



# Kotak Mahindra Bank Q4 & FY-15 Earnings Conference Call

**May 5, 2015**



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**Moderator:**

Ladies and Gentlemen, Good Day and Welcome to the Kotak Mahindra Bank Q4 & FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Uday Kotak. Thank you and over to you sir.

**Uday Kotak:**

Good Evening friends, I am delighted to welcome you on our Annual Results Conference Call and I take this opportunity to give you a view on the macro, how we see the economy and in this particular call also take this opportunity to share with you specifics on the merger of Kotak Mahindra Bank and ING Vysya Bank which happened effective April 1. Of course, the results for this year which we are talking about are for Kotak Mahindra Bank's standalone and consolidated before the merger and in terms of the sequence I will give my initial overall comments on the macro economy and how we see some of the trends, then request my colleague, Jaimin Bhatt, to take you through the financials specifically after which we will have a brief

discussion by two of my colleagues – Uday Sareen and Mohan Shenoi – Mohan also heads the Integration Management office of our merger, and then, of course, I will give some comments on how I see the merger as also the year looking forward.

So first starting with the big picture on the macro I would like to reiterate that when I look at the absolute macro in terms of big picture economy, we are certainly better today than we were a year-ago, and on that there are whole host of reasons starting with the fact that the Current Account situation is significantly better, helped by oil, the fiscal situation is looking better with fiscal deficit numbers being achieved and improving the overall India macro stability looking significantly better than a year ago. I also see on the ground in absolute term in variety of sectors things getting better than what they were a year ago. The year which went by was also very good from the markets point of view whether it is Fixed Income Equities or foreign exchange markets, and to a certain extent the question is whether the markets were ahead and the economic recovery was more gradual than the speed at which the markets went up. And that I think is certainly a matter of discussion in terms of the real economy's move being gradual, but I believe, sustainable rather than a hockey stick growth which the equity markets in particular had expected.

I will also be talking specifically about the merger later but before we go there I will now hand over to my colleague, Jaimin Bhatt, to take us through the bank specific and the group specific numbers for the year-ended 31<sup>st</sup> March. Over to you, Jaimin.

**Jaimin Bhatt:**

Thanks, Uday. I will take you through the Earnings Update which has been circulated a while ago. If I look at the bank standalone numbers we end the year with a profit of Rs.1,866 crore, 24% up from the last year. Return on assets at 2%. We have had a loan growth at the bank standalone of 25%. We end the period at Rs.66,000 crore of loan. We added 79 branches during this year and ended the period with 684 branches. Net Interest Margin for the year at the bank was 4.87%. Capital adequacy; pretty comfortable, pretty healthy at 17.2% overall with Tier-I itself at 16.2%. CASA growth has been 45% and we have seen traction in both the Current Account as well as Savings Account growth.

As Uday talked about earlier, the merger with ING Vysya, has become effective from 1<sup>st</sup> of April, and as you are aware the board which met earlier in the day today has approved a bonus of 1:1 subject to approval of the shareholders at the AGM.

I will now take the P&L of the bank standalone: We closed the year with a Net Interest Income of Rs.4,200 crore including Rs.1,100 crore for the quarter. We have

had a decent growth in other income which we closed the year at Rs.2,000 crore; growth here has come across the board, with increases in distribution of mutual fund, distribution of insurance products, debt syndication fees, foreign exchange transaction, clients related fees, credit cards or the regular banking fees including both in the wholesale sector, Letters of Credit, bank guarantees; have all grown in this period significantly. Operating expenditure at Rs.3,255 crore, therefore result in an operating profit for the year just at Rs.2,997 crore. Provision for this year at Rs.164 crore which on Advances was Rs.275 crore which includes provision towards standard assets as well the un-hedged foreign currency exposures during the period and we therefore end the year with profit before tax of Rs.2,833 crore. For this quarter which is the quarter ended Jan-March 2015, we end with a post-tax number of Rs.527 crore, which is 29% up on a year –on-year basis. I might also add that during this quarter we have started taking some expenses on the integration and roughly about Rs.54 crore of expenses which are related to the merger have been absorbed in the P&L for the quarter-ended March 2015.

As regards the overall other income of Rs.2,028 crore for the quarter about Rs.1,300 crore has come from pure fees and services-related income. On the segmental for the bank of the Rs.2,800 crore, Corporate Banking has contributed roughly half of that at Rs.1,400 crore, Retail Banking, just short of Rs.1000 crore, at Rs. 957 crore and Treasury at Rs.468 crore for the period. Advances for the bank has seen a rise of 25% on a year-on-year basis largely helped by the growth of the Corporate bank which is at about 41%. The Consumer segment has grown by about 25% on a year-on-year basis while the CV/CE segment has a negative growth and continued on the negative growth for the year, though for this quarter we have had a very small positive number. The Tractor division again has slowed down and we have a slow growth on the Agri sector in the current period. So overall Advances at the bank level had a growth of 25%. If we do the breakup of that Advances between Retail and Corporate as per the RBI definitions we have Retail book of just short of Rs.30,000 crore and the balance in the Corporate book. As I mentioned, the Current and Savings Accounts have seen significant traction during this period; the Current Account on a period end March 31, 2015 versus the previous year had a growth of 51%, whereas the Savings Account has shown a growth of 39%, and we end the year with CASA of 36%, plus the TD sweep which attributed to another 7% of the overall deposit base.

As regards the Savings Account, that itself contributes 18% of the overall number. We continue on the fact that we do not have any CDR participation or ARC sales as well as conversion to off balance sheet as of March 31<sup>st</sup> and restructured advance continue to remain at 0.24% of our overall Advances.

On the Consumer Banking liability side, CASA plus Time Deposits below Rs.5 crore constitute as much as 70% of our overall deposit base. This quarter we added 2.4 lakh customers to our franchise. We continue on our digital initiatives and cost of Savings Account which was a blend of 5% and 6% is now at absolute overall weighted average cost of 5.43%. CASA growth, as I said, has gone to 36% as a period end compared to 32% at the end of the previous year. On consolidated basis, we end the year with post tax profit of Rs.3,045 crore. We end the period with a net worth of Rs.22,000 crore plus. If I add the 9-month number of ING Vysya as at December we are just short of Rs.30,000 crore net worth number. Loan growth at the overall consolidated basis has been at 24% with NIM at 4.9%. Net NPAs at the group level at 0.79%. Overall asset book of the group now is just short of Rs.1,50,000 crore. Overall advances grew 24%; we have seen growth in Auto Loans at about 11% for the year and in the non-bank portfolio we have also had some amount of capital markets growth which has happened in the subsidiaries during this year.

