



“Karur Vysya Bank Limited
Q3 FY '26 Earnings Conference Call”
January 23, 2026



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*Karur Vysya Bank Limited
January 23, 2026*

Moderator:

Ladies and gentlemen, good day, and welcome to the Q3 FY '26 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. Sankar Balabhadrapatruni, Executive Director; Mr. Chandrasekaran, Chief Operating Officer; and Mr. Ramshankar, CFO.

As a reminder, all participant lines are in a 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 star then zero 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 Boddu:

Thank you. Thank you very much. Good evening to all of you. On behalf of Karur Vysya Bank, I would like to extend a cordial welcome to all participants joining our Q3 earnings call for the financial year '26. Our financial results and the accompanying presentation are available on our website, and we trust you have reviewed them prior to this meeting.

As discussed during our previous call, we maintain a cautiously optimistic outlook while underscoring the importance of managing margin pressures and diligently monitoring asset quality. Our current performance indicators remain aligned with the guidance previously issued. The stability across all 3 key metrics, growth, profitability and asset quality demonstrate the sustained robustness and resilience of our operations since the beginning of the year.

As of 31st December 2025, the bank's total business reached INR2,11,647 crores, reflecting our sustained growth momentum in the third quarter with an overall business increase of 4% quarter-on-quarter and year-on-year increase by 16%. Advances rose to INR97,052 crores, representing a growth of 5% quarter-on-quarter, while deposits increased to INR1,14,595 crores, achieving a quarter-on-quarter growth rate of 4%.

Advance and deposits grew by 17% and 16%, respectively, on year-on-year basis. Business mix remained same with RAM verticals constituting 86% of the business, while corporate banking 14% of the business. RAM verticals grew by 4% quarter-on-quarter basis and 19% on year-on-year basis. Commercial business constituted 36%, followed by retail at 26% and ABG constituting 24%. Retail advances rose by 6% quarter-on-quarter, largely attributable to the growth in jewel loans and mortgage loans.

The collaboration between the branch channel and open market channel demonstrated ongoing progress, reflected in a 14% increase in mortgage loan volumes during the quarter. Early asset bookings are facilitating steady interest income generation throughout the year. Given the low yields and heightened competition, we have mellowed down towards housing loans and vehicle loans. The commercial business segment recorded 3% growth over the previous quarter.

Disbursements in the commercial segment increased by 21% year-on-year to enhance MSME business. We have launched the small business group relationship model across 79 branches identified for their growth potential in this segment, relationship managers are tasked with



*Karur Vysya Bank Limited
January 23, 2026*

acquiring new small business customers, ensuring quality disbursements and sustained customer engagement through the financial year-end before transferring the relationship to the branches.

Under commercial segment, we had also exited a few weaker accounts consciously. Conscious of acquisition of accounts, both in terms of quality and pricing allowed few accounts to be taken over by others due to lower pricing, which did not fit into scheme of things for our bank. We had also witnessed lower utilizations in sectors like textiles during the quarter.

Our focus on commercial continues and also our approach of balancing risk reward continued during this quarter 2. The agriculture loan portfolio experienced a 4% growth during the quarter. Agri-jewel loans accounted for 91% of the portfolio, while other agriculture loans comprised of remaining 9%. The loan-to-value ratio for agri-jewel loans is at 55.59%, demonstrating adequate margin availability.

Our continued focus on improving the PAT and customer connect have supported us in agriculture portfolio growing at 4% during the quarter despite competition. As the portfolio is growing and gold prices are also soaring, we are mindful of maintaining higher margin, and we have also strengthened our monitoring mechanism to address inherent risks, if any.

The corporate portfolio recorded a 6% quarter-on-quarter growth despite the current interest rate environment presenting challenges for expanding the corporate portfolio, we have identified opportunities in select segments such as commercial real estate, capital markets, EPC contractors. These areas enable continued portfolio growth while maintaining the desired spread and aligning the bank's risk appetite.

Our corporate advances portfolio, inclusive of credit substitutes grew by 6% during the quarter and registered a 14% year-on-year increase. The bank's liability business constitutes the 54% of the total business of the bank. Total deposits increased by 4% during the third quarter, driven by gains in both retail term deposits and CASA. CASA balances grew by 2% over the same period. Demand deposits grew by 1% and savings deposits grew by 2%.

Additionally, more than the anticipated end of the quarter inflows into the current accounts further supported overall deposit growth. Our strategy to prioritize higher balance variance in savings accounts through both branch and sales channels is showing positive results with year-on-year growth of 6% in savings account balances for new-to-bank customers. Similarly, new-to-bank current accounts value also increased by 10% year-on-year.

Retail deposits grew by 2% during the quarter, a flat growth, reflecting the competition in sourcing of deposits and these deposits grew by 13% year-on-year. With respect to net interest margins, we previously provided guidance in the range of 3.7% to 3.75% for financial year '25-'26. I am pleased to announce that we successfully navigated the quarter, achieving an expansion in margins to 3.99%.

