



**Kotak Mahindra Bank**  
**Q4FY25 Earnings Conference Call**  
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***Safe Harbour***

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**Moderator:** Ladies and Gentlemen, Good day and Welcome to the Kotak Mahindra Bank Q4 FY'25 Earnings Conference Call.

As a reminder, all participant lines will be in listen-only mode. 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 “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashok Vaswani – Managing Director and Chief Executive Officer of Kotak Mahindra Bank. Thank you. And over to you, sir.

**Ashok Vaswani:** Thank you. Thank you so much. Good evening, everyone, and thank you so much for joining us. I do apologise for running a little late this evening. I hope it's not created any inconvenience.

At the end of Fiscal Year 2025, let me share some of my reflections with you. In Q1 calendar year '24, we defined the strategy at a group level. Kotak has a very strong product platform. We manufacture virtually every financial services product. The essence of the strategy is to bring together relevant products and services in the form of propositions for defined customer segments. Thus, we are seeking to move from a product-centric approach to a customer-centric approach. We believe that doing this will enable us to transform for scale. We will stay focused on delivering this objective.

In 2025 Fiscal Year, while we began to execute this strategy, we had to navigate through three notable events during the year.

1. We had the technology embargo which had a direct impact on our cards and 811 businesses. This resulted in the share of unsecured loans to our total net advances declining from 11.8% in FY'24 to 10.5% in FY'25. The acquisition of the Standard Chartered personal loan portfolio partly helped us in holding up this share. Despite the embargo distraction, we stayed true to our strategy. We invested time and resources to not only fix the underlying technology issues, but also redefined our go-to-market digital strategy. This was reflected in the launch of our new mobile banking and 811 apps.
2. The microfinance industry has seen significant credit strains, something we had highlighted in Q1 of Fiscal Year '25. We have proactively managed the business to bring down the retail microfinance book by 33% Y-on-Y, which now constitutes only 1.6% of total net advances. Having said that, we expect credit cost to stay at this elevated level for the next 2 quarters. Interestingly, despite this strain, the microfinance business has been profitable on a full year basis. The strategic question that we will have to answer is whether the changes in the industry are cyclical or structural and what changes we make to the business model which will determine our approach to this segment.
3. We saw segments of customers who had over leveraged themselves and this reflected in higher delinquencies in unsecured personal loans and credit cards. We moved early to take corrective measures by tightening our underwriting standards. The behavior of our unsecured portfolio is panning out broadly as we had predicted. The stress in PL continues to show a reducing trend where

the credit card portfolio continues to plateau and we are hoping to see a decline in the second half of the year. The Standard Chartered personal loan portfolio is performing as expected. Despite these headwinds, we grew the business.

The Kotak Group is a diversified financial conglomerate with 4 engines of growth:

- Banking and Lending
- Capital Markets
- Asset Management, and
- Protection.

And these 4 engines provide us with countercyclical benefits.

In the Banking business,

Average advances grew by 18% year-on-year in FY'25, 13% on an end of period basis. This is very much in line with our prudent philosophy to grow the book at about 1.5X to 2X nominal GDP growth. Total average deposits grew by 16% in full year '25, 11% on an EOP basis. CASA ratio stood at a healthy 43%. The mix of deposits between CA, SA, ActivMoney and TD enabled us to optimise our cost of funds at 5.10% in full year '25. We are very focused on managing the cost of funds effectively.

We continue to maintain a disciplined approach towards managing our CD ratio, which stood at 85.5% at the end of the period.

Our Capital Market businesses had a stellar year. Given our business leadership position and strength in the broking, investment banking and asset management businesses, we were able to take advantage of the market buoyancy. This is evidenced by around 75% year-on-year PAT growth in our asset management business and 40% PAT growth year-on-year in our Capital Market businesses.

Our insurance businesses continue to drive value creation with EV growth of 16%. Earlier this year, we unlocked significant value with a stake sale in KGI.

At a group level, we delivered a consolidated book value per share growth of 21% this year.

Moving on to FY'26, we continue to stay on course with our strategy and deal with the risk and opportunities as they arise.

- On the positive side, we have seen an easing of liquidity and with the lifting of the tech embargo, we have restarted our cards and 811 acquisition engines.

- On the flip side, there is a risk of global uncertainties emanating from trade and tariff arrangements, geopolitical issues, and downward trends in interest rates. We will continue to closely monitor these developments and cost correct where necessary.

In terms of implementation of our strategy, FY26 has started on a very strong note.

1. We recently launched the Kotak Group Brand Campaign, 'Hausla Hai Toh Ho Jayega' which for the first time pulls together the power of the entire group. Early feedback shows strong resonance and a significant lift in brand scores.
2. We have sharpened our proposition by customer segments. We have recently launched 'Solitaire', our proposition for the truly affluent segment. This proposition seamlessly brings together all the relevant products, including products from Kotak Securities, Kotak AMC, Kotak Life, and Kotak Prime in a very simplified and convenient manner. For our core India customer, we strengthen the 811 proposition, offering payments, protection from Kotak Life and Zurich Kotak General, investments from the asset management company and borrowings on the new 811 app. We are already seeing encouraging signs of customer relationship deepening.