For the year, apart from the bank, profits coming from Kotak Prime at Rs.507 crore, Kotak Securities clocking Rs.290 crore for the year including Rs.96 crore for this quarter, Kotak Mahindra Investments Rs.106 crore for the year including 40 crore for the quarter and the Life Insurance company contributing Rs.229 crore for the year including Rs.76 crore for the quarter. Our overall net worth apart from the Bank, Prime has a net worth of about Rs.3,300 crore and securities company has about Rs.2,400 crore.

Kotak Prime has an overall advances book of about Rs.19,000 plus crore, CA is constituting Rs.14,700 crore out of the overall advances growth there. For the year, clocking in NII of Rs.915 crore and a pre-tax profit of Rs.774 crore, that is Rs.507 crore fully capitalized at with the Capital Adequacy Ratio of 18.3 and an ROA of 2.5.

Kotak Investments: We have real estate related loans being written out of Kotak Mahindra Investments in the year and to that extent the book has moved up sharply from Rs.1,500 crore last year to over Rs.3,000 crore this year. The company ensured a profit of Rs.106 crore against a healthy capital adequacy of 18% and an ROA of 5% there. The Life Insurance company: while the individual business for the industry had a negative growth, Kotak Life has growth of 35% On APE basis single premium taken at one-tenth, the share of Kotak bank including ING Vysya for a very short period coming to 40% during the year. The first year individual premiums has been Rs.602 crore for this year as against Rs.445 crore the same period for the last year. Kotak Securities: for the quarter, average daily volumes at Rs.8,300 crore which is more than double compared to less than Rs.4,000 crore in the previous year same

period. The income for the year at Rs.960 crore with a profit of Rs.290 crore, this quarter as I said profit of Rs.96 crore during this quarter and we end with a market share of 2.9% during this quarter. Kotak Capital continues to be associated with a number of deals – the Coal India OFS, DHFL, HSIL, the several IPOs and advisory services. During this year, the income of Rs.89 crore with a profit of Rs.12 crore, this quarter ends with a profit of Rs.30 crore. Overall assets under management in the group at Rs.80,000 crore, we have seen growth in the offshore funds almost doubling from about Rs.10,000 crore to Rs.20,000 crore during this year and the domestic mutual funds have again grown by about Rs.10,000 crore, significant growth coming in the equity related mutual funds. So that has put pressure on the AMC profits and the AMC showing a loss during this year. The alternate asset teams managing close to Rs.6,000 crore across three verticals – real estate, private equity and infrastructure – and KIAL showed a profit of Rs.26 crore for the year.

The last slide there you see is the combined mapping of the branch network as it exists of Kotak Mahindra Bank post the merger on April 1 at 1,261 branches spread across west, north, south and east, south constituting now 36% of the branches west at 31% and north 28%, so it is pretty equally spread among the three geographies. That is broadly the results. I will hand over to Uday Sareen for the integration.

**Uday Sareen:**

Thanks, Jaimin. What I am going to do is just take you through three broad areas to give a sense of where we are on the integration and really have a view from the erstwhile ING Vysya network coming in to the merged entity; the first in terms of team and the employees and what we call day zero, so we are currently on week-5 and pretty much tracking to the execution plan that we have on integration over the next 10 to 12-months, so the first part is the team and the employees. The second to give you a sense of what has been like with our clients as in the erstwhile ING Vysya clients, the communication including MNC clients. And third, an early sense of business and some low hanging fruits which we are already beginning to see. So first of all, in terms of the employees, all employees of the erstwhile ING Vysya Bank are now employees as of day-zero, so starting from visiting cards, ID cards, contracts so it has been a complete cut over including our unionized staff of the erstwhile bank. The month of April has really been a big month in terms of training. So the merged entity and the erstwhile ING network now is completely converged in terms of products. So, we have had on the base of the ING Vysya employees close to 28,500 man days of training in 2 weeks of April, and this is, of course, including inductions into Kotak and in terms of product conversions. So that has been a big focus. Day-zero which was April 1<sup>st</sup> was a cut over of merging unit. So the plan really is on one end of the spectrum the Wholesale businesses which are integrating the earliest, so

day-zero being finance and accounts, taxation, compliance, marketing, and then the extreme retail businesses being at the other end of the spectrum, so day-zero was I would say a seamless cut over on Tuesday night March 31<sup>st</sup> pretty much in treasury, the folks switched off their systems and logged into their quite position on Wednesday morning. So that was pretty seamless. And then as we now progress we moved from the wholesale side to the retail side.

Switching gears to clients: We have completed the entire re-branding of the erstwhile ING branches & ATMs. We have, ING is now Kotak signage on every branch, so within the first 30 days and you can see the orange color kind of merging into the red, so be it ATMs, mobile banking, internet banking, ATM screen, statement, letterhead, e-mails, website, SMS, signoffs, the entire gamut within the first-2 weeks have been cut over. While the technology in the systems will take 9 to 12-months to integrate but we do have interoperability, i.e., erstwhile ING Vysya branch customer can walk into Kotak and vice versa, in fact as of last week we already are having close to 180 to 200 transactions on a daily basis of both the clients walking into and getting served by both the networks. So that has been a big positive. Also, in terms of Mobile Banking it has been pretty seamless including e-commerce, etc.

Moving on to the final update, this is on business. I think while it is still early days, but clearly there has been some low hanging fruits, a couple of them I would like to mention; one, Jaimin mentioned about the Life Insurance so all the erstwhile ING branches are trained and are now offering Kotak Life Insurance to clients and we have already had that start; Consumer assets has been a kick off. As some of you would know we never had in the erstwhile network products such as Auto Loans and already in the month of April we are beginning to see traction. So that is still early days. And the most important one I think where the branches have been really excited has been on the liability side. The merged entity offers a 6% SA interest rate and that's creating a lot of positive upbeat mood in the erstwhile ING network and you got to watch this space soon as the numbers pickup. So that is the three kind of broad updates in terms of people, clients, and business synergy. Now I would like to hand over to Mohan who heads our Integration office to share more details of the roadmap.

**Mohan Shenoi:**

Thank you, Uday Sareen. I will take it forward from where Uday Sareen left it. Immediately after the announcement of the merger back in November we set up the integration governance architecture. What we did was we set up a merger integration steering committee chaired by Mr. Uday Kotak and the two Joint Managing Directors as its members, and we also set up the Integration Management Office which I head

and IMO has senior functionaries from erstwhile IVBL as well as the Kotak system. IMO is supported by the Project Management Office; we call it the PMO, the PMO uses the latest project management tools to monitor and execute identified projects. IMO updates the steering committee on a weekly basis on the progress of integration. So that is basically the governance architecture that we have set up. The shared vision between the two teams is branded by us as 'One Team One Dream' and in fact we have gone to the extent of even creating an anthem of 'One Team One Dream' which is quite popular within both the erstwhile IVBL and Kotak network.

