# "Kotak Mahindra Bank Q2FY21 Earnings Conference Call"

**October 26, 2020**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Kotak Mahindra Bank Q2 FY21 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 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, Mr. Kotak.

**Uday Kotak:** Good evening, friends, and welcome to our September Quarter analysts and investors call. I am very happy to come once again spend time with you in these unique times. Last six months, have given financial institutions a great opportunity to position themselves for a future in a 'never normal world'. Yes, the situation has significantly improved from the times which we saw in April and May to October now. But if there is one word, which is coming to become the crucial word around which we need to build our business model, it is "Resilience" and how resilient are we for these changing times and what is the capacity of institutions to be far more flexible in terms of the changes required across the board to running of a financial institution. The world is seeing a second wave which is right now enveloping it in many parts particularly in Europe and US. On the other hand, India is showing a very positive trend as I talked in terms of the levels of new active cases, from a number of positives, the number of recoveries and a remarkably low level of mortality. This once again highlights the fact that India is at a good position at this point of time. Having said that, what is also true is we are heading for a festival season. And as the Prime Minister has rightly cautioned, we need to be alert and not lower our guard. And I do hope that in the festive season and post-festive, India is able to weather the storm and not run the risk of a second wave. Having said that, when we build a financial institution, it is extremely crucial that irrespective of the changes in the external world, the financial institution has to be able to properly navigate itself through fast changing external situations including the health situation. On the other hand, I think the positive of excess liquidity has given a great comfort and created a situation of stability for the financial sector.

When I think about our bank as a financial institution, we look at it from four important aspects: Number one, the key to a business including the banking and financial services business is earnings and earnings growth. This is something which has to have the ability of being able to move forward even in the changing circumstances. Risk and credit risk assets in particular are only one lever to earnings growth, an important one at that, but not the only lever to earnings growth. Therefore, as we build our asset base, and work on the model of credit risk and general risk assets, we have to keep in mind that finally it must make sense for customer engagement, customer growth and finally turning into sustainable earnings growth.

The next important point, point number three, from an institutional point of view, is the balance sheet both in terms of growth and quality.

And finally, in today's time more than ever, with changing business model including the advent of digital technology and analytics, the business model sustainability of a bank and financial institution are crucial.

And therefore the four important levers on which one growth in the financial services business are around earnings and sustainability of earnings growth, a mix of risk and credit risk assets, balance sheet overall and the quality of the balance sheet including the appropriateness of provisioning and the levels of stress, and finally, in the medium-term, business model sustainability. And it is here I would like to talk about Kotak in the context of these four points.

Let me first start with the whole area of the quality of the balance sheet. As I talk to you end of September, and I look at the level of stock of provisions we have for potential stress assets as we go into the future, we actually feel that not only are we adequate, we believe we are very conservative in terms of the level of provisioning, we are sitting as a stock. Our total provisioning on the credit count is now 177% of our total net NPA. And when we are looking at the percentages, we also got to keep in mind that this is in the context of how we see our bank balance sheet, the level of the mix of assets, including between secured, unsecured, wholesale, retail, rural, urban, in that mix, we feel that not only the provisions we are carrying are sufficient, but very, very conservative. And it is a conviction that we are well provided for and well stacked up for meeting the balance sheet as it stands, and that we are in a very good shape for the future is something which I would like to first share with the investors.

Second aspect is if you look at on the earning side, on profit before tax basis and the reason I am focusing on profit before tax is in the month of August last year, there was a change in the tax rates and different banks were in different positions. Some were continuing to charge the higher tax rate because they had deferred tax assets. And a bank like ours had moved to the lower tax rate in the second quarter, including the excess provision it had made in the first quarter. The way we look at our bank in that context because of the differential in tax rate, it does not make an apple-to-apple comparison from our bank numbers point of view. On a PBT basis bank standalone I am happy to report a 39% profit before tax growth, and on a consolidated P&L, I am happy to report a 33% pre-tax profit growth in the numbers. Of course, on the bank standalone on a pre-provisioning basis, that is before provisioning, our profit was 31% YoY.

I would also like to highlight the fact that as we look at the future, we look out to focus on what I call as "Business Model Sustainability."

And here again, I would like to share with you a little bit on strategy. We made a major strategic drive in 2011, which is to build a strong and a sustainable liability franchise, because we felt that was a call to a sustainable and stable deposit base. And this change made in 2011, as today brought up after a period of nine years of commitment, including much higher cost to a 57%-plus CASA ratio, and in addition to that low cost sweep deposit, which is another close to 8%. Therefore, if you look at our low cost liability franchise, from an extremely low number in 2011, in a period of eight to nine years, we have journeyed effectively close to 65% of our deposit base, has been in the low cost and stable, sustainable category as we see it. We have made a dramatic progress also on the granularity of our liability franchise. And now we feel we are ready in terms of a strategic move to be thinking differently. Historically, our engine for customer acquisition and ownership has started with the liability franchise and getting a customer as a depositor, and then working across a range of products on both fee services and the asset side. We are now clear from a strategic point of view. We are now opening up a number of gates in the days and weeks to come which in addition to the liability side of customer acquisition, we will start focusing on the asset side for significant increase in our customer acquisition.

We also recognize the importance of customer engagement and ownership in this digital world. And we will now make an additional strategic shift in addition to liabilities on building the customer franchise on the asset side as well. We do believe, therefore a medium-term opportunity of a holistic bank focused on assets, liabilities, fees and services, and a constant engagement on the risk/reward side is the right way for building our future.

We are also seeing reasonably strong traction in our overall financial services business, whether it is our asset management, business, securities brokerage business, investment banking, business, life insurance and asset management, as I mentioned, and a range of other services, which we think are now getting significant traction. Therefore, we do believe that Kotak is very much future-ready, and the last six months have given us the ability to be future-ready, as the world continues to be in this new or never normal, whichever way we want to look at it.

With that, I now have my colleague, Jaimin Bhatt and my other colleagues take you through a more detail presentation on the performance of the bank and the group. Over to you, Jaimin.

**Jaimin Bhatt:** Thank you, Uday. Let me take you through the financial numbers for the bank standalone first. At the bank standalone level, we closed this quarter with a post-tax profit of Rs.2,184 crore which is 27% higher than Rs.1,724 crore we had in the previous year. Our net interest margin, we have a 16.8% growth on YoY basis, and we closed this quarter with Rs.3,913 crore.

Yes, we had done a QIP issuance in Q1, which to some extent help the NII growth. It was also helped by the fact that our savings deposit rates, we have been shaving off something or the other over the last period, and our savings cost for this quarter is at 3.87% versus 5.37% a year ago.

