



“Karur Vysya Bank Limited  
Q4 FY '26 Earnings Conference Call”  
May 07, 2026



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**Moderator:**

Ladies and gentlemen, good day, and welcome to the Q4 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 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 star then zero on your touch-tone 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:**

Yes. Thank you, ma'am. Good evening to all of you. First of all, sincere apologies from our side. There is a technical glitch, and we have been trying for the last 10 minutes, and there's a disturbance in the call. That's why we couldn't. So sorry again, once again for all -- to keep all of you waiting. So again, good evening. And on behalf of Karur Vysya Bank, I extend a warm welcome to all the participants joining our earnings call for the fourth quarter of the financial year 2026.

Our financial results and accompanying presentation have been made available on our website, and I trust you have reviewed them thoroughly prior to this call. We are pleased to report that our performance indicators for the financial year '25-'26 are fully aligned with the guidance provided at the outset of the year. This alignment is a testament to the effectiveness of our strategies and operational discipline. It is particularly encouraging to observe that our performance has consistently surpassed our guidance across 3 key metrics, growth, profitability and asset quality.

Our growth trajectory has been robust, reflecting our commitment to expanding business operations and enhancing value for all stakeholders. Profitability has remained strong throughout the year, underscoring our focus on prudent financial management and sustained earnings. Furthermore, asset quality continues to be well maintained, reaffirming our dedication to sound risk practices and inclusive banking.

The bank's total business stands at INR2,14,420 crores as on 31st March 2026 as compared to previous year INR1,86,569 crores, registering a growth of 15%. The advances stand at INR98,754 crores and deposits grew to INR1,15,666 crores with a growth of 17% and 13%, respectively. With respect to business mix of our advances portfolio, RAM Verticals have grown by 18% year-on-year, 2% quarter-on-quarter, constituting 86% of our overall advances portfolio.

Retail loan book increased its share to 27%, agri remained at 25% and commercial book at 35%. You may find a moderation in the growth of advances in the last quarter of the year as we took a conscious call in advances growth, considering the geopolitical situations and not to



take unwarranted risk in the growth as we had front-ended our advances growth comfortably in the first 3 quarters.

Retail advances increased by 25% over the year, 3% quarter-on-quarter, primarily due to growth in mortgage and jewel loans. The collaboration we established between the branch channel and open market channel at the start of the year paid off as evidenced by 56% year-on-year, 9% quarter-on-quarter rise in mortgage loan volumes. Retail jewel loans saw a 61% annual increase, 5% quarter-on-quarter.

Housing loans grew modestly by 2%, reflecting low yields and greater competition. Due to a management change with our BNPL partner midyear and due to elevated household leverage, growth was negative compared to previous year. With operations now stable, we anticipate growth in the current year.

The outstandings of our BNPL book is INR798 crores as at 31st March 2026. The agriculture book demonstrated a year-on-year growth of 19%, 5% on quarter-on-quarter with agri jewel loans constituting 91% of the portfolio and other agriculture loans representing remaining 9%. The loan-to-value ratio for agri jewel loans stands at 55.59%, indicating sufficient margin availability.

Our sustained emphasis on enhancing turnaround time and customer engagement has contributed to the agriculture portfolio's 5% growth during the year despite competitive pressure. Given both the expanding portfolio and increase in gold prices, we remain vigilant in maintaining higher margins and have reinforced our monitoring mechanism to mitigate inherent risk as necessary.

The MFI portfolio stood at INR173 crores, representing just 0.18% of our total portfolio. CGFMU coverage commenced from 1st April, though 1st April, actually, the real disbursements started in June. So at present, the situation has stabilized. Collection efficiency has improved. Guardrails have been implemented and guarantee coverage has been secured. Going forward, we will assess growth under this segment in a measured and strategic manner.

The commercial business grew 11.56% year-on-year, but had a flat growth during the last quarter of the year. As mentioned in my previous call, we continue to exit a few weaker accounts consciously, conscious of acquisition of accounts, both in terms of quality and pricing, allowed a few accounts to be taken over by others due to lower pricing, which did not fit into the scheme of things for our bank.

In addition to this, we needed to be mindful of the impact on this segment due to the geopolitical tensions that started in the last quarter. Disbursement growth from NTB was 25% during the year and 29%, including the ETB customers book. However, in the last quarter, utilization of working capital accounts were lower.

To improve the MSME business, we initiated relationship model to strengthen capacity building and drive sustainable growth -- sustainable growth in the small business group segment with estimated manpower of around 100 relationship managers. Already, 72 of them



are in place. The primary focus of this team would be to source new relationships. The corporate portfolio achieved a growth of 12% over the past year, which was degrowing up to last year.

Strategic opportunities were identified within segments such as commercial real estate, capital markets and EPC contractors, which contributed to this progress despite challenges associated with the prevailing interest rate environment. These sectors supported sustained portfolio expansion while preserving the required spread and remaining consistent with the bank's risk profile.

In response to external conditions, growth was moderated in the final quarter. Including credit substitutes, our corporate advances portfolio posted a 20% year-on-year increase. With respect to credit substitutes, incremental growth during the year was INR969 crores. We had focused ETB customers with an external rating of A and above and were able to offer finer pricing in credit substitutes compared to the loans.

In the meanwhile, the offer, final pricing in the sense we are able to get a better pricing in the credit substitutes than the loans. The Transaction Banking Group plays a key role in the bank's digital transformation agenda by providing API first real-time banking capabilities for corporates and MSME clients, scalable bulk payment infrastructure supporting payroll, vendor and B2B settlement and automated trade finance and supply chain monitoring workflows.

TBG remains committed to supporting the bank's efforts to maintain a diversified portfolio and also to strengthen strategic relationship with leading corporate clients. Our unsecured loan book is at 1.81% of the total advances as at the end of March 2026, which is one of the lowest amongst the peers. Our partnerships for co-lending with NBFCs continue to perform well, and the loan book under this segment is about INR249 crores.

We had deliberately reduced the book as it was not ROA accretive. As mentioned earlier, as our RAM Verticals are sustaining their organic growth momentum, we would keep this co-lending as secondary to our organic growth. The bank's liability business constitutes to 54% of the total business of the bank. Total deposits grew by 13.31% during the year, driven by gains in both retail term deposits and CASA.