The second objective is to maintain high levels of communication to all the stakeholders, normally in mergers lack of communication leads to grape wine, so to avoid that we have been maintaining high levels of communication to all the stakeholders.

The third is to ensure involvement of both the teams in decision-making and we have set up a pretty objective and independent decision-making process for selection of people, technology and processes. And, of course, major objective of the IMO is also to achieve combinational and transformational synergy benefits.

The day-zero organization structure for the merged entity has been carefully crafted keeping in mind that compulsions and dependencies of integration based on need for quick integration and complexity of integration what we did was 100% merger of treasury on day-zero as Uday Sareen mentioned, along with that taxation, investor relations, secretarial, compliance, etc., were also merged 100% on day-zero and last week we merged the wholesale bank and the wholesale risk functions which is basically the day-30 merger item. Rest of the erstwhile IVBL functions we have carved them into what we call as a bank in a bank which operates as a separate vertical consisting mainly of the Consumer Banking including retail liabilities, commercial banking, support and control functions of erstwhile IVBL. The business functions of the bank in the bank are handled by Uday Sareen and the control and support functions are under me in my capacity as Head of IMO.

There are more than 100 IT systems and sub-systems in the bank. Four key systems the decisions have been made... of course the others ones also we have decided but let me bring to your notice, four of them which we have taken; the core banking system, the ATM switch, retail lending and cash management, these four systems we have taken the call, data migration and system integration are now in progress, this is likely to take about 6 to 9-months to complete. Similarly, some of the softer stuff culture survey was conducted to identify similarities and differences in culture of the

two teams. Interventions have been designed to move towards the go-to culture. There are many day-zero activities which we have achieved... I do not want to get into all of them, but some of them I can mention to you, for example the employee grade, title and benefits harmonization, common branding of signage and stationary website, ATM screens, etc., which Uday Sareen actually referred to, 100% interoperability at ATM networks, limited interoperability at branches from customers of Kotak and erstwhile IVBL, product conversions, harmonization of legal agreements, fully integrated treasury, reserves, liquidity, interest rate risk management, completely done on day-zero, treasury integration, and then we have identified some key synergy themes which either save cost or increase revenue for the combined entity. So IMO is now focusing on these synergy themes.

The next task of IMO basically is unpeeling the onion, as we call it. The IMO's focus will be on bank-in-a-bank, the structure, the people, the process, technology, synergy, and transformation. Over the next 1-year segment-by-segment, department-by-department, channel-by-channel, brick-by-brick as they call it IMO will move verticals and channels from bank-in-a-bank to the mainstream of Kotak. So I would just wish to end by saying that we are all confident that this merger will be successful and perhaps a model merger in the banking industry.

**Uday Kotak:**

Thank you, Mohan and let me just come back to some of the key themes which I would like to share with you: First is starting 1<sup>st</sup> quarter that is the quarter ending June, we will start giving the merged entity numbers and share them with you.

And in this context let me give you some sort of color and guidance on two important aspects: One, for the year '15-'16, we are guiding on a merged entity basis 20% loan growth at this stage.

#2, some color on the book of the erstwhile ING Vysya bank. While it is still early days, we had shared with you after the announcement of the merger in November that we have done a detail diligence of ING Vysya Bank before announcing the merger, and what we have seen is broadly in line with the due diligence we had done at that point of time, and at this moment we are not seeing any material differences.

#3 on Credit Cost: Here I will try and give you the guidance on the merged credit cost more clearly in the June quarter, but with reference to Kotak Mahindra Bank before the merger, if you look at our credit cost for the year ended March 2015 on a full basis, which includes standard provision, un-hedged FOREX provision plus NPA provision, our credit cost for March 2015 was a little over 40 basis points. Our

guidance and I am sort of reiterating before looking at the merged entity looking at Kotak Mahindra Bank's standalone, we would guide on that basis the credit cost as between 30 to 40 basis points. The merged entity credit cost we will be able to give you guidance more clearly in the June quarter review which we shared with you on a combined basis.

The next important point is the total cost of integration out of the merger. Jaimin mentioned the integration cost at which we have absorbed in the March quarter at about Rs.50 crore. Our estimate from here on is additionally about Rs.150 to Rs.175 crore in the current year bringing the total amount to about Rs.200 to 225 crore as things look at this point, and this includes the all-integration cost including technology, stamp duty, everything put together, but which we will take a charge in the current financial year, which is '15-'16.

The other point which I need to highlight is that we are very excited from a business point of view to be able to offer the 6% Savings product to all erstwhile ING Vysya Bank customers and we see that as a very big medium term kicker to the growth in our CASA from here and having said that erstwhile ING Vysya Bank used to offer 4% and therefore the incremental cost of this offering would be in the region of about Rs.100 crore; however, if we go by our own experience with this higher Savings rate, we find that in a period of 15 to 18-months actually it turns out to be phenomenally positive, especially if you go on the assumption that on a standalone basis at 4%, you grow at 15% to 20% and this gives you growth of 35% to 40% at the higher Saving rate, banked by significant push on the acquisition and distribution side, and we are truly very excited, as Uday Sareen mentioned about really offering this wonderful product to all the customers, obviously of Kotak, even more importantly of the erstwhile ING Vysya Bank. So, this will give you some sense about how we see that year ahead. We do believe that the year ahead is a pretty challenging one from the point of view ensuring execution and as I keep on telling my team what we have done so far is really the tail of the elephant, the elephant is ahead of us.

So with that I will now open up for questions which you may have.

**Moderator:** Thank you. We will now begin the question-and answer-session. The first question is from the line of Manish Karwa from Deutsche Bank. Please go ahead.

**Manish Karwa:** I just wanted to check on the Fee Income part. Is there a one-off or all fees that seems to have come in this quarter are granular and can we expect the similar trend going forward?

