"Kotak Mahindra Bank Q2 FY'22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Kotak Mahindra Bank's Q2 FY'22 Earnings Conference Call. 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: Thank you very much and good evening to all my analysts, investors, friends, and colleagues. As we come to a crucial 18-months in the post-COVID era, at this stage it clearly looks like we are moving from a pandemic to an endemic, something which all of us as human beings are beginning to deal with and accept more and more as a part of our regular lives. We are also seeing, a very significant change across many of us and just as an example, we are doing this in the conference room with my team here in a physical meeting after a quite some time. So, we are adjusting to what I would call as the 'new next normal' or 'never normal' whichever way we want to define our present and future to be. As we make this change, the big question around us is global macro and domestic macro in terms of how we see the way forward.

Looks like on the global side, we are coming towards the end of the very-very easy money policy with the beginning of potential taper by the US federal reserve between now and the next conference call as things look today and a gradual increase in interest rate sometime in 2022 calendar.

On the Indian side too, the bond yields have begun to move up and in the last 20-30-days there has been a reasonable movement in the bond yields from the short-end to the long-end. The short-end of course, you have seen the one year treasury bill move up by 20 to 30 basis points in the last few weeks, as also the 10-year which is now around 6.35 range, again, a movement of 15 basis points and it's believed that this will be a gradual but very steady increase, not anything dramatic.

So, with a macro situation which is still growth oriented, some of the commodity prices like oil going up, I would still be of the view that economic growth is very much on.

Indian recovery as I look at from the economic side has been significantly faster than what any of us would have imagined in May or June. And I am keeping my fingers crossed that this festival season, we are able to manage without any significant damage of what is a worry of potential COVID 3.0. However, with this good backdrop of a turning economy, I would just like to turn my focus to Kotak.

When I look at Kotak in the 18-months period, starting March-April 2020 into September 2021, I see on-reflection, our approach at the early stage of the pandemic was that of an event we had never seen before and probably we are seeing for the first time in our lives which is true, and therefore, an unknown, unknown and we did turn cautious in the early stage of the COVID cycle. The first six months post the pandemic coming in which is April to September period was a period where we at Kotak had moved into significant caution on the assets side including on unsecured retail.

Coming October last year, we began to feel more confident but was still wanting to move in the area of secured loans and secured assets and still cautious about unsecured consumer retail in view of the potential risks out of the pandemic and the risks caused as a stress cost coming out of that. That was the first product which we started going more aggressively in the months of November, December, were home loans and we did take a position reasonably aggressively on the price of home loans. And as we started gaining more confidence, we also took a decision to significantly up our gain on hiring around January, February we took a call that we will start hiring significantly, combined with being a little more open at that stage even on unsecured retail. And as we started gathering that courage, we saw the beginning of COVID-2.0 in April and May, and which again put us in a way some spanner in our wheel as we were going down the path. The big difference between COVID-1 and COVID-2.0 is we did not stop our desire to start hiring and if you look at the speed at which we have added employees, we have added nearly 10,000 employees in about a year's time, and in the last quarter itself that is July-September quarter, we have added at the bank alone about close to 4,000 employees. So, our acquisition engine for people, decision which we took sometime in January, February which we should have implemented more by around May, June, but got delayed because of COVID-2.0 started coming onboard in July, August 2021, and we have continued with that significant focus on building capability, building our engine and getting our growth engine ramped up. And fortunately for us, this time around, the growth has come back in the economy in July-August-September and we were in a much better position than in the last 18-months of the cycle, and come around August and September, more in the second half of August into September, we began to see our advances and growth looking better.

As a result of this, I am happy to come back to you and say that our quarter-on-quarter growth in advances at the bank has been about 8% and if I add credit substitutes which is credit investment instruments, our quarterly growth is about 9% which on an annualized basis turns close to 36%...of course, off a lower base. But we are seeing our growth engine in August, September and into the festive season begin to show significant traction more than we have seen probably in the last couple of years, because if you would recollect we had slowed down our growth engine, particularly on unsecured retail even before the COVID pandemic.

Therefore, we come into this with greater capacity with a significant ability to grow off a relatively small base of our bank and we also come on the back of a significantly higher confidence in the quality of our existing book whether restructured or not.

And on that, I am happy to share with you that our restructured loans which includes COVID-1, COVID-2 and also MSME, all three put together, is a total of 54 basis points or 0.54% of our entire loan book. And consequence of this is that anything other than this restructured book has obviously been reflected in our NPL book, with the obvious implication on interest income because moment it goes into the NPA bucket, it hurts the interest income line because of IDR reversal.

The other redeeming thing which we are seeing is our book and of course it is a much smaller historical unsecured retail book is our credit cost are running at max to around 63 basis points and we see the overall existing book including the credit cost in very good control. This credit cost and the restructured book include our entire ECLGS book as well and I just wanted to share with all of you.

Therefore, we come into this with an August-September which is showing us significant muscle on the growth engine on the loan side and the asset side, we are coming into this with a confidence of a very solid, high quality, low credit cost and a relatively low restructured book, combined with a very strong liability franchise which we are now nearly close to 61% on current and savings account.

Our current account engine has fired extremely well; it's grown between the 30% to 35% range over the year and is continuing to fire pretty well.

We are looking at ways and means to further push our savings deposit engine but keep in mind, through this period, we have sharply dropped our savings deposits rate, though we are still higher than some of the other banks on that, but we do believe that with some frictions coming out of this drop, we now see an ability to be pushing our savings deposits engine also faster as we go forward.

Therefore, if I look at overall, the asset and the liability side, the asset side engine revving up, we are sitting with significant liquidity, if you look at our LCR ratio, they are about 150%. Therefore, we have a lot of room with surplus liquidity on our balance sheet. The asset engine has just begun to crank up in the last couple of months. Our liability engine on an extremely strong foundation and we believe it will continue to grow. This is the overall situation with reference to the bank and its asset and liability position.

At the same time, we are also very enthused with our many engines on the capital markets side. We have had really remarkable period and we continue to run with a very strong pipeline on our equity capital markets business, being able to really work for some of the finest companies coming into the market and that engine is continuing to work in the third and the fourth quarter of the current year.

Similarly, our both retail and institutional equities engine, the franchise is also gaining strength and some market share.

Our Wealth Management business is getting new customers and deepening the franchise.

And of course, our Assets Management business has also shown a good growth on AUM as we go forward.

Therefore, all the businesses around the market side, also and what I call link to investments are also working in a very robust position.