As Uday already explained, the focus has been on risk adjusted returns, while loans and advances during the year has actually dropped on a YoY basis, though flat on a quarter-on-quarter, the balance sheet has actually increased by 18% during the during the year on YoY basis.

Our net interest margin for the quarter is at 4.52% versus 4.61% a year ago and 4.4% a quarter ago. Fees and services income which had taken a dip in Q1 has now shown a sharp growth on a QoQ basis. The distribution and syndication income showed a growth of 50% on a YoY basis and 19% on a QoQ.

The general banking fees while sharply up over the previous quarter are still somewhat lower than the previous year by about 15% as volumes in the various segments for the quarter are still lower than what we saw in the previous year. The non-fee other income to some extent held by treasury profits, which included profit from non-SLR security including on equity. We also had some recovery on the stress asset division which had a good quarter this period and some profit was from sale of realization on some sale of premises.

Our focus on the cost continue. Our operating expenses for this quarter are about the same level as the last year same quarter. This is despite the fact that during this quarter, it actually taken some hit on account of annuity of pensionable staff again. With volumes which are growing up over the previous quarter, business related expenses have gone up on a sequential basis. Our operating profit at this period at Rs.3,297 crore which is about 31% higher than the same period last year.

As regards provisions, in line with the order of the Hon'ble Supreme Court, we have not considered any account as NPA after 31st of August 2020. However, as a matter of prudence, we have taken full provision for all such advances which would have become NPA if this order was not given effect. This also includes provision for interest, which has not been collected, totaling to about Rs.93 crore. As of September 30, therefore, our gross non-performing assets stands at 2.55% and net at 0.64%. But if we had not taken the effect of the Supreme Court order, the GNPA and an NNPA would have been 2.70% and 0.74% respectively.

What we have also done during this quarter is we have not got into the provision made for COVID-19 during this quarter. As of September 30, therefore, we carry a total COVID provision of Rs.1,279 crore which is about 0.62% of our advances. In fact, as Uday mentioned, our total non-specific provision, which is standard provision, COVID provision, UFC, stress sectors, all of that put together is now 177% of our net NPAs. And again, as Uday mentioned, in 2019, the tax rates were lower. So if you look at our Q2 FY20, our average tax rate was just 18% as against 25% this quarter. So taking that into account our post tax profit at Rs.2,184 crore is 27% higher. But on a pre-tax basis, we are decently better. Our capital adequacy of the bank continues to be very strong, including the profits for the half year we end up with a CAPAD of 23.4%, with tier-1 itself at 22.8%.

I would request Dipak to take through some of the highlights of the quarter.

**Dipak Gupta:** Hi, I just sum up basically Q2 based on what Jaimin drew up to now. Well, six months back when we sat over here, we really had outlined the three-odd scenarios for the COVID environment. As we sit today, we already are actually into the fourth scenario. We have some visibility of now the pandemic peaking now, but of course there is always the danger of the second wave and consequences arriving thereon.

The economy has started showing some positive indicators based on all our high frequency indicators to some segments showing signs of improvement, the non-urban segment continues as through the pandemic been showing positive signs and a lot of segments within the non-urban sector have been growing.

Recovery efficiency has started improving. Of course, the economic recovery is classic K-shaped**.** Unfortunately, the upper part of 'K' is still relatively small. A lot of segments are covered under the lower part. But some signs of recovery are visible.

Given the above, Uday took us through how we see our earnings and our highlights and the fact that as a financial services firm, we have various levers which we can draw on and you have to choose at various points of time whether you take the risk asset growth or we take the debt lever to take the time and the period related growth. During this period, we have taken the duration related lever and sort of conserved our energy on the credit-related growth. And like Uday pointed out, it is now time for us to start moving the ship and start looking at the asset related growth as various segments start opening out, and you will see some of those segments evening out for example, on the retail side, secured side, has started moving to home loans and related products will start moving, of course, the unsecured side is still some distance away from what I call a normalization. So, there will be continued pressure for us to be careful on that. But other segments, we will start gradually moving.

I will hand it over now to Shanti to take you through the details of the Digital and the Retail Side.

**Shanti Ekambaram:** Thank you, Dipak. I will start with the "Digital Highlights." We continue to see a surge in customers usage of digital channels with a preference for mobile in Q2 as well. We enabled new digital journeys to help customers transact with us across liabilities, assets, payment, protection and investment. Examples on the asset side, we enable e-signs to help customers complete documentation digitally, whether it is for SME or other loan disbursements, so that they did not have to look at physical paper. We enable digital sanction for mortgages. We enable collections digitally through a voice bot. With the robotic process automation, we enabled efficiencies, and were able to process twice the number of service requests with the same capacity.

On the mobile banking side, we have a 5.1% share of the mobile transaction value in the industry. We continue to scale our digital banking capabilities for servicing our customers across voice and chat bots, WhatsApp banking and other services.

If you look at that digital challenge which is mobile and net, we have about 180 and 250 features respectively across banking and service, payments in shopping, insurance, loan, cards and investments. Customers have used this channel extensively even in this quarter across RD, TD, Bill Pay Recharge, Personal Loan, Car Insurance amongst the others. We have 200 plus relationships in open banking to expand ecosystem participation across platform, fin tech and developers of partial digital solution to our customers. Interestingly, our 811 customers use our digital channels extensively across a range of products and services as you can see. In digital payments, we have seen a 73% increase in volumes YoY across both customer and merchant transactions. Transaction to UPI has seen a surge in both the segments. Notably, average ticket size in both UPI and payment gateway transactions has increased YoY. We will continue to build our digital channels, journeys of products and services across all our customer and product centers.

I will now turn to the "Liabilities Business." Our net worth was by and large fully operational during this quarter. In branch transactions, have seen consistent increase month-on-month, by end September was close to 90%. We continue to see strong growth in deposits, average saving deposit growth, YTD YoY was 32% and current account 10%. The focus has been on granular customer growth. As the unlock opened up across cities, we were able to grow acquisitions around our network. And in September, were around 90% the same period last year. We also continue to focus on the Zero Contact Digital Savings Account acquisitions through the 811 platform.

As Uday mentioned, our CASA ratio was at 57.1% as at September versus 53.6% last year. And we have seen the savings growth across all our retail customer segments including urban and rural market. CASA and TD below Rs.5 crore comprise 91% of deposits versus 86% last year. Sweep was at 7.7% versus 7.1% last year and the cost of savings is at 3.87% this quarter vs 5.37% last year.

Our Customer Contact Center was operational across work from home and our centers. This enabled us to serve our customers for their requirements and active engagement.

