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May 23, 2025

The Manager,
National Stock Exchange of India Ltd,
Exchange Plaza, 5th Floor,
Plot No. C-1, 'G' Block,
Bandra- Kurla Complex,
Bandra (East), Mumbai - 400051

The Manager,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Scrip Code: KARURVYSYA

Scrip Code: 590003

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Conference Call held with respect to the Audited Financial Results of the Bank for the quarter and year ended March 31, 2025

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have enclosed herewith the Transcript of Conference Call held on May 19, 2025 at 5:30 P.M. (IST), in connection with the Audited Financial Results of the Bank for the quarter and year ended March 31, 2025.

The same is also made available on the website of the Bank and can be accessed on the following link:

<https://www.kvb.co.in/docs/investor-con-call-transcript-fy25-4.pdf>

Kindly take the same on record.

Yours faithfully,

Srinivasa Rao M
Company Secretary &
Deputy General Manager

Encl: As above

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“Karur Vysya Bank Limited Q4 FY '25 Earnings Conference Call”

May 19, 2025



**MANAGEMENT: MR. B RAMESH BABU – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER, KARUR VYSYA BANK
LIMITED
MR. NATARAJAN – EXECUTIVE DIRECTOR, KARUR
VYSYA BANK LIMITED
MR. SANKAR BALABHADRAPATRUNI – EXECUTIVE
DIRECTOR, KARUR VYSYA BANK LIMITED
MR. CHANDRASEKARAN – CHIEF OPERATING
OFFICER, KARUR VYSYA BANK LIMITED
MR. RAMSHANKAR – CHIEF FINANCIAL OFFICER,
KARUR VYSYA BANK LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '25 Earnings Conference Call of the Karur Vysya Bank.

We have with us today the Management Team of KVB represented by Mr. Ramesh Babu - MD and CEO; Mr. Natarajan - Executive Director; Mr. Sankar Balabhadrapatruni - Executive Director; Mr. Chandrasekaran - Chief Operating Officer and Mr. Ramshankar – CFO.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. B Ramesh Babu - MD and CEO to take us through the highlights of the quarter gone by, after which we will open the floor for questions. Thank you and over to you, sir.

B Ramesh Babu: Thank you. Thank you very much. Good evening to all of you. On behalf of Karur Vysya Bank, I welcome you all to our Bank's Earning Call for Quarter 4 of the Financial Year 2025. We have uploaded our financial results along with the presentation on our website and I hope you have had a chance to go through it in detail ahead of this call. Before going to our performance, I heartily welcome Mr. Sankar Balabhadrapatruni to the con-call, who has joined our Bank as Executive Director. Mr. Sankar, a seasoned banker and a former DMD, Deputy Managing Director of State Bank of India, has more than 3-1/2 decades of professional banking experience in various areas in the banking domain.

We are pleased to share that our performance indicators are in line with our guidance that we had spelt out in the beginning of the Financial Year '24-25 and it is encouraging to note that our consistent and inclusive performance is well above our guidance on 3 metrics, growth, profitability and asset quality. The Bank's total business stands at Rs. 1,86,569 crores as on 31st March 25 as compared to previous year Rs. 1,63,536 crore, registering a growth of 14%. The advances stand at Rs. 84,491 crores and deposits grew to Rs. 1,02,078 crores with the growth of 14% each.

We had indicated at the beginning of the year with respect to the business mix of our advances portfolio with more focus on RAM vertical. In tune with that RAM verticals have grown by 20% year-on-year that is 3% quarter-on-quarter constituting 86% of the overall advances portfolio. Commercial loan book increased its share to 36% and both retail and agriculture growth had a share of 25% each. The commercial business continued to grow at 21% over the previous year, with significant contributions from various channels during the year. In spite of various challenges, the agriculture loan book had a growth of 20% year-on-year, 6% quarter-on-quarter and achieved all the targets and sub targets under priority sector for all the quarters of the year and priority sector advances as a percentage to ANBC as on 31st March 2025.



