



“Karur Vysya Bank  
Q1 FY'26 Earnings Conference Call”

**July 24, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY'26 Earnings Conference Call of Karur Vysya Bank.

We have with us today the Management Team of KVB, represented by Mr. Ramesh Babu – MD and CEO, Mr. Shankar 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 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.

**Ramesh Babu:** On behalf of Karur Vysya Bank, I extend a warm welcome to everyone joining our Bank's Q1 Earnings Call for the Financial Year 2026. Our Financial Results and accompanying Presentation have been made available on our website and we trust you have had the opportunity to review them thoroughly in advance of this meeting.

As a summary of our discussion during Q4 call in May '25, we maintain a cautiously optimistic outlook for the Financial Year 2025-26, emphasizing the importance of managing margin pressures and closely monitoring asset quality.

We are pleased to report that our performance indicators align with our previously issued guidance. Notably, we successfully front-loaded growth in the first quarter of this financial year, consistent with our approach over recent years. Our sustained and inclusive results across all three metrics – growth, profitability, and asset quality, demonstrate the ongoing strength of our performance since the beginning of the year.

As of 30<sup>th</sup> June 2025, the Bank's total business reached Rs. 1,96,024 crores reflecting our sustained growth momentum in the first quarter with an overall business increase of 5% quarter-on-quarter and an year-on-year growth of 15%. Advances rose to Rs. 89,374 crores, representing a growth of 6% quarter-on-quarter, while deposits increased to Rs. 1,06,650 crores, achieving a quarter-on-quarter growth of 4%. As previously indicated during the Q4 earnings call for FY'24-25, regarding the business mix of our advances portfolio, we have placed increased emphasis on the RAM verticals.

Reflecting this strategic focus, the RAM segments have grown by 6% quarter-on-quarter that is 20% year-on-year, now accounting for 86% of the total advances portfolio. After two years of negative growth, our corporate book has registered a QOQ growth of 6%, although it remains negative on a year-on-year basis. Retail advances increased by 8% quarter-on-quarter, primarily



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driven by growth in jewel loans and mortgage loans. The synergy between the Branch Channel and the Open Market Channel is progressing well, as evidenced by an 11% increase in mortgage loans during the quarter. The early bookings of assets support consistent interest income generation throughout the year. Retail jewel loans registered a 23% growth during the quarter. Considering the low yields and increased competition, we took a conscious call of going slow in housing loans and vehicle loans. We maintained a cautious approach towards unsecured personal loans and BNPL (buy now pay later) loans during this period. The vertical is planning to come out with products in affordable home loans by sourcing as well as by co-lending model. It has also identified 144 branches to focus more on mortgages under the branch channel. The commercial business segment demonstrated a 5% growth over the previous quarter, driven by higher disbursements in both the small business group and business banking group, 30% quarter-on-quarter. As part of our ongoing re-engineering initiatives for the small business group, SBG coordinators have been appointed at Divisional Offices to provide enhanced support to the branches.

Despite various challenges, the agriculture loan portfolio recorded a growth of 4% during the quarter. Agri jewel loans constituted 91% of the portfolio and other agri-loans constituted 9%. LTV of agri-jewel loan is 64.28%, indicating availability of sufficient margins. The Reserve Bank of India has issued new directions regarding lending against gold and silver collateral, which is expected to be beneficial for us. Implementation of that is currently underway. A favorable monsoon in many regions is projected to further stimulate growth in this segment. While we remain cautious regarding the MFI segment, coverage under CGFMU has commenced from April 1, 2025.

The corporate and institutional loan portfolio experienced a 6% increase during the quarter, primarily driven by heightened disbursements in real estate, food processing and NBFCs. Increased growth percentage is also on account of lower corporate portfolio base. Additionally, the vertical continued to invest in corporate instruments of entities to lock the yields, utilizing these as credit substitutes.