On the Insurance side, we were the first to recognize the problems coming out of COVID 2.0, recognized it in our June quarter, we are now seeing normalization of that begin to happen in the September quarter and we genuinely believe we are adequately provided on the life risk side as we go forward.

Therefore, when I look at the situation, I would like to believe that the unknown-unknowns of the pandemic which is what we started with 18-months ago, started gradually getting our arms around risk and return to a position which we are today. There is reasonably greater confidence in our team here to now even further push the growth engine from the time which as I said August, September onwards which we have seen, continuing to at the same time build the franchise the brand and go out there and grow our customer business at the same time.

I am also happy to report that we have closed two transactions which we think are strategically important; one is buying the portfolio of Volkswagen finance, demonstrating our openness to go out there and acquire stuff which makes sense for us and creates value for us.

We also made investment in KFintech which is another just below 10% investment, because we believe some of those spaces both in the financial infrastructure space and consumer tech space are spaces which we continue to be excited about. We believe we have a very strong capital position to be getting bolder as we go forward on a sensible basis without hubris. And I just feel we are in a good point in this time and look forward to a period of more stable and sustained growth and genuinely hope that we don't have any surprises coming in from the COVID pandemic turning to an endemic.

With that, I will request my colleague, Jaimin Bhatt, to take the presentation forward. Thank you.

Jaimin Bhatt: Sure. Thank you, Uday. Let me just take through the bank standalone numbers first. For this quarter which is July-September 2021, the PAT was Rs.2,032 crores as against Rs.1,642 crores in the first quarter this year. Our net interest income is at Rs.4,021 crores, which compares with what we did in the same period last year at Rs.3,897 crores. While Uday talked about the fact that we have had an advances growth during this period which is on YoY basis of 14.7%. We have seen a lot of the growth in this quarter which has come almost at the end of the quarter.

In addition, of course, while the advances have grown up, the investment portfolio has actually declined on a year-on-year basis, and to that extent, that's impacted the growth.

Also, importantly, we have seen the growth of the advances happening in areas which are mortgages and secured activities which are lower yielding, and to that extent, that's been impacting the NII.

The fees and distribution income during this period has seen a robust growth which we clocked this period at Rs.1,419 crores and that income has happened both from the distribution area as well as on general banking fees. Distribution income not just by the regular mutual fund and insurance segment but we have also had a very sharp rise in the syndication fees.

General banking fees comprising the regular activity in services charges on loans and credit card related and other areas, has continued to grow well and we clocked about 25% growth on a year-on-year basis as well.

On the employee cost, we ended this period at Rs.1,177 crores as against Rs.990 crores last year. Last year of course, we had taken some small cuts and to that extent which was restored thereafter. And as we put a note in the accounts, as required by RBI, we have taken a small hit on the ESOP-related cost in this quarter.

The non-employee operating expenses, we closed at Rs.1,536 crores in this quarter. Last year the same period was a subdued period, activity levels had dropped significantly and to that extent the last year cost was significantly lower. This quarter we have also seen expenses going in areas which are investment-related, some of the areas like card-related cost, brokerage expenses or acquisition cost have gone up. The marketing and advertisement area are other areas where we have seen cost going up and recovery related areas which have gone up.

If I look at a two year period which is the same period for FY'20, the operating expenses have actually seen a growth of about 15% CAGR.

Provision for this quarter, we have taken a total of Rs.424 crores which includes Rs.385 crores towards advances. The large part of the investment provision is on account of investments which we got as a settlement of debt itself.

On asset quality, the gross non-performing assets overall, we have seen a drop in the quarter from Rs.7,932 crores to Rs.7,658 crores which will take the GNPA from 3.56% as of June to 3.19%, and the net NPA we close at 1.06% in September as against 1.28% a quarter ago.

Slippages during this quarter at the gross level at Rs.1,293 crores, but we have actually seen recoveries and upgrades which are higher than that during this quarter.

As Uday mentioned, restructuring on the COVID-related stuff, both under COVID-1 and COVID-2, the total restructuring is at 0.21% and our restructuring under the MSME segment is another 0.33% on overall basis.

The credit cost at 63 bps for the quarter as against 133 bps for Q1.

SMA-2 continuing to be low at Rs.388 crores as of September 30th, those which are borrowers which are outstanding with more than Rs.5 crores. We continue to have no sale to the ARCs during this quarter.

Our balance sheet overall crossed the 4 lakh crore mark. And as Uday mentioned, our LCR average for this quarter at 153%. Capital adequacy continuing to be extremely strong; we close at 23.1% overall with a tier-1 of 22.1%. As Uday mentioned, this is on the back of robust growth on the advances side at 14.7% for the year and 8% for the quarter.

Our capital and reserves during the quarter at the bank standalone is at Rs.67,000 crores with a CASA of 60.6%.

I will request Shanti to take up some of the digital strategy which we have made.

Shanti Ekambaram: Thank you, Jaimin. I will start digital strategy and initiatives. Our digital strategy continues to be centered around our customers. Last time I covered our digital acquisition and engagement strategies across our platform of saving, lending, payment, investment, protection, powered by AI/ML; this continues even during the quarter.

We continue to invest in enhancing our technology stack and platform which is a backbone of our digital strategy. We continue building scalability, agility and resilience in our core tech infrastructure, including cloud for agility.

In the applications side, we have upgraded platform to be able to offer new features and customized solution, thus enhancing the whole experience for our customers.

In the digital channel, we continue to revamp our DIY, STP and automation journey, providing a seamless, frictionless and convenient ability for our customers to transact. These investments in our technology stack will be a continuous journey and will be the backbone of our digital strategy.

Mobile First has always been a key strategy. In the last two years, we upgraded our mobile app significantly by providing customers more functionalities and greater choice across banking, payment, loan, card, investment and insurance.

By integrating shopping and lifestyle, we are now well into the journey to be a super app. Our customer-centric experience and functionality has allowed us to be consistently amongst the top rated banking app in both iOS and android.

Mobile transaction volumes have shown a 138% YoY growth. UPI transactions both P2P and merchant has almost tripled; 2.9x YoY over the quarter.

The app enables the customers to apply for 50+ financial and non- financial products and provide a wide range of payment products including QR, BillPay, Recharge, etc.,

To the key features of Pay Your Contact which we launched last quarter, we have added the ability to send gifts to your contacts and this has been well received. Pay Your Contact has seen rapid adoption with about 3.8x transactions in September versus June.