811 continues to provide us an increasing share of access to low-cost granular deposits. For our corporate and SME customers, we have significantly strengthened our cash and trade platform to help deepen relationships with them.

We have a strong proposition in place for the private Bank and we will continue to strengthen our product proposition, leveraging the corporate Bank, asset management and the capital market businesses. We are investing significantly to make it easier for our colleagues to serve our customers through process re-engineering, automation and digitisation.

As I mentioned before, our focus will be to continue to drive the implementation of our strategy while keeping a very watchful eye on events that could have an impact on that business.

With that, let me hand over to Devang to take you through the details of the financials.

**Devang Gheewalla:**

Thank you, Ashok and good evening, friends. As Ashok mentioned, this has been an eventful year. As a Group, we navigated this period continuing on core principles of governance, prudence, risk management, control and compliance, remaining focused on our objective of transforming the Organisation for scale with customer centricity.

Since this is a year end, let me reflect on some of the key events that played out during the year, including unlocking of value in Kotak General Insurance, where we received a consideration of Rs. 4,096 crore, transitioning successfully through the RBI embargo, remaining well within the initial cost estimate which we had given, and dealing with a challenging credit environment for unsecured businesses where we saw the Bank credit cost for the year increased to 60 bps from 40 bps last year.

This year for standalone Bank was on a backdrop of 2 consecutive years of high profitability of 25% each year due to higher NIM, a benign credit environment and also included some of the one-off gains in last quarter of last year as highlighted in our investor presentation.

With this backdrop, let me start with the performance of the consolidated Financial Statements:

FY'25 consolidated profit stood at Rs. 22,126 crore, up 21% YoY, 5% YoY excluding gain on the divestment of KGI of Rs. 3,013 crore. The consolidated net worth stands at Rs. 157,395 crore at March end with a book value per share 792 which grew at 21% YoY basis. We ended this quarter with consolidated profit of Rs. 4,933 crore.

For the purpose of consolidation, our group entities excluding insurance entities have now aligned with RBI direction on valuation of investment portfolio in this quarter resulting in MTM gain on the valuation of investment of Rs. 411 crore post-tax in the consolidated profit for this quarter and increase in the net worth by Rs. 1,262 crore at 31st March '25, which included the quarter profit of Rs. 411 crore.

Let me explain what it is. Till date, subsidiaries in their respective standalone financials have been reporting investment gain based on the Ind-AS accounting norms; however, for the consolidated financial statements, such gains were ignored under the Indian GAAP. With this change, net worth at 31st March '25 has been adjusted for Rs. 1,262 crore including MTM gain during the year on which subsidiaries investment of Rs. 411 crore net of tax. These investments have been made primarily by the capital and AMC subsidiaries on deployment of excess capital and hence now the consolidated results actually reflects the earnings on the excess capital deployed by these companies.

Our consolidated customer asset stands at Rs. 537,000 crore, which is about 12% higher than last year. AUM managed by the group stands at Rs. 6,69,000 crore, grew by 20% over the year. Our capital adequacy at the consolidated level remains healthy at group level at 23.3% with CET-1 itself of about 22.3%. ROE at consolidated level was 13.12% for FY'25 and ROA at 2.36% for the FY'25, both excluding the gain on KGI investments.

Let me start with now the individual entities:

FY'25 standalone Bank profit stood at Rs. 16,450 crore, up 19% YoY including the gain on divestment of KGI of Rs. 2,730 crore. Profit excluding KGI gain was Rs. 13,720 crore. Bank ended the quarter with a PAT of Rs. 3,552 crore. As we highlighted, last year quarter '24 included one-off gain aggregating to a PAT improvement impact of Rs. 426 crore. The Bank delivered the ROA excluding KGI gain of 2.2% for the quarter as well as for the full year.

At the Bank standalone level as well, capital adequacy remained healthy at 22.2% of which the CET-1 itself is 21.1%. Advances grew Rs. 4,44,000 crore, up 13% YoY on EOP basis whereas average advances

for the year grew at 18% YoY. Bank completed the acquisition of Standard Chartered personal loan portfolio during the Q4 of '25.

Unsecured retail advances at March '25 are 10.5%. Previously, it was 11.8% as we slowed down disbursement in microfinance business and credit card business due to impact of embargo. CASA ratio at 43% at March end with fixed rate SA growth of 2% on a QoQ basis. Average total deposit for the year grew at 16% YoY of which current account balances grew at 8% YoY. Average total term deposits growth of 28% for the full year and included growth of ActivMoney deposit by 46% YoY. Bank continues to maintain healthy and disciplined CD ratio at 85.5% at March 31st.

NIM for the quarter actually improved to 4.97% on a sequential basis with benefit of saving account rate cut and higher average current account balances. NIM for the full year is 4.96%, is lower by 36 bps on a YoY basis, mainly impacted by higher cost of fund and lower mix of retail unsecured advances. Fees and services grew at 11% QoQ in current quarter, led by distribution income. Growth in the fee income for credit card and 811 products in FY'25 got impacted by embargo, with corresponding reduction in acquisition as well as the product cost.