The Bank's liability business constitutes to 54% of the total business of the Bank. Deposit growth remains a primary strategic focus for the Bank, with the past two years featuring numerous initiatives such as the establishment of a CASA acquisition channel, enhancement in CASA products and strengthening deepening teams in the branches to protect the ETB book. Total deposits increased by 4% during the first quarter, driven by gains in both retail term deposits and CASA. CASA balances grew by 5% over the same period. The CASA acquisition team has made significant progress in acquiring premium NTB customers. Our new products contributed 56% of the CASA NTB book growth during the quarter. The team is focusing on Gen-Z and start-ups by offering personalized products and for premium customers offering exclusive options. The team is actively engaging with the customers during the first 90 days of the on boarding to identify their needs and cross-sell suitable products and after that these customers will be handed over to the branches which will be nurtured by the branches. Regarding ETB customers, targeted engagement by the Branch Sales and Service Executive (BSSE) team at



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branches and a strategic emphasis on reactivating inoperative accounts contributed to higher book balances. Additionally, more than the anticipated end-of-the-quarter inflows into current accounts to some extent further supported overall deposit growth. Retail deposits increased by 5% during the quarter. Despite the reduction in rates for the special term deposit schemes, inflows into RTD remained steady. During the first 2 months, we canvassed for retail term deposits to fund the advance growth which was front-loaded. This has enabled us to have some sizeable growth in retail TD. As customers knew that interest rates are going to come down, they too were anxious to lock their interest rate which we took advantage of that too. This has contributed to a decrease in reliance on bulk deposits throughout the quarter.

Regarding margins, we had provided guidance in the range of 3.7 to 3.75 for Financial Year 26. Although we anticipated a rate cut of 25 to 50 basis points during the quarter, the actual reduction was 75 basis points.

I am pleased to report that we could successfully navigate the quarter and maintained our net interest margin at 3.86% representing a decrease of 19 basis points from the previous quarter as there will be a lag in reduction in the corresponding interest rates of deposits which is in line with the industry trend. The cost of deposits increased slightly by 3 basis points on a sequential basis as the majority of growth has come from term deposits rather than the CASA. The overall cost has increased and the majority of repricing is anticipated to occur between September and November for the time deposits. We expect the cost of deposits to remain stable at current levels over the next quarter. Additionally, savings account rates for one segment, were also adjusted downwards during the quarter and we are likely to reap the benefits from Q3 onwards to start with. The yield-on-advances declined by 21 basis points during the quarter. Our loan portfolio comprises 53% EBLR linked loans and 35% MCLR linked accounts. Approximately 37% of the EBLR portfolio is expected to be repriced in the upcoming quarter. We anticipate a further reduction of 10 basis points in the yield on advances in the next quarter.

The yield-on-investments declined by 9 basis points during the quarter attributable to a reduction in yields in general in the investment book. This is due to a reduction in the interest rates by RBI. Maturity of high-yielding CDs and CP securities, which were replaced by lower-yielding instruments and incremental SLR investments, are being made at yields lower than the existing portfolio average, thereby pulling down the average. With the current visibility, as guided during Q4 results on call, we endeavor to maintain our full-year guidance for net margin at 3.7-3.75 for FY 2025-26. We anticipate that a reduction in the cost of deposits will become more apparent by the end of Q3, contributing to an improvement in overall NIMs by the year-end. The operating profit for the quarter was at Rs. 805 crores, reflecting an 8% increase compared to the same quarter in the previous year, but a 3% decline sequentially.

Non-interest income for the period stood at Rs. 447 crores, down from Rs. 509 crores in the previous quarter. Recoveries from written off accounts amounted to Rs. 78 crores, compared to Rs. 182 crores in the prior quarter. This decrease was partially offset by treasury gains of Rs. 79 crores during the quarter, up from Rs. 16 crores previously. We had guided recoveries from the



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written off accounts would be similar to last year, and the recoveries would not be even every quarter. This point also we have guided during last call, but overall during the year the recoveries would be around Rs. 600 crores which we feel will be able to achieve. Our operating expenses for the quarter stood at Rs. 721 crores, representing a sequential decrease of Rs. 42 crores. With planned recruitments having been completed last year, establishment expenses remained stable at Rs. 365 crores.

Other operating expenses were effectively controlled at Rs. 356 crores. The cost-to-income ratio for the quarter was 47.22%, which remains within the guided range of less than 50%. Net profit for the quarter was Rs. 521 crores, an increase of 2% quarter-on-quarter and 14% year-on-year.

During the quarter under review, an allocation of Rs. 118 crores was made towards NPA migration, standard assets and restructured assets, resulting in a credit cost of 0.54 basis points (annualized). No additional accelerated provisions were required this year as adequate buffers have already been established over the past 2 years.