The shopping mall within the app KayMall offers 14 categories of e-commerce to customers with 15 live merchants. We added some more in Q2. This is a focused area and we will add many merchants over the upcoming quarters.

E-commerce transactions inside KayMall grew 1.7x QoQ. And the shopping and the grocery categories actually doubled QoQ.

We are aiming to serve our customers in vernacular languages in digital and enable the top four used features in Hindi in our app this quarter.

We are working towards Mobile 2.0 which is a state-of-the-art mobile platform and experience and our vision of a super app. Mobile 2.0 aims to personalize and customize the banking experience for customers and users will have full control to customize the app to suit their requirements. The app will be built for scale using new age cloud native technologies without compromising on security and even non-Kotak customers will be able to use the app without opening an account for everyday payments, bill payments and shopping.

Ecosystem: The strategy on ecosystem is in three parts; Orchestrate, Partner, Participate. I already talked about the shopping mall which orchestrate our own ecosystem. We are building ecosystems for investments in insurance which will be launched in the upcoming quarters. We are rapidly expanding fintech partnership network and we keep experimenting on use cases and business models.

The connected banking partnership allows us to put banking within the platforms of select partners and the initial uptick is promising. We plan to leverage regulatory network of Account Aggregator and OCEN for retail and MSME lending in the upcoming quarters.

Retail Assets: We have been building Mobile First end-to-end customer digital journey across retail asset products including home loans, credit cards, personal loans, MSME. This will significantly enhance our retail asset customer experience layer, engagement and friction-free delivery of products and services. This is across all our categories of customers, NTB, existing and customers through partnerships, both DIY and assisted journeys. All of this will go live in a phased manner across Q3 and Q4 of this fiscal.

We launched WhatsApp as a service channel for various asset products in Q2 and seen a significant uptick in usage.

Merchant Acquisition: New key focus area for Kotak. This business model has been changing given the multitude of payment option, growth in digital transaction, growth in UPI and B2M. We embarked on the path of delivering a complete bouquet of the e-services with a launch of our merchant app, kotak.biz in Q2. kotak.biz app as such onboard merchant for payment, collection services digitally, serve them digitally and deliver targeted offers on multiple banking and value-added services. We are upgrading our acquiring in payment collection infra which is the core of the merchant strategy and committed to delivering best-in-class services to merchants.

We intend to scale the business including through partnership. We have partnered recently with Pine Labs for leveraging their existing network of merchants as well as new acquisitions.

Corporate Banking Stack: We have upgraded our transaction banking tech stack towards transforming customer experience in trade and cash management products. We introduced many features which are industry first. Our aim is to provide a superior digital experience and enhance market share across non-individual customer category.

Some highlights: We launched a paperless end-to-end seamless trade portal. Customers can do many things and transact digitally through it. WhatsApp BOT with a three-click single window payment experience which is an industry first. Payment plus CMS solution for HNI savings first which is again a first in the industry. We have a pipeline of upcoming initiatives which will be launched in the next two quarters.

Digital Transaction Highlights: Mobile will continue to be our key strategy and drive transaction digitally as well. 97% of savings volume transactions were in digital for non-branch mode.

Now, Deposits and Lending: As Uday said, this quarter saw return to normalcy right across markets, acquisition, products and transaction. Average savings deposits grew YTD YoY 11% and current account 32%, sweep term deposits 22%. The focus continues on granular customer growth across digital and physical channels and 811 continue to contribute successfully to our digital customer acquisition. Bank has 28.5 million customers as at September 30th. Our CASA ratio was at 60.6% as at September '21 versus 57.1% in Q2 last year. CASA and TDs below Rs.5 crores comprise 90% of deposits versus 91% in Q2 last year. TD Sweep deposits were at 8.3% versus 7.7% in Q2 last year and the cost of saving is at 3.69% this quarter versus 3.87% in Q2 last year.

Our asset cross-sell in Q2 was strong across retail asset products, led by home loans, LAP, working capital, business banking, personal loans, credit cards and consumer durables.

Fee income showed good growth across insurance, investments and brokerage.

We have increased our market share issuance of FASTag to 7% for September '21 on a monthly incremental basis.

We are happy to share with you that we are the first bank to receive an approval for income tax, GST and central excise, which means direct and indirect taxes mandate after the opening of agency bank by GOI.

In October, we have also received approval for the pension business for all central government employees. We are working on enabling and integrating our tech platforms and will be launching soon.

Now to Lending: Consumption saw good uptick in the quarter, all our retail lending products showed robust growth in volume and SOH in Q2. This helped us gain market share in many products. At a consumer asset aggregate level, we grew 20% YoY and 10% QoQ.

Mortgages: We had our best ever quarter on fresh volumes for both home loan and LAP. Like Uday mentioned, we launched a price leadership campaign for a limited period of 6.5%. This has helped us acquire quality customers, strengthen our market share and widen our distribution. This will be a focus area.

Personal Loans: We had a strong quarter on volumes with September being an all-time high. We see stabilization of risk in this space and have scaled up our new customer acquisition both in traditional and data-led digital space.

Cards: We saw a strong momentum in card spend last year, making it one of the best quarters. We have stepped up our investments in marketing alliance with attractive offers across eCom and physical partners. We are likely headed for one of our best months in card acquisition in October on the back of an upgraded tech stack. We announced and have entered into a co-brand partnership with IndiGo, the market leader in aviation. With travel coming back, we hope to leverage this partnership significantly for our cards business.

Consumer Finance: One of the best quarters, thanks to strong demand across physical and digital distribution in our tech stack. We intend to scale in this space through relationship with key partners and a strong data-led digital business.

Working Capital and Business Banking: The segment saw an increase in credit demand due to better business volumes and expansion of capacity, aided by strong new client acquisition as well. Portfolio quality is holding well and better than pre-COVID. 85% of the book qualifies for PSL. Our focus remains growth by expanding distribution footprint, multiple and deeper channel and technology enablement.

We launched Healthcare Financing in this quarter. This is a growing segment and we see multiple opportunities to grow.

Collection: Our key metrics are back to pre-COVID level and in some cases even lower. During this quarter, we launched a fully digital DIY collection platform. This enables low risk delinquent customers to pay the missed installments in a non-intrusive manner. Apart from being customer-friendly, this platform would also help us bring down our collection cost in the early bucket. We continue to invest in technology, analytics and capacity enhancements to grow our consumer acquisition.

