IRC:F48:17:29:2025 January 24, 2025

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Plot No. C-1, 'G' Block,
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Bandra (East), Mumbai - 400051

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

Scrip Code: KARURVYSYA

Scrip Code: 590003

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Conference Call held with respect to the Unaudited Financial Results of the Bank for the quarter and nine months ended December 31, 2024

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have enclosed herewith the Transcript of Conference Call held on January 20, 2025 at 5:30 P.M. (IST), in connection with the Unaudited Financial Results of the Bank for the quarter and nine months ended December 31, 2024.

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

https://www.kvb.co.in/docs/investor-con-call-transcript-fy25-3.pdf

Kindly take the same on record.

Yours faithfully,

SRINIVASARAO MADDIRALA
Digitally signed by SRINIVASARAO MADDIRALA
Date: 2025.01.24 16:54:19 +05'30'

Srinivasa Rao M
Company Secretary &
Deputy General Manager

Encl: As above

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"Karur Vysya Bank Limited
Q3 FY25 Earnings Conference Call"
January 20, 2025

MANAGEMENT: **MR. B RAMESH BABU – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – KARUR VYSYA BANK LIMITED**
MR. NATARAJAN JAGANNATHAN – EXECUTIVE DIRECTOR – KARUR VYSYA BANK LIMITED
MR. M.S. CHANDRASEKARAN – CHIEF OPERATING OFFICER – KARUR VYSYA BANK LIMITED
MR. RAMSHANKAR R – CHIEF FINANCIAL OFFICER – KARUR VYSYA BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of the Karur Vysya Bank. We have with us today the management team of KVB represented by Mr. B Ramesh Babu, MD and CEO; Mr. Natarajan Jagannathan, Executive Director; Mr. M.S. Chandrasekaran, Chief Operating Officer and Mr. Ramshankar R, 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 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. Over to you, sir.

B. Ramesh Babu: Thank you. Thank you very much. So good evening to all of you. On behalf of Karur Vysya Bank, I welcome you all for our bank's earnings call for the quarter 3 of the financial year 2025. We trust that you, your colleagues and your family members are keeping well and are in good health. We have uploaded our financial results along with the presentation on our website and I hope you have had a chance to go through it in detail ahead of this call.

I am pleased to mention that bank continued to have another strong quarter of performance built on our guidance of three metrics: growth; profitability and asset quality. Bank's performance indicators are in line with our guidance and the bank is seeing a steady and consistent growth.

It is encouraging to note that our team was able to sustain the growth momentum witnessed in the previous quarters. And I'm confident that the same will continue in the last quarter of this financial year too. The bank's total business stands at INR181,993 crores as on 31st December 2024. We were able to sustain the growth impetus created during the previous quarters as our total business registered a growth of 3%.

The advances stand at INR82,838 crores and deposits grew to INR99,155 crores with a growth of 3% each respectively. Our loan book has grown by 14% year-on-year and 3% during the quarter. Under the RAM segment, we have shown a growth of 20% year-on-year and 4% during the quarter. We continue to focus on inclusive growth and our guidance of 14% growth during the year will hold good.

Retail banking has grown by 20% year-on-year mainly on mortgages and jewel loans. During the beginning of the current financial year, we have made certain structural changes by merging the branch channel and open market channel which we were calling it as a NEO. In the first phase, we have implemented this initiative in 244 branches, wherein these branches were able to use open market channel also for sourcing retail business.

This will be expanded further so that all potential branches can use their customer data and support open market channel for sourcing business. Bank continues to focus on commercial banking business including MSME, considering satisfactory performance of the portfolio and higher yield and collateral coverage. To ensure consistent growth and best practices under this segment, bank has engaged one of the leading consultancy firms to support the bank.

After a diagnostic study for a period of 3 months, the consultancy firm started supporting the bank in implementation phase in the month of January 2025. Loan book under agricultural banking is also consistently growing. And during the quarter, it has grown by 5% and majority of the growth is from jewel loan. We have fully complied with recent regulatory directives and advisories of RBI and our rural and semi-urban branches continue to focus on this segment.

Corporate loan book has degrown by 2% during the quarter, mainly due to our cautious approach in expanding our loan book with lower yields and particularly exposure to certain specific sectors. Further, our focus is more on fund-based exposure of less than INR100 crores and non-fund-based business.