Gross slippages for the quarter amounted to Rs. 189 crores, representing 0.21%, on an annualized basis it comes to 0.84% of the loan book, though there is a spike in SMA 30-plus levels from 0.43% to 0.6% year-on-year basis, through ongoing diligent account monitoring, we are confident in our ability to maintain the slippage ratio below 1% levels as we have previously indicated. Owing to reduced slippages, improved recoveries and upgrades, as well as write-offs, our gross NPAs have declined sequentially from 0.74% to 0.66%.

Our net NPA remains steady at 0.19% and we are committed to maintaining net NPA below 1% of our portfolio. The proportion of our standard restructured loan portfolio has further decreased to 0.57% of our total loans and continues to perform satisfactorily. At present, we do not anticipate any significant setbacks or slippages within this segment. Notably, a substantial portion is secured by collateral and we maintain a provision of 42% for this portfolio. The ROA for this quarter stands at 1.73%, slightly better than the guided range of 1.55% to 1.65%. Our CRAR Basel-III continues to be healthy and is at 17.36%, providing us comfortable headroom for growth. Our liquidity coverage ratio continues to be well above the regulatory requirement of 100%.

Our Bank has successfully completed 109 years and is now entering its 110th year this month. I am pleased to announce that today the board has proposed a bonus issue of 1:5, i.e. 1 share for every 5 shares held, subject to the approval of the shareholders. “Challenges are what make life interesting. Overcoming them is what makes life meaningful”, as noted by Joshua J. Marine.

Despite some challenges, we began the first quarter on a positive note. Our team has demonstrated resilience in sustaining growth and we remain confident in our ability to continue this momentum throughout the remaining quarters. As we enter our 110<sup>th</sup> year, we honor our history while looking ahead to the future and reaffirm our unwavering dedication to serving as a trusted partner throughout every customer's financial journey. I would like to express my



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gratitude to all our investors, analysts and stakeholders for their continued confidence and ongoing support. We are committed to upholding this trust through continued strong performance in the future.

To sum up, our guidance for the credit growth of above 2% over the industry growth continues for the rest of the quarters and accordingly, deposits will be raised. NIM for the full year will be in the range of 3.7% to 3.75%. Our GNPA is expected to be less than 1.5% and Net NPA less than 1% and slippages to be less than 1% and cost to income we aim to have below 50%.

So, now I will be glad to respond to your queries. Thank you all.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from Akshat Agarwal from SMIFS. Please go ahead.

**Akshat Agarwal:** Thanks for the opportunity, sir, and congrats on a strong set of numbers. My first question is on asset quality. Credit costs are lower at 54 bps driven by the renewal of prudential provision as well as the reduction in restructured NPA. However, incremental stress seems to have decreased in the pricing and the flows also increasing and this is possibly from auto segment. So NPA reduction in this quarter is driven by higher write-off and lower slippages. So would you be able to maintain your credit cost around levels 55-60 bps or could we see it more like 70 bps-80 bps. And....

**Ramesh Babu:** Akshat, please go ahead. But your voice is breaking. We are unable to hear fully please.

**Akshat Agarwal:** Can you hear now?

**Ramesh Babu:** Yes, relatively better. So please go ahead.

**Akshat Agarwal:** So should I start from the beginning?

**Ramesh Babu:** Not required. I could guess what you wanted and all. So you continue the discussion. Your points you can continue please.

**Akshat Agarwal:** Sure, sir. So, would you be able to maintain your credit cost around current level, say around 55 to 60 bps this quarter, this year? And will we continue to see elevated slippages, higher write-offs, and lower recoveries going forward? That was my first question, sir. I have a few more.

**Ramesh Babu:** I'll respond, yes. Please. Thank you, Akshat, for the question. But just one thing I want to tell you, that is the reason, consciously, I touched upon the point of SMA 30+. If you look at the verticals, actually, all three RAM verticals are concerned, more or less, the same level which we were having was continuing, not an issue. But in respect of corporate, they are not actually on account of the external economy not doing well, demand is not there on account of those reasons, where some sort of internal issues between the partners, those things have come up and all. So,