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

D. Kannan: Thank you, Shanti. Commercial vehicle sales improved during the quarter as compared to the previous quarter and so was the demand for (CV) commercial vehicle finance. Deployment of vehicles and capacity utilization of vehicles were better during the quarter. Load availability is also improving. However, increasing diesel prices continue to impact the viability of the operators. Collection efficiency on demand has improved during the quarter and is as good as normal times. Intercity passenger transportation as well as tours and travels are showing early signs of improvement though the school bus segment continues to be impacted.

Demand for construction equipment finance continues to be good, mainly driven by government and mining contracts. The end of the monsoon season should lead to improvement in the deployment of the equipment and better cash flows for equipment owners. Collection efficiency again here during the quarter has been good and is back to normal times.

Demand for tractor finance has been good, helped by another year of good monsoons. A good harvest is expected to ensure robust cash flows in the rural agricultural markets. Collection efficiency during the quarter for tractor finance has been much better than the previous quarter.

In the agri SME segment, demand for credit has been good, aided by good monsoon and stable agri commodity prices. Collection environment has improved and collection efficiency on demand is back to normal times.

Microfinance disbursements and collections have shown an improvement over the previous quarter. Collection efficiency on demand has shown marked improvement as compared to the previous quarter and is almost close to normal times.

I now hand it over to Manian to take it further.

KVS Manian: Thank you, Kannan. I will just take you through the corporate banking segment. As you can see, we have been talking about corporate banking and SME as separate sub-segments within the corporate segment. So, if I look at corporate banking, I would draw your attention to the credit substitutes at the bottom of the table. So, if you look at a combination of corporate banking and credit substitutes. On a YoY basis, it has grown at about 17.5% and the QoQ number is close to 11%.

If you look at the SME business, on a YoY basis, it has grown at about 24% and on a QoQ basis, it has grown at 8%. So, we are seeing a good demand and our ability to price has been good through this period and we have seen reasonable traction in both the SME side as well as the corporate banking side on the assets side of the business.

But more importantly, I think quality part of the business has been quite wholesome. We have seen very-very robust growth in our fee lines as well. DCM has seen a triple digit growth, FX has been quite strong and our transaction banking business has been quite robust through this period, our custody business has been extremely strong during this period and current account other than custody has been remarkably robust. Of course, the transaction banking business has been driven by significant investments we are making in our digital and like Shanti mentioned a while back, there are several first in the industry products we have been able to launch and we are seeing significant traction in the transaction banking business.

Of course, the spread towards the latter part of the quarter were slightly under pressure, but with interest rates rising, I think while we will see some pressure on spread, I think the ultimate analysis will give us the ability to keep the pricing power to be better. But broadly, we have been able to maintain spreads in the business through the year and through the quarter as well.

The asset quality has held up quite well. Actually, almost negligible slippages and both in the SME as well as in the corporate segment, in fact, even in the SME business, I can probably count the number of accounts within one hand.

So, the overall costs have remained good and good mix of fee as well as asset income has ensured that we have maintained healthy after-tax return on equity on this business as is always our focus.

I would now hand over to Jaimin to take you through. Thank you.

Jaimin Bhatt: Thank you, Manian. Let us take a quick one on the consolidated numbers. This quarter we closed the consol profits at Rs.2,989 crores which is a tad higher than what we did in the same period last year which was Rs.2,947 crores. Of course, significantly better than what we did in the previous quarter where we had clocked at Rs.1,806 crores.

We talked about the bank closing the quarter at Rs.2,032 crores. The non-bank activities therefore has brought in 32% of our post-tax consolidated numbers for this quarter.

This quarter has seen the two capital markets activities; Kotak Securities and Kotak Capital record record profits. Kotak Securities closed the quarter at Rs.243 crores of post-tax profits while the investment bank had Rs.58 crores of post-tax profits.

Kotak Prime on the back of good recoveries has brought in Rs.240 crores of post-tax profit for this quarter.

The other NBFC, Kotak Mahindra Investments coming up with Rs.89 crores of post-tax profits.

The Life Insurance company which had a negative number in the first quarter, thanks to increase in claims, has got to a profit of Rs.155 crores for this quarter, though it's lower than the previous period, it has got into a positive zone compared to what it was in the previous quarter.

The Mutual Fund entity is getting total contribution of just below Rs.100 crores for this quarter.

We have got the overall advances at the group level also going up by 14% and for the quarter at 8%.

Our total capital at the group level now at Rs.89,600 crores. We have added capital to some of our businesses which require that, which included the general insurance company, the alternate assets as well as our pension fund activity. And we now have a book value of about Rs.449 per share.

I request Gaurang to take up the life insurance.

Gaurang Shah: Yes, thanks, Jaimin. For life insurance this quarter, gross written premium grew by 21.4%. New business premium grew by 30.7% YoY compared to overall industry growth of 5.8% YoY. Most importantly, overall, our claims experience in this quarter was in line with the excess mortality which we provided at the end of Q1. And in terms of our experience in mortality risk business, the individual and group term business, the experience has been completely developed, so we don't have any provision relating to that. But in terms of our credit term business, still due to delay in reporting claim, we have to carry some provision which we believe we have adequately provided. In case of our AUM, we have grown by 31.3%. Our profit for the quarter was Rs.155 crores against Rs.171 crores last year. And our solvency ratio continues to be strong at 2.61x.

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

Jaideep Hansraj: Thank you, Gaurang. At Kotak Securities, the top line for this quarter is Rs.613 crores. This is compared to Rs.516 crores in the corresponding period last year and Rs.571 crores in the quarter ended June '21. The PBT for KS for this quarter is Rs.325 crores which is compared to Rs.266 crores for the corresponding quarter last year and Rs.315 crores for the last quarter. The PAT is at Rs.243 crores which was Rs.199 crores in the same period last year and Rs.236 crores in the previous quarter. Our cash market share for the quarter ended September '21 is at 11% which was 9.6% last quarter and 8.7% in the corresponding quarter last year.

Some flavor on how the equity markets have behaved over the last few quarters. The cash daily volume in this particular quarter has been at Rs.50,000 crores per day. The same number was at Rs.56,000 crores in the previous quarter and Rs.46,000 crores same period last year. Not so much of a difference in the cash market space. Similarly, in the futures market, this quarter has been at about Rs.81,000 crores per day. The previous quarter was at Rs.83,000 crores per day whereas the same period last year was at Rs.74,000 crores per day. The big jump has happened in the options market. The options market for this quarter is at 30.4 lakh crores of volumes per day which was 22.5 lakhs in the last quarter and 11.4 lakhs in the same period last year, a big jump in the options space.