Our tech spends for financial year '25 at 12.5% of total opex as we continue to invest in technology for sustainable efficiency going forward. Q4'25 operating cost includes cost of Kotak brand campaign, 'Hausla Hai Toh Ho Jayega' as we prepare to relaunch product and services impacted by embargo for our targeted customer segments.

During FY'25, we added 200 branches versus 168 branches added in last year.

Coming to the credit cost part of it, gross NPA at 31st March, 1.42% with net NPA at 0.31% with a PCR improved to 78%. Slippage reduced during Q4 to Rs. 1,488 crore compared to Q3, Rs. 1,657 crore, mainly due to reduction on secured and personal loan businesses.

Credit cost for Q4, 64 bps compared to 68 bps in Q3 due to recoveries and settlements in secured businesses. On retail unsecured credit cost, we see personal loan credit cost and slippages showing reduction. Credit card credit cost and slippages remaining at the same level while not increasing, whereas the microfinance credit cost and slippages remains at elevated level and we expect that to continue for couple of more quarters.

The secured book continues to have negligible delinquencies. Overall, the Bank performance for financial year 25 was impacted by normalisation of NIM and increase in the credit cost in unsecured business.

Coming to the subsidiary performances:

Capital Market business-related subsidiaries had an extraordinary year. Kotak Securities recorded full year profit of Rs. 1,640 crore, up 34% on a YoY basis. This included MTM gain of Rs. 115 crore in Q4 FY'25 which I explained earlier.

Kotak AMC and Trusteeship Company recorded a full year profit of Rs. 977 crore, last year Rs. 525 crore, impressive 86% growth with 49% increase in the equity average AUM which is now just a shade under 3 lakh crore. Kotak AMC and Kotak Trusteeship profit included again the MTM gain of Rs. 164 crore in Q4'25.

Kotak Mahindra Capital which is the investment banking arm, full year profit again was Rs. 361 crore, up 68% on a YoY basis backed on large IPO and QIP mandates. KMCC continues to be ranked #1 in equity Capital Market for the 3<sup>rd</sup> consecutive year and also ranked #1 in the advisory business. Kotak Alternate Asset AUM grew by 6% YoY now to about Rs. 48,000 crore.

The other lending entities other than Bank, Kotak Prime customer assets grew to Rs. 40,000 crore with a YoY growth of 16% and the PAT for the Q4 was Rs. 297 crore, up 34% YoY and for the full year, profit grew by 14% YoY to Rs. 1,015 crore.

BSS Microfinance business correspondent ended the quarter with a loss of Rs. 91 crore due to lower disbursement and increasing collection related costs owing to increasing delinquency in select states. BSS net worth continues to be healthy at Rs. 936 crore at 31st March 2025.

Kotak Life ended the quarter with a PAT of Rs. 73 crore against Rs. 109 crore same quarter last year, primarily due to higher actuarial provision requirement on account of interest rate change. Kotak Life continues to maintain high solvency ratio of 2.45X against the regulatory requirement of 1.5X with an embedded value growing by 16% to Rs. 17,612 crore as against Rs. 15,242 crore last year.

To conclude, the current year's Group performance reflects the strength of our conglomerate model as evidenced by the strong growth in our Capital Market and AMC businesses with non-Bank entities contributing 29% to the group profit.

With this financial update, I hand over to Shanti for business update.

**Shanti Ekambaram:**

Thank you, Devang. From a balance sheet perspective, this quarter deposits grew 5% quarter-on-quarter and customer assets including credit substitutes grew at 4%. On an average basis for the year, advances grew 18% YoY and average deposits grew 16%.

Let me start with assets and with consumer assets:

Consumer assets was primarily led by secured businesses which grew 19% YoY and 4% on a quarter-on-quarter basis.



#### Mortgages:

Mortgages comprising of home loans and LAP grew 19% on the back of a strong Q4 numbers. Quality of the book continues to support our growth focus in these businesses. As I have said earlier, mortgages help us cement a long-term relationship with our customers and increase the wallet share, particularly in the affluent segment, and thus will continue to remain a focus area.

The LAP business continues to be steady. We have always been a strong player in this segment, given our strengths in the self-employed space and this will continue to be a focus going forward. We upgraded our tech platform for mortgages, which resulted in better transparency and customer experience in this highly competitive segment.

#### Business banking:

Our secured business banking comprising of small and micro-SMEs continue to see good growth at 19% YoY. Our portfolio metrics continue to perform well across industry in various geographies. In this business, we were able to serve the customer across all their financial and non-financial needs, both business and individual. This business is around our branches, and we will continue to focus and grow this segment. In the unsecured business loan segment, we continue to grow well, and the book is overall stable at the portfolio level.

#### Personal loans:

We have seen that the industry growth rate has come down to 10% to 12% YoY as compared to 25% previously. And this has been so at Kotak as well. Two reasons for that. One, we had the impact of embargo in the first 5 months, when the digital journey was stopped. And we also tightened our underwriting norms at the beginning of this year. A lot of the growth has come in from ETB customers through repeat programmes and top-up. And thus, delinquency has been on the positive side, and we have seen better trends on flows and collections.

