virtual connect using CRM and KLI MEET is a video conferencing app, significantly empowers distribution further.

On the customer side, digital onboarding of customer remains very high, barring one or two corporate agents, rest of all the contracts come on a digital onboarding, in a digital way. More products are now available for online digital purchase, so we got more products on offer. We have introduced pre-approved digital offers for Kotak customers which can very easily be enhanced to other distributors. On a customer service side, nearly two-third of the customer queries and requests are served by the digital channels like WhatsApp, Chatbot and portal services.

We have reengineered the IVR facility recently to add some more features of self-servicing, helping better customer experience. Almost 45% of our calls get replied by IVR, reducing the load on the agent. And lastly, data analytics continued to be a strong enabler. Firstly, for cross-sell to work for enhance customer value; and secondly, for early fraud risk identification while underwriting the new business.

So, I think we will continue to focus on the digital side as the broad tenet which we have seen through our presentation for Kotak Life. And with this summary, I hand over to Jaideep to take the call forward.

Jaideep Hansraj: Thank you, Gaurang. Good evening, friends. Kotak Securities achieved a top line of Rs. 571 crore for the quarter ended June 30, 2021. This number is compared to Rs. 459 crore for the corresponding quarter last year and Rs. 570 crore for the previous quarter ended March 2021. The PBT is Rs. 315 crore for this quarter, compared to Rs. 225 crore for the period ending June 2020, and Rs. 321 crore for the quarter ended March 31, 2021. The PAT for the quarter ended June 2021 is Rs. 236 crore versus Rs. 169 crore for the corresponding period last year, and Rs. 241 crore for the quarter ended 31/3/21.

The ADV, or the average daily volumes as we call it, has been consistently growing over the last few quarters. The retail average daily volumes from Rs. 9.57 lakh crore in Q1 of FY 2021 is currently at Rs. 23.90 lakh crore, an increase of approximately 2.3x. During the same time, the volume for Kotak

Securities has grown from Rs. 22,000 crore a day to Rs. 57,000 crore approximately. The growth in volumes over the web is nearly 2x of what it was last year and the growth on mobile is nearly 3x of the same period last year. About 97% of account which were opened in Q1 of 2022 have been digital.

I will now hand over to Manian to take you all through the performance of the Investment Bank.

K.V.S. Manian: Yes. Thank you, Jaideep. KMCC maintains its leadership position in the IPO business. They have already done marquee transactions in the first quarter and the pipeline continues to be good. And on top of good ECM business, we have also seen good traction in the advisory business and we have already concluded a few marquee transactions in the first quarter. And as I said, if the markets continue in the same pace, KMCC has extremely good prospects for the year and maybe end up with a record year.

I will also take you through the KMIL, a subsidiary which is into real estate and structured product business. I have already talked about the CRE side of this business when I talked in general about the CRE sector, that applies to this as well. As you can see, the profit growth in the company has been quite good. The asset quality has been fairly good. And of course, the NBFC is well capitalized and we hope to capitalize on capital availability here to grow this business from here. And we see the opportunity now in this business because of consolidation of finance providers in this kind of business.

Additionally, other than CRE, the other business that this company is active is in the structured finance business. Again, we see a great opportunity where some of these structured transactions, there are not enough people in the market doing this transaction and it gives us a significant competitive advantage in terms of understanding of that business and has the ability to do such transactions. So we see again, this is a business that we are quite optimistic about growing from here.

Thank you. I will now hand it over to Kannan to take you through Kotak Mahindra Prime.

D. Kannan: Thank you, Manian. Kotak Mahindra Prime had a profit before tax of Rs. 106 crore and profit after tax of Rs. 79 crore during the quarter. Disbursements and collections were impacted during April and May. However, June saw an improvement in both disbursements and collections as compared to the previous two months. Collection efficiencies continues to show good improvement in the month of July. Demand for cars as well as disbursements continue to be good in the current month. With the environment improving, we hope to see better quarters ahead, both in terms of collections and disbursements.

I will now hand it over to Nilesh to take you through the AMC performance.