CASA balances grew by 12% and INR3,290 crores is the actual growth during this year as against INR677 crores during last year, highest in the last 10 years in terms of actual growth. So demand deposits grew by 10% compared to 1% growth in the corresponding period of previous year. Savings deposits grew by 13% with incremental growth of INR2,505 crores, which is again the highest in terms of the actual amount.

The total deposits, excluding certificate of deposits, grew by 2.66% on a quarter-on-quarter basis. The subdued growth in term deposits in the last quarter was a conscious call taken. You are aware that we front-loaded our retail deposit growth in the first quarter itself with a growth of 5.3%. We also did not go for bulk deposits at the fag end of the year. Our bulk deposits grew by 9% year-on-year as against 44% in the corresponding previous period.



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Certificate of deposits was a tune of INR1,773 crores were also reduced during last quarter. This was a determined decision to optimize funding costs given the elevated CD rates during March. As all of you know, it ranged between 7.75% and sometimes 8.5% for 3 months to 1 year. These efforts substantially reduced our cost of funds by 9 basis points in the last quarter.

All these were taken considering a moderation in advances growth and need to maintain margins in mind in the last quarter of the year. And assisted with this, the normal repricing of the RTD what has happened also, that also supported us a lot in the reduction in the cost of funds as well as cost of deposit. Our approach to focusing on higher balance savings account variance through both branch and sales channels has delivered encouraging outcomes.

The average balances for newly acquired customers have demonstrated robust year-on-year progress in current accounts, savings accounts and overall CASA with an annual growth of 44%. Existing customers contributed a 4% increase this year, indicating that there are options available for customers to allocate their funds outside of traditional banking channels. Overall, the combined portfolio shows consistent advancement in acquisition quality and relationship strength, helping to build a more resilient and balanced CASA franchise.

The bank is strengthening its presence outside Tamil Nadu by partnering with institutional clients and state government bodies to capture recurring payment flows, which directly enhance deposits and customer visibility across these markets. Retail deposits increased by 11% during the quarter compared to 8.59% previously, demonstrating the branches' focus on attracting stable granular retail deposits for long-term stability.

In terms of margins, '25-'26 year was marked by sustained pressure throughout the year. Rising funding costs and repo rate reductions till the third quarter of the year created ongoing challenges for the banks. With respect to net interest margins, we provided a guidance in the range of 3.7% to 3.75% for financial year '25-'26 at the beginning of the year. We improved the guidance in the last call that NIM would be around 3.9% to 3.95% for the full year. I'm happy to say that we were able to maintain a NIM for the full year at 3.97%.

If you can look at it, 4.11% actually, including one-off, the interest from the written-off accounts as well as the interest on income tax refund. So if you exclude that, it is 3.97%, which is literally as per just above our guidance. NIM for the fourth quarter was 4.25%, excluding 7 basis points interest income from tax refund -- income tax refund. This represents a 26 basis points increase from the prior quarter, primarily driven by 9 basis points reduction in the cost of funds and 18 basis points increase in yield of funds.

The cost of deposits reduced by 13 basis points on a sequential basis as a major part of the deposits repriced during the year. The yield on advances increased by 16 basis points 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 23% in the total book at the end of December has now increased to 29% at the end of March '26. MCLR loan book has reduced from 20% to 14%.



During the same period, EBLR book remained at 55%. Yield on investment has increased by 19 basis points during the quarter. For the full year, yield on investments was 6.68%, showing an increase of 7 basis points from 6.61% of the previous year. We have achieved operating profit of INR1,247 crores for the quarter and INR4,075 crores for the full year, a growth of 27% over previous year.

Our net profit touched a high of INR725 crores for the quarter and INR2,500 crores for the full year, a growth of 29%. So all of you must be knowing this quarter profit as well as the annual profit are highest in the history of the bank. Our operating expenses for the quarter is INR728 crores. Establishment expenses was at INR341 crores, decreased sequentially from INR363 crores, mainly due to lower pension obligations on account of increase in discount rates.

Other opex increased to INR387 crores from INR380 crores sequentially, mainly on account of increase in rents, repairs and maintenance and channel-related fee, DSA commission and tech-related expenses. For full year under review, opex had gone up by 2.45% over previous year. For the quarter under review, we have provided a sum of INR116 crores towards NPA migrations, aging provisions and INR7 crores for standard assets.

We had a reversal of INR10 crores on release of provisions under restructured advances. Credit cost works out to 0.45% on an annualized basis. We have provided prudentially INR163 crores, I repeat INR163 crores is a onetime towards sectors identified that may get affected due to ongoing geopolitical tensions. So total provisions, including standard restructured, NPA, prudential and floating provisions as at the end of the year is INR1,747 crores, which works out to 1.77% of our advances.

Our gross slippages during the quarter was at INR187 crores. And for the full year, it was INR744 crores, which is 0.75% of our loan book. Slippage ratio, it is for the full year. If you can look at it, during the second quarter, we had some sort of a chunky slippages were there. So it comes to around INR200 crores. So INR744 crores includes the INR200 crores also. SMA 30-plus numbers were at INR172 crores at the end of March '26, which is 0.17% of our loan book, reduced from 0.3% of the previous year, indicating continued grip over this aspect.

With our persistent focus on recovery from technically written-off accounts, we were able to recover a sum of INR216 crores during the quarter. Total recoveries during the year is INR679 crores from the written-off accounts, excluding INR139 crores interest recovery, which we have got it in one of the quarters, earlier quarters as against INR638 crores of 2024-'25. Our gross NPA has come down marginally to 0.75% as against 0.76% of last year.

Our net NPA remains at the level of 0.19%, and we would continue to maintain net NPA at less than 1% of our loan book. Our standard restructured book is further reduced to 0.41% of our loan book, and the book is performing well, and we do not foresee any major setbacks, slippages from the book. Above all, many of them are backed by real estate collateral, and we are holding a 40% provision for the said books.