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we could find some sort of a stress in those cases and all, then, proactively, what we thought, instead of finally allowing them to do it and all, initially allowing them to have a stress, because these are actually backed by securities and all, to put pressure on them to regularize or to recover, that is the reason. Otherwise, earlier, the trajectory of what was going on, on the SMA, the same thing is continued, barring one or two accounts in the Bank. So, the rest of the portfolio is as it is. So, that way, we need not have much concern about the asset quality and slippages, first thing. And second thing, coming to the credit cost, what you mentioned. So, we have guided credit cost will be around 1%, now 0.54%, but over a period of time, we do not know actually. Currently, if you look at it, the commercial, retail asset, everything we look at it, portfolio looks clean. You also would have seen saying that our unsecured is also 2.22% and our MFI portfolio, to some extent, it has given some sort of an NPA also, that also is flowing into the stress portion. But overall, our MFI book itself is Rs. 270 crores. Even if 10% of that comes, also it comes to Rs. 27 crores. So, which can be very well managed. With all these things, if you look at it, we will be able to manage within that 1% credit cost, what we thought, but 0.54 is transitory for this quarter, but it is not for the whole year. So, that way, currently with the visibility, what we have, asset quality is not a cause of concern for the Bank.

**Akshat Agarwal:**

Right, sir. Thank you. My next question is on cost. Last quarter, you guided around 50% for the full year, which you have maintained. And this quarter, it was very well managed cost, growing at 8% year-on-year and 6% reduction sequentially. So, there has been no addition of branches this quarter. So, for the rest of the year, do you think we would see escalation during next 9 months, more branches or are we seeing some strong productivity that is playing out? And did we see any headcount reduction this quarter, sir?

**Ramesh Babu:**

Headcount reduction, I have mentioned actually. What happens now, wherever a replacement is required on account of the wastages, we are going for that. Otherwise, headcount, wherever we are adding on account of that, we can see a straight visible productivity for the numbers, then only we are going. Back office are concerned, we are not going for any headcount. And whereas wastages are there, the replacements also we have brought it down. And fresh additions are concerned, we are very selective, because majority of the recruitments, what all are required last year, we have done that and those initiatives we are going to stabilize. Coming to the branches addition, we may be opening 40 branches, something like previous year, but we need to still firm up our requirement, what all is there. So, that way, cost is concerned, here and there it may be going. But correspondingly, what we feel, what we are incurring, you will be able to find the other side also, the income also will be there. That is the reason we have been indicating that our cost to income ratio will be 50. Suppose, if we do not incur the cost, now let us assume not opening the branches, and a saturation reaches for the rest of the branches, at that time, suddenly we run around and open the branches, they will also take one or two years to stabilize and generate. So, that way, what we thought, on an ongoing basis, we need to open a few branches, three, four years we were not opening, last two years only we started opening. But even a branch also, earlier we were opening a fresh, full-fledged branch, now we have modified our model, we are opening lite branches, where three, four people will be there, majority will be focusing on



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the liability accretion, and not focus on the advances, and the advances, the leads will be given to the hub branch. So, this model started working, and we started taking people from the market also, who have experience in the liabilities. So, that way, a few more light branches, we may be adding, that may add to the cost, but within all these things, we will find out our economics, how we are going to work out to have cost to income ratio less than 50.

**Akshat Agarwal:**

Right, sir. Thanks for that. Let me squeeze in one more question, if that's all right. So, in terms of fees, is there any seasonality in reduction quarter-on-quarter, 5% and how should we see the base level going forward? And, and one more on NIMs, sir, how many rate cuts are currently absorbed in terms of 100 bps cuts so far? Is it like, we have already, say, absorbed like 50 basis point or 25, so some level of color would be helpful. And so, NIMs kind of trough this quarter in Q2 and then increase, is that what you meant when we, you are giving 3.7% to 3.75% guidance for full year? So, that was my question, sir. Thank you.