Credit card business was under embargo and thus we could not issue new cards during the year. However, we focused on our existing customers and their spends to maintain our portfolio as well as monitor it well. We saw stress in line with the industry, but we have seen stabilisation of flow in this quarter. Cards is a core proposition for our customer base, and we have new launches and initiatives catering to key segments in the pipeline to grow this business.

#### Let's move to commercial assets:

Commercial vehicles to begin with, at an industry level, grew 2% YoY. For the whole year, actually it de-grew. The goods vehicles segment business actually de-grew by 3% majorly on account of low government spending in many states as well as heat wave and liquidity tightness in the first half of the year.

We moderated our disbursements over the last few months in this segment considering overall economic trends and sectoral trends. We continue to grow our used vehicle financing business considering the comfort that the significant part of this business comes from our existing customers. In Q4, collection efficiency remained flat at Q3 level and including improvement in the early buckets. We will continue to focus on profitable growth on relevant customer segments in this business.

The construction equipment industry was stable. We have grown better than the industry, which helped us improve our market share. Portfolio trends in the segment are stable.

Tractor industry witnessed 17% YoY growth for Q4 coming on the back of lower base of the second half of last year due to better monsoon, better reservoir levels.

We grew our disbursements broadly in line with industry and continue to be a very key player with a strong market presence and market share. We continue to grow our used tractor financing business as well. With a normal monsoon forecast this year, we expect cash flows in the rural and semi-urban areas to improve and collection efficiencies in Q4 was better than in Q3.

Microfinance, I think enough has been said. The industry showed delinquency. This had impacted us as well, and that's why we degrew our portfolio. We continue to tread cautiously in most markets in this space. We have moved some of the data science models to look at customer risk and underwriting norms across states to onboard better customers. We will wait to see in the next few quarters whether this is a cyclical or a structural trend, and then grow our business cautiously.

Agri SME, we continue to build the book with focus on NTB customers across core as well as food agro-processing. Portfolio in this segment continues to be very stable.

I will focus on the wholesale side of the business now, where the focus was granular growth and in the corporate SME business, we witnessed very strong asset growth of 31% YoY and 6% QoQ. Both in SME as well as in mid-market, acquisition of new customers was a major focus and we have seen good strength. Placement spreads have actually improved in the quarter despite aggressive pricing in the market and we continue to invest in technology, efficient processes and custom outreach programs.

In the wholesale, in the large corporate segment due to the very competitive pricing, we actually degrew the short-term advances at the end of the quarter, but we moved to focus on credit substitutes, which look very interesting both in bonds as well as commercial paper. Including credit substitutes, our assets in this space grew at 6% YoY and 3% QoQ.

In the debt Capital Markets, which is a strong syndication business, it clocked its ever-highest fees supported by record volumes and closure of large marquee deals across products and sectors reflecting our market position.

Our asset quality across the customer segments on the wholesale side continues to be very robust and we did not see any slippages in the quarter.

Customer profitability, ATROE, deeper penetration through transaction banking and higher fee income will be the cornerstone of this business.

Let me now turn to liabilities:

I talked about the fact that in this quarter we saw growth of 5% in deposits, 16% average YoY, and our CASA ratio stood at 43% as of March '25.

On the savings side, our regular SA grew at 2% QoQ. There has been a higher average monthly accretion in the last 2 quarters of '25 in savings. With our focus on affluent and mass affluent, we are seeing better quality customer acquisitions who are highly engaged on digital platforms.

We hope to launch some new products and proposition for our customers in the affluent segment of savings and hope to see better growth as we get into the quarter.

Kotak 811 was under embargo last year, so we had focused on cross-sell to the existing customer base, as well as upgrading the tech platform for better experience. The Kotak 811 deposits which are granular in nature in savings continue to grow despite the embargo. Digital acquisition has commenced with a superior product and tech experience and this will be the focus of 811 which will be to serve core India.

So, we have strengthened our proposition for CASA and are actively tapping our internal ecosystems for building it.

Current account. The average current account for the quarter grew at 9% YoY. On the consumer side, we have consolidated our acquisition on the self-employed space, and we have actually seen our best of a quarter on the NTB side in terms of value in current account.

On the wholesale side, we continue to focus on garnering greater share of customer collections, payment flows, and liability balances, which has seen strong growth this quarter. We have also strengthened our position in the tax payment space with throughput increasing 30% YoY.

Custody, a key strength and a key focus area, including on the domestic front where we continue to deepen our market penetration successfully. We onboarded new clients across both domestic and offshore custody business and this will continue to be a core area.

In terms of term deposits, our term deposits grew at 16% YoY. Retail TDs has shown strong growth across all quarters. Our core proposition with ActivMoney helped us grow our customer deposit. ActivMoney grew by 18% YoY.

We will continue to focus on our key segments for savings growth and balance between savings, ActivMoney and TD in a granular manner for the overall deposit growth as well as optimise our cost of funds. The system liquidity has seen significant improvement and this should be beneficial to banks from a deposits perspective.

We have also taken several initiatives to enhance the customer experience through a customer 360 approach, customer service and grievance redressal systems. On the transaction banking side, we continue to invest in technology and digital for both corporate and SME customers.