Our distribution fee income continued to show strong growth this quarter, and we use analytics and our CRM platform to penetrate deeper into our base.

I talked about the digital surge and we have seen surge in digital adoption by all our customers, and we continue to provide solutions for them to transact on a daily basis.

Coming to consumer assets, mortgages, particularly home loans has seen a significant traction this quarter across metros and urban cities. The key drivers have been attractive prices by developers, lower interest rates, benefits and stamp duties, people looking for upgrades on homes, and, of course, some fire sale deals.

During the quarter we also launched "Digi Home Loans", a completely contactless journey which enabled our customers to apply for a home loan and get a sanction without having to meet anyone in person. In home loans, we have seen bounce rates back to pre-COVID levels. This is the perfect area for growth. And we have also offered very competitive rates in the market.

On loan against property, we have seen demand come back this quarter. From people looking to raise funds for business, we will focus to grow this business in the coming quarters.

"SME Working Capital Business." The MSME loan under the Government of India Scheme was a big focus area. This helped customers with liquidity as they resumed the businesses. We have also seen month-on-month improvement in cash flows as the economy is opening up.

In this quarter, we also started our new acquisitions, which have been growing. In Q2 we have seen utilization of limits versus a sharp drop in Q1 as customers start opening their business. We will build and focus on building a quality franchise in the MSME segment.

"Unsecured Retail" Dipak has said it all. While we have started origination across products based on data and the trends that we have seen emerging with the unlock and movement, we will continue to use risk analytics to target for the new business in a calibrated manner as the economy opens up, of course, with focus on quality and risk.

We are continuing with our focused value propositions for customers. We launched two new credit card variants between September and October for the mass affluent segment. We, of course, launched a secured credit card last quarter for customers who do not have a cibil footprint.

Coming to "Collections." With opening up of the economy, we have seen positive movement month-on-month in collections this quarter. Bounce rates have improved across products. In secured segment, bounce rates are now nearing pre-COVID levels. Unsecured retail collections have improved, but we need to see the trends of the next few months.

Last quarter I shared with you several initiatives on collections including investments in technology, analytics and capacity enhancement. These have helped us improve our resolution across products, and also helped by the fact that all cities, big and small, have opened up, enabling our collection teams to move out and do the job. With enhancement in core collection capacity, we have also started moving our sales team back to businesses gradually. We will continue to monitor and track collections across metrics.

Given the festive season, we just launched "Khushi Ka Season" in October, comprising great offers across our assets and liability products, hundred plus alliance offers across merchant categories for our debit and credit card, special promotions on Flipkart and Amazon, and, of course, to leverage the Cricket passion across the country, we launched "MyImage Card" for customers who can apply for and download the images on the debit and credit card.

I now request Kannan who heads the Commercial Banking Business to take you through the "Business Highlights."

**D. Kannan**: Thank you, Shanti. I will start with the Commercial Vehicles and Construction Equipment Businesses. Sales of commercial vehicles in July-September period have been much better than the April-June period. Hence, disbursements in this quarter has been better than the previous one. Goods movement has been improving month-on-month. Peak utilization is somewhere between 75% to 85% for most of the large operators, depending on the segment they are servicing. Movement of agri produce post the harvest and the festival season should lead to further improvement in utilization levels. Improved utilization of fleet and availability of ECGLS loans has improved the liquidity in the hands of the fleet operators. Collection efficiency in this quarter has been better than the previous quarter and September collections have been better than the previous months. Passenger transportation segment, however, continues to be severely impacted and looks like it will take a longer time to recover.

Demand for construction equipment is getting better month-on-month and so is the demand for finance. Our disbursements have been better than the first quarter. Utilization of equipments in the hands of the contractors and the customers have been improving, and it is closer to normal levels. Cash flows of customers have been good and collection efficiency has been improving month-on-month.

Our Agri business portfolio comprises of SMEs involved in primary and secondary processing of agricultural commodities and are mostly based out of non-urban locations. Since these customers are involved in processing and distribution of essential commodities, activity levels and cash flows have been good. A good kharif crop harvest is expected and should help this segment further. Collection efficiency in this segment is beyond normal and demand for credit is getting better.

Microfinance exposure is primarily in non-urban markets and focus on customers engaged in agri-related activities. Collections have improved month-on-month and September collections have been better than the previous months. Disbursements in select markets have begun in the second quarter.

The Tractor industry volumes have grown between 8% to 10% for the half year up to September '20. Our disbursements have grown during the quarter and our stock on hire as on 30th September has grown 18% YoY. Given the prospects of a good harvest and good cash flows in the rural market, tractor volumes are expected to do well over the next two quarters. Our deep distribution should help us improve on our market share and take advantage of the increased sales in tractors. Collection efficiency in this market is good and improving month-on-month.

I will now hand it over to Mr. Manian to take it forward.

**KVS Manian:** Thanks, Kannan. Let me take you through the Wholesale Banking Business of the bank, primarily has two separate types of books; one is a corporate banking book and second is SME part of the book. Let me first talk you through the corporate book. We have continued to be alert and have avoided large concentrated low spread kind of business. Our philosophy of getting right, risk/return continues. And also as you are all aware, building large books has significant PSL costs and building them at low spreads, it is economically not viable. So we remain conscious of that. We maintained and improved the profitability of the book all through the last quarter. And also at the customer level, we are focused on customer profitability, which we just continue to be getting better.

The other important factor to keep in mind is the impact of the debt capital markets on this business. As you are aware, debt capital markets have been at an all-time low rate and sufficient availability of debt. And this has two kinds of impact; one is, as you can see, on the slide, credit substitutes, if you look at our own balance sheet, some of the credit substitutes and the corporate banking book, if you look at YoY, difference is not as much as it looks, just looking at the corporate banking book. So, basically what has happened is building a great substitute, it is viable at low spread whereas building advances on corporate banking book is less viable given the PSL economic center, better risk controls that you can get by building credit substitutes. So, this is one big impact.

The second big impact is of course, the syndication part of our business. So, the syndication part of our business has done well in the first quarter and even better in the second, and our fees are getting better on that, and that is reflected in our financials.

Overall, we have kept, as I mentioned, high focus on profitability of the book. The quality of the book per se continues to be robust. As of now it is holding up, of course, corporate book is always susceptible to one large bullet hitting you, but as things stand now, we feel reasonably comfortable with the quality of our book.