Deposit growth continues to remain one of our key focus areas for the bank and you are aware that the bank had initiated various strategies for deposit growth including establishment of sales acquisition channel for both term deposits and CASA growth. Our total deposit growth was 3% during the quarter. Term deposits grew by 5% during the quarter. We saw uptick in retail deposits during the third quarter as compared to previous quarters.

However, challenges in CASA balances continue to remain as we saw a reduction in the CASA book by 0.23% sequentially. Our efforts of branch sales and service team would focus more on deepening the relationships. Initiatives like reconnect with the customers have been launched in all the branches to arrest the depletion in the ETB book. We had indicated that in the previous call that NIM would be above 4% levels in the third quarter of the current year.

I'm happy to say that we were able to maintain NIM for the third quarter at 4.03% and for the 9 months at 4.09%. Our continued journey on shedding away low-yielding corporate advances on one side and focused more on better yielding granular secured advances in RAM sector and prudent treasury operations have helped us to retain above 4% levels during the quarter in spite of 10 basis points increase in the cost of deposits.

The cost of deposits increased by 10 basis points and the yield on advance improved by 8 basis points sequentially. Yield on investment increased by 6 basis points during the quarter. Based on our historical pattern of renewal of deposits and fresh deposit acquisition, we expect moderated raise in cost of deposits by 10 basis points in the next quarter. Yield on advances may vary depending upon the policy rate changes which is expected next month.

Yield on investments would be in a similar range for the fourth quarter also. Considering all these factors and taking into any policy rate changes, we expect that NIM will be around 3.85% in the next quarter. Operating profit remained flat at INR815 crores for the quarter as compared to previous quarter. You are aware that for keeping an eye on the long-term growth, bank has started various initiatives like recruiting new sales acquisition vertical, branch sales and service executive team for deepening the branches, expanding the branch network, et cetera.

There's a lag in witnessing the business growth in proportion to the expenses spent on such initiatives, resulting in lower incremental operating profit. We are confident that the benefits would accrue to us going forward. We have achieved ROA of 1.74% in this quarter. We had guided that our effort would be to ensure ROA is above 1.65% levels and we are confident to maintain the same going forward also.

Our gross slippages during the quarter continued to be under control at INR139 crores which is 0.17%. If we annualize that, it comes to 0.68% of our loan book. With our continued close monitoring of the accounts, we are confident that we will continue to keep the ratio below 1% as guided in our earlier calls. Our efforts on recovery of technically written-off book is continuing to yield results as we have recovered a sum of INR175 crores during the quarter. Due to lower slippages, recoveries, upgrades and write-off, our gross NPA has come down to below 1%, that is 0.83% and we expect that we will continue to maintain at below 2% levels.

So for the quarter under review, we have provided INR101 crores towards NPA migrations and INR9 crores towards the standard assets and INR17 crores towards the restructured assets. Apart from this, we have provided prudential provision of INR25 crores as done in the previous two quarters. Our net NPA has come down to 0.2% and we would continue to maintain net NPA at less than 1% of our loan book.

We hold a provision of 44.81% of the standard restructured book. The BNPL book balance of INR977 crores as at the end of 31st December, which comes to 1.18% of our portfolio and it is performing well. Our overall unsecured portfolio to total advances is currently at 2.42%. Our MFI portfolio stands at INR350 crores as at 31st December 2024. We are taking various cautious approach -- very cautious approach in this segment.

We have tied up with 4 business correspondents as partners and we'll be mindful in growing selectively in the states where position is relatively better. Our establishment costs were at INR374 crores during the quarter increased by 5% sequentially, mainly on account of AS-15 actuarial provisions which were up by INR5 crores compared to previous quarter due to fall in discount rates.

Operating expenses were marginally down by INR2 crores at INR357 crores compared to last quarter. Our cost-to-income ratio is at 47.27% and we will continue our efforts to peg it down and to -- it will be within 50%. Our CRAR Basel III continues to be healthy and is at 15.91%, providing us comfortable headroom for growth.

