"Kotak Mahindra Bank Q4 FY2022 Earnings Conference Call"

May 04, 2022

MANAGEMENT:	**MR. UDAY KOTAK – MANAGING DIRECTOR & CEO** **MR. DIPAK GUPTA – JOINT MANAGING DIRECTOR** **MR. JAIMIN BHATT – GROUP PRESIDENT - GROUP CFO** **MS. SHANTI EKAMBARAM – GROUP PRESIDENT - CONSUMER BANKING** **MR. KVS MANIAN – WHOLE TIME DIRECTOR** **MR. D. KANNAN – GROUP PRESIDENT - COMMERCIAL BANKING** **MR. GAURANG SHAH – WHOLE TIME DIRECTOR** **MR. JAIDEEP HANSRAJ – CEO, KOTAK SECURITIES** **MR. NILESH SHAH – MANAGING DIRECTOR, KOTAK MAHINDRA ASSET MANAGEMENT CO. LTD.**

Safe Harbour

This document contains certain forward-looking statements based on current expectations of Kotak Mahindra management. Actual results may vary significantly from the forward -looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of Kotak Mahindra group as well as its ability to implement the strategy. Kotak Mahindra does not undertake to update these statements. Please also refer to the statement of financial results required by Indian regulations that has been filed with the stock exchanges in India and is available on our website ir.kotak.com. This document does not constitute an offer or recommendation to buy or sell any securities of Kotak Mahindra Bank or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by Kotak Mahindra, including but not limited to units of its mutual fund and life insurance policies. All investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market. The performance of the sponsor, Kotak Mahindra Bank Limited, has no bearing on the expected performance of Kotak Mahindra Mutual Fund or any schemes thereunder.

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'22 Earnings Conference Call of Kotak Mahindra Bank. As a reminder, all participant lines will be in 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 now hand the conference over to Mr. Uday Kotak. Thank you and over to you, sir.

Uday Kotak: Good evening, colleagues. Welcome to the Kotak Mahindra Bank Earnings Conference Call on this hot 4th of May here in Mumbai.

I would first like to share with you what has already been publicly announced by us today with reference to the various appointments and changes with reference to the management.

I'm happy to share that my colleague, Shanti Ekambaram, who has been with the Kotak group for more than 30 years, has been appointed on the board of Kotak Mahindra Bank subject to regulatory and shareholders approvals, w.e.f. November 1.

I'm also happy to announce the reappointment of Manian for another term as a whole-time director w.e.f. November 1 subject to shareholder and regulatory approvals.

I would also like to share that my colleague, Gaurang, has voluntarily decided not to seek renewal of his term on completion as a whole-time director on 31st October 2022. However, I'm happy to also share that Gaurang will continue to be on the board of all our major group companies, which includes Kotak Life Insurance, Kotak General Insurance, Kotak Asset Management Company, international subsidiaries as also Kotak Investment Advisors. I'm also happy to share that Gaurang has been appointed today as the Chairman of Kotak General Insurance. We are wanting to share that Gaurang continues his active association with the Kotak Group and will continue to add significant value to our key businesses on a consolidated basis.

I'm also happy to share that my colleague, Dipak Gupta, who has been on the board of our alternate assets business, which is a growing business and which we propose to grow even faster, Kotak Investment Advisors, Dipak has been appointed as the Chairman of that company.

Finally, my colleague, Kannan, who has built our commercial banking business over the last many years, particularly, the penetration we've made in the microfinance business, Kannan has been appointed today as the Chairman of BSS Microfinance, a company which we acquired a few years ago. And Kannan will continue to see how we can grow in various segments, particularly in the microfinance business as we go forward.

I would just like to share with all of you an important message that Kotak Mahindra Bank is taking appropriate steps for transition and the strength and the depth of Kotak Mahindra Bank and the group management is something I'm extremely proud of. And we see that as a very strong, stable sustained base, on which Kotak Mahindra Bank and the group can continue to grow over long periods of time.

Coming specifically to the financial numbers for the period ended 31st March, the earnings numbers are with you and my colleague, Jaimin, will take you through them shortly.

I just wanted to make a few important points, actually more on the balance sheet side. Specifically, very happy to share that, we are now seeing a very sharp drop in the slippage ratio in terms of the new bad loans. For the fourth quarter, the slippage ratio on an annualized basis is down to 1.08%, which is in absolute numbers only Rs.736 crores of gross slippage.

Our COVID restructuring portfolio is barely 15 basis points. And then the MSME restructuring portfolio is another 29-odd basis points. I think Jaimin will give you the exact numbers, but both put together are around the 0.5% mark. It again reflects on the very strong quality of the book as we come out of the pandemic.

The second important point I would like to highlight is we have been able to make significant inroads into cost of funds and our cost of funds are now at a historic low. We understand, as rates move up, that they will change, but with a CASA ratio in excess of 60%, we feel that we are well-positioned for growth as we go forward.

Third, as an extension of that, it also is demonstrating that our risk adjusted pricing is giving us significant benefits on our NIMs. And here I would also like to highlight the fact that despite our loan book growing in the bank at over 21%, our capital adequacy ratio has continued to be equal or higher than what it was one year ago, which means despite the addition of risk assets at this pace, the generation of earnings across different arms of Kotak is more than sufficient to actually keep the capital at similar levels despite a 20%-plus growth. And this in a way reflects on the mix and the quality of the earnings, which we have.

I'm also happy to highlight the fact that out of our consolidated profits, 30% of the profits come from the subsidiaries approximately and 70% of the profits are the standalone bank. Therefore, our true approach to a consolidated Kotak across financial services is something which is playing out well. And the fact that we own 100% of our subsidiaries is contributing significantly to the 30% number out of the consolidated earnings.

We are also happy that the bank have been cautious in building our fixed rate loan book and it is actually somewhere between 15% and 18% of our total loan book, which is fixed rate loan book more than a year's duration. The rest of the book is either duration below one year, or is a floating rate book. So, as interest rate scenario changes, we have got a significant ability to reprice our book.

We are again at a stage where we have put on the accelerator for speeding up our loan growth as is evident in our Q4 numbers. We feel with the quality of our balance sheet, our cost of funds positioning, our historical ability to manage and grow low costs and sustain liability franchise, which is a core of a banking franchise, we feel pretty confident to be able to grow our loan book, both secured and unsecured, despite interest rates moving up with an ability to price appropriately as things change.

I would also like to share that on our fixed income bond book, we run a very low duration, a little over one year is the duration of our treasury book, and which actually positions us very well as the interest rate scenario changes.

With that, I will now ask Jaimin to take you through the financials, and then open up, and also my other colleagues to take you to different parts of our performance in the last quarter and the year behind. Thank you very much.