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We are very cautious with our MFI portfolio, which we ventured in a small way 2 years back. We have commenced covering under CGFMU from 1st April 2025. The total outstanding is currently only 0.37% of the overall portfolio. Though it is small, we are cautious in ramping up and shall wait for one or two quarters more. You are aware that we integrated open market channel with the branch channel as Consumer Banking Department – Assets asset at the beginning of the year. The synergy has resulted in growth of 18% during the year under review. Mortgage loans grew by 34% over last year. The focus is more on cash flows rather than solely relying on collateral. We have strengthened our monitoring mechanism using predictive analytics too, to spot the stress much early. With the experience gained all along, we found it reasonable to ramp up this book as it is fully secure and offers a reasonable risk reward. Retail gold loans also grew by 61% and housing loans by 12% over the previous year.

Our co-lending Amazon BNPL program is performing well, and the book is around Rs. 844 crores. In view of the household elevated leverage, we are cautious in ramping up this book. We have further tightened our on-boarding norms to exercise caution at present and shall review periodically to relax and to ramp up the book in due course as all the enablers are in place. Corporate and institutional book had a degrowth of 14% during the year. This resonates with our indication during the quarterly calls our preference over margins than the topline growth.

Repayments and closures amounted to Rs. 1,269 crore during the year. Also, we have decided to wind up the precious metal division, which we started in 2019 as it was not ROA accretive. We had outstanding of Rs. 674 crores at the beginning of the year and reduced to Rs. 41 crores on 31/03/2025. The above factors resulted a degrowth in the corporate portfolio. However, the vertical explored investing in corporate instruments of corporates where lending margins were low as credit substitutes during the year and investments outstanding Rs. 350 crores were made as at the end of March 25. This will continue for the coming year too.

In view of the tightness in raising CASA resulting in elevated cost of deposits lending to corporate still do not appear to be margin accretive. Hence for the first half of 2025-26 also, we may adopt same strategy to focus on RAM till proper mix of deposits comes back. Transaction Banking Group continues to support the Bank for a diversified portfolio and anchors top corporate relationships. We are in the final stages of upgradation of the platform to meet the requirements of the business and we will focus on this area too in the periods to come.

Our partnerships for co-lending with NBFCs continue to perform well and the loan book under this segment is above Rs. 472 crores. We have consciously lowered this book due to lower margins. We will ramp up once the mix of deposits returns to normalcy. As our RAM verticals are sustaining their organic growth momentum, we would keep this co-lending as secondary to our organic growth. Our unsecured loan book is 2.22% of the total advances as at the end of 31st March, which is very low among the peers. The low base offers us a tremendous opportunity to offer various personal loans and other products to those curated and tested customers of our BNPL book. Currently, we will be low on this, and we have this opportunity to grow with partners in due course.



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The Bank's liability business constitutes 55% of the total business of the Bank. With respect to liabilities, Financial Year '24-25 threw many challenges like shift in customer preferences with respect to investment needs just in time disbursement of funds by the government departments, this resulted in lot of pressure in sourcing liability business. Most of the banks launched special FD schemes for shorter periods.

In spite of all these challenges, I am very happy to say that our deposit figure crossed the landmark figure of 1 trillion during this year. Deposit growth continued to remain one of the key focus areas for the Bank and you are aware that the Bank had initiated various strategies for deposits including the establishment of an acquisition channel for both term deposit and CASA growth. Our term deposit growth during the year is at 20%. The share of short-term deposits or total deposits increased for all banks in the industry, so we are not an exception. Our CASA grew by 3% over the previous year. Financial Year '24-25 was the first full year of our acquisition channel. The Bank had also launched new variants in CASA products. This resulted in opening more than 19,000 plus accounts with balances more than Rs. 400 crores. Specific segments have been formed under CASA acquisition channel, targeting institutional clients, corporate salary accounts, trade and FOREX customers. While our CASA acquisition numbers are progressing well, there is depletion in the existing with book on account of other opportunities available for the depositor resulting in lower growth under this segment. Our asset verticals also have started mobilizing deposits as we introduced the self-funding concept during the year.