Overall, we have seen reasonable growth in both assets and liabilities, and we remain focused on growing both the segments based on quality acquisition, deepening customer franchise, enhanced customer experience, and cutting-edge digital platforms.

I will now request the operator to open for Q&A. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of s Shah from Citigroup. Please go ahead.

**Kunal Shah:**

So firstly, the question on provisioning coverage, now it is raised to almost 78%-odd and we are clearly seeing the decline in the slippages as well. So firstly, is this PCR largely the catch-up provisioning on the unsecured wherein maybe the 100% is provided with a lag and not maybe within 90 days? So, is that the fair assumption or this is more like a conservative step to get it in line with the industry average and maybe given this PCR and declining slippages, what would be the outlook on the credit cost?

**Devang Gheewalla:**

Hi, Kunal. So, on the PCR, you are right. I think it has improved to 78%. I think PCR, as you know, is the provision which we make on the NPA cases. Now, with the accretion in the gross NPA itself slowing down, I think that is one of the reasons why it is improving. And I think what we are seeing is that the new book which we are writing in the unsecured loans, it is much more better credit quality. However, the book which has been already become delinquent, the balance provisioning will be required under our policy going forward for the next couple of quarters. So, we will see provisioning for the old book, which is yet to be fully provided. Whereas for the new book, we expect the provisioning to be lower than the existing book.

**Kunal Shah:**

Yeah, so maybe if you can just guide through in terms of like this kind of a run rate in the provisioning, could there be like, I would say like a broad improvement in the credit cost than what we saw in the second half. Given that you indicated most of the areas are now showing improvement in the slippages and the credit cost trend and secured retail plus corporate and all that is not showing any kind of a stress or incremental delinquencies?

**Devang Gheewalla:**

Yes, Kunal, I think we gave our view based on what we see today as of now the trends and some of the steps which we have taken to prevent any further NPA buildup. But you know, as I think some of the

sectors are still getting impacted by external factors which are beyond our control. So, I think it be very difficult to give the guidance. But as I said, the new accretion to the book is certainly slowing down in personal loan. As I said credit card remaining more or less at the same level and the micro credit, it continues to be slightly elevated. So, it is very difficult to give guidance on the credit cost going forward.

**Kunal Shah:**

Got it. And second question is on margins. Given we are in the repo rate cut environment, we have taken initiatives. We have cut the savings rate now almost to like 2.75 and 3.25, plus maybe some tweaking has happened on the TD side. Plus, there will be flexibility to cut sweep deposits as well. So firstly, maybe when you look at it on this cost of SA which is currently at 3.79 considering the rates which are prevailing currently at 2.75 and 3.25, would it be fair to assume that eventually it should settle towards 3% odd and should give like 20 bps advantage on the cost of deposit side and similarly some benefit flowing in from say the sweep deposit, so maybe ideally what is the kind of margin trends which you would look forward to in FY'26?

**Devang Gheewalla:**

I think you have given the answer to the question itself, but you are right. I think the way we have to respond to the repo rate cut obviously is through the cost of deposits because that's what the margin is all about, right? So, if I look at the cost of deposits, it's in three broad areas. One is the saving account where traditionally we were paying actually higher interest rate compared to our peers. Now we have aligned the rate to 2.75 through cuts in the SA balances over the last one quarter. And therefore, now we are at the same level as our peers. And obviously, the SA rate cut is on the portfolio, effect is there. In terms of the ActivMoney deposit, as you know, it's a...

**Kunal Shah:**

Sorry, so this can come down to 3% from 3.79, which is there currently, ideally?

**Devang Gheewalla:**

As I said, today after the cut, the rate is 3.25 over 50 lakhs and 2.75 below 50 lakhs. So yes, broadly it is in that range, it can come, right? Continuing my thing on the sweep TD, as you know, it's a 6 months product, we offer for CA and SA. But actual cost of the sweep TD is somewhere around 5.5% against the headline rate of 7% indicating that the tenure of the deposit is much lower than 6%. So, the reprising part of that also will become much faster. We have also rationalised the sweep TD rates for current account to 5% with a 150-day bucket. And for the saving account, we have reduced it from 7% to 6.5%. So, one is the rate reduction. Second is I think the reprising period which is faster, it should help. On the third bucket, which is the normal term deposit, clearly for the chosen buckets, and in line with peers and the competition, we have rationalised some of the TD rates. Again, our TD maturity, on a residual basis is less than one year, so the reprising also should happen over that period time. So, I guess all this combined should help us to sort of navigate and respond to the repo rate cut which remains. Anyone's guess now, how many much further repo cuts will come, how much it will come, when it will come, I guess, but that's what the sort of answer to your question is.

**Kunal Shah:**

Okay. Thanks, and all the best.

**Moderator:** Thank you. The next question is from the line of Anand Swaminathan from Bank of America. Please go ahead.

**Anand Swaminathan:** Thank you. I have a couple of questions. One is on capital management. What, according to you, is the optimal capital level for Kotak, especially since loan growth has come down to 13%, 14% levels now? In a 2–3-year period, where do you see CET1 and what would be the strategy to achieve it? And number two, in terms of the unsecured book and credit card, it's good to see that things are settled down and starting to improve. But just as a diagnosis of what happened over the last 12, 18 months, clearly a couple of bigger peers in the market, their credit card and unsecured performance has been meaningfully better. And what do you think was the delta for Kotak in this cycle? And would it change anything that you do in the coming cycle in those two segments in terms of risk or customer selection or anything like that? That's it from me. Thank you.