Jaimin Bhatt: Thank you, Uday. Let me take the consolidated numbers first. We end this quarter with post tax profit of Rs.3,892 crores, which is a 50% higher than what we did in Q4 last year. For the full year, we closed at Rs.12,089 crores, 21% higher than what we did in FY'21. Our overall customer assets at the group level grew 22% to close at Rs.3,27,000 crores. At the group level, ROA for the quarter annualized at 2.94% and if I take the full year, we are at 2.36%. Capital adequacy at the group level again at the consolidated level was 23.7% with tier-1 itself at 22.8%, both of them marginally higher than what they were one year ago. Our book value per share now at Rs.487 per share. Return on equity, again, if I take the quarter, 16.6%, and year at 13.4%, the year being lower, thanks to some of the negatives which we had in Q1 in this year.

For this quarter, as Uday mentioned, the bank contributed about 70%, Rs.2,767 crores which is about 64% higher than a year ago, and 23% higher than the previous quarter.

Kotak Prime showed almost a 70% PAT growth on a YoY basis, closing this quarter at Rs.313 crores.

Similarly, Kotak Investments brought in Rs.101 crores, up 30% on a YoY.

If I look at the two NBFCs put together, they showed a 60% growth in FY'22 over '21.

The big growth also came in the capital market subsidiaries, that's Kotak Securities and Kotak Mahindra Capital; the two of them contributed close to Rs.1,250 crores to the post tax profits as against Rs.875 crores, it's about 42% YoY.

The Life Insurance entity this quarter had a 38% higher than previous year same quarter with Rs.267 crores. For the full year of course, the Life Insurance segment had a negative first quarter and therefore the full year numbers are lower than what they did last year.

The domestic mutual fund entities, the AMC and the trustee put together contributed Rs.454 crores which is 28% higher than last year.

The Alternate Asset Business, Kotak Investment Advisors ended this year with a profit of Rs.58 crores.

BSS, which is, as Uday mentioned, a business correspondent in the microfinance area, which we acquired in 2017, closed with a post-tax profit of Rs.82 crores this year as against Rs.23 crores last year; Rs.42 crores of these Rs.82 crores came in the Q4 of this year. At the overall group level, the non-bank entities continuing to give about 30% of the profit. Advances at the group level at about now crossing Rs.3 lakh crores. The overall networth getting close to Rs.100,000 crores with the bank getting Rs.72,000 crores there.

All of our entities are pretty adequately capitalized. The two NBFCs for example, a capital adequacy each of over 30% with together having Rs.10,000 crores of capital.

The Life Insurance Company has a solvency of 2.7x with a networth of 4.4 thousand crore. And the international subsidiaries now have roughly about $200 million of networth, very little of that went as investment from India.

I come to the bank standalone, where as I said, for the quarter we show a 64% growth on a YoY basis and 23% if I look at the full year, Rs.8,573 crores, 23% higher than last year. This quarter saw NII growth of 18% YoY. The NIM improved to 4.78% for the quarter and 4.62% if I take the full year. The fees and services again showed a healthy growth of 23% versus Q4 '21. And this came both from higher distribution and syndication fees as well as the general banking fees. The others under the other income thing for the full year is lower largely because of the MTM hit which we took a, lot of it came in Q3. Our employee cost for this quarter comes in lower than the previous quarter, thanks to some reversals of retiral provisions which were largely coming from the interest rate cycle. As we continue to push for growth, the non-employee expenses have grown with costs coming in promotions, towards client acquisitions both on the asset side and the liability side, technology and communication spends.

During the quarter, we added 2 million customers as against 1.1 million customers which we had done in the same quarter last year.

Our operating profit for Q4 at Rs.3340 crores which is 13% higher than what we did in Q4 FY'21 and 23% higher than Q3 of this year.

We have done reversal of COVID provisioning on the same lines and principles as we followed for Q3 and this quarter we reversed total of Rs.453 crores and we continue to retain Rs.547 crores as COVID provisioning.

What we have also done in this quarter is on our standard restructured book coming either from COVID or MSME, we have taken an additional 10% provision more than what is required regulatorily, which amounts to a P&L cost of Rs.120 crores this quarter.

Our GNPA at March 31 stands at 2.34% which is as against 3.25% which was a year ago. In absolute numbers, we had a GNPA of Rs.7,400 crores in March '21, which has now dropped to Rs.6,470 crores.

The net NPA at 0.64% as against 1.21%, which was a PCR of 73.2%. As Uday mentioned slippages this quarter at Rs.736 crores which is about 0.27% of advances, annualized at about 1.08%. Against this, we had recoveries and upgrades in this quarter which were Rs.897 crores. This is therefore, like the third quarter in the row where we've got recoveries and upgrades higher than slippages coming in.

Our credit cost for this quarter without factoring any COVID reversals, come to 27 bps, and if I take the full year, it's at about 55 bps compared to what we had 84 bps in FY'21.

Our fund-based restructured under the COVID resolutions are at Rs.417 crores, is about 0.15% of our advances, and similarly, under MSME resolution frameworks is at Rs.788 crores which is 0.29% of our advances. Our SMA-2 which is funded exposures for borrowers with Rs.5 crores plus exposure at Rs.186 crores. Our standalone balance sheet now is at Rs.4.3 crores approximately.

CASA continuing to be healthy at 60%-plus and capital adequacy at the bank again was 22.7% overall and 21.7%, and as Uday mentioned, this has actually been a small tick up in the capital adequacy despite a pretty healthy advances growth. Advances grew 21% on a YoY basis with this quarter itself clocking 7.3%.

I request Manian to take the corporate book.

KVS Manian: Thanks, Jaimin. Good evening everyone. As we usually do, let me take you through the corporate loan growth in its parts. There are two parts to that; one is the SME portion, which you can see has grown at healthy 25%. We continue to remain optimistic about this segment and we are seeing strong NTB new customer acquisitions as well as marginally higher utilization compared to the past. So, this segment, we are quite optimistic about growth.

The other part of corporate which is I would draw your attention to the corporate banking book shown here in the presentation as well as the credit substitutes. The combination of the two has grown at 12.7%. And we see of course somewhat muted growth on the corporate side overall in the industry, but we are beginning to see some green shoots and some capacity additions and CAPEX-related demand. But, as of now, we are not seeing that strong enough, though beginning of some green shoots there.

Within the corporate segment, the CRE segment has grown faster at close to 23%. Here, we had moved focus to the residential segment from the commercial segment, and that seems to be doing quite well. In fact, on a consolidated basis between the bank and the subsidiaries, the growth in the corporate advances is relatively better.

In fact, in the core corporate segment, as you can see, the QoQ growth is very-very muted. We have seen some unsustainable levels of pricing here. And, in fact, towards the end of the year, we dropped some assets, especially in the PSU segment because of unsustainable pricing.

Also, in our advances, we saw a good focus on PSL advances. And within the corporate book we have built a fair amount of PSL loans. And in fact, managing PSL loans, managing PSL costs and pricing is critical part of profitability for the corporate bank.

Having said that, across all segments, whether it is MNC business, the new age companies, large corporates, conglomerates, we have seen very robust addition of NTB clients.

In addition to assets, of course, our focus is always on fees, and other earnings from corporates from the relationship. Our trade, forex, current account and debt capital markets businesses, all these fee lines grew significantly faster than the asset growth. In fact, DCM had a record year. On the core current account, domestic current account also grew very strongly. Custody business also continue to be robust, and we continue to add new clients. Overall, the current account growth was extremely good because also of our transaction banking focus.