With respect to margins, the Financial Year '24-25 was a year where margins were under pressure throughout the year. Raising cost of funds, expected rate cuts though happened only in the last quarter increasing floating rate asset book all kept the banks in tenterhooks throughout the year. Considering the above factors, we had indicated in the last call that our NIM would be around 3.85 at the exit quarter of the year. I am happy to say that we were able to maintain NIM for the 4th quarter at 4.05% and for the full year at 4.09%. NIM dropped during the year by 11 basis points from 4.2 during the previous year. Our continued rebalancing of the portfolios with more focus on better yielding, granular, secured advances in RAM verticals has helped us to maintain the margin above 4% level.

The cost of deposits increased by 8 basis points sequentially as against 10 basis points guided by us in the last call. For the full year, the cost of deposits was 5.61% showing an increase of 42 basis points from 5.19% of the previous year. The yield on advances increased by 3 basis points during the quarter in spite of the rate cut. For the full year, the yield on advances was 10.15%, showing an increase of 20 basis points from 9.95% of the previous year. Our continued efforts on rebalancing of the portfolio with focus on high yielding products falling within our risk appetite in RAM verticals has resulted in this growth. The yield on investments has increased by 14 basis points during the quarter. For the full year, the yield on investments was at 6.61%, showing an increase of 38 basis points from 6.23% of the previous year.



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Given our expectation that interest rates will stabilize at current levels or potentially decline slightly, we plan to maintain the current duration, thereby rebalancing interest rate risk and investment returns. We have achieved operating profit of Rs. 835 crores for the quarter and Rs. 3,212 crores for the full year, a growth of 20% over the previous year. Our net profit touched a high of Rs. 513 crores for the quarter and Rs. 1,942 crores for the full year. Our operating expense for the quarter is at Rs. 764 crores, establishment expenses was at Rs. 385 crores increased sequentially by Rs. 12 crores, mainly on account of the increase in pension obligations on account of drop in yields. Other OPEX increased to Rs. 379 crores from Rs. 357 crores sequentially, mainly on account of increasing channel related fee, DSA commissions and tech related expenses.

For the full year under review, OPEX has gone up by 9% over the previous year. For the quarter under review, we have provided a sum of Rs. 136 crores towards NPA migrations, standard assets and prudential provisions and credit costs works out to 0.64% on an annualized basis. As done in the last 3 quarters, we have provided a sum of Rs. 25 crores towards the prudential provisions and cumulative provision available under this is Rs. 100 crores. Our gross slippage during the quarter was at Rs. 179 crores and for the full year it was Rs. 482 crores which is 0.57% of our loan book. SMA 30+ numbers were at Rs. 254 crores as at 31/03/2025, which is 0.3% of our loan book reduced from 0.38% of the previous year, indicating continued maintenance of control over this aspect. With our persistent focus on recovery from technically written-off books, we were able to recover a sum of Rs. 182 crores during the quarter. Total recovery during the year is Rs. 638 crores as against Rs. 341 crores of Financial Year '23-24. Due to lower slippages, recoveries, upgrades, and write-off, our gross NPA has come down to 0.76%. Our net NPA remains at a level of 0.2 and we would continue to maintain the net NPA at less than 1% of our book.

Our standard restructured loan book is further reduced to 0.64% of the loan book and is performing well and we do not foresee any major setbacks or slippages from the book. Above all, many of them are backed by the collateral, and we were holding 41.24% provision for the said book. Our cost-to-income ratio for the quarter is 47.77% for the quarter and 47.25% for the full year, which is within the guided range of below 50%. Our CRAR Basel-III continues to be healthy and is at 18.17% providing us comfortable headroom for growth. There may not be any need to raise money in Financial Year '25-26 for the growth plan.

Our digital transactions grew by 115% in Financial Year '25 and the share of digital transactions stands at 98%. We have rolled out our new version of our mobile DLite App with enhanced features during the year. I am happy to say that the rating for the App is 4.7 in Google Play Store and 4.1 in Apple Store and there are 1.3 million monthly active users for our DLite App and 5 million downloads for our DLite App.

We have achieved a ROA of 1.73 in this quarter. It could be noticed that our ROA has consistently improved from 0.19% in December 20 and grown sequentially in the last 21 quarters, which is the result of our concerted efforts in stimulating the various levers of ROA



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and enabled us to achieve this parameter well ahead of timelines. I am happy to share that we have declared a dividend of 130% as against 120% last year and this is subject to shareholder's approval.