Coming to SME, that is a different story. Of course, when we started in March and April, one of the sectors that we were most worried about was the SME book and we expected the impact to be high on the asset quality of this book. But as of now, impact of ECGLS and the moratorium that have had a dampening effect on this negative impact and as things stand now, asset quality seems in control. In fact, we are seeing a unique situation where our average utilization of our clients is over 15% to 20% lower than it was a year back. So, just a clarification, of course, you see here a drop of more than Rs.3,800 crore. Rs.1,200 crore out of that is migration of customers from SME to rest of the corporate bank, of course, that impacts the corporate bank growth to that extent, but Rs.1,200 crore is the impact of migration and rest of that Rs.2,400 crore is actually the lower utilization. So, lower utilization is a double-edged sword. It gives us comfort on the quality of our book, but at the same time, it has impacted the growth of the book for now, but we are also confident that if the activity level come back, the lower utilization will be a positive and it will help us bounce back on this book. And in this segment, we have selectively in some sectors started onboarding new customers and we expect to see growth. So, overall, we continue to remain close to our customers looking at holistic opportunities to improve our profitability, confident that we can scale the business as the normalcy returns and we get more comfortable with the environment, and we are keeping a very close eye on the book quality and avoiding unexpected bullets, of course, we cannot avoid but trying to avoid any book quality impacts. Our current cost of funds gives us a benefit in the corporate banking segment we think we can build a sustainable franchise over a period of time.

On a specific sectoral exposure, the movement on CRE and LRD is not significant. They are marginal changes over the last one year. The change in exposure you see in NBFC is primarily driven by increase in exposure in the housing finance segment which we consider the safer segment than the rest of the NBFC, and that too this in particular is to a very large and a best known HFC in the country. So we remain comfortable with our specific sector exposures.

As my colleagues, Shanti and Kannan mentioned, ECGLS Scheme, we have made very good use of this scheme, in fact, our overall banking sector share in advances is about 2%-odd whereas on this scheme, we have disbursed close to over 6% of the banking sector shares with us. And as we speak today, we are about Rs.8,150 crore in October. We remain good use of this scheme. This, as you are aware, comes with sovereign guarantee and therefore zero capital and reasonable spread for a sovereign risk and we have made good use of this opportunity.

May I now ask Jaimin to take over from me? Jaimin?

**Jaimin Bhatt:** Let me quickly take you through some numbers for the consolidated entity. The bank overall contributed 74% of the post-tax profits. Other contributors this quarter notable ones, Kotak Securities which at just short of Rs.200 crore had their best ever quarter, this is almost 33% higher than what they clocked Rs.149 crore in the previous year. Kotak Life ended with a post-tax profit of Rs.171 crore against Rs.141 crore in the last year. The mutual fund entities got in Rs.84 crores about the same as the previous year. Kotak Prime has a post-tax profit of Rs.133 crores This is lower than last year as on account of lower volumes and again provisions. The profit though was decently higher than the Q1 this year. Kotak Investments had a post-tax profit of Rs.74 crore against Rs.67 crore last year and Rs.43 crore in the previous quarter. Both the NBFC subsidiaries have given similar treatment to the Supreme Court order on recognition of NPAs and the provision thereof. At the post-tax level, the consolidated profit now at Rs.2,947 crore which is 22% higher than Q2 last year. We talked earlier about the tax differential and as Uday mentioned on a pre-tax basis, the consolidated number pre-tax for the entity would be 33% higher than pre-tax last year.

Our net worth at the group level pretty strong with around Rs.79,000 crore and each of the subsidiaries have pretty healthy capital; Prime at about Rs.6,200 crore, the securities entity at about Rs.5,000 crore and the life insurance entity at Rs.3,700 crore. Our NPA at the group level again at GNPA of 2.55% and net at 0.7%. Capital adequacy healthy at 24.5% with tier-1 is at 23.9%. Our balance sheet at the group level is now at Rs.4,57,000 crore and with the half year profit, our book value per share now at Rs.399, just short of Rs.400 crore.

I would request Narayan to talk about Prime.

**Narayan S.A.:** Thank you, Jaimin. Kotak Mahindra Prime, the closing advances as on 30, September 2020 was Rs.22,710 crore. Total income for Q2 was Rs.353 crore as against Rs.369 crore in same quarter last year. PBT for the quarter was Rs.179 crore and PAT was Rs.123 crore. (KMPL) Kotak Mahindra Prime Cars and Two Wheelers disbursements month-on-month is improving. OctoberNovember we expect good demand for cars and two wheelers supported by festive season. The margins for this quarter are better than compared to that of the previous year same quarter, and also the collection efficiency and resolution efficiency across buckets are showing signs of improvement month-on-month.

With this I will request now Murali to take over to talk about Life Insurance. Thank you.

**Murlidhar Gangadharan**: Thanks, Narayan. I will now take you through the progress made by the life insurance company in background of COVID-19. During this period, the gross written premium for the second quarter grew by 10%. And we could see a significant progress on the single premium business which grew by 50% during this quarter. The individual APE new business premium on the first half grew by 2% YoY against the private industry degrowth of 20%; however, our growth in group APR business which did well in this quarter compared to the previous quarter, grew by 2.5% over the previous quarter. But on a YoY basis, has a degrowth of 10%.

Kotak Mahindra Bank which contributes on the APE business grew by 9% during this quarter. Individual renewal premium in Q2 FY21 has grown by 21% And our persistency ratios are looking reasonable and good. Our PAT at Rs.332 crore grew at 20% YoY, our solvency ratio remains at a healthy 300%. Our AUM touched close to Rs.36,000 crore and has grown by 18.5% during this period.

I will take you through the progress on digitization. Digitization has become a big focus area for life insurance. And we focus on it particularly using digitization on empowering our institution, energizing our employees and better customer experience. Our distribution, where most of the employees are involved with, the digital onboarding of customers into the genie is now touched 98%. We have now empowered advisorsthrough a superior engagement app known as "Boost" which is really helping us to engage our agents better and impact on productivity. Our lead nurturing tools have been significantly strengthened during this period. For a better customer experience, we launched a new system by "**Digi Pro"**which is completely digital and it should significantly give a superior customer experience. We have also launched an "Insta Servicing" for four high volume services, where services are rendered across the counter in the practice, and our digital servicing tool which has shown a significant growth of 29% QoQ during this period.

Employees need to be energized and empowered and our significant increase in use of CRM, **and Amie, an employee** chatbot energizes our employees a lot more.

With this I hand it over to Jaideep Hansraj to take you about Kotak Securities.