Our cost-to-income ratio for the quarter is 37%, supported by higher recoveries, interest on income tax refund and lower establishment costs. And this is for the quarter and 42% for the



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full year, which is within the guidance of below 50%. Our CRAR continues to be healthy and is at 18.76%, providing us comfortable headroom for growth. There may not be any need to raise money in financial year '26-'27 for the growth plan as our plough-back of net profits will take care of our growth plan.

Our LCR is at 125.47%. The share of digital transaction stands at 98%. We have rolled out our new version of our mobile DLite app with enhanced features during the year. I'm happy to say that the rating for this app is 4.8 in Google Play, Google Play Store and 4.6 in Apple Store, and there are 2.5 million monthly active users for our DLite app and 7 million DLite downloads for the app. We have achieved an ROA of 2.1% in this quarter and 1.93% for the full year.

I'm happy to share that we have declared a dividend of 130% as declared last year, and this is subject to shareholders' approval. Of course, we need to see, so last year, we have issued a bonus share. So every 5 shares, 1 bonus share, we have given it. So this year, when we are paying this 130%, so the payout will be relatively more because we'll be paying on the bonus shares what we have issued.

Now let me move on to what we intend to do in financial year '26-'27. The global financial system faces significant challenges and uncertainty. Geoeconomic fragmentation driven by tariffs, trade restrictions and industrial policies is reshaping supply chains and fragmenting financial movement. As stated in April 2026 monetary policy, high frequency data up to February 2026 show continued economic growth led by strong private consumption and investment.

However, conflict in West Asia could impede progress, increased input costs from energy prices, freight, insurance and supply chain disruptions are expected to limit expansion. The MPC noted that the conflict's intensity and duration, along with related infrastructure damage raised risks for inflation and growth. India's economy remains resilient with strong fundamentals to absorb shocks.

It is prudent to wait and watch the changing circumstances and the evolving growth inflation outlook. Considering all the above, the outlook for '26-'27 remains cautious, moderated growth. We need to navigate the challenges carefully without compromising on the quality, which we have got it all along with a lot of efforts. We expect our credit growth to be 1% or 2% over the industry growth.

We have been focusing on margins for the past 2 years -- past few years. Considering the current scenario, we must take a strategic bet on preserving relationships over margins. We need to balance both top line as well as the bottom line. Our RAM Verticals would continue to sustain the momentum. With respect to commercial, the relationship manager model approach under small business group would focus on increase in the ticket size in that segment.

Business banking team would focus on non-fund business and export-orient customers for increase in transaction-based fee income in addition to regularly what they do the working capital business. Under MSME segment, we may need to compromise on margins to some



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extent. In retail assets, our main goal is to further enhance collaboration between branches and the open market channel.

Over the past year, the bank has established a partnership for affordable housing, which will be expanded cautiously. We plan to launch premium credit cards in the first year of this year. LAP segment is experiencing strong pricing competition, making both customer retention and new acquisition a bit challenging. If we focus solely on maintaining margins, quality might become a concern. Our IT integration for loan against mutual fund is at the fag end and is expected to be launched in the first half of this year.

Given the uncertainty in the external environment, it will be necessary to pursue corporate lending in a risk-calibrated approach. Under credit substitutes, we will be focusing more nonfinancial services customers for this year. The jewel loans portfolio encompassing all verticals accounts for 30% of the bank's overall portfolio. We maintain an internal cap of 35%, growth will be pursued in either retail or agriculture segments based on prevailing circumstances as increased expansion in retail would also indirectly elevate the PSL requirements.

We continue to focus on enhanced monitoring to take care of gold price fluctuations. Our credit business mix, RAM and corporate would be in the mix of [18% to 20% as what we were mentioning earlier. However, it may toggle between another 5% allowance here and there can be there. Within the liability segment, we will maintain our dual approach of pursuing new acquisitions and strengthening existing partnerships.

This vertical has transitioned from traditional deposit mobilization to a technology-enabled transaction anchored franchise. Key focus areas include enhancing transaction banking services, expanding merchant ecosystems through expedited merchant acquisition and increasing CASA by leveraging institutional business initiatives. A dedicated NRI channel is planned to be rolled out. With respect to margins, we expect that NIMs to be in the range of 3.75% to 3.8% for the full year, though we are at 4% plus at the exit quarter of this year.

So we envisage a drop in margins due to expected rate increase in the retail time deposits. So you would have seen that we already increased rates in April 2026, and it will kick in from this quarter itself, the higher cost of deposits. In addition to that, we expect a drop in the yields on the advances side due to prevailing competition and to retain the relationships. Considering the uncertainties in the market, there may be fluctuations during the quarters.

Our endeavor is to maintain within the above range for the full year. So you can recollect that last year also, we have conveyed the same thing when we are giving the full year guidance. So 1 quarter can be here and there, but our endeavor is to deliver that number within the full year. So tactically, depending upon the opportunities available, we will be taking calls. One quarter may be low, 1 quarter may be high, but we'll keep in mind the full year.

We expect 15 to 20 basis points investment portfolio yield, yield enhancement through strategic rebalancing of the HTM portfolio during '26-'27. Our duration is relatively low at less than 4 years. We will maintain around 4 to 4.5 years in the medium term. Portfolio tilted with



the yield curve expectation at any point of time. Our efforts on recoveries will continue, and we will take efforts to sustain the momentum.

With respect to branch expansion, we are planning to open 50 branches. Out of that 38 will be regular and 7 will be lite and another 5, we are going to shortlist shortly. So to the extent possible, how best we can front-load in the first half year, we will see that so that we'll get the benefit in the second quarter from these branches opened. Our cost-to-income ratio would be below 50% as we have been continuously planning, and we'll endeavor to retain that way. GNPA is expected to be less than 1.5% and net NPA to be less than 1% for the full year.

Slippages would be expected to be below 1% of the asset book. LCR would be maintained around 115% to 120%. RBI has issued final ECL provisioning guidelines, which we are reviewing. The bank has maintained adequate provisions and buffers through floating and prudential provisions over the past 3 years. With strong asset quality and provisions to advances at 1.77%, we expect minimal impact from this transition.

The bank recognizes that environmental, social and governance principles are fundamental to sustainable growth and responsible banking. Our commitment extends beyond compliance, focusing on real-world impact through ethical governance, environmental stewardship and social responsibility. By integrating ESG into our core business strategy, the bank aims to enhance financial resilience while contributing to a sustainable future.