- Jaimin Bhatt:** The only one-off you can talk about is the fact that mutual fund commissions have been higher this year than in the previous years on the back of equity but that also is continuing and then if you look at most of the other fees which we have earned, there is insurance commission which picks up in the last quarter but if I look at on a year-on-year basis we are quite fine. There are two businesses which we actually invested in the previous years, and are now paying off – one is the DCM and the debt syndication activity – which has earned us good fees; and the other is the trade-related and FOREX-related advisory to the clients that has also picked up pretty much. And if I look at the rest, it is very linked to the regular banking activities – in the Wholesale area link to non-fund base like LCs and BGs; on the Consumer side, Credit Card and the direct banking fees etc. So it is pretty much regular banking-related and the ARD contribution again on a year-on-year is on a flat basis.
- Uday Kotak:** Manish, to add to what Jaimin said, the only area which we believe that it may get tempered a bit is a level of earnings out of mutual fund distribution, all other clients related activities are really significantly improved annuities, which we believe are reasonably sustainable.
- Manish Karwa:** How much would the mutual fund income be – would that be a substantial number for this quarter?
- Jaimin Bhatt:** Look at this quarter, it would be about 75, 80 crore plus.
- Manish Karwa:** Uday, in your guidance, you mentioned some additional cost that you may be taking about Rs.150 crore to Rs.170 crore, that would be taken to the P&L throughout this year?
- Uday Kotak:** Yes, that is why we are sort of sharing and guiding you, we will be taking it through P&L and this includes direct cash flow cost but does not include cost of employees working on integration, for example, there is a stamp duty required to be paid at merger, so that is the merger related cost which will be taken through P&L, which we will try and disclose it, like we have disclosed for the March quarter, every quarter what are the merger related cost and we think most of those get done more in the first half of this year and sort of would taper as we down the year.
- Manish Karwa:** Is it fair to assume that there will be no charges through the reserves that you may be taking either in either in Kotak or at the time of a merger with ING?

**Uday Kotak:** We will come out with the full picture of the merged entity financials in June. And as I understand the rules of the game are pretty clear, once the erstwhile ING part are audited and received by the bank, the merged entity bank is supposed to produce a combined balance sheet...obviously, opening balance sheet which needs to be submitted to the regulator, and the policy on that as I understand from accounting point of view is pretty clear that it cannot be anything which can be removed from the balance sheet with reference to any item which are judgments or estimates of management, but items which are relating to fundamental established policies of the two banks which are different, those items get adjusted in the balance sheet, for example, depreciation policy. If the depreciation policy of the two banks is different, say, in the case of ATMs, we may be providing in five years, they may be providing in eight years. Items which are linked to policy are not discretion, only those items will get adjusted in the opening balance sheet and are not items which are consider as part of discretion. So we will ensure that anything which is discretionary goes through P&L, anything which is difference in policy between two banks is required by accounting standard to go through the balance sheet.

**Moderator:** Thank you. The next question is from the line of Aditya Narain from Citi. Please go ahead.

**Aditya Narain:** I had just a couple of questions: The first is on whether there are any negative surprises or positive surprises that you have seen, now that you look closer to the book? The second is, I got the sense that you basically had 10 months to 12-months timeframe which is what would cover you for the entire integration, is that a fair extrapolation? And along with that this 20% that you have guided to, is this something that we can look at the end of the year or it should be progressing like that through the year? And thirdly, just as an aside, this time I heard some housing finance assets in the investments subsidiary. Now, given that the business has become so much larger and there is clearly a big mother ship. Any thoughts about consolidating some of these many entities that you have which do afford you flexibility, but given that it is so big, a) it can distract at points in time and b) maybe is capital inefficient and others?

**Uday Kotak:** On the positives or negatives which we are seeing the way I mentioned is that we did a thorough due diligence prior to the November 20th announcement which we made on the merger, and at this stage we think what we are seeing is broadly in line with that diligence, we are not seeing anything which is materially different from our due diligence. That is something which is the guidance which I am giving you and the market and that position continues. The second question was on the period for

integration. Our current view is we should work towards completing the full integration in about a year's time from now and we are on track for that. I think the integration process so far, I mean, 'touching wood', seems to be going reasonable and we do recognize that there are lots of challenges ahead and we want to make sure that we are focused on doing it meticulously, diligently, and thoroughly, but a one-year period is a fair period to assume on the diligence side. On the 20% Loan growth, at this stage, I would say that while it may not be fully proportionate, I do not necessarily see dramatically back-ended growth unless there is something in the economy which turns, for example, if we have really bad monsoon and that makes us pull the brakes, but other than that while there may be a marginal normal curvature which happens year-on-year which is a little more in the last quarter of the year, but, in general, I am not seeing anything dramatically different from a trend curve which is saying that fourth quarter will be where all the growth will happen. So that is giving you some sort of a sense that yes, we will see through the year a little more skewed as it normally happens in banking in the second half, but more or less to the year, and in the absence of any real bad news on the monsoon or any other surprise front coming out of international events like interest rates or whatever else. Lastly, on the Kotak Mahindra Investments, Aditya, it is an interesting balance when you are running financial services in India between consolidation into single legal entity versus focus and it was our considered view about 18 to 24-months ago that a focused approach to commercial real estate and some levels of financing including capital markets will give us significantly superior results while maintaining a governance mechanism, which is why we did it and NBFC structures give you more flexibility in the scheme of things within the existing regulations. So in totality we believe it is significantly shareholder accretive and value creative. And when we feel that it is not, we will take appropriate corrective actions because unlike other situations, in this particular case, these are all effectively 100% owned subsidiaries of Kotak Mahindra Bank without any conflicts of interest of any nature.

**Aditya Narain:** The last bit of growth that you have seen has been pretty wholesale-biased. Would you expect that to characterize your growth into the next year also?

**Uday Kotak:** One of the things which is exciting about this merger is the whole SME piece, which constitutes business banking, emerging corporates, SME; that whole space actually we think, will give us pretty good results, and at the same time on the Wholesale side, we would like to believe we are getting some market share on a combined basis because obviously the size that we are at now and our retention is focused much more on growth, and this is not getting disproportionately disrupted by dramatic recovery at least so far till 31<sup>st</sup> March as we have seen it. So, we actually feel we will

get some share in the Wholesale businesses and the Business Banking, SME space is where we will continue to see pretty decent growth. If at all on the segments of the market in the loan market where we have turned cautious in the last 12-months; #1, has been tractors because we began to see a slow down on that by the end of the second quarter of the year and we sort of started tempering our positioning. So our tractors growth last year has been only 8% year-on-year, we used to grow much faster in the previous year, and on Commercial Vehicles and Construction Equipment, we have said a lot of that over the last three years, you would recollect that we had shared three years ago that we were feeling very uncomfortable with the Construction Equipment segment to start with followed by the Commercial Vehicles segment, and our position on these segments today, is that we are feeling better on the Heavy Commercial Vehicles segment and in very selective pockets on Construction Equipment, We still see LCVs to be an issue, and if we are getting a little more comfortable on those segments, we will keep a very close eye. At this stage when I look back to our call over the last two or three years in both the segments, we feel little relieved that we took the call we did, and at this stage actually we are feeling better than we may actually be putting a little more accelerator now.