The quality of assets, of course, remained quite good throughout the year. And, in fact, we are seeing record low levels of credit costs in the portfolio. Overall, therefore, the profitability of the franchise remained extremely robust, and in fact, our ROEs rose during this year. We think our business model is best-in-class in terms of high focus on risk management, ROE and growth as a balance. We manage our risk adjusted return on capital very carefully at the business level, product level and customer level. Our segmental focus adds to the balance in the portfolio. We have also made good progress on the digital and analytics front and customer experience front, I think more about this Shanti will talk about in the digital slides.

Analytics is also an area where we have made significant progress, especially in areas of optimizing pricing, cross sell, and RM productivity. So we see the franchise in good shape, and with revival in the economy, we remain optimistic on this business. Thank you so much.

Can I hand this over to Kannan to take you through the commercial banking?

D. Kannan: Thank you, Manian. I'll start with the commercial vehicle finance business. The commercial vehicles industry saw a good growth in Q4 as compared to the previous quarter; the industry grew about 26% during the year and the fourth quarter was even better.

Demand for new vehicles being driven by better capacity utilization as well as replacement demand. Diesel price increases are to some extent being compensated by increased freight demand and good freight rates. Utilization of passenger vehicles has improved considerably during the quarter, and it's expected to get better in the coming quarters. Our disbursements during the quarter has been much better and stronger than the previous quarters. Collection efficiency on current demand is back to normal times.

Construction Equipment demand continue to be good during the quarter, mainly driven by road, mining and real estate sectors. Manufacturer data points to better utilization of existing equipment and better utilization is leading to better cash flows in the hands of our customers. Our disbursement numbers are better than the previous quarter. Collection efficiencies on current demand is back to normal times. This trend seems to be continuing into the month of April too. There's a marginal degrowth in the sales of tractors in FY'22 as compared to FY'21. However, demand in April is again showing an improved trend.

Farmer cash flows continue to be good, driven by better yields and prices. Utilization of tractors in farming was always good, and with the increase in rural infrastructure spending, utilization of tractors for commercial applications has also shown good improvement. Collection efficiency on demand is good and is back to normal times.

Outlook for our tractor financing business is quite positive and we continue to maintain our leadership position.

Demand for credit and utilization of existing lines has been strong in our Agri sme segment and the agri value chain.

Higher demand for commodities as also increase in price of commodities is leading to a requirement in increased credit. Customer cash flows are strong and collections are back to normal times.

Our microfinance disbursements in a quarter shows a significant improvement over earlier quarters. Again, here demand is mainly driven by agri and allied activities as also small businesses. Customer cash flows are being good, and this is helping us in restoring normalcy in our collections.

I will now hand it over to Shanti.

Shanti Ekambaram: Thank you, Kannan. In continuation, I'll start with advances. On the retail assets, our strategy was to go for growth, which we executed. All our retail lending products showed robust growth in Q4, helping us gain market share in many products. At the consumer asset aggregate level, we grew 35% YoY and 11% QoQ. This is after 11% QoQ increase.

Mortgages: We continue to see strong demand for home loans in this quarter. Our home loan DIY journey went live where the new to bank customers can get a sanction letter in 10 minutes entirely end to end digitally. We continue to acquire quality customers and strengthened our market share across all customer segments. This will continue to be a focus area for us.

As business momentum picked up, we saw good volumes in LAP and had one of our best quarters. We saw a pickup in commercial and industrial property for self-use. We continue to consolidate market share in LAP. Mortgages grew at 39% YoY and 10% QoQ.

Unsecured Retail: We had one of our best quarters in credit cards with acquisition at over five lakh cards. And on spends, one of the best quarters with a YoY growth of 62%. Bulk of the sourcing has been from existing customers. We rolled out attractive offers to our customers in marketing alliance across e-com and physical partners. Brand tie-ups with Apple, Indigo and PVR helped us deepen our engagement with the customers. We signed a co-brand agreement with Indian Oil for credit cards in this quarter. Credit card advances was at 40% YoY and 13% QoQ.

Personal Loans: We had our best ever quarter in terms of volumes; over 40% of the personal loans sourced digitally and internally. We saw increased demand in consumption from segments like travel, wedding, home renovation. We have scaled up our customer acquisition in both the traditional and the data-led digital space.

Consumer Finance: A very good quarter once again across physical and digital distribution. And we continue to scale in this space through widening distribution relationships and key partners with a strong data-led digital fit. Overall, unsecured business saw a YoY growth of 42% with a strong quarterly growth of 16%.

In the working capital and business banking segments, we continue to witness sustainable growth in the customer segment both secured and unsecured. We align the entire strategy with our current account and linked services to current account which helped us showed a strong growth in current account.

We've invested in technology enabling ease of onboarding, trade & cash transactions like Fyn business app, which I'll talk about shortly.

Q4 growth was one of the highest in the previous 10 quarters, accelerated by incremental CAPEX in select industry, higher import and export realization. Our growth focus continues to be on granular high quality, profitable and sustainable businesses. 85% of this business qualify for priority sector.

Collection: Our bounce rates and resolutions continue to be better than pre-covid level. Our digital collection platforms saw significant adoption, increasing efficiency of our collections. We have invested significantly in the consumer assets business across tech and digital, data and analytics which has helped us grow our franchise and aggressive customer offers and proposition. We will continue to invest in this space.

Now, to deposit. As the average fixed rate savings deposit grew YTD YoY 11%, current accounts 26% and sweep term deposits 15%. The focus continues on granular retail customer growth across digital and physical channels and 811 continues to contribute successfully to our digital customer acquisition.

The bank had 32.7 million customers as at March '22 versus 26 million customers last year, a growth of 26% YoY.

Our CASA ratio was at 60.7% at March’22. CASA & TD below Rs.5 crores comprise 89% of the deposits. TD sweep deposits were at 7% of the total deposits. Cost of savings was at 3.52% this quarter versus 3.7% in Q4 last year.

Our asset cross-sell in Q4 was strong across all retail assets in the consumer and commercial space. This was driven by deep analytics helping us deepen our customer base.

Fee income showed strong growth across insurance, investments and brokerage. Post receiving in-principle from Government of India for agency business, we have received mandate to set up CBDT, GST, customs and railways pension. We've launched our payments for customs and transactions worth Rs.250 crores in one month in the first month of launch which was in March. We will continue to build each and every part of individual proposition.

In Q4 we acquired six lakhs plus FASTag, maintaining our position as the fourth highest issuer this year

Customer acquisition deepening and CASA is at the core of our consumer bank strategy & will continue.

Now to Digital. We continue to invest in technology-led capability and our focus on resiliency and scalability, modernization and cloud-first application, DIY journey for all our financial products. All digital channels continue to show robust growth across adoption, financial transaction and service

Our Mobile-First strategy continued on our flagship mobile banking led the way. We introduced new features to enrich customer experience, free credit score, home search, and investment research among several others. Our customer experience functionality will have to be consistently amongst the top rated financial apps across both iOS and Android.