Nilesh Shah: Thanks, Kannan. Good evening, friends. Let me take you through our asset management business. Our mutual fund AUM grew 48% year-on-year to Rs. 2.48 trillion. Our equity AUM supported by market bounce back grew 64% year-on-year to Rs. 1.09 trillion. Our total AUM market share increased by 60 basis points from 6.8% last year to 7.4%. Our equity AUM market share increased by 40 basis points from 4.9% last year to 5.3%.

This increase in market share is supported by good investment performance, new customer acquisition, and customer penetration. Our SIP book and AUM growth continues to outpace mutual fund industry growth. Consequently, our profit after tax has grown by 51% year-on-year to Rs. 107 crore. Our total assets under management across mutual fund, PMS, offshore insurance, and alternate assets has grown 32% year-on-year to Rs. 3.44 trillion. Our relationship value across wealth priority and investment advisory business grew 43% year-on-year to rupees Rs. 4.04 trillion.

I will hand it over to Jaimin Bhatt.

Jaimin Bhatt: Thank you, Nilesh. We will be open to taking some questions from the analysts.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Dhaval Gala from Aditya Birla Sun Life Insurance. Please go ahead.

Dhaval Gala: A couple of questions. First question, if you could give some updates on Kotak 811 app, the progress and any transformations you have done in that business line item with respect to competition, with a lot of other neo banking or wallet companies or payment platforms. So that's question number one. Question number two, your thought process on slippages for the year 2022, looking at your SMA book and what are you picking up in the month of July in terms of collection or bounce rates.

Uday Kotak: First of all, I believe digital is here at the core of how we acquire customers in a very significant manner, and we continue to be extremely optimistic about our Kotak 811 progress as a way of significantly scaling up our gain. I think Shanti mentioned about the number of new customers we add and I will request Shanti to tell you some flavor on the progress we're making on 811.

Shanti Ekambaram: Thank you, Uday. I will do that. So, first of all, 811 app is a part of the Kotak's mobile banking app, and we had made a lot of changes in the DIY journey for customer acquisition we have optimized and improvised. We are working on a transformation post on Mobile 2.0 as we said, and one of them is also what we are going to do on the journeys of 811 post landing, which is a separate landing page itself. So we are working on it, but we have optimized the journeys, we have optimized the process journeys significantly, we have almost made most of the products, we have shachetized some of the products for 811 and we have optimized the cross-sell journeys for some of those, but more for later.

Uday Kotak: Yes, I think you will see some of those developments as you go through this year. I think at the appropriate time we will share with you some of our plans, or execution as may be appropriate. So coming to the second question on slippages, I think, of course quarter one we think is a significant aberration thanks to what happened; there were two aspects about what caused the slippages. One, obviously is linked to ability to pay. Second was linked to actual physical ability to reach out and collect, for example, a lot of people in the secured segment, like the tractor segment or the commercial vehicle segment, a lot of these people continue to pay in cash. So, ability to go out and reach and actually collect was significantly hampered from end of April till at least first or second week of June. And it is in that period that you saw significant slippages happen, particularly in these two segments. And we have obviously made significant attempts to do voice, virtual, digital ability to collect. But some of these, which is where people pay in cash or including as in microfinance, the ability to go out and get customers to pay was significantly hampered.

We also found another very interesting phenomenon, many customers who actually had the money told us in the month of May, we have the money but we want to save it for potential risk of hospitalization and other things. And therefore, we have right now the ability to pay, but we want to postpone it, we saw some of that also happen. So our view is, from these level of slippages we should see a significant improvement in the quarters to come, with a caveat that COVID 3.0 is now nowhere as intense as COVID 2.0. And subject to that, I think I am optimistic about a significant improvement in slippages going forward. And again, as I mentioned at the beginning, a significant part of our slippages happened to be in the secured segment as a large proportion of this.

Moderator: Thank you. The next question is from the line Nilanjan Karfa from Nomura. Please go ahead.