**Moderator:** Thank you. The next question is from the line of Anish Tawakley of Barclays. Please go ahead.

**Anish Tawakley:** I had two questions, both relating to the historical performance: One is that Corporate Banking Loan growth has been very strong. So, could you talk a little bit about which segments are driving that growth and what would your loan yields be in this segment? And secondly, on the Current Account growth, are there any end of period effects there or would the daily average balances have grown as strongly?

**Uday Kotak:** I will ask Manian, who heads the Wholesale Bank to answer the first question, and on the second one maybe Jaimin will share what the situation is.

**K.V.S. Manian:** On the Corporate bank side, the Loan growth essentially last year has come more in the Large Corporate segment than the Mid-Corporate segment and by and large on the back of lending to higher rated corporates, I would say the average lending would be 'A and above' kind of corporate. So that is the segment we have grown the last year book on. It is a mix of both, term lending as well as short term and working capital. In fact on the trade business itself, we have not been able to grow as fast as the overall number suggests. So I would say the growth has been more on the term & the working capital side of the business.

- Anish Tawakley:** Before we move to Current Accounts, could you sort of talk a little bit about how the risk environment might be panning out there, historically, my sense has been that the good loans are very heavily competed with very thin spreads and the risky ones nobody wants to take?
- K.V.S.Manian:** So, like I said we have focused more on the relatively higher rated corporates and our philosophy has been to get a wallet share of the customer in other products when we do these loans. So in fact as you can see from the numbers, the growth on our FOREX side of the business, DCM side of the business, as well as the Current Accounts side of the business has been quite healthy. So, the approach we have followed is rather than follow a transaction profitability, follow a customer profitability and get a share of other profitable businesses as long as you are doing these loans, and that has been the approach and I think we have been reasonably successful with that. So, I would say actually the RW density calculated would have gone down through the year rather than gone up in the year.
- Jaimin Bhatt:** With regard to Current Account, yes, there is a spike at the year-end which happens every year, and to that extent the growth does include the year end spike. But even if I take a daily average for every single day of last year, we have seen a pretty healthy growth in Current Account which is close to 28% to 30%, and that is significantly higher than what we have seen in market growth. So, yes, getting into the benefit of the branches traction coming in and we are pretty excited about that overall number, and that also includes the fact that we have a pretty strong position on the custody side and that brings in balances when the markets are good.
- Anish Tawakley:** Is it Retail or is it...?
- Jaimin Bhatt:** It is both.
- Moderator:** Thank you. The next question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.
- Ashish Sharma:** Sir, just on the merger aspect, you have given a guidance on the credit cost. But just on the productivity and ...
- Uday Kotak:** I have given you guidance on credit cost on standalone Kotak.
- Ashish Sharma:** Not the merged entity, but this on the productivity for the ING branches, some sense on as to how you see the improvement in productivity for the ING branches, just some color on that, sir?

**Uday Kotak:** I will ask Uday Sareen who is heading that, how he sees it from here, what it was.

**Uday Sareen:** I think a couple of points there: Clearly, if you look at the existing metrics of the erstwhile ING Vysya branches... and let us go through some of the productivity measures, be it CASA per branch, a number of new accounts per branch, customer acquisition, loans per branch, consumer assets, all these are pretty much metrics where there has been some improvement over the years, but we always believed over the years that erstwhile ING Vysya Bank was half way there in terms of headroom for growth, just let us take CASA per branch of the erstwhile ING Bank branch is about Rs.18 crore and we are talking about Rs.18 crore (erstwhile ING Vysya) to Rs.38 crore (Kotak) That is the kind of headroom that we have. Now with 6% being part of the larger network of 1,261 branches, we have just wrapped up “Kona Kona Kotak Campaign”. If we look at the opportunity for headroom it is immense. Another metric is third-party products in terms of penetration of the ING Vysya Bank network customers, be it cross-sell in terms of mutual fund, investments, wealth, consumer asset products, I think there is fundamentally a large amount of opportunity. There is a belief that if you take the 2 million clients that ING Vysya Bank network has, there is opportunity in terms of penetration and deepening. So while on one hand we are looking at stepping up the customer acquisition position being part of the larger franchise and now with a much larger, broader, completed product suite, there is also an opportunity for deepening of metrics. So we are very much tracking to some of these specific metrics and in terms of each one of these I think there is significant headroom for growth. Mohan mentioned bank-in-a-bank sort of the consumer network of the erstwhile IVB branches, this is the key metrics that the team is tracking to both in terms of the opportunity and what we see as the benchmarking within the Kotak side.

**Ashish Sharma:** Would it be fair to assume that it would take around 12-months to sort of have productivity of ING branches at the level that which Kotak is?

**Uday Sareen:** Like I said in my opening remarks that you got to watch this space closely, I do not think I am going to talk about 12 months and give any forward guidance on that. Remember, that in ING, we moved from Rs.10 crore CASA per branch to Rs.18 crore in about 8 years. I am not saying that past performance is any sort of indicator of future, but this is work-in progress, and over the quarters you will get some better color on that kind of metrics on how that is progressing. But all I can state is clearly that now with the enhanced network, the product suite, and the liability franchise; the mood is definitely quite upbeat both in terms of customer feedback and in terms of employees.

- Ashish Sharma:** On the growth aspect for the standalone bank, we have seen in Q4 the Agriculture segment has grown quite sharply QoQ. Any risk you see given we have in Q4 unseasonal rains, and as of now, we do not know about the monsoon forecasts, just some color on that sir?
- Uday Kotak:** My advice to you is that Agriculture Advances for every bank for the quarter ended March normally do pretty well and we are consistent with that, and this is essentially linked to the need to meet the targets laid down by RBI, therefore my recommendation to you is for Agriculture Advances YoY is a better metrics for you to look at. And as I mention to you it is also about the mix within Agriculture and what is the tenor of the loans and there are a whole host of ways you can manage your risks and one of the areas where we have slowed down by design is tractors and I will actually ask my colleague Narayan to give you a little bit of feel of what is happening in Bharat.
- Narayan S A:** Last year, we saw the tractor industry growth coming down, actually it was down by 13% after three to four years of continuous growth, we also tempered down our overall disbursement though lower than what the industry growth was. We see delinquency a little bit go up especially in the states of Madhya Pradesh, part of Rajasthan and Maharashtra, due to the unseasonal rainfalls, up to now we have managed to keep it under control, but, of course, it is up compared to the last year. Going forward we think it depends on how the monsoon is going to be, but rural India is definitely going through some sort of stress due to unseasonable rainfalls, commodity prices coming down, and the government base price not going up. So, all put together, rural India is showing some signs of slow down. The key factor to look out for, is rainfall. If that turns out to be good, then obviously, we will push the pedal back, otherwise we will wait and watch.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.
- Bharat Sheth:** Sir, I have two questions: One is that ING has a strong international client and multinational and has a good network in Europe. So how are we going to tap that opportunity with the merger? And second on techno, ING is also very strong in digital side. So how that is going to play out for merged entity?
- Uday Kotak:** I think I will have it answered in two parts; on the international side I will have Manian from the Wholesale Bank to see how he is positioning to leverage that

opportunity going forward, and overall on the digital side, how are we looking at it, I will ask Shanti who heads the Consumer Bank to take it up after that