**Ramesh Babu:**

Yes, I'll share that, yes. Now, as far as income is concerned, agreed, as you said, there can be seasonality factors, like, suppose Quarter 4 usually the year wherein lot of advances, what all are in the pipeline, are booked. Naturally, the income levels of the Quarter 4 will be usually high. But if you compare with last year, June 24, so we are up, 239 has become 251, it's up by 5%. So, that way, seasonality plays a role to some extent. So, second thing also, if overall, if you look at the other income, our recovery from the written off account, which were Rs. 182 crores last quarter, it has come down to Rs.79 crore, which I explained in my initial remarks that, so overall, for the year, it will be around Rs. 600 - 650 crores, we may get it. So, one quarter here and there may happen, because of legal issues will be there, other issues will be there. But we feel that, that amount of Rs 600-650 crores, we will be able to get that. With that, the ROA of 1.55 to 1.65, what we have indicated for the whole year, we will be able to manage that, it should not be a problem. And above all, we are focusing more on the other income, even the third-party income has gone up. And like that, processing fee also, now that corporate, we started building book, there also we started getting. With all these things, we will be able to make it up, it should not be a problem as far as fee income is concerned. Now, coming to the NIM. So, you agree that, we already told that EBLR book, another 37% needs to be repriced in this next quarter. And suppose if there is another rate cut somewhere and all, we cannot say on that. And above all, the deposits repricing will start only after the September for us. And that way, third quarter and fourth quarter, we will see some amount of repricing in the deposits. The CRR cut may not give much sort of a benefit for us as far as NIMs are concerned. So, that way we feel, Quarter 2 may be a tough quarter. But because there are so many moving parts are there, we will not be able to quantify a number for that quarter that way. But overall, we feel the end of third quarter, we will start seeing the green shoots there. The pain what we are undergoing all the industry, whole industry undergoing, that will be reversed by the end of December that way. So, with that, overall, we will be able to maintain 3.7 to 3.75. It may come down, but it will start going up partially in Quarter 3 and again in Quarter 4 the average may work out between 3.7 to 3.75.



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- Akshat Agarwal:** That is great, sir. Thank you. Just one last one question. Sir, in terms of corporate book, is it going to be a positive book going forward? Or is it going to continue to be a declining book as you had guided earlier?
- Ramesh Babu:** I will tell you, it is a tactical book. Now, how we are able to raise the deposit and above all, am I going to get the money there? Suppose out of anxiety because the credit growth for the industry is 9.6. And if other banks are anxious to book because lot of money is there with them, they lend at 8-8.25. They may not be in that business at all because the amount what we are getting, other three verticals, if I am able to make more money at 9.5%, 9.75% and 10%, we may not go for that. So that way this year also, if we are able to make money on the corporate book, we will go ahead. And overall, other segments, we are able to make money, we will go there. The question is money has no color. Rupee is rupee for me. So that way I cannot give an assurance for the sake of growth, we will not grow in corporate. Okay, wherever Bank is making money, the money will be put there.
- Akshat Agarwal:** Right, sir. Thank you for answering all my questions.
- Ramesh Babu:** Thank you, Akshat.
- Moderator:** Thank you. The next question is from Jay from ICICI Securities. Please go ahead.
- Jay:** Hi. Good evening, sir. And congratulations on a steady quarter. Sir, first question, just wanted to check, you said that 53% of the book is EBLR and of which 37% is either repriced or yet to reprice. So how does it work, sir? I thought that EBLR reprices almost immediately. So why is that some book has been repriced and some is yet to reprice?
- Ramesh Babu:** Yes, thanks, Jay. Thanks for the compliments also. Second thing here, you see, EBLR book, though it is there, there are two components in the book, working capital as well as term loans. As far as working capital is concerned, the repricing will happen immediately, one day, two days, whatever is the lag and all. But whereas term loans are concerned, the repricing will happen in a quarter when the interest reset date comes. So that way, if you look at it, a part of the term loan book has been reset during the quarter one and the rest of the book has to be reset in July and August. So that way, by the end of August, we'll have an absolute clarity of the book. So working capital has been completed. Now, term loan book only partially reset. It has to be reset now in the next two months.
- Jay:** Right, sure. So now that is clear. So 37 % is already repriced or is yet to reprice?
- Ramesh Babu:** 37 % is yet to be repriced. Now, what we are telling, Jay here, term loan book is concerned, it may be 55% or 63% repricing of the term loan book is still there. If you divide the term loan book into three parts, 33 is already repriced and 67 needs to be repriced. Now, but why we are talking about 37 is, overall EBLR book, you take it, it includes the working capital as well as the term loan. Out of that, only the 37% needs to be repriced, has already been repriced.