Nilanjan Karfa: Uday, just a little more clarity on the slippages that we saw in this quarter. Obviously, I mean, our book is totally secured, so has to mostly come from the secured part. But like in the industry data that we are seeing, would it be fair to say roughly 70% to 80% is retail, that's what has slipped in this quarter?

Uday Kotak: Yes, I think the bulk of the slippages are retail and commercial bank, clearly. And the corporate bank is amazingly pristine. And on a relative basis, we are also seeing the SME bank hold up quite well.

Nilanjan Karfa: Right. Would you want to point out which part of retail has been a little more challenging? And I think I will tag this question, I mean, you partly answered while answering the tractor question. Roughly I want to know, how much of collections actually take place in cash across some of the segments in retail, I mean, more particularly with the mortgage? Also, at least in the Q1, did we see mortgage slippages for both home loans and home equity seem slightly higher than, let's say, the full year FY 2021, any color on that?

Uday Kotak: So, let me first say on mortgages, yes, there is a marginal increase in the quarter, but nothing dramatic. Tractors and commercial vehicles is where we saw the bulk of the impact and to a certain extent in construction equipment where people had an issue about getting money from state governments during the quarter. But I will ask Kannan to specifically touch upon tractors, commercial vehicle and construction equipment, including on the cash intensity of some of those businesses. Kannan?

D. Kannan: Yes. I think on the commercial vehicle and construction equipment side, as Uday mentioned, there have been slippages, but the good part of it is, the bounce rates in July as we see it is as good as what it was in the fourth quarter of last year. So, I think it's come back in June, July, partly in June and July. But yes, we had slippages on those in the months of April and May. The question is, construction equipment and CVs, most of the payments are through the banking system. But once the bounce happens, you need to reach out to the customers even to collect an instrument or collect by cash. So, as Uday mentioned, we had a problem in reaching out to the customer and a lot of customers held back cash for unforeseen medical expenses, so that thing happened.

On tractors, while we have more than 60% of the people paying by instruments, but once the bounce happens, again you will have to go and collect cash from them. So, more than 50% of the people would still pay by cash and this was an area where we couldn't reach. And this time, unlike in the past, this time the COVID spread was there in the non-metro and rural areas too. So, it was a combination of our employees getting infected and not able to reach, customers infected and not able to reach, and there were villages which had stopped outsiders getting into the village. So we had a problem in reaching there, but June has been a very good month again in tractors, and the same trend continues in July. So we are hopeful, we will be back to quarter four levels by about July, August.

Nilanjan Karfa: That's good to know. And sorry, if I can slip in another question on the prime business, again, looks to be a fairly stressed quarter in terms of collection because at least the net NPA definitely look like quite elevated just on a sequential basis. We heard perspective of was it the dealers that were more stressed or is it actually the vehicle owners.

D. Kannan: No, it's not so much the dealers, on the retail side it's again got to do with the same things which we discussed for commercial vehicles and construction equipment. Even on prime, we had a problem in reaching up to the customers and we have seen resolution rates getting better in June and July. So, this was the impact of the April and May, inability to reach the customer.

Nilanjan Karfa: Right. Okay. And a final question, even in I think the March quarter I had sort of checked on the deposit growth, and clearly this quarter even the average growth has sort of declined a lot. However, when we look at the cost of savings that we had put out that has sort of flat lined. So, is it that we have reached a stage where it's become more organic savings accretion that is happening and just because we did not intend to grow, we could not go out and change other forms of deposits, not necessarily wholesale, but other forms of deposits as well, would that be a fair assessment?

Uday Kotak: See, right now what is happening is, there is a surfeit of liquidity, okay? And it's a constant balance in terms of what we pay for liability for the franchise versus the cost of the money. It is quite amazing that wholesale money today, say, on a one-year deposit, today would cost around 4% or lower annualized. And most banks are paying retail depositors up to Rs. 2 crore, between 4.75% and 5% quarterly rests. So if I would make a difference of this, it is more than 100 basis points higher for the franchise. And we have to be clear that we certainly would like to protect the franchise, but we want to keep on chipping away at our effective to cost of funds with the CASA ratio in excess of 60%. So, we have to protect the franchise, keep on chipping away at our cost of funds.