**K.V.S. Manian:**

Yes, you are right that ING had by virtue of its lineage had a good set of customers on the multinational side which we see as one of the gains of the merger, because it is far more difficult to acquire MNC customers. So one, of course, usual stickiness argument will work to some extent because having got them, we will service them well enough and in fact we think we can service them with a larger product range than the erstwhile ING could, and therefore we will retain most of them, obviously on some key customers we have raised our coverage to ensure that they stick with us. Having said all that, another important thing we are doing is working with ING parent on a cooperation framework where between the two of us, we will ensure servicing of these customers across geographies, and that is cooperation arrangement we are already working on and we are confident of putting that in place soon. Having said that pending the agreement we are already working on deals together and we think together we will be able to retain most of them, yes, some loss could happen, but we are confident that most of it we will retain.

**Uday Kotak:**

Again to share with all of you, I wanted to also inform that as per our scheme of merger, we have stated that we will have one director from erstwhile ING Vysya Bank appointed to the board of Kotak Mahindra Bank, and the board of Kotak Mahindra Bank today has taken a decision to appoint Mr. Mark Newman who was on the board of ING Vysya Bank and he is a part of ING Group and Mark Newman is now formally on the board of Kotak Mahindra Bank as of today. With that, I will now request Shanti to take you through some of our digital initiatives.

**Shanti Ekambaram:**

As you may be aware at Kotak, we have been fairly at the forefront of many digital initiatives, both from a customer convenience as well as some innovative products as far as the industry is concerned. Our Kotak mobile app which is now more than 12 to 15-months old actually has been regarded as one of the best in the industry and significantly ahead. Our transactions both on mobile as well as on series of products have seen significant increases. We were one of the first to introduce banking in the social media through our Jiffi account and we have introduced many interesting products on the payment side like KayPay, Mail Money, Message Money, etc., All aimed like I said at customer convenience on transaction as well as on innovation. We have many more initiatives in the pipeline focused on mobile, focused on payments. ING has very interesting products, both on the liabilities and the asset side. We have been having discussions with Uday Sareen as well as some the of ING team members to see what we can learn; and we will be imbibing some of that in our initiatives, but

we have a strong pipeline of digital initiatives over the next 12-months and we will try and learn from them on how we can do things better.

**Bharat Sheth:** Recently there is a change in the guidelines on agri. definition by RBI. So how that is going to help a private bank like us?

**Uday Kotak:** We are obviously studying it, at this stage; we believe that the guidelines are broadly neutral for us.

**Moderator:** Thank you. Our next question is from the line of Sampath from IIFL. Please go ahead.

**Sampath:** Sampath here. Just a couple of questions: One, usually, your Loan book actually declines on a QoQ basis, but this time around you have decided to grow. What does change for you to take a view to grow the book in the last quarter as opposed to a position of actually de-growing that?

**Uday Kotak:** We did not plan it that it necessarily has to be lower or higher, maybe partly influenced by the change in leadership between the Wholesale Bank and Retail Bank. But, I think what we try and do is to make sure that businesses are mature, that you do not add Loan book at the end of the year with very low margins or very short periods which have significant PSL obligations. So I would like to believe that we have not done that in our Wholesale Bank. December to March quarter, the Corporate book has actually de-grown. Retail book actually, particularly the Consumer Bank side has ticked off pretty well, and in the Agri side, Non-Tractor Agri has done well.

**Sampath:** NII growth has lagged somewhat Loan growth. Is there any specific reason for that?

**Jaimin Bhatt:** Two things: Sampath, one is, yes, the fact that the mix or the growth is much more in the Corporate segment has been one reason, and yes, the other reason which we touched upon earlier is one of the segments which was getting you good deals here was CRE, which is now being done now more from the subsidiaries. So if you look at KMIL; that has seen a very sharp rise in NII.

**Sampath:** What would be guidance for the margin of the merged entity?

**Jaimin Bhatt:** If you just do the weighted average maths of what ING Vysya, NIM for the nine months period and our NIM right now, you will end up with a number between 4 and 4.5, which would be where we should end up with.

- Moderator:** Thank you. The next question is from the line of Sunil Anjan from Jefferies. Please go ahead.
- Sunil Anjan:** Two questions on the merger: So, are there any sort of liabilities or litigations essentially off-balance sheet stuff that you saw post the due diligence that is after the day-zero, do you want to comment on that side?
- Uday Kotak:** I mentioned to you that at this stage, what we are seeing is broadly in line with the due diligence, and nothing materially different.
- Sunil Anjan:** So you are sticking to essentially the due diligence was correct at least...?
- Uday Kotak:** Obviously, as you know, it is broadly within a range as of now on the basis of what we are seeing.
- Sunil Anjan:** You said that you are going to take all the merger expenses through the P&L. There are several expenses that can be capitalized as well. Is it a policy decision you have taken that every expense will therefore be expensed?
- Uday Kotak:** Let me divide this answer into two parts. One is, merger expenses as per accounting treatment which cannot be capitalized will be taken through P&L, and at this point of time most of these expenses need to be taken through P&L including stamp duty. Second is, we will drop an opening balance sheet, and whatever our policy difference items, accounting policy difference between two legal entities as per accounting standards need to be adjusted in the opening balance sheet, they will be taken as the opening balance sheet items.
- Jaimin Bhatt:** As Uday said that, there will be costs which are linked to the merger where stamp duty is one and several other technology-related costs which will go through the P&L. What we have done in the merger is what is known as the pooling of interest method. So, we will be taking up all the assets and liabilities which are coming in from ING Vysya at the value they were existing in ING Vysya on the closing date, and will be making the adjustments only with respect to policy differences. What you are talking about was possibly done about maybe three years ago, post which all these adjustments which are knocked off from reserves is something which both SEBI and RBI as regulators have stopped accepting it, in any case, the right way of doing it is to make only the policy-related differences, Uday mentioned about depreciation, and some of the other policy related differences.