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- Jay:** Correct. Sure. So, sir, in accordingly so the NIM trajectory, right, so I think there's a lot of moving parts, as you said, and cost of deposit will start, let us say, seeing favorable or positive movement by Q3, and it will pick up by Q4 and yields, as you said, yet to reprice by 10 basis point types. But sir, I'm more interested in knowing the exit NIM. So, let us say, assuming no rate cut, no further rate cut, as it is now, would you believe that you will be able to hit the 4% NIM by exit FY26? Will that be a fair assessment?
- Ramesh Babu:** No, it's unfair assessment, Jay. I am saying, where is 4% you are talking, because you see, second quarter, where we will be landing, we do not know yet. In the meanwhile, while the deposit cost is coming down, 35% of our portfolio, MCLR is also there. Every time the deposit rates are coming down, MCLR is going to come down. And that portfolio also gets repriced now, when all renewals are going to happen in third and fourth quarter. So, I will be saddled with the lower rates for the MCLR book also. So, with these things, so how much we will be landing, we will not be knowing even without taking the 25 basis points also. So, that is the reason what we thought, we may be between 3.7 and 3.75. But as you know, we will try to maximize wherever possible and all, we will try to do that, but we will not be able to quantify that number at this stage.
- Jay:** Sure, sir. And secondly, sir, on your growth, right, so LAP, I think you mentioned that now there is a better, let us say, branch and non-branch channel and that is working out very well. Has there been anything, reclassification, jewel loan also, retail jewel loans that or do you think this growth in retail jewel loan is without any one-off or without any classification, reclassification?
- Ramesh Babu:** No reclassification, jewel loan is absolutely organic, the branches, what all they are booking, they are no way connected to the revised model of the business, what we are doing, that is applicable only for the mortgages. Jewel loans are concerned as hitherto what branches are, they are doing, there was a huge demand for that. That is the reason with organic growth, no reclassification, nothing.
- Jay:** Okay. And sir, now system is growing at 10, we have already done 15, right? So, could we say that its system picks up, right, there has to be some tailwind for you also, right? I mean, the number I am not asking, but I am saying in general, if there is a tailwind in the systemic growth, for whatever reasons, you can still, those tailwind should also work for you as well, right? I mean, in general.
- Ramesh Babu:** I agree. Absolutely, I agree. Jay, you understand. So, we took a conscious call in the first week of April, entire team, what we thought, anyhow we need to grow, if we can do a good work in the very first quarter by slogging, at least we will be able to earn for the nine-month period. So, that is the reason, you would have seen the growth also in every segment, no particular vertical has given the maximum growth. All verticals have judiciously contributed what they are supposed to contribute, we have got it. So, which testifies that the teams are capable of generating the business, despite the market has issues. Now, coming to the tailwinds when you talk about it, it absolutely depends on the ability of the mix of deposits what we raise. Suppose



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later also if the stress is found on the CASA front, and only time deposits we have to raise and we have to actually fund our assets, so we may have to think because it will have a bearing on the NIM. But correspondingly CASA front also goes up, to some extent what I say, with the various measures we have taken, the savings Bank started going up, and the ETB balances which used to come down, so more or less we are able to find some sort of stability there, and above all when the deposit rates on the time deposits were coming down, people were shifting money from savings Bank to the time deposit, that also phenomena has come down, and we also tested the savings Bank rate, the lowest bucket we have reduced it. You would have found out saying that ours may be the lowest, so we tested whether it has any impact on the balances of savings Bank. So, it is agnostic, absolutely there is no issue and balances are as it is same and going up also. So, once we have a clarity on the mix of deposits, advances, growth is concerned, more or less we are well set, we will be able to take it forward, everything will be subject to the proper mix of deposits what we raise.

**Jay:** Right, and last question sir, the other OPEX, there seems some tight ship there, was there any one-off or you think this is variable and depending on the volume or this has some lever for you to contain cost here, the other non-staff OPEX?

**Ramesh Babu:** I agreed, we are on the job on each of the line items of the cost. So, we are looking at it, what can be done, how we can reduce it, but so we are to be frank enough, a very initial stage of the working which requires some time, we are working on that. So, because we wanted to see if we can reduce 10 basis points in the DuPont tree for that, that will straight away add to our ROA. So, with that intention all verticals we are looking at it including the productivity, whether this cost is warranted, not warranted, what we need to do, can we defer it, all aspects are being examined by the CFO team and verticals and all we are on the job.

**Jay:** Right, thank you so much sir and all the very best.

**Ramesh Babu:** Thank you, thanks Jay, thank you.

**Moderator:** Thank you. The next question is from MB Mahesh from Kotak Securities. Please go ahead.

**MB Mahesh:** Good evening, sir. Just a few questions, one is on what conditions would you unwind the contingent buffer that you created last year?