**Ashok Vaswani:** So, let me deal with that question, Anand. First on the capital management, look, there is no doubt we have excess capital and the way we think about capital is that really it provides a fortress balance sheet. And when I say fortress balance sheet, it really means that it gives us the ability to kind of deal with any kind of downturns as well as gives us the ability to take advantage of any opportunities that come for growth. So, we have always said that M&A and inorganic activities would be an important part of our strategy. And we continue to look at every single opportunity that comes along. Now, just because we have capital, we are not just going to kind of spend it and waste it. Obviously, any kind of acquisition opportunity that comes up has to make sense from a strategic perspective as well as from a financial perspective. Now, so keep that on the side. As and when that happens, we will be ready to do that. And we have got a watchful eye.

Two is, what are we doing with this excess capital and how are we dealing with it? The key thing is we run our businesses. Devang allocates our businesses at about 15% capital, and he then has excess capital. The way we utilise or invest our excess capital, first call is business, second call is our alternative asset businesses, which historically have given us a very, very good return in the high teens post-tax. Now, you do not see the benefits of that on a quarter-on-quarter-on-quarter basis. It comes in lumpy, but still the returns are there.

Three, we like investments in financial market infrastructure. So, things like KFin, MCX and other such opportunities, we are constantly on the watch to say, do other such opportunities because we think long term, that will provide us great kind of growth opportunities.

Now, apart from these three, we are looking at other areas where this capital can generate a return. It will not generate a return as much as our businesses do. But if we can get, generate a return as close to our businesses, then it is a Nirvana situation where we have the opportunity to take advantage of any opportunities, manage any downsides, yet get a decent kind of return. So, that's how we think about capital management and understand that this is lumpy and opportunistic and doesn't happen in a clean row. But that's how we kind of think about it.

Moving to your second question on unsecured book. Yes, the overall book, unsecured book fell from about 11.8% of our total advances to about 10.5% of total advances. Our desired state, obviously not in one year, but over a period of time, is to get to mid-teens. And we will continue to grow that. We like the credit card business a lot. And we are redoing our entire credit card business, rethinking of the strategy and aligning it with the broader strategy of getting the right product for the right customer. So, that's work in progress.

But like I was talking about Solitaire, we have just come up with a new credit card for that truly affluent customer which will really meet the needs of that kind of customer as we kind of go ahead.

There are important learnings from what we have been through. See, we have got to recognise that at its core, at its core, Kotak is an SME bank, right? That's where our strengths are. And that's how we have got to kind of think about it and how we kind of cater to that.

Number two, right, we have always been very conservative, and I like that on the corporate side of the house, how do we take it and tweak that on the retail side of the house and get a better balance of risk reward? We went out and we did a whole bunch of tests and experiments. And frankly, we could have kind of put that into a box or limited the exposure that kind of came out of the test/ experimental portfolio.

We recognise that we are different from our competition in the sense that we are more SME and less a Corp- Sal kind of bank. And therefore, what are we going to do about that? So, I think we have learned some very, very, very important lessons from this painful episode. And we are committed not to making those mistakes again.

**Anand Swaminathan:**

Thanks, Ashok. That's very useful. Just, you know, if you can enumerate a bit more on the lessons in terms of, was it customer selection, was it some processes, collection, and what would change in the current cycle, that would be useful.

**Paul Parambi:**

No, the lesson, and you compared us with some of the large peers as well. I think one, as Ashok was mentioning, is we had consciously tried to do certain test underwriting in order to be able to cross-sell more to our existing base. In hindsight, probably that those percentages, the exposure to that segment going forward will keep much smaller such that the risk is contained. And this is something we have already taken action well before the embargo itself, but we will continue with that.

The second is, smaller ticket size credit card limits. Those have larger risk. That again we had addressed before the embargo itself, but we will continue with that as well. Our Solitaire proposition is an affluent proposition. That will help us to get affluent clients who inherently carry lower risk as well.

You were then comparing the portfolio with larger peers. You know, as you are aware, our credit card portfolio has been traditionally a much smaller portfolio. And we had gone really slow during the COVID period. And you probably are aware that vintage books perform significantly better. So, our portfolios are

newer books which have been built more recently post the embargo. And therefore, those will naturally carry higher delinquencies.

So, that was a fact, not because of our post-COVID book, which would therefore, it doesn't reflect underwriting. It just reflects the nature of mix of the book and the fact that our credit card portfolio is much newer. But the policy we have written, it was pre-embargo itself. And what we have rolled out post-embargo is a much tighter policy on many of these factors, with much lower target loss rates.

**Anand Swaminathan:** Thanks a lot. That's very useful. Thank you.

**Moderator:** Thank you. The next question is from the line of Param Subramanian from Investec. Please go ahead.

**Param Subramanian:** Good evening. Thanks for taking my question. My first question is on the quarter P&L on the NII line. So, in the PPT, we called out that we have seen the margin expansion quarter-on-quarter. There is also a loan book growth quarter-on-quarter. So, you know, 1% Q-o-Q NII growth doesn't tally with that. So, can you take us through the math for that? That's my first question.