And I would also like to highlight to you that now we are probably amongst the lowest cost of funds in banking. This is despite us paying on saving deposits at an average about 50 basis to 60 basis more than some of our larger competitors. So, despite a higher cost of savings deposits, which we still have, and we have a CASA ratio which helps us on the mix side to be able to have significantly low cost of funds and gives us great ability to carefully chip away without hurting the core franchise. And this is what we continue to do step by step. Obviously, if you calculate our cost of funds for the March quarter versus June quarter, you would find a reasonable improvement even further in our cost of funds this quarter versus last quarter. While, yes, a lot of the gains are in, we still believe that there is some chipping away which we will be able to do even as we start increasing our focus on the asset side, which we have already started doing.

Nilanjan Karfa: Okay. So, should I construe that, Uday, you are a little more comfortable with the environment today? I mean, let's ignore third wave for now but…

Uday Kotak: Let me highlight to you a simple fact. Last year when COVID 1.0 happened, we froze everything, including hiring, because we did not know how it would hit. Through COVID 2.0, and actually we started before that, we continued aggressively hiring people. And a lot of those people were on the technology side and for asset financing businesses and across the board, including different other aspects of the business. We have not slowed down our hiring which we picked up momentum starting October through March and through this quarter, therefore our number of people addition has continued through the entire COVID 2.0 period, and there's no better way of communicating than saying that we're putting money to work by adding people through COVID 2.0.

Moderator: Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Firstly, on ECLGS, the overall number of Rs. 11,900 odd crore, was say by March end it was around about Rs. 10,000 crore and there were incremental disbursements of Rs. 2,000 odd crore in this quarter under various schemes? Or there were hardly any disbursements during the quarter?

Uday Kotak: I think I will ask Manian and Jaimin to answer that question. And I again wanted to share with all of you that contrary to popular view, our experience on ECLGS so far has been very positive.

Kunal Shah: Yes, sir. I was just coming to that in terms of how do you think this portfolio would behave given that second wave would have again disrupted the same set of customers who were impacted during the first wave as well. So, at that time, maybe the viability which we would have thought about, that would have further got derailed. So, do we see the risk going forward to maybe the disbursements which were done earlier?

Uday Kotak: If you look at our slippages for the June quarter, there is relatively insignificant movement in SME and business banking customers, which is where bulk of the ECLGS happened. Therefore, we have not seen any significant signs of stress in the April to June quarter of people who have taken ECLGS at least up to March. ECLGS 3, which you are now seeing, has also been included for other sectors. So I will ask Manian first and then Jaimin wants to share, your thoughts please.

K.V.S. Manian: So, our disbursements if you see here, our sanctions we have made earlier and part of the disbursements that have happened later, so no significant new sanctions happened. There was a happened amount but no significant amount of sanction happened post that. And in fact, on stress sector also Jaimin has the number, Jaimin, you have the number, right, our sanctions are not significant in that. And as things stand now, like Uday said, both SME and MSME, we had never seen any significant deterioration of portfolio. These are the non-ECLGS portfolio in this period. Of course, in segments like commercial vehicle or where there has been general deterioration, there has been a general deterioration here also. We aren't seeing that much dramatically differential deterioration yet.

Jaimin Bhatt: Yes, I would kind of endorse that. But just coming back to your initial one, Kunal. If you look at March, our total disbursement was around Rs. 11,400 crore, Rs. 11,370 crore thereabouts, which has now moved to Rs. 11,900 crore. So, it's about Rs. 500 odd crore of what we have disbursed in the current period. Some of it would be, as Manian mentioned, what we have agreed during the period before March, but the disbursement has happened now. So the overall incremental for this quarter is about Rs. 500 crore.

Kunal Shah: Sure. Thanks. That's helpful. And secondly for Mr. Kotak. So on corporate banking side, when we look at the other private peers, they are still seeing the growth. You alluded to the fact that now we have best-in-class cost of deposit, but somehow that traction in the better rated corporate is not visible in terms of the growth for us. So how should we see it, is it more in terms of holistic offering or maybe we are waiting? And secondly, in terms of your experience, given the situation in the economy, the stress which we are seeing in retail, do you think that corporate which is currently very, very pristine, okay, that can continue? Or we could see the flow through in the corporate stress with some kind of a lag of six to nine months?