This represents a 22 basis points increase from the prior quarter, primarily driven by a 16 basis points reduction in cost of funds and 6 basis points increase in yield of funds. The cost of deposits reduced by 13 basis points on a sequential basis as major part of the deposits are repriced during



the quarter. The yield on advances increased by 1 basis point during the quarter. We were able to stem the reduction by improving our fixed rate loans in our asset portfolio mix.

Our fixed rate loan book, which was at 15% in total book as at the end of September, has now increased to 23% at the end of December '25. MCLR loan book has reduced from 29% to 20%. During the same period, EBLR book increased from 54% to 55% Yield on investments improved by 4 basis points during the quarter.

This was primarily due to reinvestment and incremental deployment being made at higher yields with a preference for SDLs offering better spreads over central government securities. Additionally, a selective increase in the NSLR portfolio contributed to the overall enhancement in portfolio yields.

Our NIM YTD is 3.88% that is excluding one-off item of the quarter 2. Considering the rate cut of 0.25% in December, which would have full effect in Q4. We expect NIM for the full year to be in the range of 3.9% to 3.95%. That's what we presume we need to look at it. Operating profit for the quarter was at INR1,005 crores, representing a 23% increase compared to the same quarter in the prior year.

While the sequential figure appears lower, excluding the onetime interest recovery of INR139 crores in Q2, which it will result in a growth rate of 14%. Noninterest income for the period stood at INR509 crores. Recoveries from written-off accounts amounted to INR179 crores during the quarter. We had guided recoveries from written-off accounts would be around INR600 crores for the full year, and we have achieved INR601 crores till the end of December, including the interest recovery.

We had made income by way of sale of PSLC certificates amounting to INR3.35 crores during the quarter and totally INR14.06 crores in the end of 9-month period. Our income from bancassurance was INR133 crores YTD as against INR99 crores achieved during the previous year, a growth of 33%. We are continuing our focus on improving our income from bancassurance and non-fund-based business.

Our operating expenses for the quarter stood at INR743 crores, representing a sequential decline of INR14 crores. Establishment expenses, salaries and allowances remained flat quarter-on-quarter. With respect to the new labour codes, we have assessed the impact of these changes to the extent possible and have made an incremental provision of INR1.64 crores during the quarter.

The cost-to-income ratio for the 9 months period ended was 43.98%, which remains within the guided range of less than 50%. Net profit for the quarter is at INR689.96 crores, an increase of 20% quarter-on-quarter and 25% year-on-year. Fresh slippages for the quarter are INR154.14 crores, that comes to 0.63% on an annualized basis compared to INR350 crores in the preceding quarter.

SMA 30-plus levels have come down to 0.24% from 0.27% of the previous quarter. And this is for the whole portfolio. That's what all verticals are covered here. It is 0.24%, and we are



confident in our ability to maintain the slippage ratio below 1% levels as we have previously indicated. During the quarter under review, an allocation of INR114 crores was made towards the NPA migration.

NPA migration comes to INR81 crores, standard assets comes to INR17 crores and restructured and other advances INR16 crores, resulting in an annualized credit cost of 0.47% for the quarter and 0.67% for the 9-month period ended 31st December 2025. Our gross NPA has slightly decreased from 0.76% to 0.71%. Our net NPA remains steady at 0.19%. The proportion of standard restructured loan portfolio has further decreased to 0.45% 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 44% for this portfolio. Our unsecured portfolio is only 1.91% of the total advances. Here, we wish to mention saying that so without increasing the unsecured advances to 5% and 10%, we are able to manage rest of the parameters, and we are able to get this NIM of 3.99%. The ROA for the quarter stands at 2.05% improved from 1.81% sequentially and 1.87% for the 9 months period.

Our CRAR Basel III continues to be healthy and is at 16.05% without reckoning the current year profit that provides us comfortable headroom for growth. Our liquidity coverage ratio continues to be well above the regulatory requirement of 100%. We had opened 10 branches in the 9-month period ended, comprising of 7 light branches and 3 regular branches. We have a plan to open another 6 branches in the last quarter of the year.

I would like to touch upon some of the new initiatives which the bank is working on now. We are in the process of revamping our credit card business and likely to launch with new variants by the end of this quarter, but we will grow in a measured way, and we will look at various factors, then only we'll scale it up. We have started affordable housing loans in a small manner, and we are in the final stages of technical integration with the co-lending partner also in addition to the lending. Otherwise, we have planned for the affordable housing in this segment.

Now our MFI portfolio stands at INR207.83 crores as of the end of 31st December, reduced from INR333 crores since 31st December 2024. The MFIN guardrails introduced by the self-regulatory organizations have encouraged MLIs to adopt more prudent, quality-conscious lending practices, prioritizing risk management and long-term portfolio stability. The past concerns about multi-lender risk and delinquency have been addressed to a great extent.