Now, let me move on to what we intend to do in '25-26:

The financial landscape is witnessing a dramatic transformation globally as well as in India, driven by technological innovations, changing consumer preferences and emergence of alternative business models. The Reserve Bank of India is expected to adopt a more accommodative monetary policy stands. This could involve further rate cuts to stimulate domestic demand and support economic growth. The sudden escalation at the border in the last few days has also added more uncertainties for the coming year. Considering the above, the outlook for the Financial Year '25-26 remains cautiously optimistic, we need to navigate margin pressures too and monitor asset quality closely. We expect our credit growth to be more than 2% over the industry growth.

Our RAM verticals would continue to sustain the momentum with an eye on the margins. Corporate book has come down to 14%, however, this is a temporary phenomenon which would come back once liabilities pressure eases off, the moment liability pressure eases off, we will have the proper mix of liabilities. Given our diversified corporate exposure to NBFCs and other corporate entities, we see merit in exploring great opportunities through investment route, particularly in the corporate rated AA- and below where risk adjusted returns remain attractive. We would continue to look for credit substitutes, opportunities in corporate vertical as we did last year.

The credit growth would align with our growth in liabilities. We are sanguine that the branch and sales acquisition channel would continue with greater rigor for sourcing the raw material and our branch channel team would put their efforts to maintain the balance in the ETB books. The CD ratio would be maintained at around 85% levels during the coming year too. We have added 50 branches during the Financial Year '24-25, so 38 branches were Lite branches, and 12 branches are regular branches. With respect to branch expansion for the current year, we have planned opening 19 lite branches and 9 regular branches before the end of the first half of the current year, mostly in the Southern and Western parts of the country. We believe the peak in retail and wholesale deposit rates is now behind us and we are witnessing a decline in deposit rates accompanied by a drop in CD rates. Given the lagged impact of deposit cost movements, we anticipate a decrease in the cost of deposits for the banks starting from the second quarter of this financial year.

With respect to margins, as two more rate cuts are expected, we expect that NIM to be in the range of 3.7-3.75 for the full year. Our loan book comprises of EBLR book of 52% and MCLR book of 37%. Considering the uncertainties in the market, there may be fluctuations during the quarter. However, our endeavor is to maintain within the above range for the full year. Considering our branch expansion and additional manpower plant, our cost to income ratio



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would continue to be around 50% in '25-26. Our efforts on recoveries should continue and we expect the momentum gained in the last year will be retained in the Financial Year '26 too. GNPA is expected to be less than 150 basis points and net NPA to be less than 1% for the full year. Slippages would be expected to be below 1% of our asset book. We have achieved a ROA of 1.72 in Financial Year '25 and 1.73 for the last quarter. Quarter-on-quarter, we have been improving this and our ROA was at above 1.5 throughout all the quarters for the last 2 years. We expect with the reasons adduced above, we will continue to maintain our ROA. It will be in the range of 1.55-1.65.

Renowned Warren Buffett recently mentioned when asked about on protecting progress, he mentioned *"the question is how do you keep it and how do you improve it."* We want to protect progress by focusing on margins, which is the key to sustainable profitability and long-term success. It is a hallmark for the health and efficiency of Bank's operation. This does not mean saying that we will be totally compromising on the topline. So, as I said earlier, our topline growth under advances can be 2% above the industry. I am grateful to all investors, analysts and stakeholders for the confidence and continued support which we will reciprocate through our better performance in the days to come.

Before I conclude, I would like to thank our ED, Mr. J. Natarajan, who is demitting office on Wednesday for his excellent support and guidance for the growth of the Bank over the years. On behalf of all, we wish him the best in all his future endeavors.