Uday Kotak: So I think, again, I will answer it in few parts. First of all, corporate which have access to capital should be able to ride it through. One of the most interesting and differentiated parts of this cycle has been amazing access to capital, even for weak sectors. So, for any business which has access to risk capital, actually has been able to sustain and survive through this stress period. Any business which does not have access to capital will have challenges, whether it's corporate or non corporate.

Now, there are some sectors even in the corporate sector, you have to make a judgment whether they will have access to capital, whether it's the telecom sector or hospitality sector or other sectors, will they have access to capital? If they get access to capital, they will sustain and survive. If they don't, there is an issue. The most important distinguishing factor of COVID is that how dramatically it has separated those who get access and those who don't, I would call it with the haves and the have nots. So that is one broad brush which I would like to share with you.

The second and the other important issue is that when you are lending to corporates, you just ask yourself the tough question, and I am giving you some mathematics. I mean, I am not giving you any rocket science. The Reserve Bank of India today takes overnight money from banks for its surplus at a daily compounded rate of 3.35%. You take a one year treasury bill, it's give or take around 3.75% to 3.8% yield. Now, instead of putting money here if you put money in a corporate loan, you have straight away an additional cost of priority sector lending.

After that, what is your return or ROE or risk-adjusted return on capital is a tough question you have got to ask. And therefore, if priority sector lending is a cost, is it better to be doing debentures for those companies versus giving a loan? And we ask these tough questions and take the tough calls, because finally the priority sector lending cost is a cost which hits a bank over three to five years. Therefore, I can easily be short-term in my approach, grow my lending book by taking huge bets end of the quarter and show higher growth. But I will pay the price over three to five years by putting money at 2.5% for three to five years.

And we don't want to get into that. We would rather do what makes business sense for a franchise today, a corporate will shop and take money from anybody, whether it's a bank or a mutual fund, they are going for the lowest rate. If they save 20 basis points, they will take the money. And public sector enterprises, where a lot of lending has happened, they have auctions of bidding, and some of the auctions, Manian may confirm, have gone at a lending rate for 90 days and 120 days sub 4%, and large amounts, Rs. 5,000 crore, Rs. 10,000 crore kind of lending banks have done. And they have been able to show a significant growth in their loan growth, but it is not value accretive.

Kunal Shah: Sure. So, maybe where the PSUs are there definitely it doesn't make sense, but maybe on the other segments…

Uday Kotak: But you look at the amount of growth which has happened, it is a PSU every 90 days, 180 days, shops again, gets it 20 basis points cheaper. If one is a bank who has given say Rs. 5,000 crore or Rs. 10,000 crore earlier, they have no way of getting off the tiger. Because movement they do that, analyst community will say, oh, next quarter why has your loan growth slowed down? You are then riding that tiger.

Kunal Shah: Yes, sure. So, what would actually lead to getting to the corporate, I don't think this environment would change, PSUs will always have the upper hand in terms of this liquidity scenario. So, when do we get into? So the only thing is, we are taking a call between the credit substitute and the loan growth, that's the only call, okay? But otherwise, in terms of missing out on the opportunity of the relationship…

K.V.S. Manian: Can I come in?

Kunal Shah: Yes.

K.V.S. Manian: So, if you connect the dots on what things I said during my presentation, see, it is important to know that income growth is as important as asset growth. And I told you that our income growth is significantly more, I said significantly more than our asset growth. So, I think the corporate banking business has to be seen as a sustainable good ROE business, and as long as your profits grow, you are okay. And profits grow because of better wallet share on other product than only loans. Loans are most times, at the top end of the corporates, loans are the worst ROE product. So just correlating the corporate bank health with just asset growth is not the right way to look at it, at least in our view that is not the right way to look at it. As long as we can deliver growth in incomes and profits, that's what matters.