The bank is in a better position to manage and ramp up the portfolio when the segment picked up again in the next year. So all of you know that from April onwards, we started covering under the guarantee cover. So all fresh exposures are covered under the guarantee cover.

I would like to express my sincere gratitude to all the 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 credit growth of above 2% of the industry growth continues for the whole year. NIM for the full year will be in the range of 3.9% to 3.95% ROA expected to be above 1.85%, gross net NPA is expected to be less than 1.5% and net NPA to be less than 1%, slippages to be less than 1% of our book.

Before I conclude, I wish to convey that so December 2020, our net profit was INR35 crores and in 5 years, December 2025, our net profit is slightly short of INR10 crores – INR700 crores which has grown by 20x during this 5 years. I sincerely thank each one of you. Many of you have given tons of guidance to us, and they have been giving us feedback also. All this has helped us to perform this journey. We are grateful to each one of you for this wonderful journey, how you have helped us. So now I'll be glad to respond to your questions. Thank you.

Moderator: We'll take our first question from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Congratulations on a fantastic number. Sir, my first question is on NII, right? So last quarter, we had said that cost of deposit may not decline as much, whereas there was anyway pressure on yields. You mentioned the change in the loan mix in terms of floating things, etc. But apart from that, was there any other one-off, any other non-business as usual thing, which would have added either interest income or cost of deposit?

Ramesh Babu Boddu: Jai, thank you very much for the good words. Nothing actually because I'll tell you, last time also when we were mentioning, when we looked at our repricing of the deposit, major chunk of the deposits have come up in this quarter for the repricing. That has really helped us to reprice the deposit.

Other than that, no one-off item like last quarter to what we had, nothing is there you also know how much of importance we give for the transparency. Last quarter also when it was there, we have shown everywhere with and without if had we had that sort of a number this time, we would have definitely shown there is absolutely no one-off. It is absolutely the sweat.

Jai Mundhra: Sure. No, no. I trusted so, but the number looks incredibly good. So that was the question...?

Ramesh Babu Boddu: I'll tell you what is the reason also. The reason is a lot of emphasis is given on the yields. Suppose there is very absolutely, it is very easy to grow the top line because many banks are offering competitive rates and all. Had we given those rates, we would have grown. So we have compromised to some extent on the growth of the advances because other side, when there is an issue as far as deposits is concerned, you cannot be so liberal in the pricing.

So every committee, every committee headed by ED, CGM, everyone, including the Board-level committees, they are appreciated by the fact that risk reward needs to be maintained. That helped us a lot.

Jai Mundhra: Right, sir. And sir, this fixed to floating to fixed rate is mainly gold, right? And it may continue considering we have a lot of gold loan portfolio, right? So as and when it gets renewed, it can be converted?



Ramesh Babu Boddu: That's the reason you have seen that. So the gold loan portfolio, even after we made it fixed. So there is no dip. The same tempo is continuing. Here, the differentiator is the customer connect and the TAT, what our branches and the counter teams they maintain, that is helping us a lot to continue the growth with the fixed rate at a higher rate, that also.

Jai Mundhra: Right. So -- and sir, as you guided that ROA will be above 1.85%. So -- and as you mentioned, there is no one-off sort of a thing and there are no asset quality risk on horizon. This is now a step-up, right? Earlier, we were saying 1.6%, 1.65%. Now this is clearly we are on the next level in terms of ROA trajectory as of now?

Ramesh Babu Boddu: Jai, it looks like that. It looks like that actually because when we are focusing on what we are supposed to do, the numbers have derived from the efforts what we have made. But now if you look at it, everything is more or less organically what all we have done, no one-off and nothing has come here.

Jai Mundhra: Right, sir. Sir, 2 questions more. One is any quantum of this -- have any customer of ours who are into exporting things, have they come and asked for any dispensation under that trade relief measure? Or any -- I mean, last time you had given some number in terms of how sensitive is the portfolio? Anything quantification there?

Ramesh Babu Boddu: Yes. In fact, only one customer out of the entire lot, they have come and they ask for a very small portion of that. They have asked for dispensation. For the benefit of others also, I'll just share what is happening on the ground. And we have been continuously in touch with the exporters who are dealing with the exporters. And currently, none of them, they have approached us for an additional funding or any sort of issues.

When we are talking to them also, they said that -- so big firms in U.S., still they are continuing. And a few of them, they also mentioned that up to March 2026, their order book is there. So diversifying into other countries is not that easy, though we may think of that because U.S. offers scale and other countries are there, each one they have a customization, small, small quantities need to be manufactured.

So that's why this sort of a course correction will take some time. But good thing is the customers have that sort of a strength. They are able to manage the show and all. So we didn't find any issues even for the dispensation also as on date.

Jai Mundhra: Right, sir. And my last question is, sir, on your term extension, right? So we are now 6 months ahead of the -- broadly 6 months behind this thing. Just wanted to check, sir, when -- I mean, has your proposal -- I mean, when does the Board send the name to RBI and if you can clarify anything from your intent. I'm not asking you to speculate on regulator, but your term extension, sir.