Our Pay Your Contact features continue to see steady growth in app UPI transactions. We are amongst the top 10 UPI apps across banks and non-banks. We saw an 8.5x growth in Pay Your Contact transaction over the last three quarters; 2.3x YoY on UPI overall.

Our retail asset focus on customer journey and automation continues. We went live with home loan and home buying digital journey. We revamped our credit card and loan section in the mobile app, providing our customers a superior experience.

We expanded our public ecosystem play by enabling account aggregator and OCEN framework. This will help us connect seamlessly as customers increase adoption on these open platforms.

Corporate Business Banking: In our endeavor to delivering the best customer experience, we continued with our journey of launching and upgrading tech platforms for corporate and business banking segments.

Within transaction banking, we introduced our future-ready one-stop best-in-class digital portal, Kotak Fyn, exclusive for business banking and corporates, providing our customers a paperless, seamless end-to-end digital experience and one unified view across trade, collection payment and account services to a single interface.

We launched many other products for our customers like UPI ASBA, Instant CMS and upgrading our Corporate Mobility App. Our Corporate Mobility App saw nearly 25 lakh YTD transactions, 37% up YoY, while BBPS saw a 15x growth in number of transactions. We will continue to invest in the tech stack to have a superior experience for business banking customers.

Digital transactions through net mobile continue to grow deposits, lending, service, payments and in-app shopping, 97.8% of savings transaction volumes were in digital or non-branch mode.

I now request Gaurang Shah to take you through the insurance business highlight.

Gaurang Shah: Thank you, Shanti, and good evening, friends. The life insurance business started on a lot of challenges in the Q1'22, but I think it ended quite well. So our embedded value during the year grew by 8.2% to Rs.10,679 crores. The growth in IEV was impacted by lower mark-to-market surplus due to increase in yields and extra mortality cost due to COVID wave 2.

Our VNB margin grew by 29.5% to Rs.895 crores for '21-22. Our VNB margin was at industry leading 31.1%. VNB margin is mainly driven by a balanced product mix with good balance between par, non-par and ULIP.

Share of protection business was 32.9%, an all-time high for us in group and individual businesses combined. And we have always maintained a very good balance of channel mix of bancassurance and agency.

Persistency continue to be good except for the 13th month which we need to improve. Individual conservation ratio was still at a very good level of 89.4%.

We had an excessive claim paid during the year. In spite of such a load of 2x to 3x in certain verticals, our claim settlement ratio for individuals was at 98.82% and for group claims it was 99.58%.

Coming to our premiums, our gross return premium grew 17.3% YoY during FY'22. Individual APE new business growth for Q4'22 was 11.8% against private industry growth of 8.5%. Individual renewal premium continue to be strong, we grew by 15.6% and AUM for the year grew by 20.3% to Rs.51,800 crores. Our OPEX ratio improved to 12.8% in FY'22 from 13.6% in the previous year.

The 32.9% protection share reflects in a number of active lives covered which grew by 11% to Rs.3.7 crores. Our profit for the quarter was up by 38.3% to Rs.267 crores against Rs.193 crores in the same quarter in the previous year. And our solvency ratio continue to be at a strong level of 2.73x.

Now, I hand over to Jaideep to take the presentation forward.

Jaideep Hansraj: Thank you, Gaurang. Good evening, friends. Total income for Kotak Securities in Q4 of FY'22 was Rs.661 crores. This is compared to Rs.570 crores for same period last year and Rs.656 crores for the last quarter which is Q3 FY'22. Profit before tax is Rs.335 crores for Q4 of FY'22 which was against Rs.321 crores for Q4 of FY'21 and Rs.359 crores for Q3 of FY'22. The PAT numbers are Rs.252 crores for Q4 of FY'22 which was Rs.241 crores same period last year. This number was Rs.270 crores for Q3 of FY'22. The full year PAT for Kotak Securities was Rs.1,001 crores versus Rs.793 crores for last year. The cash market share for this quarter was 11.5% against 9.7% for the same period last year.

We witnessed a very large growth in average daily volume for both mobile as well as the net. The market average daily volume for this quarter was Rs.47,82,000 crores against Rs.22,47,000 crores same period last year, a real serious jump, and the increase which happened was predominantly in the options market, the cash market has remained more or less the same. The KS overall market volume on a daily basis was Rs.1,74,000 crores against Rs.49,000 crores in the same quarter last year.

A few of the activities which were taken up by Kotak Securities on the digital side. In March of 2022, we launched a cloud-based trading platform which would be best-in-class on all the technology stacks. We upgraded the customer experience across login, trade, payment and portfolio views.

There were significant mobile and web enhancements where we introduced new features like order slicing, stock fundamental and screeners and we extended the net banking facility for additional 31 banks.

The do-it-yourself service journeys were made available to update details on nominee, bank address, mobile email id and trading segment activation.

We executed our first acquihire deal with a company called TradeGyani. And we initiated partnerships with Fintechs like StockEdge and Trendlyne to empower clients take informed trading decision.

In March of 2022, we launched our No Brokerage Plan for the youth under 30 years of age which would encourage youth to experience markets early without worrying about brokerage.

I would now hand it back to Manian on the Investment bank.

KVS Manian: Thanks, Jaideep. . Kotak Mahindra Capital company, our investment banking arm had a record year, all-time best year, and both in the equity and advisory it had extremely robust performance even within the equity ECM business I think the performance across IPOs, QIPs and Blocks was quite exceptional. Even with a relatively slower Q4 compared to Q3, the overall firm ended with Rs.245 crores of profit after tax compared to Rs.82 crores of last year, and we continue to have extremely good pipeline both on the IPO side as well as on the advisory side. While such a record year is difficult to replicate, but we still continue to be optimistic about the coming year in this business.

Coming to Kotak Mahindra Investments Limited, it is the NBFC arm, primarily into CRE and corporate structured lending. In fact, in this entity we also had the loan against share book which as per RBI directives we have run down almost close to nil as at the end of the current year. The corporate loan book showed extremely robust growth. CRE also grew well. The exceptional thing about this company this year was the quality of its loan book. It had almost close to zero kind of loss and the quality of book is maintained very well and this is an area where we think both in CRE as well as in the corporate structured book, we can continue to maintain the growth momentum, and obviously the margins improved as an NBFC because the cost of funds were well managed through the last year. The PBT grew by 44% on a YOY basis.

I'll now hand over to Kannan to take you through Kotak Mahindra Prime.

D. Kannan: Thank you, Manian. Kotak Mahindra Prime has had a very good year. KMP had a profit after tax of Rs.886 crores this year as compared to Rs.535 crores last year. Disbursements in Q4 has been higher than the previous quarters. Demand for car finance continues to be good, but deliveries are impacted due to supply constraints faced by manufacturers. Collections against current demand as well as overdues continue to be good and looks to be back to normal times.

I will now hand it over to Nilesh to take this presentation forward.