Now, I am glad to respond to your questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Jai Mundhra from ICICI Securities. Please go ahead.
- Jai Mundhra:** Hi, good evening, sir and congratulations on good numbers. Sir, few questions, first on gold loans, sir, you said that you have closed down the precious division, is it something to do with the new RBI circular and do you see any changes or fine tuning in your gold loan business basis the recent draft guideline by RBI?
- B Ramesh Babu:** Hi Jai, first of all, thanks for the greetings and Jai, in fact these two are different sets of operations. What we are talking about, the RBI jewel loans is what in the branches we dispense that will continue as we are doing both under agriculture as well as the retail segment. This was another segment which we have created precious metal. So giving a bullion loan to the manufacturers of jewellers, so that being because the margins are very few and what we thought is it is not accrual to the whole ROA and above all on those lines where margins are low also, you need to maintain a CD ratio. On one side, the deposit cost has gone up. It is not making much sense for us overall also. So that is the reason what we thought is there is no point because last 4-5 years, if you look at it, the overall book we have built is Rs. 650 crores. So that is why we thought that. So let us focus our rest of the things and all. We have come out that way, these two are altogether different.



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- Jai Mundhra:** Sir, the retail gold loan business, agri plus non-agri that should not have any material impact after the RBI draft circular, right that there is no fine tuning that you need to do or any material changes that you need to do?
- B Ramesh Babu:** Yes. Jai, in fact, I will tell you RBI circular, which the draft circular has come, final circular is about to come. So, one first good thing is all players will have the same platform now. No one will have a differentiated platform that gives us a better edge. And the major impact in the appraisal of the gold loans, what they say in the circular is you have to treat it as a production loan, but the process can be elaborate and would consume both manpower and time. It may lead to a higher tax and disposal of such loans. Currently, if you are able to dispose of in 20 minutes, it may take slightly higher time. For that what we need to do, we are planning to do is training the front end staff on the finer aspects of handling and appraisal as a production loans. The second thing is we want to develop user friendly templates to reduce the processing time and various technology interventions measures to reduce the tax. So that way, if we take these measures, because this is not only for KVB, the whole banking industry, NBFCs, everyone, they need to pass through this one. So, it may take 2-3 months for fixing all these things, but we are reasonably confident it will not have a major bearing on the portfolio.
- Jai Mundhra:** Right. Sure, sir. Secondly, sir, there is some Rs. 26 crores of NPI and other provisions. If you can just elaborate, is this related to security receipts or is this related to some, what exactly is that and the bifurcation of other income, core income you have given, but non-core fee, how much is recovery from write-off or maybe treasury or some other line item?
- Ramshankar R:** This is Ramshankar here. It is the SRs which we received for our existing NPA account, but it was a form of InvITs trust investments. Based on the new circular, it has to be valued at 1. So I have to do it in the base loan which is already an NPA classification continues in the new form also, so we have to keep it as NPI only. So I have to make a provision for that investment. That is what the provision is there.
- B Ramesh Babu:** Jai, in fact, coming to the recovery from write-off in my inaugural guidance, so I have conveyed that quarter as well as year.
- Jai Mundhra:** Yes. No, but sir, if you have this number out of Rs. 245 crores of other fee, how much is recovery from TWO or treasury income separately?
- Ramshankar R:** Rs. 182 cr is the recovery from write-off for this quarter.
- Jai Mundhra:** Sure. And lastly, sir, you have given elaborate guidance on NIM and fairly range bound on ROA. There is likely to be pressure on NIM as you have also mentioned. But is it fair to assume that the contingency that we are providing Rs. 100 crores which is actually 8-9 basis points ROA that is the buffer you have, right? What I am trying to understand is this ROA guidance, you have the flexibility, or let us say, choosing between contingency and ROA, what would you



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prefer? Contingency is flexibility or do you think that you can continue to do contingency and still report ROA of 1.5-1.65?

B Ramesh Babu: Contingency, whether we will be able to continue or not that I cannot say at this stage because the Board has to take a call. When the position is becoming tight on the margin front, so Board will have to go and brief them also on this point. So now the contingency for using this contingency, it is like a fire extinguisher we want to use it. As and when absolute necessity is there, then we can use. In the meanwhile, the Bank is able to generate its own revenues in the normal course, it is better we meet from that, and the contingency will keep it aside. So, I am not saying that Rs. 25 crores with provision and without provision, I cannot say on that point now. But going forward, the need for contingency may not be there. That is what the Board has to take a call.

Jai Mundhra: Right. Sure, sir. Thank you so much. I will come back in the queue, sir.