Ramesh Babu Boddu: No, no. Jai, I think you have not seen 5.00 o'clock, we have already uploaded in the stock exchange about my extension.

Jai Mundhra: Okay. Sorry, sir. I missed that...



*Karur Vysya Bank Limited
January 23, 2026*

Ramesh Babu Boddu: Board has -- let me be very frank with all of you. Board has been insisting for a 3-year term extension for me. And they are very comfortable. They were saying that I need to take it. So then I felt saying that because I need to balance the bank as well as my personal commitments also. So finally, I took a call for an extension of 2 years.

That will practically, if you look at it, 2.5 years from now onwards, so I'll be continuing there and all. In the meanwhile, what all other things are there for that, all these things will be taken care of smoother transition and all. So that way at 5:00, we have uploaded about my extension for 2 years. And RBI will be approached and for the approval.

Moderator: We'll take our next question from the line of Rikin Shah from IIFL.

Rikin Shah: Congratulations on again one more quarter of good numbers. Sir, just 2 questions. The first one is on yield on advances. Even adjusted for the one-off in the last quarter, the yield on advances are broadly stable. So have you not seen any pricing pressure or even repricing of the earlier repo rate cuts or MCLR into your loan mix? Or is it the mix is changing favourably, which is why you are able to sustain your advance yields? So that's the first one.

And the second one is, given that agri book has been a reasonably big book, and we have seen some large private banks seeing some regulatory actions taken against the PSL classification. So if you could talk about what's the issue at hand and whether that is something that even we need to watch out here?

Ramesh Babu Boddu: Thank you, Rikin. Thank you. First thing is regarding the yield on advances, what you said is correct because last -- if we leave the December rate cut, September 6, more or less first week, second week, all our earlier loans got repriced. So that way we felt saying that second quarter is concerned, at least a few months, we have got the benefit of interest at a higher rate. But whereas in the third quarter, right from October 1 onwards, we were getting at a lower rate only.

Ideally, had we left it that way, we would have got a hit. But what we did, some of the low-yielding accounts, what all are there, either exiting or engaging with them for a higher pricing. And not only that shifting the rates, floating to fixed rate at a higher rate, all these things have supported us. So that way, we are able to maintain 9.76% to 9.77%, same levels we are able to maintain that.

But next quarter, if you look at it, so it may not be the same way because this 25 basis point rate cut of December will kick in. So we need to see how it works out there. Coming to the ABG's concern, agriculture. So the -- our 91% of the portfolio is agriculture-jewel loans. Last year, luckily, Reserve Bank of India has consolidated and gave a clarity. And later, when banks have represented, they have given so many relaxations on that.

So up to some amount, actually, you need not do these things and all. So we have followed all those things. And April 1 onwards, all these guidelines will kick in. But in the meanwhile, also what all is required, we are working on that. And I can tell you, before the RBI guidelines itself, even for the gold loans, more than 1, 1.5 years back itself, we started working, so like



background check, verification, the document, what they have, centralized teams creation of all these things and all.

So whether the scale of finance is followed, all these things, even for the gold loans also we started. That is the reason as and when the RBI guidelines have come, it was relatively easier for us to seamlessly to migrate to the new system. So that way, internally, we have been looking at this particular point and all. We feel we are in line with the guidelines.

Rikin Shah: Got it, sir. And no issues regarding the tagging of the PSLs or the end user of the...

Ramesh Babu Boddu: No, no nothing, nothing there.

Moderator: We'll take our next question from the line of Suraj Das from Sundaram Mutual Fund. Since there is no response, we'll move on to the next question. The next question is from the line of Rohan Mandora from Equirus Securities.

Rohan Mandora: Congrats on a good set of numbers. Sir, you made a comment that on the deposit side, a good amount of repricing is done. But if I look at the peak TD rates, we had seen a good cut of around 65-odd basis points from May to July. So should the repricing of this not be there in the forthcoming 2 quarters? Just trying to understand how the cost of funds can move incrementally here.

Ramesh Babu Boddu: I agree with you. Yes, it may not move the same way as the benefit what we have got because when we bucket it quarter-wise, what all the accounts, what are the deposits to be repriced. So it got bunched up majority because we started a product like 400, 444 days, those sort of products when we have launched 1.5 years back, they got majority matured in this quarter. That's why we could get the benefit of it.

Next quarter onwards, it will be normalcy. In fact, when we look at it, there are a few deposits which are having a lower pricing than currently we are offering for a lower period. Those deposits, if they get repriced, we may have to pay a higher price on the deposit also, but that may not be much. But overall, if you look at it, what all the benefit we have got it in this quarter may not continue in the next quarter for the deposit cost.

Rohan Mandora: Sure sir, any quantify on what proportion of our term deposits would have repriced this quarter?