Our liquidity coverage ratio continues to be well above the regulatory requirement of 100%. Bank added 25 branches, including 19 light branches during the current quarter and we have a plan to open around 22 branches in the fourth quarter. Our endeavor is to continue the current momentum to the next quarter.

We are mindful of the challenges, particularly on the liability side and are taking every step to increase the low-cost funds and which would also help us in improving our margins. The guidance we had given at the beginning of the year on the following parameters would hold good for the fourth quarter also. Credit growth 14% plus, deposit growth 14% plus, NIM

3.85% for the last quarter, credit cost 0.75%, GNPA less than 2% and net NPA of less than 1%, ROA above 1.65%, cost-to-income below 50%.

I am grateful to all our investors, analysts and stakeholders for their confidence and continued support which we will reciprocate through our better performance in the days to come. Now I'll be glad to respond to your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from Rikin Shah from IIFL Securities. Please go ahead.

Rikin Shah: Good evening sir. Thank you for the opportunity. I have four questions. The first one is on the statement that you made in your opening remarks that the regulator has been tightening certain regulations pertaining to the gold loans. If you could elaborate on what exactly is the requirement and what are the business process changes we have done to comply with those regulations? So that's the first one?

The second question is on restructured provision that we took in this quarter. I noticed that the restructured loan book has gone down. Any particular account against which we have provided? The third one is on your internal estimates what would be the ECL provisioning impact, if at all, there is any? And lastly, in terms of -- sorry, I forgot the fourth one. I'll probably come back in the queue once I recall that?

B. Ramesh Babu: Thank you, Rikin. Thanks for the question. And first of all, regarding the jewel loan is concerned, all of you would have seen the September ending Reserve Bank of India guidelines. So what I mean to say is those guidelines what all Reserve Bank has given, so we are in compliance of that. So that's what. So that's why there are many measures what we need to see for the documentary evidence, the purpose for which we have given there and all -mentioned, we are in compliance of that. That is the intent of my statement.

Coming to the restructured provisions, absolutely we are not finding any additional stress out of that. So what we thought is prudentially it is better. We create when good times are there always I mentioned that, we should not forget about the bad times. That is the reason as a prudential measure, we have provided for that and nothing beyond that, there is no need for any sort of a panicky situation as far as restructured book is concerned, you would have observed that.

Total book itself is around 0.7%. So that too majority of those accounts particularly under the retail segment and the commercial segment, they are all backed by security. Even if tomorrow eventuality comes, they may become NPA also. In a gap of 1 year or so, 1 year, 1.5 years, we'll be able to recover the money, but the situation will not be there that way. Coming to ECL, our CFO, will respond. Yes.

Ramshankar R: Yes. Good evening, Rikin. See, the draft guidelines have been there for almost last 7 months to 8 months. And we have been filing the pro forma statements half yearly for the last 3 years to 4 years. And still the final guidance yet to be given, but what we are -- sufficiently what we have done in the last 2 years sufficiently covered, sufficient cushions have been made available there, floating provision of almost INR100 crores we have done.

And similarly, this year also, almost -- each quarter we have been providing INR25 crores. So INR75 crores we have provided. So based on this, we think we are sufficiently taken care of for any eventuality if at all if ECL comes into play, sufficiently covered.

Rikin Shah: Got it. And just to clarify on my first question, while tracking the end use for the gold loan is what we have already implemented in our process. Is there a requirement from the regulator to convert the gold loan EMIs like gold loan repayment by customers in the EMI format rather than the bullet format? And are the gold loans allowed to be rolled over before issuing the new loans? Those are the two extended questions on the first one?

And I just recalled a couple of other clarifications which I wanted was the MFI partnership with a few BCs. You did mention that we are entering in the states where the stress signs are not there. If you could elaborate which are the states where we are venturing into MFI? And lastly, if time permits it would be great if you could also talk about what's the provisioning policy that we follow in terms of when we write off and what are the provisioning when the loan becomes empty in different segments? Those are all my questions?

B. Ramesh Babu: Okay. Coming to the jewel loans, what we've said is suppose when we are taking a documentary evidence that he is a farmer and he is having the farming activity, that itself will ensure saying that we are lending to a farmer and not for any other purpose for speculative purpose. So coming to the rollover of these things, even before RBI started giving these guidelines itself, we have stopped long back the rollover. So someone will have to close the loan and all, they had to take it.