Our ESG rating has improved to 68, which implies is a strong rating for the financial year '24-'25. It is awarded by CRISIL, demonstrating continuous enhancement in nonfinancial performance. We achieved a return on assets of 1.93% for the whole year of financial year '26 and 2.1% in the last quarter. There were one-off items for '25-'26 that contributed to 0.12% to our ROA calculation.

Given the current macroeconomic environment and the anticipated effects on the net interest margins discussed earlier, we expect the ROA for the full year to be between 1.7% to 1.8%. Nonetheless, we remain committed to exceeding the expectations to the extent possible. So our primary areas of focus will be to continue to have the focus on the growth, asset quality and profitability.

We understand the environment. It will be volatile, but we are prepared to adapt while keeping these core metrics strong. Finally, I'm grateful to all the investors, analysts and stakeholders for their confidence and continued support, which we will reciprocate through our better performance in the years to come.

Now I'll be much glad to respond to your questions. Thank you. Thank you, all.

**Moderator:** Thank you very much. We will take our first question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

**Jai Mundhra:** Yes. Congratulations on a strong set of numbers. Sir, first, I just want to reconcile on the guidance part that you said. ROA is clear. But net interest margin, you said that we -- even for



the last year, we started guiding at 3.75%, 3.80%, but we delivered 3.97%. Sorry, what is the guidance for FY '27, sir, on margin?

**B. Ramesh Babu:**

In fact, I mentioned between 3.75% to 3.8%. So , in fact -- thank you, first of all, for the compliments. And now for this reason, 3.75% to 3.8% also, I elaborately explained the reasons why we wanted to do. Fundamentally, if you look at it, there are a few factors we need to keep in mind.

The cost of deposits, though we were thinking saying that the environment will be much easier and all you will be able to get that. But still there is some sort of a tightness in the market. That is the reason we expect the cost of deposits to go up further, retail deposits also. And the second thing on the yield, so we have been pretty holding the rates -- interest rates, in the process, we find the leakages have become more.

Many of the existing accounts when others are offering very finest rates, we are losing. Now the stage has come, getting back these connections will become pretty difficult over a period of time if we still hold these rates so strong. So we may have to concede and reduce the rates to existing customers and also for the acquisition also, we have to be in the market, though as I said, our ETB, the disbursements are 29% on the commercial. So it may taper over a period of time.

That is the reason we need to take a conscious call, having such a strong NIM is good to have, but not at the cost of continuously losing the top line. So that is the reason what we thought, keeping all these things in mind. So we may have to compromise to some extent on the NIMs in this year. That's why I suggested for 3.7% to 3.8%.

**Jai Mundhra:**

Right, sir. And sir, any numerical guidance on the growth part, sir, at overall level? I heard that gold, we have still internal scope, but what would be the overall book growth could look like?

**B. Ramesh Babu:**

Yes, Jai, if you can look at it last year, we have conveyed 2% over the industry. So you would have seen RBI last data at the end of March, 16.1%. Exactly, we are more or less 18% now. 18% if you look at our RAM also 18%. If we take the corporate, which was not growing earlier also, if we include the credit substitutes, it has come out 18%. So what we planned it has come.

That is the reason we were relatively a bit slow in our quarter 4 when the pricing was pretty high. So we low. Otherwise, growing in credit is not a big task now. Engines are faring well. If you are unable to do inorganically growing also pretty easy, you can go for a pool purchase and buy that. But the point is for that you need to raise the deposits in such a way pretty costly and that you need to deploy that, which is not making any economic sense. That is the reason what we thought.

So let us confine to 18% and maintain the margins. This year also what the guidance I gave is, particularly in respect to the credit, so it will be 1% or 2% over the market or industry. Coming to the deposits is concerned, it will be derived from the credit growth, what all we are getting because earlier we were looking at the CD ratio. Now we will look at the LCR. So what all to



the extent LCR permits and where we need to be in the range of 115% to 120%, we'll be mobilizing the deposits that too in a combination where CASA and so that our cost of deposits are under control.

**Jai Mundhra:** Right, sir. And last question is on -- sorry, on gold yield. Sir, what would be a blended gold yield on -- I mean the majority of the gold is agri gold. So what is the blended yield? I mean the gold having higher growth that also has favorable impact on the overall yield, right? That is correct or that is not?

**B. Ramesh Babu:** Absolutely, correct, you are right that way. But if you look at it as you were mentioning 91% of our portfolio under agri is gold loan. So that is at 11%, that is at 11% when we are funding it and all. And rest is concerned, it's a smaller amount that way. But if you look at this agri portfolio also, everything is not repriced. Still a part of that under still MCLR. So that way a small portion is below that rate. And even if something is more under the retail, the average if we can take it, it can be between 10.75% to 11% you can take it.

**Jai Mundhra:** Okay, understood sir. And this quarter while I understood that there is some INR21, INR22 crores of interest IT refund, where that number, that amount is in interest on advances line or where is that? And apart from loan mix change, sir, what have, what helped in the uptick in the loan yield, because [inaudible 0:35:29]

**Moderator:** Jai, I'm sorry, you're sounding muffled. Can you repeat your question, please?

**Jai Mundhra:** Yes, sir, my question is where is the INR22 crores of interest on IT refund in which line item? And...

**B. Ramesh Babu:** Yes, it is in the other interest income. Jai, it is in the other interest income. So...

**:** That is in the interest income line only. Part of interest income, when you are talking about NIM, we have excluded that income.

**B. Ramesh Babu:** Footnote was there at the start. So we excluded that. So it's a part of interest only, we've included that, yes.

**Jai Mundhra:** Sure. I'm saying, sir, the loan yield, apart from loan mix change, corporate did not grow and retail agri grew. Was there any other thing which helped in the uptick in the loan yields on a Q-o-Q basis?

**B. Ramesh Babu:** Yes, yes, agreed. Yes, to the extent possible, suppose a few of the low-yielding advances, which is not making sense for us to the risk-reward portfolio, risk basis, if we are losing those accounts, automatically, rest of the portfolio, the yield will go up.