B Ramesh Babu: Thank you. Thanks, Jai. Thanks.

Moderator: Thank you. We will take our next question from the line of Akshat Agarwal from Smifs. Please go ahead. Akshat, please unmute your microphone and go ahead with your question, please.

Akshat Agarwal: Good evening, sir. Thanks for the opportunity and congrats on a good set of numbers. Sir, my first question is on fee income growth. It was quite strong around 13% Q-o-Q. So where is it coming from given we have like negative growth on corporate, right? So, is it like to sustain going forward?

B Ramesh Babu: What do you mean by negative? Sorry, what is the negative growth?

Akshat Agarwal: Corporate lending, we have like a weak growth, right?

B Ramesh Babu: Understood. Yes, please go ahead.

Akshat Agarwal: So that was my first question, sir.

B Ramesh Babu: No, fee income, it has different components there as we mentioned earlier. It includes the write-off income also is there other income. So that has come up a good source of fee-income for us. I agree corporate had we grown in the normal course, our processing fee, all these things would have come up. But other verticals are there, including agriculture, jewel loan also we started charging, processing fee and commercial as well as retail, all these started giving some fee. So now corporate is going for a muted performance this year because we do not know whether the cost of funds what all we acquire with majority coming from fixed deposit will support our corporate funding or not. We want to focus on the non-fund-based business this year and already we are on the job on that. So that way, we shortfall what all we are going to get under the NII, net interest income. Partially, we want to make it through our fee income also. That is our



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endeavor. So, this year also the same tempo we would like to continue on the recovery from write-off accounts as well as the other income what all we are getting from the processing fee, others also. So that is what is our plan of action.

Akshat Agarwal: Right, sir.

B Ramesh Babu: One more point, Akshat. Now, 3 years, 4 years back when we were taking baby steps as far as a third party products are concerned that is cross sell, so we were growing at Rs. 25-Rs. 30 crores that sort of a range. So, we have ramped up and activated all channels. So, with that progressively it is more or less reaching around Rs. 180 crores this year. So that way, we have still lot of scope available there. So, we will make up from third party products marketing also. In fact, wealth management also, another tie up we have entered into that also should support us.

Akshat Agarwal: Right, sir. So, this recovery from write-off, is it a part of the others or the part of the fee income because they are like Rs. 264 cores on the fee income and Rs. 245 crores from other, right? So, this I would assume that recovery from write-off is coming into this other line, right?

Management: Yes, absolutely, you are right, from others only.

Akshat Agarwal: OK, so this core fee income Rs. 264 crore, 13% Q-o-Q is broadly from all this is core part of the non-interest income?

B Ramesh Babu: Absolutely, Rs. 264 cr as against last Rs. 238 cr, it is from the core fee only, absolute you are right.

Akshat Agarwal: That is great, sir. And my second question is on cost. You mentioned C2I to be around 50% versus current 47%. So, is there like what is the outlook for the OPEX floor? Do you expect it to go above operating income growth or is it expected to go below operating income growth given elevated staff hiring in the recent past as well as do we expect continued higher growth from non-staff expense?

B Ramesh Babu: No. In fact, what all the broad hiring we need to do for the acquisition channel as well as the service channel we have completed. So this year, the same intensity with which we did earlier years may not be there, but to some extent the branches what we have opened last one year and this year what we are going to open, these sort of things will kick in, but the point what we need to look at it is so the OPEX, rest of the things, you see employee cost may go up to some extent because the yields when they are coming down, so naturally what you need to provide for this pension fund and all these things will go up and all. So factoring all these things what we thought, correspondingly, there may not be an increase in the income because the net interest income will take a hit on account of two factors, one is the yield on advances may come down because of the EBLR, second thing is the cost of deposits may continue to have this sort of an elevated issue for 2-3 quarters. So, both sides there can be a compression. So, with these things, we thought that it would be around 50. Otherwise, what will happen, if I need to contain the cost to income



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at 47, so fewer the developmental activities, what we are trying to do, it will take a back seat. So, we do not want to do that. It is a transitory phase currently we are having. At this stage, if you are able to pass through that one, later, we will be able to get the benefit of that.