- Uday Kotak:** Including, for example, if there is accounting treatment on NPA policy, which are different.
- Jaimin Bhatt:** We will do that and when we come with the first quarter results as a merged entity, you will have those numbers.
- Uday Kotak:** We will disclose to you what our integration expenses which are cash out, internal salaries of employees which are involved in the integration process will not be considered as integration expenses; For Q4 we have disclosed Rs.54 crore.
- Sunil Anjan:** Going ahead, obviously, there are several branches of both the erstwhile ING Vysya and Kotak which are almost next to each other like neighbors, anything on that rationalization side, the Rs.150-175 crore that you talked about, is it grossed up of the expenses for employees or branches, how do you want to...?
- Uday Kotak:** For example, between April 1<sup>st</sup> and April 30<sup>th</sup>, we changed all the signages of all the branches, then we had cheque books, other things which we prepared, stamp duty which is required on merger to be paid to the state. Things like these are integration expenses, which assuming the two entities were continuing as usual, for example, change in technology, technology-A to a common technology.
- Mohan Shenoi:** ATM screen changes, for example, and similarly some of the licenses, actually the combined entity required more licenses than what individually the two entities required. So those are the expenses that we categorize as merger expenses.
- Sunil Anjan:** So that is Rs.54 crore if I am not mistaken? I am asking about the Rs.150 crore or Rs.175 crore. I am asking about the branch rationalization.
- Mohan Shenoi:** We have made a study of the overlapping branches, and overlapping ATMs, and some of these changes can be done only when the technology integration happens, because until then if you merge two branches with two different technologies, the space in the branch may not be adequate to handle, so some of these decisions will be taken, but we will rationalize; there are branches, which are less than 100 meters kind of thing, those branches will certainly be rationalized or shifted and we will take some other license and move that branch to some other location.
- Sunil Anjan:** On the macro side, you briefly touched on rural and I am excluding the issues around monsoon. But the fact of the matter is the wages are really weak out there, and probably driven by a lot of factors. So, Uday, the question is to you, do you think is it

political palatable and would you worry that this is going to change in the broader rural economy?

**Uday Kotak:** My personal view is that there is a very careful political balance which is required between ensuring that the rural India gets its fair share, while also ensuring that the consumer is not exposed to disproportionately high inflation. And the balance between these two is something which has to be carefully crafted, because it is very easy to increase MSPs dramatically, but the moment you do that, you will have the backlash which is CPI, will be impacted, and I think that balance is important.

**Moderator:** Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal Securities, please go ahead.

**Alpesh Mehta:** First question is on the number of shares that are being issued to the ING Vysya shareholders. Based on the share swap ratio, it looks like there is additional 1% dilution. Is it because of the ESOPs?

**Jaimin Bhatt:** The number of shares which was issued was exactly as per the swap ratio, 725 to 1,000, so a number of shares which ING had on 31<sup>st</sup> of March was somewhere around 19.1 crore, so the number of shares issued out is about 13.9 crore overall. So that is exactly as per that. Yes, you would have seen from November 20<sup>th</sup> to March 31<sup>st</sup> people at ING Vysya would have exercised ESOPs but they would also get entitled to the swap shares of Kotak.

**Alpesh Mehta:** Now would there be any ESOPs outstanding with the ING Vysya Bank?

**Jaimin Bhatt:** Yes, there will be ESOPs outstanding and they will get converted like any other shares, so they will be entitled to 0.725% of what their number of ESOPs that were there.

**Alpesh Mehta:** So there is no particular clause as such on the date of the merger, the ESOP exercise clause comes into effect something like that?

**Jaimin Bhatt:** No, there is an acceleration clause which is different, so everybody who had ESOPs as of 31<sup>st</sup> March, whatever is vested, anyway would be allowed to exercise, and there was an acceleration clause in the ING Vysya scheme, which meant that all the unvested ESOPs will vest on 1<sup>st</sup> of April and that is something that would be eligible.

**Alpesh Mehta:** So what would be the additional dilution on account of this if at all there would be?

- Jaimin Bhatt:** If I go back to November 20, there were about 1 crore outstanding ESOPs at ING Vysya number, so equivalent would be whatever, 72.5 lakh about, so that is about all 5%-odd of the ING Vysya capital at that point of time
- Uday Kotak:** And about 0.8% of the merged entity.
- Alpesh Mehta:** Secondly, on the recoveries from the written off accounts, has there been any big sale during the quarter, any big recoveries during the quarter?
- Dipak Gupta:** Yes, there have been recoveries, and the recoveries which you see there are really on two sets of sub-businesses, one is the retail part, which is sort of reasonably steady, and on the wholesale which is really Corporate one, we do get one-off recovery items, which are there, even in the past we have seen that. Every second quarter there is one or the other big recovery which does happen. So that is there in this time also.
- Uday Kotak:** This goes back to basically we had given some guidance on what we think is the un-booked reliability in our ARD, and we are seeing reasonable progress, particularly we saw it in the last quarter in that direction.
- Alpesh Mehta:** In between I guess we gave a guidance of around Rs.17 billion to Rs.18 billion on this front. So are we on track over the period of next three years?
- Uday Kotak:** Broadly yes.
- Alpesh Mehta:** On the Loans against Property business. Sir, if you can give your views on this business and what is the proportion of this business in our Housing Loan portfolio now?
- Shanti Ekambaram:** Just to give a background, this business, Loans against Property is largely SME, MSME kind of sector, who take money against property largely for their working capital business, so the profile of customers is all SENP, Small and Medium businesses, which is largely used in the business for working capital or long term working capital, and a fairly competitive business. So that is as far as the kind of customer we have in this portfolio, where it goes, and as far as we are concerned, for large exposure we try and take some cash flows as well, and our LTVs are fairly conservative. In terms of proportion, we have a reasonably strong Home Loan portfolio as well; I would say it is roughly close to 50:50 right now as between Loans against Property and the Mortgage portfolio.
- Uday Kotak:** On the ING side, I think it is higher on the Loans against Property.

- Uday Sareen:** Actually on the erstwhile ING side, the focus over the last few years has been on the Loans against Property business, and almost 60% of the book is on the Loans against Property but again pretty much in sync with what Shanti said in terms of the loan to value both in terms of Residential and Commercial, not more than 50% and residential up to 60%. In terms of target segment, it has been pretty much in sync with the entire focus on the SME business banking segment, which is self-employed for business loans, and the whole underwriting process is really based on the financials and not really on the collateral. So that has been the focus. In terms of performance of the portfolio, again, has been quite good. So the focus is 60% and dovetailing well into the whole focus with SME on ING.
- Alpesh Mehta:** Just a last data keeping question; Kotak Prime, what were the disbursements related to Car Loans, somewhere around Rs.24-25 billion?
- Uday Kotak:** For this year about Rs.7,500 crore excluding dealers, for the quarter should be around Rs.1,850 to Rs.1,900 crore.
- Moderator:** Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.
- Pankaj Agarwal:** My question was on cost efficiencies. So if I look at your current cost-to-income ratio, it is close to 52%, and if I look at ING's ratio it is close to 55% and the merged entity looks like around 53%. So over the next 2-3 years keeping aside the one-time cost of merger, where do you see this ratio settling at?
- Uday Kotak:** We would certainly like to believe it will be 40s, and our desire would be early-40s.
- Pankaj Agarwal:** It would come from better income or less expenses?
- Uday Kotak:** I think both.
- Pankaj Agarwal:** One question was on your mutual fund fee. There was a news article which said that the mutual fund body is thinking about capping commissions on close-ended mutual fund, so around 1% versus current practice of around 5% to 6%. Do you think that impacts your Fee income on mutual fund?
- Uday Kotak:** We are wonderfully placed on that one. So what we reduce Fee income on the bank side, the mutual fund piece will gain.