**Jai Mundhra:** Right, right. No, my only thing, sir, going ahead, when interest rates were to go up in retail deposit, you can also increase the MCLR, right? I mean the competitive intensity is one thing, but [inaudible 0:36:48]?



- B. Ramesh Babu:** Now it has come down drastically. Suppose 55% is under MCLR, 30% is under fixed now, 15% is there. So out of that, how much you can play around.
- Moderator:** Thank you. Next question is from the line of Pritesh Bumb from DAM Capital. Please go ahead.
- Pritesh Bumb:** Yes, sir. Just 2 questions. One is on this prudential provisions of INR160-odd crores, what kind of sectors we would have taken it on? And what would be the ticket sizes?
- B. Ramesh Babu:** In fact, there are a few sectors which actually have a risk when we saw it can be, let us say, to some extent, textile also we have taken, okay? Like ceramics, we have taken, fertilizers, we have taken, chemicals, we have taken that way. To some extent, these granite quartz, all these things are also taken. And a few other sectors also we have taken where it can be a direct or indirect bearing will be there. Those sectors critically, they have seen that, based on the sector-wise, a call has been taken, how much we need to provide for that.
- Pritesh Bumb:** And sir, ticket size for that, I mean, broadly?
- B. Ramesh Babu:** Ticket size is based on a portfolio basis. On the portfolio, suppose if you take -- yes, there is textile portfolio is this, some sort of a working we have done that. How much is vulnerable, how much is susceptible, these things are seen. So with the different cuts and this thing and all, working has been done in consultation with the business verticals, risk has taken a call. So we thought it is worth it to keep that money rather than later repenting for that.
- Pritesh Bumb:** Sure. Just a follow-up on that. As the ECLGS scheme is now approved by the government, do we think that most of these accounts will be eligible in that and there could be reversal of these provisions?
- B. Ramesh Babu:** No, we have yet to see. You -- if you can recollect, you may not be looking at our position in 2020 when the sort of restructuring these provisions have come up. So we were one of the banks who had very tight gating conditions. Wherever actual genuine necessity is there, we have permitted a few things not for the sake of doing and to postpone the impending problem, we never allowed that.
- So that was the reason, at that time, we were getting a feeling we will have more hits compared to other banks, but we thought it is better to bite the bullet at that time. But later, hindsight if you look at it, our restructuring percentage is lowest amongst many banks. Now also, just now the scheme has come out, we need to look at it. We need to work out.
- But the same principle we'll try to follow. Wherever absolutely a helping hand is required, definitely we'll come forward. But for the sake of restructuring and to postpone the problem, we may not do. So all these things we need to work and then we need to see. Now it will be too premature to say anything about that.



- Pritesh Bumb:** Sure. Second question was on the fixed rate book. You mentioned that it moved to 29% now. Apart from jewel loans, what kind of products would have contributed to that? And from here on, where do you see that mix to end up at?
- B. Ramesh Babu:** I can very well say a major portion is fixed rate because if you look at another product, vehicle loans will have to go into that one. But if you look at our vehicle loan portfolio for the last 3 years, it has been coming down. The reasons are many number of times I was mentioning, the pricing at these rates, if we give it, you may be locking in for 3 to 5 years, first thing. And second thing, the delinquency levels on the fixed rate vehicle book is pretty high.
- And third thing upfront commission you have to pay for the dealer, which cannot be amortized. With all these things, we stayed away from the vehicle loan book for the time being as a tactical approach. As and when it makes sense, we'll go. So with all these things, when we look at it, the majority, majority of the portfolio is jewel loans only.
- Pritesh Bumb:** Got it. And last question will be on write-off. This quarter write-off is slightly lower than the usual trend, which we have been seeing. Anything to read into that?
- B. Ramesh Babu:** No, you see the point is we were one of the banks with below 1% gross NPA. We are at 0.75%. So provision-wise, when the net NPA is around INR200 crores, comfortably you can provide. But there is no need to go for a write-off. That's why consciously, we have gone for a lower write-off compared to earlier years. So the ratios are okay, recovery is going on, with all these things, why should you go for an aggressive and accelerated write-off. That's the simple reason.
- Moderator:** Thank you. We will take our next question from the line of Rohan Mandora from Equirus Securities. Please go ahead.
- Rohan Mandora:** Congrats on good set of numbers. Sir, this is regarding your question on -- your guidance on yields probably falling in next year. So I just want to understand like, like what's changing on the ground that will drive this competitive pressure on yields, because like if you look at the business environment, the liquidity that PSU banks have, that thing has been coming down over the last few quarters. So their ability to price at a very competitive rates would be lower incrementally. So what is that? Or is it just that you are giving a very conservative guidance to be able to beat that? How should we read on the guidance on the yield?
- B. Ramesh Babu:** Yes, Rohan...
- Rohan Mandora:** Is now anything -- or is there something else that we -- that you would want to highlight there?
- B. Ramesh Babu:** I'll respond to each of the points. Don't worry. So Rohan, thank you very much for the compliment. Now coming to the competition and the yields, I can very well say so market has much, much moved ahead as far as the concession pricing. And we have been holding to our pricing all along. Now the stage has come now. If we do not budge the good accounts what all we have, we may have to lose. So now we need to strike a balance between the top line and bottom line.



Now tomorrow, if the growth is coming only 8%, 9%, and if we maintain an ROA and NIM of 4.25% or 4%, all these things, it doesn't make much sense. We have to go in tandem. So that is the reason what we thought. The competition is coming from many corners, including a few private banks as well as public sector banks. So the point is to the extent possible, keeping the relationship that we have been maintaining.

Now stage may come, we may not be able to maintain. In that process, there can be an exodus of accounts in a particular geography. If a set of people know saying that such and such bank is offering such a rate and someone has gone there, there is every possibility along with the 10 more accounts may go out. So you need to be mindful of the fact that -- so what is the breaking point beyond that you cannot work.

Now somehow I feel the way the market has moved now and all, I agree, how this sort of a pricing risk-reward and all, theoretically, it will not work, but somehow theory is something different from the practice. So practically something what people quote and we are looking at the sanction letters, approval letters also. So naturally, when the customer brings, you may have to yield.