Nilesh Shah: Thanks, Kannan. Good evening, friends. Let me take you through our asset management business. Our total average AUM grew 22% year-on-year to reach Rs.2.86 trillion. Our equity average AUM supported by market bounce grew 53% year-on-year to reach Rs. 1.44 trillion. Our total average AUM market share increased to 7.4%. Our equity AUM market share increased to 5.4%. Our SIP inflows for March '22 grew 34% year-on-year to Rs.7.2 billion. Our SIP book growth average AUM growth continues to outpace industry by a healthy margin. Our retail AUM stands at about 49%. We continue to serve investor requirements by launching active as well as passive funds, focused on local as well as offshore markets across debt, equity and commodities. We also remain focused on ESG investing as India's first signatory to UNPRI. We also made our maiden foray into AIF space by launching a fund this quarter. Consequently, our profit after tax has grown 31% year-on-year to Rs.450 crores for full year FY'22. Our total AUM across mutual fund, PMS, offshore, insurance and alternate assets grew 18% year-on-year to Rs.3.83 trillion. Our relationship value across wealth, priority and investment advisory grew 68% to reach Rs.6.41 trillion.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Edelweiss. Please go ahead.

Mahrukh Adajania: I just wanted to know just your view on the sector outlook. So basically inflation concerns have risen, rate outlook has changed since your last results, but your guidance or optimism on your own growth has not changed. I'd just like to know if that's because you think you'll acquire market share or you expect sector growth also to pick up despite all these concerns?

Uday Kotak: If you look at higher inflationary period and rising interest rates, in the early stages of the cycle normally, banks who have got reasonable focus on risk management, actually have a good upside because you have your liability franchise, particularly, the low cost liability franchise which normally the cost of funds does not increase at the same speed at which the interest rates in the economy increase, and on the credit cycle in the early stages of the interest rate hikes, most borrowers are able to absorb that increase especially if it is from record low rates, which is what we have seen. The question which then arises is what is inflation going to do to producers and consumers. On the producer side to the extent to which the inflationary increase, producers are not able to pass on to their end consumers, you then have a squeeze on margins, and therefore you have to watch how that cycle plays out on the producer side. On the consumer side, it starts impacting the lower end consumer first where for an x amount of money which that consumer has, more and more money is needed for the non-discretionary spend and therefore less and less surplus available for the rest. And that puts the squeeze on that consumer in terms of the spend as also in terms of being able to pay installments. So you have to watch how this inflationary cycle goes and to what extent it traverses. Further, one of the interesting aspects about inflation is particularly when a very large part of your book is secured, inflation is a great protector for the value of the underlying security. Therefore, whether it's a home, whether it's a car, inflation gives a natural hedge to the rupee value of the underlying asset for a lender. So to that extent, the secured book gets some natural protection. Therefore, even as ability to pay gets a little impacted, the value of the asset is a good security for the lender. Therefore, one has to, in the latest stages of this cycle watch out for the lower end consumer who gets squeezed in because of less discretionary surplus available and which part of the producer chain gets impacted because of not being able to pass on the input cost. So it goes back to a first principles view that good risk management is at the core of financial services, there is no such thing as blind growth across different cycles, you have to look at each cycle you have to look at where you sit and where you stand, look at different segments of your book, find out where you really want to be very aggressive, where you think you need to temper based on the external environment metrics and it's a very dynamic part. Yes, you run the risk of some part of the historical book. And in that context, if you look at our current historical book, the relative stock of unsecured is low, the relative stock of the secured is pretty high, and the slippage ratios for us are at record lows. A very large part of the book is essentially floating rate. Our CASA ratio is well above 60%. We genuinely believe that as we turn on the engine for increasing the liability growth, we do believe we have the ability of stepping on to that accelerator at speed which is what we think is something which we will have to move into as interest rates move up. So all in all, two parts; overall sector, significant focus on different segments, risk management, secured - unsecured mix, producer- consumer relative position. From Kotak point of view, some inherent advantages of where we are and obviously we cannot be complacent, but we see an opportunity because it is like in good times all boats are lifted. It's only in tough times that boats, which can swim better will show better. That is where we are. We have to really watch how this whole inflation dynamics plays. We have been well prepared for it ourselves and the question is does it really lead to a growth slowdown. At this stage, early days, we cannot take a call that growth will slow down, but we have to watch the tea leaves carefully.

Mahrukh Adajania: My second question is what would be the proportion of overdraft loans in your personal loan and how would you assess risk on that product given that there is no EMI schedule?

Uday Kotak: Very insignificant part of our total book is overdraft loans. It's not a major part of our book at all. If you look at our overall unsecured lending, we are still overall in single digit percentage out of our total loan book and overdraft is a very small portion, it's insignificant, not even material.

Mahrukh Adajania: Okay, and sir if you could share your outlook on growth in savings deposits because that has been a little slow this quarter.

Uday Kotak: I will ask Shanti Ekambaram who runs that business to give you feedback on how she is seeing what has happened and how she sees it from here.

Shanti Ekambaram: Thank you, Uday. If you look at savings deposits, the growth has been a little slower, as we came off 6% and moved into competitive rates in the market. Towards increasing customer engagement, which we were not that focused when we had 6%, we have moved in integrating assets into our customers, whether its credit cards, home loans we have increased the offers that we have rolled out for our various debit card and other products to the customer. So, that has sort of created that slowdown, which we are seeing the turn and our whole focus this year is going to be to deepen the hooks into our customer to be able to get the savings growth back again. That is on the individual customer. The second is on the Government business, our base is very small as compared to most banks and a lot of banks have grown very aggressively last year.

With the receipt of approval, as I have spoken of the agency bank and some of the taxes which we have gone live and we will go live in the next one or two quarters, we hope to build our savings on that as well. I think these two are the strategies that we are adopting for getting the savings growth higher.

Moderator: Thank you. The next question is from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: Just a couple of questions. Number 1 on the margins trajectory from here on, of course, in the backdrop of what RBI has done today, how do you think about the NIM trajectory, particularly given the fact that there is a competitive pressure on certain products. So, how would you choose to respond to the market forces?

Uday Kotak: So, Rahul, back to good old basics. First of all, I am very happy that savers will get a little more money on their savings deposits versus negative real returns. I am saying saving deposits means I'm just looking at overall savings, not the savings deposits rate at Kotak in particular. I am talking about overall return on savings including term deposits where the rates will certainly move up as we go forward. The good news for us is we are sitting on a reasonably decent CASA ratio, and we do believe that we will continue to focus of course on current account, but we will ratchet up our engine in terms of really getting our act together much stronger on the savings deposit as we go forward. So, we believe that low-cost and stable liability is something, which is at the core of a good banking franchise. In terms of NIMs, we have always priced on a risk-return basis and actually our NIMs are what they are keeping in mind three things, that there is a reasonably large retail portion in what we have, there is a higher capital, which is helping NIMs and third is despite such high NIMs, our retail unsecured is still a very small part of the total. Therefore, the third point of course if that mix gets a little higher, that actually supports NIMs, high CASA ratio in a rising interest rate environment supports NIMs and the third point is capital we would hope to make more use of it, organic or inorganic, but the fact of the matter is with more than 20% loan growth, our core equity capital ratio is actually marginally higher than what it was one year ago. So, that actually shows the way our earnings models are built, which effectively says for a certain base growth, which in this one year has been around 20%. It’s still not eating capital. So, our ability to price aggressively is always there, but we also value the discipline of risk-adjusted returns as a core to our philosophy. Therefore, we will certainly look at this as an opportunity to look at growing our market share on the asset side even as we ramp up further our liability franchise. So, we look at the opportunity of gaining market share, but we are also conscious and will remain so on risk-adjusted returns.