**Jaideep Hansraj:** Thank you, Murli. Good evening, friends. I am going to talk on the Q2 numbers of Kotak Securities for FY21. For the period July '20 to September '20, we generated a top line of Rs.516 crore. This is comparable with Rs.407 crore for Q2 of FY20 and Rs.459 crore for the previous quarter, which is Q1 FY21. Profit before tax for the period was Rs.266 crore against Rs.181 crore for the same period FY20 and Rs.235 crore for Q1 of FY21. Profit after tax for Q2 FY21 is Rs.199 crore which same time last year was Rs.149 crore and the PAT for the last quarter was Rs.169 crore.

There have been some major highlights for this quarter in the broking industry, which I would like to bring to your notice. Average daily cash market volume for the retail broking industry touched the new high for the quarter of approximately 62,000 crore a day. This cash turnover used to be about 35,000 crore a year ago. At the same point of time, the daily options market turnover for retail broking touched somewhere between 17 to 18 lakh crore a day. This is a jump of 40 to 50% over the last few quarters. Retail turnover on mobile continues to grow exponentially for the market and all participants. New client entering the direct broking industry is on the ride as well. New demat accounts opened in Q1 of FY21 was 23.06 lakh numbers which in Q2 had gone up close to 50% to approximately 34 lakh accounts. Our trust in digital continues on a very serious note on both product as well as platform. The focus on work from home which we had commenced in early Q1 continues and there has hardly been any disruption to the platform or the customer experience during this period.

September 1 finally saw the implementation of the new margining norm from SEBI. Though it has impacted cash trading volumes in September, but volumes have recovered in the first fortnight of October itself. We see that this is a temporary phase, but the step is the decisive one towards ensuring investor protection from shaddy players.

Thank you, friends. With this, I will hand over to my colleague, Manian, who will talk about the Kotak Investment Bank.

**KVS Manian:** So Kotak Mahindra Capital Company, our Investment Banking arm remained quite busy in the second quarter of this year. As we can see, they led part of several marquee transactions whether in the financial sector, some in the real estate sector. So ICICI, HDFC, Mahindra Finance and YES Bank, UTI Asset Management, all of these in the financial sector. We were also part of the second REIT in the country. We were part of the first and now the second one as well Mindspace REIT and we also raised capital for Phoenix Mills. CAMS was another very successful issue. So we continue to build upon our market leading franchise on the equity capital market side and with the quarter was quite busy and we do have a pipeline going forward as well.

Over the last few years, we have worked very hard at building our advisory capability and I think we have done quite well over the last few years and we continue to have a good pipeline of transactions to be completed. And in the first half, we have completed transactions with Signet where we were the exclusive advisor for sale of their business. Motherson restructuring, again we were part of it and Tata's passenger vehicle business, subsidiarization of that. So it was a busy quarter and there is a good pipeline and so the second quarter was better than first and we hope to make the third and fourth quarter better. Thank you very much. I will now hand it over to Nilesh to talk you through the AMC business.

**Nilesh Shah:** Thank you, Manian. Good evening, friends. COVID-19 crisis continued to pose challenges for mutual fund industry in last quarter. Kotak Mutual Fund acted early to transit from physical world to digital world. Our operations continued uninterruptedly in last quarter including during an unexpected power outrage in Mumbai. For the quarter ending September 20, our mutual fund AUM grew 13% year-on-year to Rs. 1.92 trillion. Our equity AUM grew 12% year-on-year to reach Rs. 0.77 trillion. For the 12 months ended September 20, our total AUM market grew by 30 basis points to 6.9%. Our pure equity AUM market grew by 30 basis points to 4.9%. Our SIP market share grew by 53 basis points to 5.41%.

Consequently, our PBT grew by 8.65% from Rs. 104 crore for the September 19 quarter to Rs. 113 crore in September 20 quarter. Fund performance, customer servicing, digital transactions remained above industry average. Our fund performance continued to be recognized by various agencies reflected in several prestigious award wins in last quarter. Kotak grew total AUM across mutual fund, insurance, offshore, alternate assets and PMS services grew by 12% reach 2.72 trillion across local and global retail and institutional clientele. Relationship value of wealth, priority and investment advisory business stood at Rs. 3 trillion at the end of September 20. We remained well poised for capturing opportunities in asset management space. Thank you. Over to you, Jaimin bhai.

**Jaimin Bhatt:** Thanks, Nilesh. Thanks, friends. We will be open to taking questions from any of you for clarity.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Karwa from Axis Capital. Please go ahead.

**Manish Karwa:** So I just got one or two questions. First is on deposit cost. I think you have done phenomenally well on the deposit even after cutting deposits rates, I think deposits have continued to come in really well. I wanted to ask is there more room to cut deposits and are you thinking of doing that? And also some color on, is there any change in customer behavior once you have cut deposit rates, some comments out there?

**Uday Kotak:** Manish, I will answer the first and ask Shanti for the second in terms of change in customer behavior on the deposit side. On the first one, of course, there is room to cut, but as I mentioned earlier to you, if you recollect, you had asked this question even a few years ago, that we will be very strategic in terms of what we do. We are not looking at short term financial gains coming out of the rate cut, but we will do it strategically at a time when we feel it is appropriate. Of course, we did not bargain for COVID, but that was a good strategic time for us to be doing it and still preserving the deposit franchise and continuing to grow it despite the cut. Yes, there is room for more, but we are good as I mentioned, not going to take a quick short term financial decision in terms of what we do, but we are always keeping all our options open in that context and we will do what is right for the franchise and sustainable growth of earnings of the firm. On the second point, I will ask Shanti who heads the Consumer Bank to give a sense on the consumer behavior with reference to the lower deposit rates and what it means. Over to you, Shanti.

**Shanti Ekambaram:** Thank you, Uday. So as I had mentioned that we are focused at the granular end. At the granular end of the customer, we say deposits up to 1 crore savings, we are seeing the customer reasonably steady and if you have noticed, we have been sort of, we have reduced the rates over the period of time and we have not really seen any change in the behavior. Customers continue to grow quarter-on-quarter. Some of the very large value customers, we have seen some attrition, not all attrition, but a small part of the attrition where there is perhaps high rates and we are seeing customers move money into term deposits with us, whereas the granular end of the customer, we continue to see the customer grow with us quarter-on-quarter including during this very crucial COVID period of time.

**Manish Karwa:** Just one more thing. In the last call, you had indicated that you were harping on the negative spreads that are going on in the market. Are they still negative? Are you now comfortable in pushing the pedal for growth? How are you thinking investments versus loan argument on the balance sheet?