So that way, what I said instead of having a future competition, I say competition has already come in 1 or 2 years back itself, we have been holding. Now we need to relent. Now coming to the public sector banks, what you said. Agreed, even then if you look at it, many of them are not in the 85% CD ratio also. The earlier concept of CD ratio has gone out now to some extent, and everyone is looking at the LCR.

Through LCR, how much is there ammunition with each one, we do not know. Naturally, if everyone loses their ammunition, if the pricing goes up, it will be good for us also, then we'll be able to comfortably give a better guidance. If you look at the last quarter, when we felt saying that the things have improved. On our own, we made the guidance of 3.9% to 3.95%. Market didn't demand for that. Despite that, we did it. The same is the case here. When we see bright spots saying that we will be able to command the pricing what we wanted and all, definitely, we'll come back and we'll revise our guidance.

**Rohan Mandora:** Sure. And sir, the risk of losing these accounts is to which category of banks, the large 5 banks or any other cohort as well?

**B. Ramesh Babu:** No, no, let us not talk about the competition. Competition can be from any corner. So that's why I do not want to name any bank in this.

**Rohan Mandora:** Sure. And sir, secondly, in terms of the on-ground activity within your borrower set in the past 2 months, even the macro environment where we are. So like if you can just share what is the business momentum there? What kind of an impact are you seeing in the sectors where you started creating provisions? Some color around that would be helpful.

**B. Ramesh Babu:** Yes. If you look at it, actually, textiles is one sector where you find saying that we have some sort of an exposure, particularly in our backyard, I can say is there. So they had the problem of



tariff issues. And when tariff issues have come out now and all, suddenly other issues have come out now like not getting the vessels, these things.

Now suppose if we feel the U.S. government is refunding the tax, that also uncertainty is there, whether they'll get a part of the refund or not because these refunds are going to come to the importers. Whether the importer will be willing to share that or not, they do not know. Now if you look at the sector also, excepting the garment section, all others are able to pass on the higher pricing to the rest of the buyers.

But government is concerned, they are unable to pass on because the buyers are not accepting that way sharing to some extent happening. In addition to all these things, they have take a cut on that, but the logistics is a problem now. With all these things, a few uncertainties have prevailed. Otherwise, it can return to a good position. So spinning is doing well and garments, all these things is a problem that way.

Textile to some extent can have a problem. But silver lining is during COVID, when whole world has stopped, next 2 years, we didn't have much problem. That's why we are keeping our fingers crossed the same way we'll be able to cross over this time also, there should not be a problem. Like other sectors, what I was mentioning, saying that it can be quartz, granite and chemicals, these sort of things are there.

This is a major part. But let me tell you what is the indirect effect of this. Suppose really on account of the Gulf for the inflation goes up, these things and all, it will have a bearing on many. Our portfolio majority, if you look at it, wholesale and retail trading services, food processing is there. So if the demand comes down, naturally, the utilizations will come down.

As I was mentioning in my guidance, we started seeing the lower level of utilization in the working capital. 2% to 3%, it is down across the sectors, many sectors, it is there. So on one side, though we feel bad, the top line is coming down, other side, we are pretty happy because someone not needing the money, if they are taking the money and redeploying somewhere, getting back the money will be very difficult.

But here, we are happy. So we are continuing with the reduction in top line, but they have the discipline to maintain. So that way, we cannot straight away say that this sector will get impacted. It is absolutely a dynamic situation. We need to see. But to the extent possible, what we can visualize, our risk department can visualize, we visualize and we did it. If at all, if everything goes on well and the war is over, business as usual, we'll be reversing the provisioning, within the bank only, we have not left it outside.

**Rohan Mandora:**

Sure. And sir, lastly, what was the cost of incremental term deposits currently? And I missed your comment on ROA and credit cost.

**B. Ramesh Babu:**

Yes. We have launched the products for 7.2%. So we need to pay something more on the senior citizens also. So that way, if you look at our overall portfolio, the senior citizen deposit works between 27% to 30% of our total deposits. So a blended way, if you look at it, even if



you assume majority of that is coming there also, it will be between 7.2% to 7.5%. That range, it can be at the max.

- Rohan Mandora:** Sure, sir. And the guidance on ROA and credit cost?
- B. Ramesh Babu:** ROA, I mentioned it will be between 1.7% to 1.8% with all the reasoning what I have given. Credit cost, I can think around less than 1% we can think of.
- Moderator:** Thank you. Next question is from the line of Akshat Agarwal from Smifs Limited. Please go ahead.
- Akshat Agrawal:** Congrats on another strong quarter. My first question is on other income. It saw a strong contribution even excluding the core fee income component, which was very strong. So this increased to INR336 crores. So can you help break down the drivers for that, if possible?
- :
- Moderator:** I'm sorry, sir, can you come closer to the microphone, please? Your voice is not clear.
- :
- We have our own third-party products, what we call it as insurance commission we get from selling of insurance products to our customers that we had a very good income last year. Apart from that, we had the recoveries from the SRs also, that also we had around INR28 crores, INR30 crores of SR provision...
- B. Ramesh Babu:** Akshat, in fact, few more heads also, I'll tell you. Our processing charges also have gone up by 18%. And as I was mentioning, our third-party income also has gone up. And I can say this year, the non-fund based, that is guarantee business, which we started focusing last year, we could see an uptick there. The income has come up there also.
- So that way, a few of the smaller things, which we started taking with us, they are supporting us. So this can be one of the sources because our plan is in such stage, perennially, we cannot have the write-off recovery. It can be 1 year or 2 years. So our plan is how best a part of this 52 basis points under DuPont, what you are getting under the write-off, how you are going to compensate through other income so that finally, the ROA at the end will have to come.
- So in that anxiety, we started working. We need to see, but it is a long way to go that way. But a few levers which were not working earlier, worked this year. So that way we are able to support this other income levers.
- Akshat Agrawal:** Very well, sir. And while asset quality was robust, there were some higher slippages in the retail and commercial segment this quarter. So is this all seasonal or there's some West Asia, some slightly higher slippages due to that?
- B. Ramesh Babu:** No, no, I can say that it's not West Asia effect has not yet come into this one. But what we thought actually, which are on the borderline, where the activity is relatively low. So instead of we waiting for the time to get that, it is better you front-load that one and absolutely recognize



that as an NPA, your chances of recovery are relatively better. So proactively few accounts where the sort of weakness we found out, we did it.