Rahul Jain: The implied message here is that the growth, of course, is paramount even though while the margin trajectory could be upwards, we may use that to grow faster. Is that a fair assumption?

Uday Kotak: Yes, I think the advantage is that with a solid cost of funds and a liability franchise, which we will continue to nurture aggressively, we have the ability for the risks we like to go aggressive on the lending side, and fortunately for us, our fixed rate book is relatively a small part of our total.

Rahul Jain: Second question is on the branch expansion. Last two quarters, we are gradually ramping up. One large bank is talking quite aggressive on the expansion side. How do you see branch expansion playing out or the distribution footprint playing out over the next few years?

Uday Kotak:: I think as we go forward, our firm view is if you divide the customer base into broadly two categories, which is the consumer and the business customer. Okay, divide the customer base into these two categories. Our firm view is while the consumer wants the comfort of a brand and some physical presence to be seen, the consumer is moving towards digital at a much faster pace in terms of transacting, and we see that as a continuing trend. Therefore, we are of the firm view that we will certainly add branches in a measured manner, but the primary focus of our network will be more towards the business customers, primarily again because cash continues to be a very large part of the Indian economy. Therefore, the direction of the branch network, which of course, undoubtedly, will deal with the consumer as well, but the direction of the network will be much more towards the business customer as the need for the branch network. So, digital, on the consumer side, is here to stay and as Shanti mentioned, if I looked at in volume terms, more than 97% of the savings account customer transactions are now non-branch in volume terms. It may not be in value, but in volume terms. So, the traffic at branches from the savings and the consumer has significantly changed more towards transacting off branch.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

Adarsh Parasrampuria: One question is on liabilities. You did mention that we've got good CASA, but the fact is that if you go through the last 3-4 years because of slow growth, let's say our term deposit growth has been quite low, and when you go significantly higher on overall growth of the balance sheet, deposit mobilization will need to expand manifold and that has a consequential impact on how CASA will work for the bank. It's a completely different ballgame for the bank over the next 2-3 years and that has a meaningful impact on cost of funds. When you look at your term deposit book, we've accreted like a billion dollars a year of term deposits in the last 3-4-5 years while incrementally you'll need 4-

5-6 billion dollars annually. So, it's a material shift in the way the branches will mobilize term deposits and it has an impact on CASA.

Dipak Gupta: We've been through this debate with you before, if you recall, along with a lot of investors, which you had, and this is probably again coming back from the report, which you had mentioned. The answer to that is very simple. It is not just one-way street. While some of what you mentioned does happen on the liability side, remember we still are at a very high CASA and some of this will get balanced by the incremental delta, which we hope we will get out of a better mix on the asset side. Net-net maybe we're talking about a NIM contraction of 10-15 basis points, but that is running off a high 4.5 odd NIM. So, I think in the overall context, that should not be too much of a worry.

Adarsh Parasrampuria: This is helpful because if you all go through the numbers and feel that NIM can be contained at 10-15 bps with the kind of balance sheet expansion that we see, it will be a phenomenally strong outcome for the bank.

Dipak Gupta: Yes, and like I said, some of this will also happen because of a gradual modification in the mix of assets.

Uday Kotak: I think taking on from what Dipak said, one of the areas, which we have, we can do a better job mining as we go into the future is significant ability to generate liability out of our asset strategy. Our historical focus has been cross-sell of assets, especially including in the last 12-18 months on the liability base. We're now getting our engine and the hooks in place to see that the asset strategy also starts adding to the liability strategy and we've seen some of the banks do a very good job at it.

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

Saurabh Kumar: So, three questions. One is what is the LCR ratio for the quarter. The second is also if you can quantify the technology spend to revenue or operating cost and what is your overall view on the operating cost from here on? Third is basically on the savings rate. Now, would savings rate increase be also on the cards, if you have to increase that growth?

Uday Kotak: I'll answer the third and I'll ask Jaimin to answer the first two. At this point of time, there is no plan to increase the savings rate.

Jaimin Bhatt: The LCR, which we have, the average for the quarter is at about 130%, 129 something, so that's part of our Basel III disclosures, which have happened. If I look at the tech cost, operating tech cost as part of the tech cost, not including the CAPEX cost there. Operating tech cost as part of the overall tech cost is about 7.5%, and that's been consistent through this year. Both for the quarter and the year, and of course, if I add the CAPEX, it would be another one-third of that addition to that, roughly about that.

Saurabh Kumar: Just one follow-up. So, the LCR drawdown perhaps can continue for another quarter or so, right?

Jaimin Bhatt: That's right. Again, a number, which we put for the previous quarter was about 143 thereabouts, which is now about 129.

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

Prakhar Sharma: Just two questions from my side. One, this recent Citibank Consumer portfolio that was announced by Axis Bank. There were expectations that Kotak Bank would also be eyeing at it, and frankly everybody else was also looking at it. Is it possible to share some insight on what made the bank choose not to go ahead with this? That's question #1 and second is from the Management transition perspective. Is there any further step that we should expect or what you plan to do over the course of the next one-and-a-half years as we go through the transition?

Uday Kotak: First, I would like to congratulate Axis Bank for its acquisition of the Citibank business and really wish them the very best on that. I've something, which I've said it publicly, and I just feel that I may want to repeat it for the benefit of all the analysts and investors. One of the important aspects of a merger or an acquisition is also the methodology of the same. When we acquired ING Vysya Bank, it was a merger of ING Vysya Bank into Kotak Mahindra Bank. The day the merger was completed and consummated, all the customers of ING Vysya Bank became customers of Kotak Mahindra Bank. This is different from an acquisition where you have to buy customers with positive consent of customers for some of the products like credit card and other products. So, we believe fundamentally the difference was when I compare our acquisition of ING Vysya Bank versus the facts of the case as are in the public domain on the Citi situation and therefore I am not discussing anything, which is non-public, is very fundamentally different. And obviously that creates different set of challenges, and we have to keep that in mind when we are looking at potential opportunity. And I would like to say that that is something, which did weigh on our minds as we thought about various opportunities in the market, and it always weighs on our minds when we think about opportunities, the nature and the structure of the transaction. Coming to your point, as I mentioned, we've just announced appointment of Shanti Ekambaram as the Whole-Time Director subject to approvals, reappointment of Mr. Manian, again, subject to approvals, continuation of Gaurang Shah's involvement with all our major subsidiaries even as he steps down as Whole-Time Director of the bank. We're very conscious of this fact that we have huge strength in our leadership within Kotak Mahindra Bank and it is at various different levels within the firm. We've built a very strong professional entrepreneurial leadership class within Kotak over the years, and we believe that as we go forward, any further announcements on transition, we will share at the appropriate time with the stakeholders, but we do believe that Kotak as an institution believes that sustainability and the power of one Kotak, strong leadership is something we are very proud of and we will share with you the transition progress as we go forward.