I am excited to inform that beta testing has started on Kotak Securities in retail trading engine in the last two weeks which should see some traction happening in the months going forward.

I will now hand over to Manian for the investment banking business.

KVS Manian: Thank you, Jaideep. The investment bank is having its best ever year. Of course, I will just also mention that the Kotak institutional equities which is reported within Kotak Securities is also having a great year, both in the secondary side as well as in partnership with Kotak Mahindra Capital company, the investment bank for the primary business. Apart from the fact that, Kotak Mahindra Capital company remains the go-to-banker for the IPO business, we are seeing a good pipeline of advisory business as well and we expect the advisory business also to do well in the current year and of course you have the names there, we are there in most of the large new age company business as well as the traditional businesses. So, we have seen extremely good traction in the business and the numbers of course show up; the profit after tax in the quarter is Rs.58 crores as against Rs.14 crores last year, in the H1 this year we have already crossed the entire year's profit of last year, much more than that actually. So, continues to remain good and the pipeline continues to be good, thank you.

I will also take KMIL, Kotak Mahindra Investments Limited is an NBFC 100% owned NBFC, the primary business we run here are two kinds, one is the corporate real estate business, the developer financing business and the structured products business. So, on the corporate real estate business, we are seeing a robust pipeline and in fact the asset quality in this business contrary to what we thought in the beginning of COVID has been extremely good and robust. And it has given us confidence to build this business and we are now getting far deeper into this business and we are getting entry with new customers and large customers.

On the structured product business of course it’s almost a no NPA business and that continues to grow and the outcome is of course, there to see the quarterly PAT is 89 crore as against last year this period this was 74 crores and in the first quarter of this year it was 71 crores. So, we are seeing good traction and the net NPA position looks good and we continue to be focused in growing this business. Thank you so much and I will hand over to Kannan to cover Kotak Prime.

D. Kannan: Kotak Mahindra Prime had a profit after tax of 240 crores during the quarter. This is a comparison to the 79 crores of profit after tax which we had in the previous quarter. Disbursements during the quarter have been much better than the previous quarter. Though disbursements have been impacted by the supply constraints faced by manufacturers. Collection during the quarter has been much better and collection efficiencies are almost back to normal times. During this quarter Kotak Mahindra Prime acquired the car finance portfolio of Volkswagen Finance, and it brings along with it apart from the portfolio 30,000 quality customers into our fold. I now hand it over to Nilesh to speak about the AMC.

Nilesh Shah: Thanks Kannan. Good evening friends. Let me take you through our asset management business for the quarter ending on September’21. Our total average assets under management grew 41% year-on-year to reach 2.71 trillion. Our equity assets under management supported by market bounce back grew 67% year-on-year reach 1.28 trillion. Our total average AUM market share reached 7.4% an increase of 50 basis point over last year. Our equity average assets under management market share increased by 50 basis points to reach 5.4%. Our SIP an average assets under management growth continues to outpace industry. We continue to serve investor requirements by launching both active as well as passive funds focused on local as well as offshore markets. Our profit after tax grew 15% year-on-year to reach Rs.97 crore. Our total assets under management across mutual funds, PMS, offshore, insurance and alternate assets grew 40% year-on-year to reach Rs.3.81 trillion. Our relationship value across wealth priority and investment advisory grew 54% to reach Rs.4.63 trillion. I will hand it over to Jaimin Bhatt.

Jaimin Bhatt: Thank you very much. We will be open for taking questions from the analysts.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Shah from ICICI Securities. Please go ahead. As there is no response from the current participant, we move to the next question from the line of Nilanjan Karfa from Nomura. Please go ahead.

Nilanjan Karfa: So, one quick question, obviously the current account engine seems to be firing quite well. We want to ascribe what exactly have we changed, because there are multiple engines that have that have worked over the last couple of years earlier it was saving, now the current account seems to be doing well in last three, four quarters, so any color there. And is it more related to let's say the IPO market or there's something more out there?

KVS Manian: So, the current account story is split into three parts in my view, one is of course the core retail engine is also doing well, that is also growing in a robust way. And as I mentioned the second part of the story is the corporate we have seen significant traction on the back of transaction banking in the corporate segment as well. And the third is of course, the custody story which also I mentioned. So, all three segments have grown yes, of course the fact that capital markets are good, helps our custody business. So, there is some element of that, but having said that non-custody current account has also grown fairly robustly.

Nilanjan Karfa: Okay. And this would despite the 10% threshold that RBI circular had mentioned?

KVS Manian: Yes.

Nilanjan Karfa: Anything specific that we are doing which is helping us?

KVS Manian: No, so it's always a combination. So, like I said, in the corporate side it is transaction banking which works, on the retail side we are focused on branches in current account data. And Shanti you would like to add anything on the retail side, please go ahead.

Shanti Ekambaram: Yes Manian. So, on the retail side also as Manian has said we have seen robust growth. And we really sort of started the bundling value added services along with just current account, including our cash management solutions that I talked about, another value-added services. We focused on activating our existing customers much more actively on transactions and all that has given us the result apart from the NTB. So, even in the retail space, the focus is on bundled offerings, value added services and of course lending when we look at the current account.

KVS Manian: Yes, I will just add that since you asked the RBI circular part, we have managed the circular part in a way that our losses are not significant. Yes, there is a bit of a loss, but that is of course built into these numbers. But largely we have been able to plan in a manner that we have lost very little of our book, in cases where we could do a credit, reach the 10%, we have done it. And this has been a process of over the last six months, we have managed it in a way that are, in fact our gains will be more than the losses.

Uday Kotak: Yes, and if I have to add in addition to what Manian and Shanti are saying, years of efforts on the current account sweep product, is a differentiating factor at Kotak. So, not many people are comfortable allowing sweep products on a current account. We have been offering that for a very long time, I think since inception. So there is a natural attraction for current account customer with an ability to earn interest by getting automatic sweep in and sweep out above a certain threshold, and our ability to get more sticky current accounts and grow them is one of our differentiated propositions, a proposition we did not start opportunistically but started ever since we became a bank. Therefore, obviously in the early days, when you are wanting to grow current account, a sweep product naturally cannibalizes on the current account stock if you have a stock, but since we started with the current account, with zero stock, we continued that all the way for the last 18 years. And therefore, it is a much more engaging and sticky product for customers to engage with us on current account. And if you look at our sweep product, it is 8.3% of our total deposits. Therefore, our current account customer who would otherwise get zero interest on his current account, by using sweep above a threshold is actually benefiting and it is a superior customer proposition, which is now helping us also on the total stock.