Uday Kotak: And if I add on to what Manian says, I will much rather focus on growing in mid-market and SMEs, that is where we would focus on our growth rather than the top end corporates or PSUs. Because that is riding a tiger at poor ROEs and paying a price on priority sector.

K.V.S. Manian: And in some of these large corporates, and especially PSUs, the more profitable part of the transaction banking business, unless you get a share of that, which is very difficult to get or it doesn't come easily because it goes to the PSU banks largely, to make an overall client RoE, RaROC, the risk-adjusted basis return on capital employed for that customer asset, is very critical. And, so we look at this from overall profitability, not necessarily asset growth. So I just wanted to re-emphasize that.

Kunal Shah: Sure, this is very important.

K.V.S. Manian: Of course, it is not that easy, if we get assets at the right pricing and right mix of wallet, we will of course take it. And our ability to get that is there, we are present in all relationships. It is easy for me to add Rs. 5,000 crore in a quarter if I just drop the price to an unsustainable ROE. But like Uday said, I will ride a tiger which I will never get off. And culturally, the team gets into that kind of business.

Kunal Shah: Sure, got it. And one last question in terms of SMA, if we have to look at less than Rs. 5 crore, how would have been the behavior given that maybe as you highlighted major stress is in, say, retail and these small businesses, would the trend be very different than what we see it in terms of the overall SMA pool?

Jaimin Bhatt: Kunal, the numbers which we give you are the numbers for SMA for exposure which are over Rs. 5 crore, this is what gets reported to CRILC. So, yes, SMA-2 number would have gone up this period versus last period, but last year getting to the fact that there was moratorium and all of that, so anybody who had taken a moratorium that was a standstill agreement. So to that extent, they were not counted as SMA-2. So yes, there has been a rise on the SMA-2 overall from what was it last year to this year, but these are only for Rs. 5 crore plus numbers.

Uday Kotak: And these are not comparable because moratorium period delay was kept out of the SMA calculations.

Moderator: Thank you. The next question is from the line of Saurabh from JPMorgan. Please go ahead.

Saurabh: Sir, two questions, one is, what will be your average LCR during the quarter? So that's one. And secondly, on your real estate book, you have Rs. 12,000 crore as per your Basel disclosure, if you let out the LRD, and the parent are at just about Rs. 6,000 crore. So, is it fair to say that KIML will have Rs. 6,000 cores of CRE?

Jaimin Bhatt: Yes. If you look at LCR average, we would be over 160% for the April-June quarter.

Saurabh: Okay. So, and what's your policy on LCR also, if you can just kind of highlight as to, would you want to run down it for us.

Jaimin Bhatt: This is of course at the bank level.

Saurabh: Okay. But sir, would you look to run down this facility in the fourth quarter

Uday Kotak: Having said that, if you keep on getting liquidity flows, you have to place them somewhere. So, I think LCR at 160% is not a part of strategy, it's a part of necessity.

Saurabh: So, as the LCR comes down, we should obviously see some upward pressure on NIMs because of that.

Uday Kotak: Obviously, LCR rates will be lower than what we will get in the lending market. LCR assets, HQLA asset rates, investment yields will be lower than what we can get in the lending market. Therefore, our current NIMs of 4.6% are with a 160% average LCR for the last quarter.

Jaimin Bhatt: The other one, you are right, if I take the exposure of the NBFCs, the two NBFCs on the CRE, it would be about Rs. 5,000 odd crore. And mind you, the Basel disclosures are on exposure level, which therefore includes limits as well as non-funded. Whereas, the numbers we are giving right now are funded and as outstanding.

Saurabh: Yes, I was talking about the fund based only. If I can, just one clarification. So, I mean, the CRE exposure in the NBFC, will it be mostly through the Tier 2 developers, I mean, that's how its run in NBFC?

Uday Kotak: So, I think as Manian mentioned, Kotak Mahindra Investments is a more specialized NBFC in real estate lending, okay, and structured finance. So that's the specialization the team has built which is built in a focused manner in that company.