**Uday Kotak:** Manish, if you notice in my initial comments, we did talk about the asset engine as an engine for customer acquisition and thereafter not only selling a particular asset, but cross-selling other assets and then moving into liabilities and season services across the board. Historically, as I mentioned, the Kotak engine has been liability into cross-sell into everything else. We are now very clearly focused on opening the asset engine for broader, single consumer bank and the approach is to bring assets and liabilities much closer together as we see going forward. And we are very focused on what makes sense and we are in the business of earnings growth, resilience and sustainable earning growth. If it gives us an opportunity on the asset side for sustainability and all these factors, we are certainly open, but I just want to again reiterate, Manish, our approach is not blindly doing because this is what the market may like or may not like. It has to come out of our deep conviction that this is the right way for us to go and we are getting a sense about how we want to position in this market place when I think about next 1, 2, 3 years and we are getting a sense of being able to play the game on our terms and the future is certainly giving us that opportunity. In many ways, I think post 2011, we got an opportunity to play on our terms on the liability side and the savings side. We think the post COVID world is giving us this opportunity and we are very much future ready. The last 6 months has given us a great time and opportunity to think through and strategically go forward both in ideations and of course what is a bigger challenge is how we execute it, but clearly open.

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

**Rahul Jain:** Actually, I have got 3 set of questions. Let me start with the most topical asset quality. We have seen you kind of put out the pro forma numbers and of course we know moratorium got over in the month of August. So to what extent the pro forma is reflecting the potential roll forwards that we have seen or the asset quality pain if at all there is has been reflected in these numbers. Or you think the next 1 or 2 quarters are going to be equally critical?

**Uday Kotak:** Rahul, first of all, you require to be a nuclear scientist to be able to figure out. A combination of 4 things; moratorium 1, moratorium 2, Supreme Court stay, restructuring and through that maze coming to an accurate picture about how stress will work and how will the ultimately recovery work. So that is an important question and you actually will find it more challenging. There are lots of stuff going on in the marketplace with loans getting to be flexible, ability to restructure loans, all that is happening. So we have to be clear that this is a maze**,** how you decipher through that maze. So that is I think point number one, I just wanted to park and something which is not capable of giving a glib easy answer that this is the way it will play out. Having said that, we did a deep amount of analysis of our balance sheet and we hurdled together which includes a lot of our senior leadership going and pouring over different aspects of our asset categories and we have come to a view that the amount of provisioning which we are carrying and it is linked to the mix of our book and the quality of the underwriting of our book as we see it. Therefore, I cannot translate it for what it means for the rest of the sector or other players. I can talk about my book and my mix. Based on our deep pouring of our book, our underwriting and our mix of loans, we feel adequate and comfortable with the level of provisioning we are carrying as of 30th September on a stock basis and our stock basis are carrying as we just explained is the COVID provisioning, the unhedged foreign exchange, standard provisioning, stress asset sector provisioning, NPI provisioning, all that put together we feel very comfortable that we have not only adequately provided, but we have been conservative and we are very confident in the context of our book. And as Shanti alluded and as some of the others have alluded and something which I have gone public with that there are many areas which have actually done and I think Manian mentioned also which have done better. I think the MSME scheme and ECLGS scheme has been a great scheme by the government of India and I compliment the government for giving the balm and safety net for MSME sector. But what it has also done is that it has enabled banks to not only lend, but lending that additional money, you have given the MSME sector a chance to fight it and 2) it has helped the bank also have a better ability to save the Rs. 100 which they have given to the MSME sector in the first place. So it has improved not only the MSME by giving that person new money, but also improve the quality of the book. So we are very feeling much better about the MSME book as we look at it. However, if you look through the entire COVID situation and this is not trying to posture or anything, if you look at through the COVID situation, the broad thing is rural India has done better than urban India. In urban India, if you have a home, if you have a car, if you have any sort of security, you are more likely to pay your loan. The worst impacted segment by far is the unsecured urban consumer and that is the reality and this consumer again based on what we have analysed within our book because we also have the corporate salary base of our customers. We are finding that employees with lower salaries in companies whether large or small are more vulnerable than employees with higher salary. So in many ways, COVID is disproportionately hitting the lower end of the strata including employees of companies, big and small. This is a fact. And combined this with an overall urban stress being more in the unsecured, I would still watch it carefully and if you look at the breakup of our advances portfolio, you will see that our advances portfolio speaks about our strategy because that is walking the talk. We are more comfortable with home loans even LAP, working capitals, construction equipment, agri MSME, but we have year-on-year dropped our unsecured credit card book and unsecured personal loan and business loan book by design. And therefore our mix on that has got down. It was always a very conservative mix. At this point of time, we have definitely taken a view and we stand by that view. Of course, now the time may come that we can pick and choose better quality customers and segment ourselves to be getting better in the growth. Therefore as I said, 6 months has given us a great opportunity to prepare for what I think is a great future ahead in terms of how we attack and focus on the consumer finance different segments as we go forward.

**Rahul Jain:** Makes sense. I think that is a great elaborative answer, Uday. Just one or two follow-ups. So when we think about, let us say, third quarter by which time hopefully whatever you have to restructure will be out there, whatever NPL has to be formed also will be there. So this 60 basis points of extra provisioning that you have made on the entire portfolio would take care of pretty much everything that will happen be it restructuring or the NPL formation is presumably what you are saying and from next quarter, we should actually see a normalized credit cost run rate of 30-40 basis points which you used to do in the past. Is my understanding correct on that front?

**Uday Kotak:** Rahul, first of all, there is some normal provisioning which goes into the provisioning every quarter. In addition to that, we have a COVID provisioning which is Rs. 1,279 crore on a 2 lakh crores.

**Jaimin Bhatt:** 1,279 which is 0.62%.

**Uday Kotak:** So COVID provisioning 1,279. But if you look at our overall provisioning, in addition to that, we have standard provisioning, we have stressed asset provisioning, we have UFCE provisioning. If you add all that, we have more than 1.1% provisioning which we are carrying. Out of which, COVID provisioning is 62 basis points.

**Rahul Jain:** The other question moving on, on the growth side. So Uday, definitely it is very heartening to hear that the bank is now fully ready to grow, and we hope to kind of see your performance of liabilities getting repeated here, but now that the bank is entering into sort of a new phase. Every bank has got certain portfolios in which it kind of creates its niche. How would you see Kotak over the next couple of years? Will it be more driven by consumer secured book? What kind of franchise products Kotak would have in the next couple of years? Now that the cost of deposits have fallen to almost like below HDFC Bank's card rates. So how would you define it over the next couple of years, Uday?