Nilanjan Karfa: Right Uday. I can extent probably this question quickly, but this will be a function of then the liquidity and the interest rate scenario right, probably given the way you explained this, that could have a larger bearing beyond..?

Uday Kotak: No, my point to you is finally, for a current account customer making any interest earning is better than zero. Therefore, whether it's liquidity, low interest rates, high interest rate, if a current account customer gets zero otherwise, but has the ability above a threshold to sweep, he or she will always prefer that because they are making something in addition to zero.

Nilanjan Karfa: Sure. That point is well taken, great. And how did we do in obviously there is strong growth push that has happened that was I guess a long time coming. But we did probably need to sacrifice a bit of spread for that. Would this continue going forward, is there some change in strategy behind that or this is like a run rate kind of thing that you want to look at?

Uday Kotak: I think you got to look at the mix. If you look at when we got into COVID, we were being cautious on unsecured retail even before getting into COVID. And we continued to be cautious on unsecured retail, all the way up to end of June quarter because COVID 2.0 hit. Therefore, if you look at our quarter-on-quarter growth even in unsecured retail, 10% growth in unsecured retail, which is 10% flat. So, we have maybe of a very small base, one of the reasons why you see in the last 18 months we've had a change in the mix, because the stock of unsecured retail kept on going down and the security became larger, the mix has an impact, especially when loan growth for the 18-month period was subdued, has an impact on earnings. But now at a much lower rate of mix, the rate of growth both in secured as well as unsecured retail is now revving up, therefore overall, as a bank we have grown in the quarter including credit substitutes at 9% flat for the quarter. If you look at our credit card, quarter-on-quarter growth, it's about 13%. And ofcourse, we had a much slower engine. We are picking it up and really making it grow faster. If you look at our consumer durables financing business on a very low base, we have grown quarter-on-quarter at 76% flat. So, we are now adding the heft to our mix albeit on a very low unsecured retail base combined with a continued aggression on secured.

Nilanjan Karfa: Right. I'll stretch this a bit and then last I'll ask this third question. So, I guess we are cautious on our unsecured retail.

Uday Kotak: We were.

Nilanjan Karfa: We were, okay so incrementally that caution is behind?

Uday Kotak: Right, we have grown 10% quarter flat, that's 40% annualized. And more importantly, we think now there's a much better quality of distilled modeling which we have, to which we can lend more aggressively than we could in the past.

Nilanjan Karfa: Sure, okay understood. A data keeping questions, quantum of slippages and recoveries and upgrades please, been an absolute.

Jaimin Bhatt: I have mentioned that this quarter we had gross slippage, and when I say gross slippage I will come to it in a minute that's 1293 crores against which we have a recovery and upgrade of 1350 crores. And when I say gross slippage, it includes people who slipped during this quarter but also recovered during this quarter. If I adjust for that, the slippage will come down to below 1000.

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

Adarsh Parasrampuria: One question that I had was, you do indicate higher willingness to now lend, the environment looks good. Just wanted to understand if you go back to historically benchmarking growth a certain times of the market and all that, given our low base would you say that the equation can drastically change going forward, probably some of it showed up in this quarter?

Uday Kotak: I would like you to without sort of giving you a water tight forward guidance, I would like you to look at and something which we have put up as a chart in our Annual General Meeting, giving a whole history of Kotak post global financial crisis, and you may want to see it, I'm not giving you any forward guidance, in global financial crisis, before the crisis, and in the early stage of the crisis, Kotak was extremely conservative and then you can see the chart about how we really got the engine revved up, our approach and to be very clear is that when unknown, unknown hit up, our natural tendency is to understand the risk before we jump into the water. Now, 18 months ago we did not understand COVID pandemic, maybe we were not smart, we did not actually understand the nature and the impact of this pandemic. And maybe we missed an opportunity who knows, history will be the best judge. But, as you get your arms around what this risk means, and how the pandemic is becoming an endemic, and once we get a certain level of comfort we are not, then understanding the risk we are getting more comfortable and which is where exactly where we are.

Adarsh Parasrampuria: Got it. And second question is on cost/income. Obviously, when business momentum goes up some costs come in. But the cost ratios have kind of gone up not comparing this to COVID lows, but otherwise, this is kind of high at 46%. What's the trajectory as the loan book builds up?

Uday Kotak: One thing, I would like to put some very clear objectives on our game plan. I am clear, whatever it takes for us to rev up our customer acquisition engine with the front-end cost, we will take it and we will take it aggressively. The cost may hit us now but customer acquisition engine, both including a much faster physical and digital engines, we will spend. We are clear that this is a battle for ownership of the customer. And this is a battle not a quarter-on-quarter battle. Similarly, if we have to spend money for front end growth of our businesses, including for the advances growth of the retail, and that means higher front end cost, we are very open and ready to take the cost. That does not mean we are not focused on productivity. But we are making a distinction between ongoing operating costs versus cost related front end for growth. And we are ready to take the front-end costs for growth. Rather than worrying about quarter-by-quarter. I hope I'm giving my message, when you look at our cost to income you have to consider certain base level of costs which is for running the shop and second for growth on customer acquisition, technology and digital, and a much faster canvas. We are very clear. We have the very big advantage vis-à-vis the rest of banking or FinTech or consumer tech call it by whatever name you want. We are a small 2% market share player and this is the time for us to be taking on whatever it takes including the cost from getting our engine up. Therefore we have, people often ask me are you worried, so many players coming from consumer tech, FinTech, banks getting more aggressive. I say that, I am a 2% player there is 98% for growth, and all that we need to focus on where do we take the 2% up too, that's all that we need to do while keeping our natural conservatism with reference to risk and return.

Adarsh Parasrampuria: I'll just squeeze in the last question. In the last couple of years, we've seen like humongous amount of cost benefit. Obviously there's a lot linked to franchise but some of it is also linked to slower growth, when you don't grow, the network doesn't really need to give out a lot of money today's retail TDs and all that. As you rev up this, do you see the pressure come up or how do you respond to this?

Uday Kotak: With reference to the liability franchise?

Adarsh Parasrampuria: Liabilities and the cost of liabilities, because let's say we hardly had any need to accrete TDs over the last couple of years Uday.