**Devang Gheewalla:** The NII of last year included the interest on income tax refund which was there almost Rs. 142 crore. If you refer our slide on Number 9, it gives you. That is one of the one-off item which was there. It was part of the NII. So, if you actually sort of remove that, then you should look at the impact of the growth in respect or NII.

**Param Subramanian:** Devang, I meant quarter-on-quarter. I mean, we are showing that there is a 4-basis point improvement in margin.

**Devang Gheewalla:** Yes.

**Param Subramanian:** And there is a Q-o-Q loan growth of 3%.

**Devang Gheewalla:** Sure. No, I understand.

**Param Subramanian:** So, NII increase is only 1%, right?

**Devang Gheewalla:** Sure, I was explaining the Y-o-Y part. The Q-o-Q kind of what happens is that the March, there is always the effect of the number of days. What happens is that because of the 31st March and February being a lesser number of days, it gives you the kicker in terms of the NIMs improvement, which is there marginally. But that is what creates this issue every last quarter of the year.

**Param Subramanian:** Okay, so just to be clear, so you accrue the NII over a lesser number of days. So, it affects your absolute NII versus the last quarter. Is my understanding right?



**Devang Gheewalla:** That's right.

**Param Subramanian:** Okay, perfect. This is really helpful. Secondly, on your CASA ratio, or rather on average SA, right? So, we have taken some rate actions on SA. And our average SA balances are like flat Y-o-Y. And I think if I am not wrong, I heard you say that, you know, we are open to taking more action. So, how should one look at that with, say, overall CASA growth outlook for next year as well?

**Shanti Ekambaram:** So actually, I had talked about that when I said that at this quarter, if you see quarter-on-quarter, we have seen our regular fixed rate SA grow by 2% quarter-on-quarter. And we have also said that from an average accretion basis on the customer acquisition side, we have seen in the last two quarters, a much better average accretion given the focus, you know, the increase in acquisition of affluent customers.

So, we are very clear, CASA focus both CA and SA. SA, the core banking customers continue to grow SA. In fact, balances up to Rs. 10 lakhs have continued to grow quite robustly. The affluent customers' accretion is better, but you will see some amount into investment. So, it's a combination of CA and SA and ActivMoney SA. We hope to focus on our CASA balance.

**Param Subramanian:** Okay, just to follow up on that, Shanti, so in the past when liquidity has been very accommodative, we have also seen CASA ratios go all the way up to 60%. So, I am not asking for a guidance per se, but do you think the CASA ratio as such has legs to go up from where you are despite taking SA rate cuts from here?

**Shanti Ekambaram:** So, one thing, one is on a quarter-on-quarter, we have improved the CASA ratio. Probably most banks have. That's good. But when you talked about 60%, you must realise at that point in time, we had stopped taking term deposits. Because during COVID, even lending had been everybody batten the hatches.

So, I think as you expand your balance sheet and you sort of look at ratios, CASA ratios will show very different growth. Suffice to say we will grow our CASA, but ratios will depend upon your growth in balance sheet and the mix of the TD base. What you should look at is cost of funds and whether you are competitive on the cost of funds. I think if you see that even in this quarter, they have been very competitive on the cost of funds and that's what is actually correct.

**Ashok Vaswani:** And just to add to that, Shanti, I think linking the asset, the CASA or SA growth to rate may not be really the right thing to do because the elasticity of pricing at the lower end of SA, right, is very, very, very low. And that has been demonstrated over the last four or five months when we initially took down the rate, right? So, I would not equate those two.

**Param Subramanian:** Perfect. Thanks, Ashok and Shanti. Just one more question, if I may. Any number around growth that you have called out average advances growth of 18% for this year. So, you know, any number around growth that you want to call out for next year in terms of guidance? Yes, that's it from me. Thanks.