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

Kunal Shah: So, again, getting on to the liability franchise and deposits. So, today when we look at it in terms of the term deposits, again, they have been more or less flat, and you said maybe now we will be shooting up the engine, but how critical would be pricing in this, because it's not moving up and would pricing be a key element to drive both, maybe the term and you highlighted savings might not go up, but eventually and that could also drive the savings deposits?

Uday Kotak: As I said, I have given you clarity on the savings. There is no plan at this point of time of increasing savings deposit rates and Shanti has also highlighted to you the steps that we are taking to get our savings engine really revving up, including the fact that we were not a government agency bank. There were a lot of technology initiatives post opening up by government which have taken time to be put in place which are now put in place or getting into place. The whole government agency business is now going to be a very significant part of increasing our government savings, including individual customers transacting for taxation and other things. We think that is one of the very important engines and there are some various other plans including the digital side where we are getting very high savings growth. We will continue to build on that further. We believe that our fundamental engine is very much intact. I still remember Kunal if you and I had spoken about a year ago or even later the biggest focus would have been how will we rev up our asset side. We have demonstrated that on the liability side in the past we are now feeling very confident on the asset side. As you can see in the numbers which are in front of you and we are continuing to guide on decent asset growth as we go forward. We think that once we make up our mind, we will get the liability engine also firing even faster because at the core of it, it is something which has been deeply in our DNA which is low-cost and sustainable liability. We don't start in a bad place with 60.7% CASA ratio and 130% LCR.

Kunal Shah: The question was when we look at the incremental growth of 19,000 crores which is coming on the advances side, largely that's been funded through utilization of the liquidity but no increase in savings. Is it by choice or we need to pick that up and pricing would again play a key role? So, when I look at it just on a quarter-on-quarter basis…

Uday Kotak: If you at it and if you do a mathematics, it is no rocket science to show you that our cost of funds is below our savings deposit rate.

Kunal Shah: Yes.

Uday Kotak: So, I mean this is, you are in a 2-year period where there has been a significant drop in the cost of carrying surplus liquidity. I mean there has been a significant drop in absolute returns which are available for surplus liquidity and we are tuned to the fact that if cost of that liquidity goes up, we will be able to manage it. Our cost of funds is at a remarkable low point. We have to take the choices. We will take the choices keeping in mind risk adjusted returns and the fact that we like to get our risk adjusted returns at very good price.

Kunal Shah: Lastly in terms of the investments, so last time we had taken a hit but this time was there any kind of an MTM hit and you highlighted in terms of the duration how we are positioning but even in terms of the non-HTM portfolio and overall duration with the rise in yields which might be there given the rising interest rate scenario, how are we positioned now?

Uday Kotak: Whatever, it's in front of you. As I said duration of our fixed income book is a little over 1 year. This includes both HTM and HFT and AFS, all put together a little more than a year. You can figure out what the impact would be with a decent portion of that even that in HTM. We are very comfortable on ALM matching and actually feel in many ways we were positioning ourselves for what has happened for quite some time.

Kunal Shah: One last data keeping question in terms of the breakup of the loan book between repo linked other EBLR maybe the fixed rate loan book if you can just share that here.

Jaimin Bhatt: If you take it this way, Kunal the overall fix rate would be about 30% odd. However, if you look at of those which are less than 1 year which the payments are given less than 1 year and which are over 1 year, it's about half and half. So, about which goes over 1 year is just about 16%-17% odd. So that's the fixed rate book. If you take the non-fixed rate book which is roughly about 67%-68%, about 48% to 50% would be EBLR linked and the others would be MCLR linked.

Uday Kotak: So, Kunal in some simple language on a total of 100, around 15% to 17% is fixed rate more than 1 year. About 15% odd, fixed rate less than 1 year.

Kunal Shah: Fair to assume within EBLR 70%-80% would be repo linked.

Uday Kotak: Our EBLR is entirely repo linked.

K.V.S. Manian: EBLR is 48% which is all repo linked and MCLR is 18%.

Moderator: The next question is from the line of Manish Shukla from Axis Capital.

Manish Shukla: Mr. Kotak this is the first time that we have a large portion of balance sheet for the banking system linked to repo rate which depending upon which economist you have talked to, is expected to go up by 100 to 150 basis points over the next 12 to 18 months. How do you see the customer behavior changing for this set of customers? Primarily home loans and MSME when we see such a large rate hike in such a short duration of time.

Uday Kotak: You have to ask yourself that there was no repo rate linked and it was MCLR linked instead of having a 40 basis points increase one shot, you'd have 5 to 10 basis points increase over three or four months. The end outcome would have been the same.

Manish Shukla: It's more like a cumulative rate hike because in the past cycle while repo rate did change by 100 to 150 basis points, we didn't see the benchmark rate change by same order of magnitude, right?

Uday Kotak: MCLR happens more gradually on a monthly basis, therefore it does not look that high at every stage of MCLR increase, whether it's 5-10-15-20 basis points increase. Repo rate, this was a shock. I mean you've got to look at it differently. The Reserve Bank of India decided to have a meeting not only between policies but during market hours. You have to read the signal about RBI wants to convey. Obviously, the intent seems to be to create an impact and if they want to create an impact, they're creating an impact.

Manish Shukla: I mean could you please quantify the MTM hit for the fourth quarter?

Uday Kotak: For whom?

Manish Shukla: For you sorry.

Uday Kotak: We have told you that duration of our book is a little more than a year with very large part of it in HTM.

Manish Shukla: In last quarter about 60% of the book was in AFS as of December, has that meaningfully changed during the quarter?

Uday Kotak: That includes our corporate bond book and everything put together. Even if you look at that, total book is little over a year including both HTM, AFS, HFT.

Moderator: The next question is from the line of Nilanjan Karfa from Nomura.

Nilanjan Karfa: We will go back to the deposit question once again. I think Dipak has explained substantially talking about potential of maximum 15 basis point cut on margin. Won't an HDFC Bank - HDFC Ltd. merger and ensuing competition also built into your expectation how the rate market will move on that side?

Uday Kotak: All that I know is that we have reasonable confidence that for the size of our growth of our balance sheet and what that rate of growth is we are not giving forward guidance but you have our evidence for the last two quarters on a quarter-on-quarter basis what is our loan growth? So, you can estimate how we build our business as we go forward. All that I can say is out of the large ocean which you're talking about of various banks, large banks, small banks, NBFCs everything, we believe for the size of our loan growth and our aspiration which has been more aggressive on the loan side than in the past, we believe we will be able to generate liability at reasonable costs and with good NIMs as we go forward.