Uday Kotak: At this stage, we have great confidence in our liability franchise and engine. And it is up to us, now keep in mind, yes our SA liability engine had slowed down, but keep in mind there was a significant friction when a bank which was giving 6% start making corrections, we think we have past the friction stage.

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

Saurabh: Sir just two questions. One is, how should we think about your net interest margins. So, you have excess liquidity on the book, your LCR is 153%, but the incremental growth will probably be in lower yielding segments as well. And that's reflected if you look at the core pre pov. is still flat quarter-on-quarter. So, how would you think about the NIM trajectory going ahead. So, that's the first one.

Uday Kotak: My position is pretty clear. I'm looking at the windshield in front, not the rear view mirror in terms of what my ppop. is, what my mix is. We have very clearly said and including you can see the early signs of that number. We are not only growing secured as we have been. And I said this is very recent August, September when I'm saying we have grown 9% flat for the quarter which is 36% annual, there are two important points. One is, we are at an advantage of base. Second, is the fact that we were very light on our path, which is reflected in our stress numbers, therefore, past position is very light. As reflected in our spread and numbers, we have been very cautious on unsecured retail therefore in the mix that has gone down. We started first with a more aggressive position on secured retail particularly home loans. But we now actually feel as the pandemic moves endemic, we think we were much better ability to analyze the data. And we are getting significantly more comfortable with unsecured retail as we have shown 10% growth in this quarter in unsecured retail flat that is 40% annualized, all these of a much smaller base.

And the second important point which you need to keep in mind, in addition to secured home loans and unsecured retail is our business banking, whether it's working capital, the banking in our consumer bank or in the SME business, it is beginning to fire and therefore, my approach to this is, whatever is the rearview mirror of last 18 months is a rearview mirror. We did get a little sidestepped by COVID 2.0 to be honest, which just as we were revving up our engine, May, particularly end April to middle end June sort of got up a little out of where we thought it would be frankly we did not expect such a vicious 2.0. We now believe that has delayed us by few months, but the engine is ready to go. And August, September our good signs.

Saurabh: Got it sir. The second sir is, obviously you've given a lot of details on your digital this time. Can you just quantify what is the technology spend maybe in terms of what percentage of revenue what you are investing in this business, or any absolute amount?

Uday Kotak: We will give you that at the right time. Till then, my request to you is as I have said to the earlier question, we are going to grow our front-end costs for customer acquisition, digitization and technology, because we think that is the future, the front end cost will continue to be aggressive. But we are in the business of growing our customer franchise at a much faster pace. And at some point of time, we will share it with you when we think we are reaching some sort of stability.

Saurabh: Okay. Sir, but if you benchmark it to let's say Tier-I private banks, would you be in line as a percentage of revenue or would you be higher?

Uday Kotak: I am saying, I am very clear, my future is consumer tech, my future is FinTech, my future is maybe other private bank, my future is maybe PSU bank, my future is some unknown player, I have to be out there in the battle of the customer, without being constrained by benchmarking against any one category.

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

Kunal Shah: So, in terms of the home loans, so we have this rate offering, but even if you can explain in terms of building the capabilities, so is it more in house or we are getting aggressive even in terms of the outsourcing that is happening, because there is a good enough growth which is happening on the home loan side?

Shanti Ekambaram: So, if we're talking about distribution of home loans, our internal channels, our own customer base, we work with external partners. And given what's happening in the market, both what's happening from a demand, the good pricing, low interest rate we've been able to get business from all around. We have scaled our team, we have scaled our internal capacities, and thus we are able to grow the business. The important thing is with this price we're getting very high quality customers, which can then become holistic banking customer this is one of the gates we have opened and that's what it is.

Kunal Shah: So, in terms of the new customer acquisition, which we are seeing on the asset side, how much would be like say already the existing relationship with the bank on the liability and so, what is the potential to further cross sell both on the asset as well as on the liability side. So, that is where I was getting to, so we are seeing the good growth all through on the asset side now, but what is the kind of profile is it like new to bank or is it like existing customers whom we are cross selling?

Shanti Ekambaram: See, it is different for different products, because like I told you we are on a growth phase in almost all the products, it can range anywhere from 25% to 50% in terms of new customers, but it ranges in home loans, I would say that anywhere we are getting a reasonable amount of NTB customers, new to bank customers.

Kunal Shah: Okay, and what would be the proportion of the outsource maybe in terms of the DSAs outside of our own branches and other networks?

Shanti Ekambaram: Broadly, our own internal contributes anywhere till about 55% of our sourcing and the balance comes from the external partnership.

Kunal Shah: Okay. And secondly, in terms of say where we have extended ECLGS facility, can you give maybe it's been almost like say eight, nine months into that, but how are we seeing the behavior of those customer now?

Uday Kotak: Kunal, you may have missed the early part. If you look at our stress numbers that includes flows into NPA from ECLGS customers if any, and our overall restructuring on COVID account is both COVID one and two put together is 21 basis points, plus 33 basis on SME restructuring and our credit cost is 63 basis points. So, all this includes all flow through in stress between restructuring and NPA. NPA numbers have come down for the quarter.

Kunal Shah: Yes, so NPA and restructuring is good, I was just trying to gauge in terms of ECLGS side, post one year..

Uday Kotak: Kunal if any ECLGS is getting into trouble it will show in one of those two places.

Kunal Shah: Okay. So, there is nothing like say a payment holiday or something else we can expect.

Uday Kotak: There is nowhere else we can put either it's in restructuring or it's in NPA or it's in SMA2, our SMA2 number also we have shared, our SMA2 number is also shared with you.

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

Rahul Jain: Most of the questions have been answered, but again sorry to belabor on this OPEX point, clearly Uday, of course good to hear that the outlook is looking better from the growth standpoint on the loan side. But on the OPEX side, when do you see the inflection would start getting reflected in the numbers on the operating leverage, and which are the products you think could drive that, is it going to be mortgages which is what the focus seems to be at this point of time. Or is it going to be combination of, let's say consumer retail, various parts of it, just trying to think through because like you yourself, admitted that the OPEX, if needed the Bank would be willing to spend, but at some stage the leverage would be…

Dipak Gupta: Okay, Rahul. Basically, when you have growth there will be some cost which will come up front, and they will be investment costs. For the time period which growth is high, these upfront costs will keep coming. So, it is not easy to look at a leveling of level until you see growth itself leveling off. For example, if you're growing home loans at a certain percentage, your operating costs will keep hitting you and if that growth rate continues, those costs will keep hitting you until you level off growth. It's the same also on the liability side. While we keep on acquiring new digital customers, there is an upfront cost. And as growth rates are high, those costs will keep coming up and it's very difficult for you to disaggregate the investment costs from the run costs to arrive at what point of time you're going to level off. For the time being, let us just concentrate on the growth. And as long as we are convinced that this growth is profitable, it is positive contribution I don't think the cost which is an investment really, is a worry.