Ramesh Babu Boddu: This quarter around 20%, something like that got repriced.

Rohan Mandora: 20% more or less. And sir, second is on the technical write-off pool, like what is the outstanding number? And what kind of recoveries can we expect in FY '27?

Ramesh Babu Boddu: No, I agreed, but I'll tell you it's slightly a deceptive thing of thinking because the technical write-off accounts are there with NCLT. So you will not have any visibility when the money will come out because legal proceedings are going on. And second thing, even if finally, NCLT, these things come out also, how much is the value we are going to get out of that is also not known.



So that's why what we are doing wherever these sort of securities are there, where we are able to get the court orders, we are expediting the courts also for taking the physical position. On a running basis, we have put special teams on this job and getting that -- and we have put teams for the asset disposal also. One, we have put a team for the legal, centralized legal team. They are exclusively working on expediting the legal cases and getting the physical position.

Second side, asset disposal team also we have created. And these 2, that wherever assets are there, our focus is on that, and we are trying to push them, giving a fixed number like in advances, how much you can grow deposit because there are so many ifs and buts are there, which are not under control. So we may not be able to give any guidance on that number at this stage for '27.

But this year, we had some sort of a visibility. That is the reason around first quarter, second quarter when this number has been asked by one of the analysts, we are told around INR600 crores. We are on track as far as the guidance is concerned.

Rohan Mandora: Right. But from a pool outstanding perspective, what would that number be?

Ramesh Babu Boddu: Pool outstanding, that's what I'm saying. Suppose the securities, what all are available can be around INR2,500 crores. Let's assume where landed properties are available. The point is the moment you go for that, there can be an injunction. So then it gets stuck.

So that way straight away, you cannot say the INR2,500 crores this year, I'll get INR1,500 crores. It's not like that because legality issues are there and all. So many things we need to work out what best can be done to salvage and get the money, we are on the job.

Rohan Mandora: Got it. Got it. Because -- so this 1.85% plus guidance, does it hold for FY '27 as well, ROA?

Ramesh Babu Boddu: No, no, '27, I have not yet spoken anything. Still we are in '26. Let us get the '26 numbers March. When the March numbers, when we come, we'll spell out what are our thoughts on the guidance.

Moderator: Next question is from the line of Param Subramanian from Investec.

Param Subramanian: Congrats on the quarter. Sir, I wanted to ask what is the LCR for this quarter? And what is the impact of the LCR circular for us that applies from FY '27?

Ramesh Babu Boddu: I agree. But you see in my initial statement, I mentioned we are always above 100%. It hovers around 120%, 133%. But even if this sort of effect is there, it can be around 5 basis points...

Param Subramanian: Sorry, sir, 133% was the average for last quarter...

Ramesh Babu Boddu: Not average. Average for last quarter is 133%. If this effect is there, it can be around 5 basis points here and there can happen.

Ramshankar: Not 5 basis points. 2% to 3%



- Ramesh Babu Boddu:** 10 basis points, 2% to 3% -- sorry, not basis points percentage. Percentage, 2 to 3 percentage can come down. You take it that way, 5% on upper limit, you take it that way, which can have a bearing.
- Param Subramanian:** Okay, sir. So 133%, so can fall by 2, 3 percentage points. And last quarter, you were at 135%. So it has not fallen much, your LCR in this...
- Ramesh Babu Boddu:** Quarter 2 to quarter 3, you are talking?
- Param Subramanian:** Yes, yes, yes.
- Ramesh Babu Boddu:** Yes, yes, true.
- Param Subramanian:** Okay. Okay. And sir, have any of your exposures across exporters, have they seen -- have any of them taken the moratorium benefit from RBI or even that...?
- Ramesh Babu Boddu:** Not moratorium actually, a small benefit, only one customer, very small accounts, they have taken it. Other than that, no one has approached us also.
- Param Subramanian:** Okay. Okay. And sir, could you talk a little bit about, say, your loan growth outlook, sir, for next year?
- Ramesh Babu Boddu:** It is too early here because the reason is every quarter, we need to pass through. The question is not the question of growing in the loan book. All loan vertical engines are firing. Now whether we'll be able to fund them with proper raw material. I understand, I suppose if you give 0.5% more on the deposit, you will be able to raise money, then it doesn't look nice, having taking a bearing on the margins and the sort of money.
- So if we are able to get the proper money, which we can deploy actually, loan verticals are fine. So we need to work more on the deposit front to get the -- to fund these loan verticals. That's it.
- Param Subramanian:** But you are very comfortable at an LCR of 133%. I mean you're way above the private bank peers. So I mean, because...
- Ramesh Babu Boddu:** Understand one thing, not only LCR, you have a CD ratio also you have to keep in mind. So various things are there within which you need to balance that way. So that's the reason we also started seeing -- we started investing in the credit substitutes. These NCDs, we have started pushing that there also. So various things, what can be done, we are doing. So let us see, but next year, this thing, we will see next quarter when the quarter end results will come, we'll give a guidance for that.
- Param Subramanian:** Congrats on your tenure extension.
- Moderator:** We'll take our next question from the line of Anand Dama from Emkay Global.