So that way what I say, so we are in compliance with the RBI guidelines. That's what my point is. Coming to MFI is concerned for partners, but you would have seen that more or less 2 years back we have started the MFI business, but with all these things also because we are very cautious in going through that one, the total portfolio as on date is around INR350 crores. So what -- my point is if we are trying to grow, Telangana is one of the state where the recoveries are good.

And to some extent that way, Karnataka is also recoveries are pretty good that way. And a few districts of Tamil Nadu also the point is good. So for the time being, we are not extending much our operations in the Kerala. Otherwise, North and all Bihar, Chandigarh, Punjab rest we do not have any other operations. Hardly, it is majorly in the Telangana, Karnataka and Tamil Nadu.

So now coming to the provisioning policies, internal policy what we have. But my point is, if you look at it the overall net NPA is around INR160 crores and we have sufficiently provided for that. So I think there is no point in having a separate discussion on the policy because the Board has -- we have discussed with them and all. So what we need to do accordingly, we are doing it.

Rikin Shah: Fair enough. Thank you very much for answering all the questions. Very helpful.

Moderator: Thank you. The next question comes from Jai Mundra from ICICI Securities. Please go ahead.

Jai Mundra: Hi, good evening sir and congratulations on a very good set of numbers. Sir, first question I have is on TWO recovery. So we have done INR175 crores in this quarter and last quarter and the quarter before that was also we did a very healthy numbers. If I calculate, I mean, the total TWO book outstanding is roughly INR4,700 crores, INR4,800 crores. We have been writing off also.

So that pool may get bigger and bigger, but the recovery percentage even if I look at this quarter INR175 crores on maybe, let's say, roughly INR5,000-odd crores book is also non-annualized 3%, 4% roughly. So how -- I mean, what is your sense as to from a 12 months perspective, this number can be? Can we do like, let's say, INR400 crores, INR500 crores recovery for the next four quarters or what could be a more reasonable number for that TWO recovery?

B. Ramesh Babu: Thank you, Jai. Thanks for the good question, actually. So what you said makes sense. But, you need to see the color of our write-off book because at a point of time we were having many big corporate accounts, INR200 crores, INR250 crores, many of those things are there. When they have become NPA, we are also in queue along with many other lenders in the NCLT.

And how much it comes out and what will be the final realization, so we will not be able to tell. Many of the cases are with the Courts/ Tribunals-- legally they are going on. Suppose the INR4,600 something number what you have mentioned, I agree. So if we exclude all of them where we can lay our hands for the recovery where security is there, those things we need to go. It will come to around INR1,800 crores to some extent, INR2,000 crores something maximum it may comes up and all.

So what we tried to do was we have strengthened our legal team because even whenever you are trying to go for a SARFAESI also, straight away, immediately someone will file a suit in the DRT and it may run for 3 years or 4 years. So that way accounts are getting stuck and we are able to get all these legal hassles completed and all, we can recover the money. So we are strengthening our position for handling the legal issues in the bank, already strengthened. And likewise, the disposal team also for the assets also, we have strengthened that way.

So the importance of getting the money back is made known to everyone. That is the reason you are able to see some traction. So I feel that with the traction what we have created, next four quarters, what you said it makes sense that way, INR400 crores what you are saying. So I think definitely we can think of, it can go ahead. We are also planning that way only.

Every effort what we need to put in because this is one area we need to get back our money. So we need to do. One more thing also, Jai, now that you see when the interest rates for the deposits cannot come down and the yields have plateaued at all when the rates comes down, automatically, you may have an impact on the NIM.

So that is the reason we started working aggressively on this write-off recovery also. To some extent, it can compensate us overall. We can keep afloat as far as the net interest and noninterest is concerned. So that is the reason. So our focus is there. As you said, INR400 crores to INR500 crores we can definitely think off.

Jai Mundra: Thank you, sir. A question on fee growth. So fee and maybe CASA growth, if you can take it together also. What I thought is, of course, there is a challenge on the fee, there is a challenge on CASA growth, but what I remember or what we were trying to do is we had put in a lot of feet on street to boost both the CASA as well as fee growth. And this quarter -- I mean, before this quarter, fee growth was more or less similar or marginally ahead of the loan growth only.