Akshat Agarwal: That is great, sir. Thank you for answering my questions in a very detailed manner.

B Ramesh Babu: Thank you, Akshat. Thank you.

Moderator: Thank you. We will take our next question from the line of Pritesh Bumb from Dam Capital Advisors. Please go ahead.

Pritesh Bumb: Good evening. Congrats on a great state of numbers, a few questions. First is on the loan growth. I think you were quite clear in terms of aligning loan growth, deposit growth and CD ratio at 85, but the guidance was that you will grow 200 bps above the industry. Considering the initial numbers which have come from the RBI, it looks like the industry growth is about 10.5. So how do you see that basically and because the guidance is 200 basis points higher, so it will be like 11.5%-12%, maybe you can pick up in the second-half, but how do you see that?

B Ramesh Babu: Yes, I agree with you, your estimates what we have mentioned, but look at one thing, when we are talking about a loan growth of it can be 12-13, whatever it is you say, now, the composition undergoes a change. Suppose if the corporate still goes down and to that extent, we need to compensate the growth in the RAM vertical. This year also you can see that 20% when RAM vertical has grown, 14% reduction in the corporate has been set off. And even with that, we could achieve our final number guidance given. So, I somehow feel the current mix of deposits what we are getting, this may continue for some more time. So that is the reason our focus on the RAM continues and though all engines are working well because if the margin is not accruing further, we may not grow that aggressively on the RAM, but whatever it is, you look at 20% when we have done last year, it cannot suddenly come down to 12%. So that way, the mix is more towards RAM and corporate low lying. With all these things, what you said is around 12%-13% we can think of.

Pritesh Bumb: Got it, sir. It is quite clear. Second was on asset quality, a couple of points there. First is, we have seen certain banks showing slightly higher stress in MSME. Now, there could be different pockets to that stress, but how are we seeing in our books going ahead? And also, as you said that RAM is the focus area, how do you see the new book building up in terms of asset quality?

B Ramesh Babu: No, I agree because MSME is vulnerable. But somehow in 2019, Bank has gone for a digital lending, wherein every account needs to pass through the loan origination software with so many checks and balances, so that has really helped us. If pre-LOS and post-LOS, if you look at it, so more or less 10%-20% of the pre-LOS stress numbers are there only in the post-LOS. So, our SMA 30+ what we have disclosed, it includes MSME book also, so that itself is around Rs. 300 crores and a portfolio of Rs. 85,000 crore. So, we can think saying that the portfolio is still under control and above all, we are using the early warning signals also as I said earlier, predictive



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analytics and all. So much in advance, we are trying to take some sort of a measure to rectify or fix these issues, but last but not the least is we will think of Loss Given Default. The majority of our MSME book is backed by collateral which is more than 100%. So if at all those situations arrive at so we are sufficiently guarded through the collateral, but otherwise we are for the time being confident saying that sort of an overnight stress will not come up in our MSME book because we are cautious, our collection teams are active and the monitoring team is active and continuously focus what we give on business growth, equal focus we are giving on the monitoring tool.

Pritesh Bumb:

Got it, sir. A couple of questions on the deposit side, one is that the current account deposit seems to be slightly muted given that this is a year end and again peer banks have seen a very strong flow. Maybe on average it may not be that great, but on period end basis we have not seen that kind of flow. Is there anything that has not led the flow to us?

B Ramesh Babu:

In fact, from March 1st onwards, we are very conscious about one point if some sort of a windfall comes in the last week and goes out in the first week of April, it may not support us a lot. So that is the reason what we thought throughout the next year you need to bleed, so we didn't make any conscious efforts to go for these 10 days, 15 days during the month of March. So, what all organically what we need today that we got it and all, so that we can continue the growth this way.

Pritesh Bumb:

And second point on deposits was, as you mentioned that you are degrowing your corporate book, just wanted to check how much will be deposits contributed by these corporates because these will be generally bulk and just trying to check if the bulk deposit also from them will have come down?