- Anand Dama:** Congratulations on a great set of results and 2 years extension that you have taken, we would have loved to have you for more years. But nevertheless, sir, what is the succession plan that the bank is looking at, whether we will...
- Ramesh Babu Boddu:** Today, 5:00 only we uploaded. You are talking about succession. Give some time yaar.
- Anand Dama:** No, no. Sir, when I think you would have asked for a 2-year extension, I think they would have...
- Ramesh Babu Boddu:** Board and myself will sit together, we'll plan for that, 2.5 years' time is there from now because it's 2028 July, end of July. So that enough time is there. Don't worry. Absolutely will be taken care of. So it will be absolutely seamless. Don't worry on that.
- Anand Dama:** Got it. Because I think City Union Bank also had a similar situation, and they already had the CEO and they have done it pretty smooth. We expect that also to happen with Karur Vysya Bank. That is what we would request...
- Ramesh Babu Boddu:** No, no, we'll do that. We'll do that. Don't worry on that, please.
- Anand Dama:** Sure, sure. Sir, secondly, we have been growing our LAP book meaningfully. So what is basically driving that book? Is it that we have become more aggressive? Is the market basically opened up for us? We have hired someone. If you can just basically talk about the LAP book, that will be very helpful.
- Ramesh Babu Boddu:** No, no. You see LAP book, actually, market opening up, it started 4, 5 years back itself when we have experimented with NEO and open market channel. We have done that. Later, what we did, the learnings what we have got in the vertical, we started institutionalizing them in the branches also. In addition to that, what we did, we have started around 20 branches on mortgage-focused branches, the existing branches, wherever focus is there, we started mobilizing LAP and other loans related to mortgage loans in these branches.
- And to some extent, so the good practices of the OMC channel have been brought into these branches. After that, a few more branches we have identified in a blended model, we are going for that. So that way, the number of branches as well as the acquisition teams, which are working on this have been going up year-on-year. So that is showing up in the LAP book.
- Moderator:** Next question is from the line of Parth Gutka from 360 ONE Capital.
- Parth Gutka:** Sir, what's happening -- it's been de-growing on a quarter-on-quarter basis for last several quarters.
- Ramesh Babu Boddu:** Which one? Sorry, your voice got broken. De-growing...?
- Parth Gutka:** I'll repeat myself. Sir, within the vehicle book, it's been de-growing on a quarter-on-quarter basis for the last several quarters...?
- Ramesh Babu Boddu:** I can give a guidance to you for the next year also. Okay. It will de-grow subsequently also. The reason is very simple. When the rates were there actually at a high level also, so that is a case



where the delinquency levels are high. And absolutely, the capital cost is 150%. And with these things, the LGD is also high. Loss given default, once you possess -- repossess the vehicle, sell it with all these things and the upfront commission.

What you need to pay to the dealer, which you need to amortize over a period of time, with all these things, we thought if we have a better avenue for deploying the fund, it is better. We do that. But when the deposits business is absolutely for growth itself is difficult for many banks. When we are able to have other alternative deployment avenues, we did go for that.

So now if the rates are the lowest, it doesn't make much sense to go for a fixed rate loan at such a lowest rate for 3 years, 4 years, 5 years. So we may not have even much focus on the vehicle loan for some more time.

Parth Gutka: Sure, sir. And my next question is, what proportion of your deposits repriced in Q4, repriced downwards, I mean?

Ramesh Babu Boddu: No, around -- yes, between 10% to 15%. I think lower side also, you can think around 10%, you can think of that because last quarter, only 20% to 25% was there. That sort of a number is not there in this quarter. And above that what I told in the earlier response also you would have seen, there are a few deposits with lower pricing than currently we are offering, they are also getting repriced.

So on those cases, you may have to pay the current pricing also. So overall, net debt, that is a very small portion, I'm saying that. But overall, the benefit what we have got in quarter 3, we may not be able to get in quarter 4.

Parth Gutka: Sure, sir. And my last question is also borrowings have gone up on a Q-o-Q basis substantially despite we seeing good deposit growth. So anything to read into it?

Ramesh Babu Boddu: No, you see the question is simple. If the cost of borrowing is relatively cheaper than what I am raising as a deposit. So it makes sense for us to borrow the money. And next thing, suppose if you are investing in the credit substitutes and other things and all, so naturally, suppose both of them to match each other that way.

So you are able to make money from the borrowings as well as the investment treasury instruments, what you have invested there. So that is only a tactical call to manage the treasury nothing beyond that. So if the deposit comes at a cheaper rate, definitely, we'll go for that.

Moderator: Next question is from the line of Jignesh Shial from Ambit Capital.