Rahul Jain: Thanks Dipak, just a small extension to that. So, the PPOP ROAs, which is of course this quarter took a bit of a knock, should we say that we kind of hit the bottom and from here, things should start getting better on the PPOP ROA?

Dipak Gupta: No, it will get better because your ROA to some extent also depends on the mix in a certain period of time. What do you see as ROA, just now is the mix of this quarter, as the unsecured piece starts catching up, the SME piece starts catching up, you will see that mix change reflecting in the ROA appropriately.

Rahul Jain: Understood. So, one last question. So, when you look at the mortgage piece on a standalone basis, does the pure spread seems to be pretty healthy, just doing simple math but could be easily north of 3.5% to 4%. Is this a comfortable threshold for you all to grow this portfolio or it could be even lower?

Dipak Gupta: Are you hinting at telling Shanti to reduce the home loan rates further?

Rahul Jain: Kind of, Yes.

Uday Kotak: All that I can say, is in case you are looking for a loan, with the interest rate scenario, which you must be a better judge of this could be as good as time as any. So, grab it as soon as you can.

Dipak Gupta: Before 8th November. No, but jokes apart, the spreads are reasonable for what I call an acceptable ROE, given the growth opportunity and the customer proposition.

Uday Kotak: And if I can add on this, we are actually quite surprised at the pace of inflow of demand for home loans which we are getting.

Dipak Gupta: So, Kunal touched upon how much was in-house and how much was out outsource, and just now there is an overflow. So, it's a very healthy sign.

Rahul Jain: Got it. Just some last point just to wrap it up, in the previous quarters, in our previous calls, Uday you talked about the inorganic opportunity which is out there and bank is always open. But as you look forward, few quarters and years, is it going to be more driven by organic now, given the outlook is getting better for you all or you say it's a fair mix of organic and inorganic?

Uday Kotak: Rahul, we're quite open. Having said that, we have a reasonable view about inorganic, and should it be appropriate, we will look at that opportunity in all seriousness, and we will do what is right and the two are pretty independent in terms of our plans. How do we think about the future, obviously the common thing is, we care about getting customers.

Rahul: Understood. And then on the consumer retail side, I presume more so?

Uday Kotak: No, we are also open to consumer retail, we also like customers in business banking. You have seen us, we are very focused on business banking customers, they also help us in the liability side on low cost liability. And also a whole stream of services incomes, which come from that, therefore we like consumer, we like business banking customers. And on the other side, we believe the wholesale banking business is transforming much closer to the market size, which is where we are well adjusted for the markets opportunity along with the wholesale banking business, including debt capital market business. So, we manage our storage versus distribution well.

Moderator: Thank you. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: Sir, if you can quantify the ECLGS outstanding number that we have at the end of this quarter. And would it be fair to assume that 8% quarter-on-quarter growth that we have is more or less, it will also be applicable to the people who had taken ECLGS borrowings in the beginning?

KVS Manian: The number is close to 12,300 crore, ECLGS loans outstanding will be that. And, like Uday mentioned earlier, we aren't seeing any difference in the behavior of that portfolio vis-à-vis the normal portfolio if at all, it is behaving better in most products. So, it's not such a big item to track separately, is the way we look at it, just now.

Jay Mundra: Because sir, it would be a substantial portion of your loan book, so 12,000 crore is the ECLGS disbursement only, the corresponding loan book would be at least 30%, 31% of your loan book. And so it is reasonable to believe that this portfolio is also growing in line with the overall number?

Jaimin Bhatt: Now, if you look at it, it doesn't mean that 12,300 x 6, that's not the right way to do it, because a lot of people who would have taken ECLGS have not necessarily increased their exposure. So, if you look at 12,300 is the ECLGS amount, the absolute exposure to these entities would be of the order of about 55,000 .

Jay Mundra: So, even sir 55,000 crore is around 20% of your books, so there is not too much of a difference between this portion of the bank and the rest of the book?

Jaimin Bhatt: Yes, that is right.

Uday Kotak: And we again highlighted that, that if there was any issue in that book, it would flow into our restructuring or into our NPA, and credit cost. We have given the details of all our restructuring, SME restructuring, total restructuring book in SME is 33 basis points. And our NPA numbers are already with you in our presentation and our credit cost have also been shared with you at 63 basis points.

Jay Mundra: Right. The only exception could be sir, that because initially there was a 12 month moratorium on this particular facility. I understand that there was no moratorium on the existing facility. So, the entire outstanding maybe out of moratorium only in this quarter.

KVS Manian: One minute, on the primary outstanding of loan there was no moratorium. The moratorium was on the 20% lending that was there. So, he is still paying the primary loan on which we did an ECLGS, if he was not able to pay that it would already show up in our NPA.

Jay Mundra: So, that clarifies. The second point is sir, if you can comment while the loan growth has been very strong, even on Y-o-Y, Q-o-Q the same has not been reflected in the NII on Y-o-Y and Q-o-Q, part of that you have explained that part of that is because of the mix. But is there any, if you want to provide some more clarity there.

Uday Kotak: The clarity is simple; loan growth has started in August and September. So, NII takes time to make.

Dipak Gupta: So, there are two points one is you rightly said there is a mix change, the growth has happened much more if you're comparing on a Y-o-Y, we looked at credit cards and all, while the quarter has as a positive number, the Y-o-Y numbers is actually negative for both the unsecured pieces. So, that does impact so, the mix is much more in favor of the lower yielding piece. The third thing NII is also comprised of not just advances, NII is also comprised of what you make on investments. As I mentioned while the advances have grown the investment book has actually shrunk from a year-on-year and to that extent the earning assets has grown only about 5% during the year-on-year period.

Jay Mundra: Understood. And the last data points question sir, if you have the RWA number for the standalone bank, that is it sir.

Jaimin Bhatt: As of September, would be 2,83,000.

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

Uday Kotak: With that I thank all of you for spending time and I wish each of you a wonderful Diwali and New Year and look forward to meeting you in both in the Samvat as well as the calendar New Year soon. Thank you.

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