So that is the reason you can find this sort of a number. But whatever it is in my guidance when I was mentioning, when total whole year is INR740 crores, out of the INR220 crores, which are the 3 corporate accounts in the second quarter we had, if you exclude that one, it will be around INR500 crores. On a book of INR1 lakh crores, INR500 crores per year, 0.5% slippage is absolutely reasonable, Akshat.

**Akshat Agrawal:** Right, sir.

**Moderator:** Next question is from the line of M.B. Mahesh from Kotak Securities.

**M.B. Mahesh:** Congratulations. Sir, just a few questions. One is what is the contribution of recovery of written-off income in the noninterest income line, sir?

**B. Ramesh Babu:** It is this quarter, if you look at it, it is INR182 crores. And overall, if you look at it, including interest, all these things, INR670 crores, what I said, that was the number actually. So it is shared better than the last year number what we had.

**M.B. Mahesh:** Perfect. And in Page number 19, like corporate banking, you have been consistently increasing the share of BBB. Just if you could just kind of give us some clarity as to what is your thought process on this getting into what appears to be some weakness on the economic side.

**B. Ramesh Babu:** No, no, point is simple. What we did is we studied the past portfolio. It can be BB, BBB, AA, what all is there. And the gating conditions with which we are taking those accounts, not every BBB, we may not take, every BB, we may not take. We may have taken a few BB also. But all this consciously, we are looking at our gating conditions, whether we'll be able to manage, past when these accounts when we have taken, are they working well.

So we'll be able to manage these accounts, keeping all these things in mind, the risk as well as the business, they have taken a call, if continuously you confine to AAA and AA. So naturally, there's a fierce competition for these accounts and all, we will not be able to make any money. And second thing, when the cost of deposit is not coming and the yield on this has come down, so literally, you will not be able to recover even operating cost level on the margins.

That's the reason why we thought. Second point, if you look at it, we have been consciously trying to increase our risk-weighted assets to total assets. You can see that average is between 55% to 58% only going on. So there is still a room available to us, which we can take it up to 65% over a period of time. or that, I'm not saying we will take the wild risk. It is an informed call we need to take, so along with the risk with the past experience what we have.

**M.B. Mahesh:** And sir, is there a default risk that you're seeing today? Is it any different from, let's say a A-rated portfolio that you're seeing BBB today?

**B. Ramesh Babu:** No, Mahesh, in fact, it's a very good point what you mentioned. At various levels, including MD, we are continuously in touch with the customers, we are talking to them every day across



the segments, understanding what is happening. Surprisingly, even today, last 15 days when I'm talking, not even a single customer has given any pessimistic view saying that it is going to crash, I have a problem, nothing.

In fact, above all, if I'm asking any support is required funding-wise, none of them have come forward saying that the situation is definitely will come, for the time being, we can manage. So that way, so it is only we are visualizing this can happen and all. But on the ground, the confidence of the customers, if you look at it, they are pretty confident as they were earlier.

**M.B. Mahesh:**

Perfect. Just one clarification. Is retaining existing term deposits, is that a problem that you're facing on the ground? Or getting new deposits is a problem? Which of the 2 is a bigger issue right now?

**B. Ramesh Babu:**

No, no. I'll tell you, retailing is definitely we are able to maintain around 70%, 75%. Definitely, we'll be able to roll over, that is not a problem. The 20%, 25% also, when we go deep into that one, deeply, we delve into that one, we are finding if they have an alternate investment avenue like a real estate or something else or settling and all. So otherwise, people are willing to retain the money and fresh also started coming into the bank that way.

So that way it is coming. But the required flow what we wanted, the way it is not there, that force us to increase the pricing, which last year also, if you can look at it, we have front-loaded for the first quarter that build us out throughout the year, first and second quarter. We wanted to adopt the same strategy this year.

So we are focusing both on the fresh as well as retention. So retention also every day, what is the renewal percentage, our teams are looking at it. That too, division-wise, granular they see where something is not happening, they are seeing. So it's a 2-pronged approach, both we are working on that.

**M.B. Mahesh:**

Perfect, sir. And last one final clarification. Wage provision for the next 5 years, we will start making for it during the course of this year?

**B. Ramesh Babu:**

No, no, I'll tell you it is yet to start actually because IBA has not yet formed the committee. They have to start that way and all. Once we have some sort of clarity, we can start doing. But recently, last year only, we have completed the whole thing and all. So once that -- the day starts, November that start, from then onwards, it's worth making a provision rather than doing it now itself.

**M.B. Mahesh:**

I read the articles around it, that's why I feel.

**B. Ramesh Babu:**

No, no, Mahesh, for the sake of comfort, I'll tell you, you've seen that the contingent provision, floating provision, other provisions, everything what all we put in. And above all, this war is not going to be permanent. As and when the proposed war comes to an end, you have another INR163 crores also buffer with you. With all these things coming up, these sort of smaller shocks here and are there, the bank has become so robust to take the sort of a shock, it should not be a problem.



**Moderator:** Thank you. Next question is from the line of Akshay Badlani from HDFC Securities. Please go ahead.

**Akshay Badlani:** Yes. My question is on gold loans. So last 2 years, we have increased the mix from 25% to 30% currently. So till where would we be comfortable? And also what would be our outlook on gold loan going forward, especially if the prices don't move up, slightly declining going forward?

**B. Ramesh Babu:** No, good question, Akshay. It's a very pertinent question also. It is topical. Now what I say, our internal limit were internally risk-wise because not now, initially itself when gold prices were not moving up itself proactively what we thought, we need to have a product level concentration limit. We thought 35% can be ideal. But still conservatively, we have been maintaining between 28% to 30%, as you mentioned now.

So it can go up to 32%, 33% because depending upon the opportunity, what all is there, bring it down or if we find any other product which is worth giving and it is supporting our risk-reward, we may go that -- there also. But the increasing pricing and these things, when you say, we have introduced a very robust monitoring mechanism for the margin call.