Jignesh Shial: Congrats on a good set of numbers. I just had on borrowings, I also had the same question, but now that as you answered. Similar manner, sir, if we see your slippages, if I adjust for that INR200 crores plus kind of slippage for last quarter that has happened from your 2 corporate accounts, sequentially, we are seeing the overall fresh slippages have seen a kind of a surge. So can you just elaborate what is it exactly that are we seeing it, which accounts or which areas?

Ramesh Babu Boddu: No, no. Where did you find that sort of a surge? Surge is...



- Jignesh Shial:** Yes. So basically, last quarter slippages that there have been 2 large accounts that we -- 2 corporate accounts we have basically recognized, right? And that basically, yes. So if I adjust for it, then I'll see that apart from it, that if I adjust for it, then sequentially, I'm seeing a kind of a rise. Is it coming up from -- again from corporates or how -- if you can give some color on the fresh slippages.
- Ramesh Babu Boddu:** This quarter, there is no slippage from the corporate majorly, I'll tell you. So, it has come from rest of the RAM verticals only. It can be a commercial or somewhere some sort of MFI accounts, what all is there earlier, what all INR203 crores balance and all that have come up and all few retail accounts would have come. So -- but one thing we need to see that majority slippages, what all they come up, 5 years back and now there's a difference. 5, 7 years back, these slippages were majority unsecured and corporate.
- Now even if the slippages have come up also, they are more or less backed by security. So though not now we'll be able to recover the money in a matter of 1, 1.5 years that way because we are equally active. So you don't get worried because the slippages is absolutely under control. It is spread over all the verticals, and there is no bunching up in a particular vertical.
- Jignesh Shial:** Perfect. Secondly, even if you see, sir, the write-off pool, I mean, total write-offs that we have done during this -- I mean, this 9 months, that also seems to be a little higher number. So any particular thing -- I mean, any reason for it? Or how do we read into it?
- Ramesh Babu Boddu:** No, no, nothing particular. What we did simple is -- suppose if we have a gross NPA and we have money, we have provided for that. When good times are there, it is better, we provide that. So automatically, after reduction only, you show a net NPA. So everyone knows what is a net NPA, how much we have provided by just writing it off -- writing it off, both on the asset side as well as the provision side, we are reducing it just to clean it up.
- In fact, in the whole process, we are a loser because had we retained these numbers, our credit growth numbers would have been much better. Because we are writing it off, we are a loser. Still what we felt is making a clean balance sheet is much better than showing a number for getting a credit growth and these sort of things.
- Jignesh Shial:** Understood. But is it fair to assume that because it's a little looking higher than what your historical average has been? So is it fair to assume that this kind of trend will continue in coming periods? Or it is kind of this year only?
- Ramesh Babu Boddu:** Point you would have seen our total gross NPAs are in the range of INR600 crores, INR650 crores. So you cannot write off the amounts also what you require and our net NPA is below INR200 crores. INR400 crores has already been provided. So there is nothing needed to write off from now onwards. So it may mellow down from now onwards.
- Jignesh Shial:** Understood. Understood. Secondly, sir, this -- you already have answered, but our investment yields have been doing pretty -- I mean, has been improving or remaining quite stronger. So this is to the shift that you are talking about, right, from this side to -- and that's the reason why this is -- and this strategy is going to continue going forward as well.



- Ramesh Babu Boddu:** No, not only that you see. One is G-Sec to that. Second thing, when we started investing in the corporate bonds, corporate bonds, which is fitting into our risk appetite, in fact, a few of the corporate bonds, there are our customers also instead of taking an exposure as a cash credit or a term loan in our books, we have taken other side where the operating cost is relatively low and you are able to lock the funding there also.
- You do not have the issue of the priority sector for the investments what you have made there and all. So that way, a few of the cases from this side, we have booked there. We are getting a better yield compared to placing the money in a G-Sec.
- Jignesh Shial:** Understood. Understood. Finally, on the branches and the opex front, sir. So we have added, I think, 10 branches this 9 months, right, out of which 7 lite branches and 6 more you are planning to add up in the 4Q. Is this correct?
- Ramesh Babu Boddu:** Correct, correct. You're right.
- Jignesh Shial:** Yes. So this is relatively lower than what we have done in previous years and all.
- Ramesh Babu Boddu:** I agree with you. I fully agree with you what happened. We have been working on them, but we are not getting the suitable premises in few other locations. So to meet our target of branch opening, if we see some sort of a second-rated premises and go for that, we need to live with that for the next 15, 20 years. That's why we told saying that we will not compromise on the proper branch premises. Once we get that, then only we'll go for that.
- Jignesh Shial:** Okay. Understood. So when we are saying that we are opening, say, half of your branch additions, 6 or 7 have been lite branches and all. So even if I see your opex, other opex or more importantly, your employee charge, that looks almost flat sequentially, no major growth and all. So is it to do with this light branches and all? Or how do we see that?
- Ramesh Babu Boddu:** No, no, Lite branches overall, if you look at it, in the whole scheme of things, it's 40 to 50 branches. So the tail will not be able to wag actually the dog that way. So this is a small portion of that. We have done many things also as far as the staff expenses, these things are also productivity because the staff numbers, if you look at it, the staff numbers have plateaued and it is lower than the earlier numbers, what all are there.
- So that way we look at it where productivity is not up to the mark, we got out of them and the existing teams, how to improve the productivity, we started working on that. Many measures what we have taken are really working and showing in the numbers.
- Jignesh Shial:** Perfect. That answers it. So can I get the number of employees as on date, as on December and then as on March? Is it possible to get it? The total workforce?
- Ramesh Babu Boddu:** Yes, yes, absolutely. I'm able to tell that. So...
- Ramshankart:** 9,700.
- Ramesh Babu Boddu:** 9,788. Something there. 9,700 you can take it. Yes, that's it.