- Ashok Vaswani:** So, you know, true to our philosophy, we have always said, look, we will grow assets somewhere between 1.5x to 2x nominal GDP growth. Frankly, that's a risk appetite statement, right? If the economy is, you know, if you are growing assets faster than 2x times nominal GDP growth, one has to ask the question, are you taking on too much risk? And if you are growing lower than 1.5x nominal GDP growth, then you ask the question, are you leaving money on the table, right? Because this is not about a day in the sun or a quarter in the sun.
- It's all about a sustainable franchise, which is really something our customers admire. And therefore, we target somewhere between 1.5x to 2x nominal GDP growth. That will continue into Fiscal Year 2026 as well.
- Param Subramanian:** Thank you. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.
- Piran Engineer:** Hi, team. Congrats on the quarter. Actually, most of my questions are just follow-ups on previous questions. Firstly, for what Kunal asked about cost of SA deposits, from the 3.79, do we assume it goes down to 3 or do we just assume it goes down 25 bps quarter-on-quarter?
- Devang Gheewalla:** So, hi, Piran. I think 3.79 includes, besides the fixed rate SA, also the floating rate SA cost. So, while we have taken actions on the fixed rate SA to reduce the rates to 2.75 and 3.25, the floating rate SA rate remains as of now. But I think it all depends upon what the balance of that in the SA which will remain. So, when I answered the question, it was more from a fixed rate SA perspective that it would be around 3%. The floating rate SA will be based on the MCLR rate and as well as the quantum of such deposits as we go, MIBOR sorry.
- Piran Engineer:** Understood. Okay. That's pretty clear now. Secondly, again, just following up on Param's question, the 1% NII growth, but NIM being up. Now, we get that there is this number of days effect other banks have also mentioned it. But if I look last year, right, our NIM was up 6 bps Q-o-Q, but we still had a good 5%-6% NII growth Q-o-Q with about 5%-6% advances growth or customer assets growth.
- Devang Gheewalla:** Yes.
- Piran Engineer:** So, I am just trying to get the disconnect here.
- Devang Gheewalla:** So, I think that is what, Piran, I was saying when I was explaining that last year, last quarter, and if you refer Page 9 of our investor presentation, it included almost the income tax interest on refund of Rs. 142 crore, as well as the tax credit of Rs. 200 crore, right? So, in the NII, you had Rs. 142 crore. Again, just to take you, the interest on income tax refund is not considered for the NIM calculation because it is on the earning assets. But when you look at the NII, it includes the Rs. 142 crore of that.

- Piran Engineer:** Okay, but this is just Rs. 24 crore number which is...
- Devang Gheewalla:** That's correct.
- Piran Engineer:** Okay. And just lastly, on this SA thing, right, now, even a few quarters back, we mentioned that there is a new, let's say, revamped push for SA. We will have a micro-marketing strategy in the top 25 cities. We will focus on specific customer segments, the affluent customer, etc. We will launch bundled products. But even if I now, obviously, maybe one or two quarters might not be the perfect time period, but it's been now six, seven quarters where the SA book is kind of stuck at this Rs. 1.2, 1.3 lakh crore.
- So really, what here are we missing? Is it just simply that competition has heated up from private banks, PSU banks? Is it the fact that we are over-indexed to wealth customers, and they will continue to put money in TD, whatever we offer? Like how do we get comfort that SA starts picking up this? Otherwise, the performance of the bank has been good. Just that this SA has been one sort of tough point out here for a few quarters, not just one quarter.
- Ashok Vaswani:** So, look, I mean, if you do an analysis, right, in the first three quarters of the year, liquidity was very tight. And you compare it to every other bank on the street, right? Pretty much we are there and there about. Okay? On SA. Right? This is despite our 811 proposition being put on hold because of the embargo. Okay. So, that's one point.
- The second point is that, look, with the ActivMoney kind of proposition, a lot of money gets swept. And you can see ActivMoney grew very handsomely year-on-year.
- Shanti Ekambaram:** Last two years.
- Ashok Vaswani:** I think 47% year-on-year growth this year and an equally amazing number last year.
- Shanti Ekambaram:** Average.
- Ashok Vaswani:** And that ActivMoney dampens the SA kind of growth. I think Shanti said this. The real way to look at this is our cost of funds. And you will see our cost of funds still is about the best there is in the industry. Because of the way we manage CA, SA, ActivMoney and TD.
- Piran Engineer:** Got it. Okay, that's useful. And just lastly, if I may squeeze in. This jump in OpEx Q-o-Q, that's just more seasonal due to PSL purchases, etc. PSLC purchases or is there anything else to read into?
- Ashok Vaswani:** Yes, there is PSL purchases. You are right. Having said that, look, once we got out of the embargo, it was important that we came out strongly. And we came out strongly with the brand campaign, as well as restarted the engines on credit card acquisition and 811 customer acquisition.

Like I said again, you know, this is not about a day in the sun or a quarter in the sun. We are trying to build a solid franchise and therefore, it could have been so easy not to spend on the brand campaign and improve the expense. But I really want to build a long-term sustainable franchise for our shareholders. And that's what we are going to do as we go about it.

**Devang Gheewalla:**

Piran, just to add to what Ashok is saying, in the last quarter what has also happened, because of the G-Sec rate falling, the actuarial provisioning for the pension fund liability has to go up because of that.

And I think the second part is, because our share price is doing well, some of the share price-based incentive provisions on SARs and all also got a bit higher compared to the earlier quarter. So, besides the one-off cost on the brand campaign, which is the 'Hausla Hai Toh Ho Jayega' and some of these payroll-related costs, the cost has been higher in the last quarter.

**Piran Engineer:**

Okay, this explains it perfectly. Thank you so much and wish you all the best.

**Devang Gheewalla:**

Thank you, Piran. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Ashok Vaswani for closing comments.

**Ashok Vaswani:**

So, thanks a lot. I once again sincerely apologise for starting late. We have had quite a rollercoaster FY '25, but I think a lot of the stuff is behind us. We are committed to driving our strategy and executing on our mission to move from product-centricity to customer-centricity. And we are really looking forward to FY '26 and giving you regular updates every 90 days or so. So, once again, thank you so much, and see you at the end of the next quarter. Thank you.

**Devang Gheewalla:**

Bye-bye. Look forward.

**Moderator:**

Thank you. On behalf of Kotak Mahindra Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.