- Pankaj Agarwal:** Taking forward one earlier question on the NBFCs. Given that RBI has asked the new banks to merge all their businesses under the bank, not allowing them to run NBFC separately. Do you think similar ruling for existing banks as well? If it happens, what kind of impact you see on your profitability?
- Uday Kotak:** Let me give you the facts: Every major bank has an NBFC subsidiary, and a major bank has NBFC as the holding company. So it is a very significant change which the regulator has to take a call on.
- Pankaj Agarwal:** But if it happens, do you see any impact on your profitability?
- Uday Kotak:** No, I think from our point of view we will see when it comes. Keep in mind that our bank is becoming bigger, our Deposit franchise is getting stronger, our CASA ratios are significantly improving, and the absolute balance sheet size particularly after the merger of the combined bank is significantly larger, and then the relative size of the two NFBCs.
- Moderator:** Thank you. Our next question is from the line of Jiten Doshi from Enam Asset Management, please go ahead.
- Jiten Doshi:** In this challenging environment, just wanted an update on the Insurance JV. Has the partner expressed their interest to up the stake?
- Uday Kotak:** Let me tell you on the insurance JV; the partner has a contractual right to ask to increase the stake, the partner is evaluating that, I do not know whether you are tracking international developments on Old Mutual which I would suggest you do, and we are keeping an open mind to see how the discussions go.
- Jiten Doshi:** I think last year around the same time, you talked about a five-year vision, where you said, probably the Lending business could grow about 25%... of course there was no ING at that point in time and you said the Fee-based income would be roughly about seeing a growth much more than the growth in the Lending and that was roughly what you talked about in a 5-year vision. Do you hold that still or...?
- Uday Kotak:** Jiten, first of all, this quarter if you just look at our fee income growth, it has been pretty good. Therefore, if you ask me, as a trend line we do believe fee income over time will grow at a faster pace, I believe that is the story of India because essentially there are two areas of intermediation – one is what you call as the saver-borrower intermediation and the other is the investor-issuer intermediation. I do believe the rate of growth on the investor issuer intermediation will be faster, but you also got to keep

in mind that investor-issuer intermediation trend line over time will be faster growth, but will be subject to more volatility, while the saver-borrower, the traditional growth will be less volatile. So therefore, you have got to keep those two factors in mind as we sort of look at a 5-year view on this combined intermediation story between saver-borrower and issuer-investor.

- Jiten Doshi:** How much would you believe in 5-years could be the Retail book for the bank?
- Uday Kotak:** Broadly I am a believer that financial services intermediation story is in very early stage of growth in India, I think it has a lot of legs, and I am a firm believer in a concentrated India diversified financial story, and I am very excited over the medium to long-term on this story with bumps of volatility along the way.
- Moderator:** Thank you. We will take the next question from the line of Kunal Shah from Edelweiss. Please go ahead.
- Kunal Shah:** Within the Corporate Banking segment, any of the sector post the merger we would we be reevaluating either in terms of say, the Gems and Jewelry or say, Textile, wherein ING has an exposure or say even Infrastructure for that matter, so what would be the outlook in some of these sectors post the merger?
- Arvind Kathpalia:** We did our due diligence, yes you are right, that they had Infrastructure, but most of those Infrastructure Loans were already known and recognized by them, so it has gone through their P&L, they have a good Diamond portfolio on which ING has very-very strong relationships, those are customers which they have had a lot of lineage and vintage of those and they know those customers quite well, they have not had a problem so far, and we are evaluating each one on its merit at the moment.
- Kunal Shah:** Going forward, so how would we see on a consolidated business – exposure will still be relatively lower towards the segment in terms of the incremental growth?
- Arvind Kathpalia:** ING Vysya dealing with the Diamond portfolio had ECC cover also for almost all the portfolio, and most of them was pre-shipment with post-shipment bills getting routed through them also at the same time. So it was relatively well known and at this moment let us say we are water treading our feet through that portfolio.
- Uday Kotak:** I think, Kunal, we have to give you a clear picture when we come back to you in the first quarter.

- Kunal Shah:** Secondly, you highlighted in terms of the improved traction on the Savings Deposits for ING. But would it be possible to quantify to what is the kind of a build-up which we are seeing because of, say, the higher savings which are being offered, so obviously it is too early to say, but maybe how is the traction overall?
- Uday Kotak:** Let me say it is early days, as Uday Sareen said, we are into week five, but I would like to believe that something which I have given as guidance on our own Savings Deposit standalone growth over time and which has been achieved, on a combined basis, I do believe that we could grow the combined portfolio at 35% to 40%.
- Kunal Shah:** In terms of asset incremental growth largely being driven by the Corporate segment, obviously, the Wholesale rates are also hovering quite low and the Corporates have the other opportunities as well in terms of financing, they are focusing largely on the better rated Large Corporate. So what is a view in terms of the yields particularly for this book?
- Uday Kotak:** I think Manian can answer, but in general obviously it is also about risk adjusted returns, Kunal. Therefore, we are focused on risk adjusted returns, not absolute yields.
- Manian:** Kunal, like I mentioned earlier, we are looking at the overall customer income rather than just the yield on the lending book that we do. So as long as the overall risk adjusted returns from the customer are fine we are fine. But our approach is to get a more holistic income from the customer.
- Moderator:** Thank you Participants; that was the last question, I now hand the floor back to the management for any closing comments. Thank you and over to you, sir.
- Uday Kotak:** Thank you very much. That has been a long call; we have spent about an hour and half together. I suppose this is a very important juncture in the history of Kotak Mahindra Bank. We appreciate the interest and focus and support from the analyst community as also investors. We are looking forward to a challenging and an exciting period ahead. We are not underestimating the challenges of integration, but we are excited about a shared future, and we will be able to give you significantly hopefully more color on the merged numbers at the end of the next quarter.
- Moderator:** Thank you. Ladies and Gentlemen, with that we conclude this conference call. Thank you for joining us. You may now disconnect your lines.