- Jignesh Shial:** That's quite helpful. Congrats on your extension of 2 years, sir.
- Moderator:** Next question is from the line of Rohan Mandora from Equirus Securities.
- Rohan Mandora:** I wanted to know what was the treasury gain this quarter?
- Ramesh Babu Boddu:** What is it?
- Rohan Mandora:** An outstanding -- treasury trading gains?
- Ramesh Babu Boddu:** Treasury trading gains, it is quite marginal because we didn't too much activities. We didn't sell many of the securities also because we thought when the pricing will come down and all at that time, we can look at it. So that's why we did...
- Ramshankar:** INR16 crores.
- Ramesh Babu Boddu:** INR16 crores. That is more or less last time also, if you look at it, December -- September was INR6 crores. Now it is INR16 crores. Last year, December also, if you see, it was INR18 crores. So it is more or less moving in the same range that way.
- Rohan Mandora:** Sure, sir. And sir, out of this INR179 crores of TW recoveries, what was the interest component?
- Ramesh Babu Boddu:** Yes, this is all full normal. Unlike quarter 2, it is not like that this time. So our interest numbers, what we have shown are pure interest gain, what we have actually earned.
- Rohan Mandora:** Okay. And sir, on Slide 20, the disclosure that you've given on investments, if I look at the outstanding investments as of the quarter end and multiply it with the yield that you have given 6.64 that comes to almost INR500 crores of interest income for the quarter. and we have reported INR498 crores, very close to that number.
- So obviously, there would have been some movement of investment book and others. So I just want to understand like what exactly happened in that portfolio because it's like jumped very much on interest on investment?
- Ramesh Babu Boddu:** That's what I was mentioning. So one thing is rebalancing of the investment portfolio, what we have done, which used to be there in the G-Sec and all, we have shifted somewhere where within our risk appetite, what we can go for the SDLs. Second thing, so corporate book earlier, which we were taking into our own loan book, we have those customers who have the sort of NCDs and treasury instruments.
- We have booked the business there actually so that we are getting a better yield there, and we are able to lock in and the operating cost is much lower. And above all, we have the benefit of the Priority sector also for that. So all these things supported us in a better yield on the investments.
- Rohan Mandora:** But the investment book would have been higher during the quarter, and there has been a runoff towards the end of the quarter? Is that something that would have happened?



- Ramesh Babu Boddu:** Investment book, you see INR30,156 crores now. September ending, it is INR28,198 crores. So that way, if you look at it has gone up by INR2,000 crores.
- Rohan Mandora:** Yes. So that's what I was saying, INR29,780 crores into INR6.6 crores. When we are taking the peak numbers, that is into INR500 crores exactly.
- Ramesh Babu Boddu:** Correct. But how much is the investment income we have got it...
- Rohan Mandora:** INR498 crores is what you are reporting?
- Ramesh Babu Boddu:** You cannot count like that. These 2 numbers straight away because the average would be moving here and there. The pricing also, the yield also must be moving here and there.
- Rohan Mandora:** Okay. So 6.64 is not the average for the quarter?
- Ramesh Babu Boddu:** Otherwise, one thing -- we'll do one thing. So CFO will work on that. We'll come back to you on that.
- Rohan Mandora:** And sir, lastly -- yes, sir, lastly, do you have any refinance facilities?
- Ramesh Babu Boddu:** Yes, we have the refinance because like I suppose NABARD as well as SIDBI, wherever these refinance facilities are there to the extent possible, we have been drawing the refinance.
- Rohan Mandora:** Sure. So sir, what will be outstanding or what...?
- Ramesh Babu Boddu:** Ideally, I may not be able to tell you that also our CFO will share with you, okay?
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. B. Ramesh Babu, MD and CEO, for closing comments. Over to you, sir.
- Ramesh Babu Boddu:** So once again, thank you all for the wonderful guidance, encouragement and the support given and all. So as assured whole team, KVB will work for making the bank much more stronger and to meet the expectations of all of you. Thank you, very much, and good day, to all of you. Thank you.
- Moderator:** Thank you, sir. On behalf of the Karur Vysya Bank, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.