**Uday Kotak:** Rahul, you see the plan play out over the next few years. Just give us a chance to be able to come back to you and show you the progress every quarter and we will be very strategic including bold and long term. Keep in mind on savings deposit for example. We have spent 100s and 1000s of crore between 2011 and 2020 to build a deposit franchise. We are not scared of spending money, but we will spend money in a strategic manner. Look at the amount of money we spent for digital account opening on the liability side. It has cost us a lot of money through our P&L in the past. Therefore once we have the conviction, it is not about the amount of money we need to spend. But there are two areas you spend money. One is to build the franchise and secondly take a cost on the risk. We are far more comfortable to build the franchise and spend whatever money it takes on the asset side to going forward. On the risk side, we always like to keep in mind the trouble with risk is the downside is unlimited. On building the franchise, it is a defined amount of money we will need. Whether it is 500 crores, 1000 crores or whatever that number is. Therefore we need to be clear, on the asset side there are two aspects of spend. Building the franchise and the risk, between the two our bias will be clearly build the franchise but be generally more conservative on risk.

**Rahul Jain:** Makes sense. But when you say build the franchise, do you mean more branches or inorganic you keep talking about and coincidentally we saw the news also out there. So when you talk about build the franchise, can you throw some more light as to what you are talking about?

**Uday Kotak:** Let me first categorically address the second question which was the new you said. I just wanted to very clearly and categorically say it on this call that as a policy, we as a bank and a company do not comment on rumors and speculations. And if we have anything to report, we would report it as required under the listing guidelines and the fact that we have not reported is in answer in itself. So I think you should be clear about where we stand on that based on these 2 important points that as a company policy we do not comment on rumors and speculations and if we had anything to report, rest assured we would have reported and that should bring to rest our clear answer on this speculative news which has been going around since yesterday evening. On the strategy, there are various ways of playing that strategy, Rahul. If I share it all, what is the fun? You stop coming on our calls over the next two years. So give us some time and we have the pleasure of getting you on the calls and all of you on the calls over the next few years.

**Rahul Jain:** Great, Uday. I think I will leave it there. I know you don't want to reveal, but what is heartening to see is the direction which after a long while we have heard that the floodgates are opening up for growth on the asset side and we will definitely look forward to that. With that, thank you so much Uday and Team. Thank you so much.

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

**Kunal Shah:** Firstly, in terms of the future readiness, so no doubt, not specifically referring to the news which was there yesterday. But what would be the role of inorganic opportunity in terms of customer acquisition. So would it be more of an organic only or inorganic maybe in terms of some of the segments wherein you are trying to niche that would also play a key role, maybe not immediately but in the near to medium term?

**Uday Kotak:** Answer to that is Kunal, very clear. What we need is to get more customers, need to get more customers engaged and need to sell them the appropriate range of products across asset liabilities and services. The way to get new customers in this new world are digital, physical or somebody else's customers which we can get at some point of time. So all the 3 options are the way to get customers. Therefore I don't want to confuse between which route we go or what routes we take, but it is pretty clear that if we have to build a future ready bank with the huge opportunity which India has, we are currently at 2-2.5% of the total banking sector market share. The digital and technology world has given us an opportunity to look at very significantly expanding our footprints without expanding our branch network at the same speed. And therefore our approach to whether it is organic or inorganic is clear, customers, customers, customers, whether it is through the asset gate, liability gate, the fees and services gate, but get customers, engage with them, provide outstanding service and cross-sell the appropriate products for the entire customer base through whichever gate and whichever channels which we can get.

**Kunal Shah:** Sure. And secondly in terms of operating cost, so last time we have highlighted that we would see a lot of improvement, no doubt, Q1 was more of a skewness between the physical and the digital one. But currently when we are looking at it in terms of the year-on-year growth, it is more or less back to where we were. So what is the kind of flexibility going forward we can have on the operating cost and with this customer acquisition how should we see the overall cost to income also settle over a period of time. No doubt digital is going to help in a big way?

**Uday Kotak:** Kunal, let me give one simple answer for what I can talk about Kotak Bank. We are at 1,600 branches. I am pretty clear we do not need 10,000 branches for getting customers. Therefore, the physical world game has changed. And with the liability cost, if they remain low for a while, the cost of our physical network is enormous, be clear about that. And I am not saying we are averse to anything, but we are very clear it is customer acquisition, customer servicing, customer engagement and customer delivery. And all the flood gates are open and therefore translating to the answer you want on operating cost, the future ready model, if we were looking at much larger physical network, clearly that strategy is going to be different. We will put that spend in other things. We will put that spend in getting customers different ways and that is how the future will be.

**Kunal Shah:** And lastly if you can more specifically highlight in terms of the collection efficiency and where there was the maximum surprise apart from MSME which you have highlighted. But as we moved from morat 2 into the collection efficiency, more specific across the various segments and where was the maximum surprise wherein we are now very comfortable with the credit reserves which we have?

**Uday Kotak:** Kunal, it is a very broad question. Each segment has a different. On a broad answer, collection efficiency is certainly better second quarter compared to first quarter. It is better in September compared to August and July. I think both Shanti and Kannan addressed it head on. Having said that, in many segments it has still not got back to normal. It is well below normal and particularly in the unsecured loan segment it is getting better compared to what it was, but is it pre-COVID, the answer is categorically no. Therefore, it is my view on entire collection efficiency and all other parameters is that we have to be clear that yes, things are better, but please do not count victory on collections too early.

**Moderator:** Thank you. The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.

**Suresh Ganapathy:** Uday, I have two questions. One, is it possible to share the collection efficiencies for the month of September and what it would have been pre COVID levels just across some product category? That is the first question. And the second thing is, of course, we have talked a lot on this growth aspect. But somewhere down the line, maybe a lot of people believe that perhaps you are far too conservative in the approach that, a bank which is 5 times your size still finds growth opportunities and grows the books at 16% and still has a very low NPA level. Just not strictly comparing, but are we letting go of good opportunities available in the market because a view which is emerging is, this is perhaps by far the best time to grow. Old, weak private sector banks, weak NBFCs, weak public sector bank system and there are only 5-6 banks in the system was strong enough to lend. So should we not take good amount of market share and grow the book a bit more opportunistically and aggressively but then obviously the credit parameters and standards that you have set for yourself?

**Uday Kotak:** Suresh, I think we certainly see that very clearly. And having said that, growth has to be a part of a deeper strategy and much superior focus on execution and our approach to growth is through the route of customer acquisition and engagement and sell, I have highlighted that we will certainly be more aggressive on the growth in asset side as a gate both for customer acquisition and deepening, we will be ready to do what it takes. Having said that, we don't like to compare. Other institutions maybe better, maybe superior, we will do it on terms what makes sense and conviction from our point of view. If it gives us conviction, we will do it. And as I said right at the beginning of my call, earnings growth, and sustainability are the crucial aspect of building a business. Credit risk is a means and one of the means to achieve this objective. But there are various levers which are available for financial institutions to produce sustainable earnings growth, one of which is credit growth but that is not the only and the sole lever as it seems to be very often made out to be. We are open, we are certainly clear that it makes sense. But we would like to do it with a growth on strategic acquisition and in general on the margin, we will work on terms of risk which makes sense from our point of view. And on your specific question I will ask Kannan on the commercial bank side, to share some numbers and Shanti if you want, but quickly Kannan and Shanti.