K.V.S. Manian: Yes, but largely we are into Tier 1 developers only, there is a small exposure at Tier 2 level, depending on the project quality. But otherwise, largely our exposures are in the Tier 1 builders.

Uday Kotak: And if you look at the net NPA ratio in Kotak Mahindra Investments, it's at what, 0.34%, Jaimin?

Jaimin Bhatt: Its 0.6% in KMIL.

Uday Kotak: Yes. 0.6% in KMIL, net NPA.

K.V.S Manian: And they are all secured exposure, so LGDs are not likely to be high.

Moderator: Thank you. The next question is from the line of S Parameswaran from Jefferies. Please go ahead.

Prakhar Sharma: Hi**,** this is, Prakhar. Just a couple of things, basically. One, on the business banking and SME type of credits, you had a good experience so far. How do you look at it from a growth perspective from here on? And even in this quarter you have had like a maybe 4%, 5% or 6% decline between the consumer banking working capital and business banking credit. Some of the other peers have still grown and maintained asset quality, any specific thing to look at from the divergence that we have seen with you and the other large lenders?

Uday Kotak: My first advice to you is, be a little careful of three disparate periods you are comparing. You are comparing quarter one 2020, which was a different COVID 1.0 versus COVID 2.0, which was a different period, and quarter four which was a different period. And in some of our limits, including in working capital and SME, we found a significant number of our borrowers, actually credit moneys in their overdraft accounts. So we had the limit, we had the exposure, but suddenly they dropped their exposure by sort of funding back as they sort of went into a shell in April, May. So, it really depends on the nature of the borrower you have, what is the over draft usage. And my view is, three disparate periods, be very careful of drawing trend analysis based on this, what I would call as, volatile comparable periods. A more sustainable trend should be looked at over the next couple of quarters before taking a view about how the trends are showing with reference to different players. That would be my strong recommendation and advice.

Prakhar Sharma: Understood. And just very shortly, any update or comment on the RBI issue around the succession etc, or too early to say?

Uday Kotak: No updates, no comments. When we have them, we will share.

Moderator: Thank you. The next question is from the line of Manish Shukla from Citi Group. Please go ahead.

Manish Shukla: If we were to benchmark your March disbursements at 100, for the month of June where would we have been with respect to March?

Uday Kotak: Jaimin, I don't think I have the numbers. You have on hand?

Jaimin Bhatt: I wouldn't have it, it would be different across different businesses, but I wouldn't have an overall number off hand**.**

Manish Shukla: Okay. Sure. And second, you have made a comment that ECLGS disbursements have generally behaved well. I am just trying to understand what do you mean by that? Because I am assuming there would moratorium etc on those disbursements, so what parameters are you looking at therefore you make that statement?

Uday Kotak: If the guy is really under stress, he won't be able to pay even the interest, especially after COVID 2.0. And if I look at the slippages at least in April to June quarter, other than commercial vehicles, in general, the slippages in ECLGS portfolios have not been anywhere near as high as we have seen in the tractor portfolio and commercial vehicle portfolio. That's what I mean.

Manish Shukla: Got it, right. One last question, Jaimin on Q-o-Q basis, the yield on loans have gone up, is it largely because of lower interest reversal or is there anything else as well?

Jaimin Bhatt: No, Y-o-Y basis if you look at the last quarter, the interest yields when we talk about advances, you go into the fact that because of the Supreme Court judgment we had to take a hit of Rs. 110 crore in the last quarter. When you calculate your interest on advances, you would have taken that Rs. 110 crore out of that.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference back to Mr. Uday Kotak for closing comments.

Uday Kotak: I just wanted to first thank all of you for spending one and a half hour with us. And just to share that for all our sake I hope that either there is no COVID 3.0, or if there's a COVID 3.0, it is milder. And if that is the way it is, I would like to say that the future is brighter. Thank you very much and wish you all happy, safe and sound times ahead. Thank you very much to all.

Moderator: Thank you. On the behalf of Kotak Mahindra Bank Limited, this concludes today's conference. Thank you all for joining. You may disconnect your lines.