B Ramesh Babu:

I agree, but that usually we will not share actually, because the self-funding is a concept which we have started a year back. But still, I can very well say that many of the corporate banking units are active, they are able to mobilize. As you said, the majority has come in the form of a time deposit, but money is money. Now, even if I go and mobilize in the retail front or this side and all coming up and all, so a decent progress has been made by the corporate wing in mobilization of the deposit, our intention is over a period of time to bring it around 50% self-funding ratio for the corporates.

Pritesh Bumb:

50%, got it. And sir, the very last question was basically on your margin side, you mentioned that 3.7-3.75 is the range which you see. And you said it will be volatile between the quarters, but as a trajectory, do you see the first half to be a little bit higher because if you look at the average for full year, then your second-half will be better, right, because you will be cutting deposit?

B Ramesh Babu:

Absolutely. It will be like that. Absolutely, a simple calculation, let us say 1% the repo is cut. Our EBLR portfolio is 52%, so 50%, 50 basis points there can be a hit straight to the NIM. So, 4.05 minus 50, so it have to be 3.55, but we are taking many measures out of that. So that way



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we have guided overall 3.7-3.75 because first half will support us and second-half we have issues. Overall, we need to manage this way.

Pritesh Bumb: Got it, sir. Thank you so much. Thank you for these answers. All the best.

B Ramesh Babu: Thank you.

Moderator: Thank you. We will take our next question from the line of Akshay Badlani from HDFC Securities. Please go ahead.

Akshay Badlani: Yes. Hi. Thank you for taking my question. My first question would be around the commercial loan book. Our average ticket size has been increasing in the last 2-3 years. I just wanted to understand, is this by strategy that we are going for higher ticket sizes or some, in terms of asset quality, if you could get some color as to amongst the ticket sizes that we disclosed is the higher ticket size performing better or something like that?

B Ramesh Babu: Absolutely. You are on dot, Akshay. Because we started with a low average ticket size to test the waters. We have verified all the parameters, how they are working because the onboarding conditions are one and the same. So then progressively, initially we thought of Rs. 50 lakhs. The average ticket size used to be Rs. 25 lakhs, Rs. 30 lakhs and all. Then we started pushing the verticals for slightly higher because the advantage is with the lower labor, actually you will get a higher growth there. So that we have been encouraging and in fact we have been giving a target also to the verticals about the average ticket size which they need to reach. So that way everyone knows. So, I have to balance this way because when we saw the stress is under control, we can take that amount of reasonable risk so that it will reduce the loan and increase the growth.

Akshay Badlani: Understood. And would that be like yield accretive or because probably in lower ticket sizes, it would slightly be more ROA accretive?

B Ramesh Babu: Slightly here and there, there can be 5 basis points here and there in the yield, but you understand the amount of OPEX what we need to spend on servicing this account. If I am saving there these 5 basis points and on the OPEX, so it is more or less neutral for me.

Akshay Badlani: Got it. Just my second question was around the incremental branches that we are opening. So, what is the strategy there going forward? How much would be non-Tamil Nadu and how much would be from the home state and how are we seeing like a 3-5-year view? How is our view there in terms of geographical expansion?

B Ramesh Babu: No, very true. In fact, Tamil Nadu and South more or less, Tamil Nadu, we have good number of branches, but whereas in respect of Andhra and Telangana, still we have a scope. We are not deep into the markets there. So that way there exist some scope there. And Karnataka also offers some scope there because we are not so deeply penetrated there. Our next preference is always Maharashtra and Gujarat because we want to go in a contiguous area so that the connection is



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there and all. So that way we will complete South. Simultaneously, we will work on the West also. So, depending upon the opportunities available, we will not miss North, but East can be the last preference. First of all, the potential what we are getting here is much better. We will try to exhaust because the same cost if you are able to get the better business there and all, we want to exploit on those lines.

Akshay Badlani: Got it. Thank you. Thank you for answering my questions.

B Ramesh Babu: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. B Ramesh Babu - MD and CEO for closing comments. Over to you, sir.

B Ramesh Babu: Yes. Thank you all for going through our presentation and showing so much of interest in asking questions and all. As I said earlier, we will strive further to see that the momentum is maintained, and the expectations are met. Thank you all. Thanks.

Moderator: Thank you. On behalf of the Karur Vysya Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.