**D. Kannan:** On the commercial vehicle and construction equipment side, the September collections are closer to the pre-COVID levels, as Uday mentioned it is not still equal to the pre-COVID level. It is closer there, but we will have to watch out for the next couple of months to see how it pans out. We are just one month after the moratorium is over. So we will have to just watch out for the next couple of months. The construction equipment side collection efficiencies is almost near normal. In fact, they seem to be behaving better than the commercial vehicle side. And as I mentioned, rural cash flows are good. So our collection efficiency on the tractor side is closer to normal.

**Shanti Ekambaram:** Thanks, Kannan. So Suresh, on the secured asset side, and I said that in my this thing, both bounces and resolutions are significantly better and we are coming closer to the pre COVID level, we are not fully there, but we are getting closer. On the unsecured retail side, month-on-month there has been improvement, July over June, August over July, September over August. But has it come to pre COVID levels, not yet. But I think the trend is very encouraging and which is why I said we need to see the next demand for two months or three months.

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

**Nilanjan Karfa:** How do you manage 5% market share in ECLGS

**KVS Manian:** So I would say there are 3 reasons why. Of course, one is the focus that we saw an opportunity in getting this right. Second is, as Shanti briefly mentioned, we had rolled out a completely digital process to ensure conversion and therefore it helped our conversion. Number 3 is, it required across the 3 banks that is the corporate, the SMEs, commercial bank and the retail bank, I think the task was fairly humongous because you have to reach out to a large number of customers and convert and therefore execution was very critical. I guess we got all these 3 right and that is the reason we did better, and I think our disbursement process as I said also was fairly smooth and it helped us get the share.

**Nilanjan Karfa:** So if I can get a little more clarity, I mean what percentage of the book would have qualified and of that percentage, how many number of accounts we are disbursing, could you give some clarity there?

**KVS Manian:** Broadly we got the conversion of close to about 65% of the eligible base and that is our sanction and our disbursement is at about 80% of our sanction.

**Moderator:** Thank you. The next question is from the line of Mahrukh Adajania from Elara Securities. Please go ahead.

**Mahrukh Adajania:** My first question is again on collection efficiency. If you could quantify a rough figure for the whole bank on collection efficiency? 95 or above or below 90 or whatever that figure is for the whole bank?

**Uday Kotak:** Jaimin, you want to answer that now, in the CFO terrain, outside the business terrain, how you want to go about?

**Jaimin Bhatt:** Mahrukh, if you look at overall as people have said, it is closer to what we were getting in February. So yes, it would be in the mid-90s or thereabouts.

**Mahrukh Adajania:** My next question is on the market repo borrowing that you have talked about even in the last call, was that source available to you even this quarter? You have said that you could raise those under 3.5%?

**Uday Kotak:** Question is, Mahrukh, there is a full treasury operation. Treasury does what is best for treasury to do and whatever are the opportunities in the treasury market within the framework, we are always open to that and that is something which treasury actively manages.

**Mahrukh Adajania:** I just wanted to squeeze in one last question on M&A. Also, just in terms also you have talked about inorganic growth for the group as a whole in fourth quarter, in first quarter earnings call. In order of priority what would it be? Acquiring loan portfolios, acquiring a banking company or an NBFC for the parent bank or doing acquisitions for the subsidiaries. So what would be the order of priority?

**Uday Kotak:** Mahrukh, I gave you this. Our biggest focus is building the customer franchise and building the customer base. So whichever route gets us through the larger customer base, organic, including the very dramatic change because of digital and other avenues across the framework of all the platform we have. It is something which we are very focused on, customer, customer, customer.

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

**Saurabh Kumar:** Sir, just two questions. One is on this commercial real estate exposure. So if consolidated exposure as per your Basel disclosure is about Rs. 18,000 crore. What you show in the presentation is about Rs. 10,000 crore. So fair to say about 8000 crore is sitting in the subsidiaries?

**Jaimin Bhatt:** Just adding here. The Basel disclosures also include non-fund investments all of that put together. This one is funded outstanding.

**Saurabh Kumar:** Yes, the non fund is actually not very high. I don't have your September number. I am just looking at the June. But the non fund is not very high, but it will be fair to say that the prime investments would have part of that, right?

**Jaimin Bhatt:** Yes, that is right.

**Saurabh Kumar:** And the second is effectively on the, I mean what is the restructuring request you have seen in the CRE sector or say both subsidiaries and in the parent?

**KVS Manian:** Its still early days. We haven't seen a flood of request yet, but I think it is early days. I think we still have couple of months to go for making those requests. And let me tell you that in many of our cases, we don't do pari-passu and we don't do general lending to companies unless at the very top end of that CRE business. So most of our loans are specific project loans and currently our projects from whatever data we have seen till now seems still the cash flows seem okay.

**Moderator:** Thank you. We take the last question from the line of Sri Karthik Velamakanni from Investec. Please go ahead.

**Sri Karthik Velamakanni:** Sir, if you could quantify your SMA-0, 1, 2, the total SMA book as of September?

**Jaimin Bhatt:** I wouldn't have SMA-0, 1. SMA-2, there is a different way of looking at it. SMA-2 and we put that in the presentation, it is Rs. 133 crore, but which will not include the guys who would have become NPAs in the month of September whom we have not taken cognizance of. So without that, it is Rs. 133 crore. That is SMA-2.

**Uday Kotak:** That is what is it at as a percentage?

**Jaimin Bhatt:** 0.06

**Moderator:** Thank you. That would be the last question. I would now like to hand the conference back to Mr. Uday Kotak for closing comments.

**Uday Kotak:** Thank you very much, ladies and gentlemen. It has always been a pleasure interacting with you and having a frank discussion. I just wish each of you a very happy festive season, a Happy Diwali, a Happy New Year and hopefully COVID at least in India behaves itself and does not misbehave like the rest of the world. So that when we are on the call next time, we have hopefully better news to look at and think about the future. Good luck, stay well, stay safe and look at the new world in a never-normal mindset. Thank you very much.

**Moderator:** Thank you very much. On behalf of Kotak Mahindra Bank, that concludes this conference. Thank you for joining us. Ladies and