**Ramesh Babu:** No, no, we did not unwind anything.

**MB Mahesh:** I am asking you on what conditions would you unwind, sir?

**Ramesh Babu:** You will unwind on what conditions you are asking?

**MB Mahesh:** That's true.



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- Ramesh Babu:** No, created that one, suppose any unforeseen situation something is there which we need to have a fallback, at that time we will be doing, otherwise we will not even touch that because for a rainy day something is required we thought of doing, intention is to manage with our own routine what organically we are getting it. If the situation comes when we are pushed to the wall, we may have to use that, we have not apportioned that for any specific purpose that way.
- MB Mahesh:** Okay. Sir, this quarter you lost about 20 basis points on the non-yield side and you also kind of said that you know there is a very large amount of portfolio which is yet to be repriced. Do you know at what yield would you settle at the end of 2Q and 3Q by any chance?
- Ramesh Babu:** No, it will be too difficult Mr. Mahesh to be frank enough because we are trying our level best in engaging with various borrowers. So, what all EBLR rate cuts have come, how we are going to make good a part of that also we are working and so rest of the things how it happens we do not know. So, that way Q2 and we may not be able to guide anything at this stage on the fall but however I have told in the guidance note that there can be another reduction of another 10 basis points in the yield that what I have guided but this is also a very fair picture what we have with the current understanding what we have with us.
- MB Mahesh:** Okay. Now, the reason I ask for the same reason when you guide for a 10 basis point margin contraction for 2Q...
- Ramesh Babu:** No, I did not say margin contraction. I talked about the YOA, yield on advances will be down by 10 basis points. So, margin we need to see how it works that way because how cost of deposits will support me I need to see. So, if that support is not coming actually majority of the deposits are not getting repriced, so, this 10 basis point may straight move into that side also we do not know. So, all these permutations combinations we need to work out only while going through only we will be knowing.
- MB Mahesh:** Okay. And last question, what are the peak savings rate that you cut in the term deposit rate?
- Ramesh Babu:** We have done at the lowest bucket what all is there up to 1 lakh balances what all are there for that we have brought it. 2% is the rate on that bucket.
- MB Mahesh:** 2% is on what sir?
- Ramesh Babu:** Up to 1 lakh balances the rate of interest is 2%.
- MB Mahesh:** Okay. And the peak term deposit that you have cut?
- Ramesh Babu:** Peak is 1 to 2 years and all 6.75, 6.85.
- Ramshankar:** 7.6 was there that was reduced to 6.85.



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- Ramesh Babu:** 7.5 was brought down to 6.85. 7.5 it used to run there it has been brought down to 6.85 now. In two stages we have brought it.
- MB Mahesh:** And Rs 118 crores goes on provisioning this quarter, can I have a breakup here?
- Ramesh Babu:** Rs 118 crores, what do you say sorry?
- MB Mahesh:** Is there any investment provisioning here?
- Ramshankar:** No, only on NPA provisioning.
- MB Mahesh:** Entire 100%?
- Ramesh Babu:** No, not only that. We have a break up. 118 is like that NPA provision is Rs 114 cr, standard assets Rs 21 cr, restructured write back of Rs. 15 crores is there and NP investments Rs. 2 crores write back is there that comes to Rs 118 cr. And one more thing Mahesh, in fact let me tell you Rs 114 cr for NPA may not be warranted but what we thought is to maintain the net NPA levels at the same level we have provided so otherwise that Rs 114 cr majority is also not warranted.
- MB Mahesh:** Perfect. That is good.
- Ramesh Babu:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from Pritesh Bumb from Dam Capital
- Pritesh Bumb:** Sir, just wanted to take your thoughts on the ROA and ROE. From the last two quarters we have been maintaining a very steady ROA of about 1.7. Now when there are some repricings going to come next two quarters, what are the levers available for us? So we have seen this quarter OPEX coming down. Some part of provisioning also coming down. What are the levers available to maintain ROA or will it also be slightly under pressure going ahead?
- Ramesh Babu:** Yes, 100% you are right. ROA will be under pressure there is no doubt in it. 1.73 we cannot take it that every quarter we will be able to do second quarter and third quarter. So this quarter because initially the repricing has happened for a part of the portfolio we are able to manage. Next quarter it may not be. So that is the reason factoring all these points only we have given for the whole year range of 1.55 to 1.65. It may come down but later Quarter 3, it may stabilize. Quarter 4 may come back again. With all these things keeping in mind we have given an ROA projection of 1.55 to 1.65. Coming to the levers what you say, one of the good levers we could have found saying that, so we see we have booked majority of 5%-5.8% growth in advances in the very first quarter. So the interest we can get it throughout the year nine months which was not so in respect of earlier years. So that way to some extent the interest income will go up there and next coming to other levers if you look at it so we need to see how we need to price our loans what all we are going to book these can be few other levers we can think of so coming to ROA cost also you