And above all, if you look at it when the January and February when the gold price have gone to INR160,000 also, INR16,000, if you can say, 10 grams, and we never cross INR12,000 to INR13,000 or INR12,500. So that way itself, the market price to our price, there is a -- margin gap of around 20%, 25%. In addition to that, so we also maintain a margin internally on this price what all is there.

So more than 75%, we will not lend for the retail, and agriculture also, if you look at it, hardly 80%, 85%, we will give it. So with all these things, with the market price what all we have, we are having a margin of 20%, 30% to 40% on that. And above all, if you look at our LTV, we many times mentioned 45%, 50%, 55%, we also monitor in another way what is the portfolio above 75%. So that can be a portfolio which can be having a problem if really gold prices crash by 40%.

As I said, the gap between these 2, 40% is there. So that is absolutely miniscule. Above 75%, 80% portfolio, actually, what all we have is absolutely miniscule. It's less than 1% or 1.5% of the total portfolio. If that be the case, when we have rest of the things, everything we have formalized and having a grip, managing these sort of shocks should not be a problem. That's why in a risk-mitigated way we are going.

And next thing, the way the demand what we have is comfortably if we reduce the pricing from 11% to 9.5% or 9%, reaching 40% is just a cakewalk for us. The very reason why we made it from, so below 10% to 11% is to have a check on this so that we should not cross this 35% at any point of time.

So in a measured way, we will grow with that reason, while strengthening the internal mechanism what we have, it can be including the mystery shopping or increasing the number of checks what we have on the quality and totally digitize the total loans and centralize the



audit teams to look at what is happening and all, the agriculture and all, we are looking at the end use also from centralized. With all these things, so compliance angles as well as risk angles and the pricing angles, they are trying to manage the portfolio in a better way so that we'll have an absolute control.

- Moderator:** Thank you. Next question is from the line of Jayant K from Axis Capital. Please go ahead.
- Jayant K.:** Congratulations on a great set of numbers. Sir, what is the amount of wage provision reversal this quarter that you have taken?
- B. Ramesh Babu:** Which provision?
- Jayant K.:** Employee expenses, you would have had benefited from the yield hardening?
- B. Ramesh Babu:** Yes, yes. But I tell you agreed. So if you look at it last quarter, if you look at employee provision, so AS 15, we have provided INR21 crores. This year, it is INR2 crores, okay? Pension payments and all more or less the same level continuing. So that way, I can say around less than INR15 crores benefit we would have got on this employee count due to the hardening of the yields.
- :** INR15 crores in the fourth quarter.
- B. Ramesh Babu:** INR15 crores in the fourth quarter.
- Jayant K.:** INR15 crores. Okay. Sir, second question is on the margins again. The retail deposit hike that you have taken, how much is only that specific hike that you have taken in this quarter, what is that in basis points impact on our NIMs?
- B. Ramesh Babu:** That will be known in the next quarter. The reason is we started in April. So we need to watch and wait how it is working there because every deposit what all is coming, it will not go into the particular scheme and that supposed scheme, it may not go. So we need to wait and watch for this quarter. Once -- then only we'll have a full view on the incremental cost, what we are paying and what will be the bearing on the NIM.
- That is the reason I was telling when I was giving the NIM guidance it can be a two-pronged approach. One will be on the cost of deposits can go up. Yield, I cannot wait for the deposit cost, how much it comes. By the time my exodus or the accounts would have been completed. So these 2 are independent. I need to work on the advances front, giving concessions.
- And at the end of the quarter, we'll be knowing how much loss is there on account of the yields, yield on advances and how much of the incremental cost we need to pay on the cost of deposits. But this whole math, this whole wheel when it is working and all the machine, that's why we thought saying that we may be landing between 3.7% to 3.8% on the NIM at the end.
- Jayant K.:** Sir, if I could just rephrase this question. You said roughly 30% of your book is where you expect the repricing to happen. And this will happen around 7.2% blended. What is the current yield on this?



**B. Ramesh Babu:** I'll tell you, the repricing book, if you look at it we had to split that into 2 parts. Suppose if I say, let us say, 30% of the book is getting repriced, so 25% to 30%. Last quarter, Q4, we had the majority repricing. That's why you are able to see the major benefit of 16 basis points there in advances and yields also. This year, this quarter, we don't have that much of benefit.

And if you further dissect that one, you see the deposits which are 7.25% and above, they are coming to around 14% of the total deposits. If at all we are able to retain all these deposits at a lower rate, we will be able to get the benefit of that. And the rest of the renewals, what all are happening, we may not get much benefit there.

**Jayant K.:** Understood, sir. That is very clear. And lastly, sir, more from a growth perspective, why is that guidance 1% to 2% this year versus 2% last year? I understand the macro setup, but if the macro continues to be benign, should we assume we can again do an 18-odd percent? Or is this more of a capital constraint that keeps you around that 15%, 16%, 17%?

**B. Ramesh Babu:** How can you say capital constraint, you see how much we are plugging back. At a point of time, our annual profit used to be INR250 crores. Now it is -- we have just added a 0 to that. So with that, 18% of the capital adequacy something is there, that too, major portion is a Tier 1 straight away with a risk-weighted assets of 55%, there is a constraint for capital there. Comfortably next 2 years, you can grow, not a problem at all.

Only thing what we thought is, as we said, it's a benign environment outside. When to grow, it's pretty easy to understand. When to lie low and take a careful call, that requires some sort of care. So that is the reason we thought all along, we have proved and we have been doing is the right time, we have to be prudent not to be aggressive so that if we may get additional income by way of yield on advances, that should not offset by credit cost in the provisions. That is the reason what we thought let us continue this way, okay?

**Jayant K.:** Sir, last -- sir, one last question on the ECL transition. , get that onetime impact can be absorbed. But what is the steady-state credit cost impact -- ongoing credit cost impact?

**B. Ramesh Babu:** No, that some more time is required. Recently, circular has come. They were pretty busy with our results and all. So once we work out some sort of a clarity is there, we'll be able to share that.

**Moderator:** Ladies and gentlemen, we'll 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:** So thank you all for taking out time and to be in our call and the questions what you have asked that shows the interest what you have. So definitely, whole team is geared up. What best is possible, we'll always try to deliver that. Thank you for the guidance and the support once again. Thank you, all.

**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.