Nilanjan Karfa: It is very easy for all of us to talk about future. So, I will just concentrate on the rest of the fourth quarter. I mean given the 19,000 or 20,000 crores of loans that we added, looking at the way we funded it. If you look at average CA and the average SA between Q3 and Q4, it has actually declined whereas on a period end basis the CA has actually increased, TD is flat, SA is broadly there. Borrowings have gone down with possibly we have a lot of unwind that has happened on the corporate, in the LCR book. The question is have we sort of squeezed out whatever was there in our balance sheet right now?

Uday Kotak: No, I think divide that into two or three parts. First of Jaimin mentioned we have 130% LCR. If we had squeezed out everything, we would have been at 110. There is LCR which is with us. Number two, our NIMs for the fourth quarter are at record. Dipak talked about the average for the year means for the fourth quarter are 4.78, average for the year are 4.62. We're still well about 4.5 mark. Even as Dipak indicated even if there is some reduction in NIMs. NIMs in the 4.30-4.40-4.50-4.60 would be very healthy NIMs for a bank growing at the pace at which we are. Therefore, we aref very far away from being squeezed out in terms of getting NIMs. Yes 4.78 is an exceptional fact with huge cost of funds advantage but we are still running 130% LCR. It's not about squeezing out, it's about the fact that we want to ensure that we make the best returns and optimum returns for our shareholders on a consistent basis. Obviously, our job is to maximize that.

Nilanjan Karfa: Absolutely and management of the balance sheet has been quite fantastic. This is one thing I maintain it’s been very fluidly managed. Moving on to a different part which is on the asset quality side. Obviously if we look up to Kotak Bank as almost a gold standard there but across the banking system, it does look like there is very strong recovery that has happened. Uday would you want to give some color as to, is it that banks in general because of their past learnings have been very prudent in terms of charge offs or taking recognition? Secondly also is the underlying growth also coming to be a little better and if you can qualify which segments are actually the ones where you're seeing recovery?

Uday Kotak: First when you're looking at numbers be very careful of base effect. A lot of hits were taken in the first year, particularly in the December and the March quarter last year. I would request you to look at two important metrics as we go forward. First is the slippage ratio, and I'm not commenting on other banks. All that I can say is our slippage ratio on gross basis before recoveries was 1.08% for the fourth quarter. We think that is a pretty low ratio but we are getting back to what I would call us pre-covid period. Jaimin also mentioned our credit cost for the fourth quarter was 27 basis points and average for the year is 55 basis points and first quarter was covid 2.0. Now where do we think our credit costs will be, higher than 27, probably 40-45-50. I don't want to give a guidance but that's the kind of feel we believe at this point of time, which is still very much within a controllable range for the nature and the mix of our book. Therefore, slippage ratio is a very important lead indicator of what it is looking like. The second important point is restructuring. Our covid restructuring book is 15 basis points and MSME restructuring book is 29 basis points. Again, it is at a very low level therefore I remember a year and a half ago there was concern about the size of our ECLGS book. But the fact of the matter is our total restructured book, our slippage ratio both MSME, Covid overall, is there for you to see. And SMA-2 again you look at our numbers, we are probably among the few banks which does it, we at Rs. 186 crores SMA-2 total on a Rs. 2,71,000 crores lending book on the Rs. 5 crores plus SMA-2. So there the numbers and the data is in front of us. Basis that we are making some projections. However, it’s a never normal world. Tomorrow if Mr. Putin does something which is outside what you and I think, we have to respond to that. We cannot then say oh! we should plan for it today, in its fullest sense.

Nilanjan Karfa: And can you just take the third question. Given the rates hike cycle and potentially another 75 odd whatever number additional hikes. On our strategy in last two quarters, we have been talking about organically growing the unsecured parts on a very low base. Does that continue?

Uday Kotak: At this stage we are clear. I think we have spelt out and I would like to once again reiterate. Our growth strategy continues, we believe that unsecured retail as a percentage of our balance sheet is extremely low. We are in a good place to be and for the right risk management on our customer base we will continue to grow it at a good pace. We are not getting into a shelf merely because interest rates have gone up.

Moderator: The next question is from the line of Sumeet Kariwala from Morgan Stanley.

Sumeet Kariwala: I had a question on operating leverage. Last three or four quarters OPEX growth has been higher than revenues and obviously because you were gradually ramping up the loan book, there were covid issues and so on. And at the same time, we were investing. I just wanted to understand, so two questions in that. One, when do we see positive jobs, when do we expect revenue growth to accelerate opex or over the near term we will see continued investment. Second is we are in a very benign credit cycle. As you said credit cost is going to be like 30-40 basis points. Does that mean that the bank can look to accelerate investments further? So those two questions.

Uday Kotak: Sumeet you are not very clear. You got a little muffled. I got this point on operating costs and technology and the second was on the, what is the 30-40 basis points you said?

Sumeet Kariwala: First question is very quick on operating leverage. When does that play out? How do I think about cost? And second question is credit cost is going to remain very benign 30-40 basis points. Does that mean that you would look to accelerate the pace of investments further? There's no compromise that I see at Kotak but because the credit cost is going to run very low, does that mean that you could look to invest even faster?

Uday Kotak: On the first, I mean and Sumeet as you know, I don't know what Mr. Putin does tomorrow morning therefore all this is subject to that. I do believe that we've got a reasonable risk adjusted return model and as long as we get that, we are happy to grow on a very clear basis. For the mix of assets, we think which get our risk adjusted returns. So absolute categorical position from where we are. Second with reference to costs and technology costs. I will ask Jaimin to answer that question to take you through your specific queries.

Jaimin Bhatt: Sumeet if you look at it, yes, as we mentioned last time also there has been a Go-for-growth approach. There is spends for acquisition and acquisition spends are both on the liability side and the asset side. There is also the whole issue about promotional spends. A lot happening in the technology and the communication areas. So, all of that is going to continue. We're not saying we're going to slow down at this period. In fact, if I do a very quick math and take away some of those promotion cost and the going for growth cost, the cost growth over the period has been pretty modest. But yes, we are going to continue this cost as we go for growth. At least this year you will see some of that continuing. So, we are not going to stop growing. That would help us get to a better number but this is our investment as we go into the future.

Uday Kotak: And Sumeet, what we are really focused is on unit economics not what is a front-end acquisition cost. Finally, each of our decision making is on the operating metrics that is underlying unit economics working. Therefore, if it means the front-end operating cost increase for underlying unit economics we will go ahead and do it. That is the core of how we look at building this. And the second is we are also clear that the strategy of asset growth leading to some increase in liability growth by putting the hooks including some of the spends related cost, we are ready to do it because we want both the engines now to fire significantly as we go forward.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question for today. I now hand the conference over to Mr. Uday Kotak for closing comments. Over to you sir.

Uday Kotak: Thank you very much. It's been 1.5 hours. So, a long call and a long meeting on a very eventful day in the Indian financial sector. Look forward to continuing engagement and my entire team here with me, we are really excited to be building this institution into the future. Thank you very much.

Moderator: Thank you. Ladies and gentlemen on behalf of Kotak Mahindra Bank that concludes this conference. We thank you all for joining us and you may now disconnect your lines.