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have seen that what best we can do we are trying to do that and this quarter is slightly deceptive as far as the return of income is concerned because return of income of Rs. 181 crores we have brought it down this time to Rs. 70 crore, Rs. 55 crore so that may give us some sort of an income again but one more lever which we may or may not use is our treasury the treasury what all the securities the rates are there because high yielding rates are there that can be done that also we can think of but do not know. So that way if you look at the overall levers are concerned, levers are available, two more main levers what I'll tell you we are focusing on the other income like processing fee, guarantee fee, LC, this also we are focusing on that. Coming to the provisioning part is concerned earlier we have sufficiently provided for the ECL, counter cyclical all this we have provided. So that way the need for provisioning may not go up keeping in view the quality of the assets what we are maintaining. So that way provisions can be a good lever and write-off recovery can be another good lever that way and so cost we can do something and all that also we can manage but all these levers are available to maintain that but keeping all these things also in mind we thought how it goes to unfold we do not know, we gave an indication of 1.55 to 1.65. Automatically when the profit is coming on those lines ROE is a derivation derivative of that so because profit is getting added last year itself Rs. 1,900 crores plus profit has been added so on that ROE is coming up. So there can be here and there ROE gaps can be there but the end of March more or less ROE also will be always about 15%, even now also 16% odd you would have seen that, that should not be a cause of concern.

**Pritesh Bumb:**

Got it, sir. Thank you for that. The second question was on mortgages business. We've seen a strong growth what will be the incremental yield here and what will be a general reset of for pricing here?

**Ramesh Babu:**

Yes, agreed. Market, in fact I'll tell you when the trade growth is low there is a tons of demand even for the mortgages business. There's an undercutting also is there. We are offering very fine pricing which we do not want to give otherwise had we given that pricing our growth instead of 11% we would have grown at 30%. So that way what the current pricing what we are getting is between 9.25 to 9.75 so that's what we are getting. We'll see so how to manage. Currently with these rates we are able to go ahead but few people are going for below nine but we are not interested in doing that sort of a business.

**Pritesh Bumb:**

But sir there will be a similar reset for this business as well, I mean, this segment as well.

**Ramesh Babu:**

Yes, absolutely. When the EBLR link is there the old loans what all I have given there also reset is there that also is going to, that's why overall when we talked about 52% EBLR that includes the mortgage business also, going forward how we are going to manage that's why repricing we are going to do existing accounts also we are approaching them what best we can do to reduce the benefit to pass on and to retain with us. That also our team is actively working on that sure sir



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- Pritesh Bumb:** And last data keeping question just wanted to check, you have given non-agri jewel loans as a number and retail loan jewel also. So that's a different number so apart from agri retail jewel loan we also do jewel loans in other segments, right?
- Ramesh Babu:** Correct. Other segments in the sense that next degree majority jewel loans will come only in the personal segment that is retail segment. A very small quantity here and there any customer requires we may be giving under commercial but commercial the main activity is not jewel loan either the working capital and term loans only so the major two verticals are agriculture as well as the personal banking segment that is retail.
- Pritesh Bumb:** Got it, sir. Thank you so much for answering all the questions. All the best.
- Moderator:** That was the last question. I would now like to hand the conference over to Mr. B Ramesh Babu, MD & CEO for closing comments.
- Ramesh Babu:** Thank you all for the interest what you have shown and for a delayed call also. So all of you have been waiting that itself shows how much interest all of you have on the Bank. So we will continue to do well and as per the expectations and we'll deliver as guided. Thank you all and good day to all of you. Thanks.
- Moderator:** Thank you very much. On behalf of the Karur Vysya Bank that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.