And this quarter, it has come down to 4% Y-o-Y. Similarly, while I understand that CASA is a challenge at the system level, but I thought that we had -- because we had put in additional feet on street, we can -- we would have done slightly better outcomes. So your thoughts on both fee and CASA growth?

B. Ramesh Babu: You are very correct. CASA, if we split the entire issue into two parts, one is acquisition, second one is the retention. So acquisition is concerned the sales team. So they are trying their level best and all, we are able to get some numbers, but the problem is mainly coming in respect of the retention part. So because the existing money what all is there, either it may be going to mutual fund or real estate, these sort of things what is happening.

So the acquisition totally what all have come is not getting reflected in the overall growth. That is the reason what we are doing, we have divided the whole problem into two parts. One is for the retention, we have got a servicing team where these people they are going to connect, reconnect with the customers for the retention and to get back the money from other banks also wherever that is there and all, so that to protect our existing balance as well as to increase the balance. That is one portion.

Second thing, the acquisition is also working on this. So that way we are getting the money, but the outflow is much more that is overall we are struggling. Coming to the fee, Fee, there are a few components we need to look at it. While the distribution fee, cross-sell fee, these things are going up, you would have seen that consciously we have reduced our corporate advances.

So it has come down by INR1,000 crores and more than that. With all these things, ideally, had we grown another INR1,500 crores there and the INR1,000 crores degrowth is not there. On those INR2,500 crores, the fee income what we were getting as a processing fee, others and all we would have got it. But why we didn't do was actually there are two reasons because the limited resources what we are acquiring.

So naturally the security as well as the yield in respect of the retail is much better, particularly in the commercial as well as the retail segment. So we are deploying the money there. That's the first thing. Second thing is the engine and the people operating team who are running on the ground for the retail. If we do not feed them with these resources, if they stop actually functioning, getting back the momentum will become very difficult for us.

So that is the reason the available fuel, first of all, we are feeding for the commercial as well as the retail and agriculture. So you're able to see 20% growth. There you cannot expect the sort of a fee like corporate, what we get the processing fee, other things and all. So that is another dampener. Once we get some sort of a hold on the deposits and the system actually supports getting these deposits and all, we'll be back on the corporate again and we'll be able to move forward. So this is what actually happening on the fee front.

Jai Mundra: Understood. So okay. And sir, is there any connection of this lower PL, BNPL that has slight -- while it is not a very big proportion anyway, but does that also have a bearing on the fee side also or not that much?

B. Ramesh Babu: No, that can definitely have a bearing on our NIM because this PL as well as suppose, particularly BNPL is concerned, majority we'll be getting a higher 12% interest with FLDG. But the issue is when entire market is talking about the personal loans, that too below INR50,000, where the stress can go up and a few banks which are able to see that, we thought saying that otherwise growing there from INR1,000 crores to INR2,000 crores and opening up the gate is very easy. Easiest is that.

And not only that, when we have got 50 lakh BNPL customers of us and if we can select a 5 lakhs of them and if we start giving personal loans to them, that itself will run INR1,000 crores easily. But what we thought is this is not the right time to take those sort of plunge because the external environment is not that conducive. So that is the reason we are holding. You would have seen that INR1,300 crores has gone to BNPL.

It has come down to INR970 crores now. This is a cautious approach we have taken. So otherwise that window is already open for us any time once normalcy restores, we can think of.

Jai Mundra: Right, sir. And sir, last question is in the month of December we had reduced EBLR by 5 basis points. There was no change in the MCLR. And I can see that cost of deposit is still going up. So let us say hypothetically -- and you mentioned that cost of deposit will may inch up by 10 basis points more. Now hypothetically if RBI were to cut interest rate, your MCLR will still be going up only while EBLR will, of course, revise downwards, but your MCLR should not be impacted.

And the reason if you can mention why did you cut the EBLR by 5 basis points, other banks don't seem to have done anything on that front?

J Natarajan: So Jai, with regard to the MCLR, the templated formula given by RBI is, yes, you are right, majorly on the cost of deposit, but it's not only cost of deposit, cost of borrowing, operating cost, the negative carry CRR, all these things after adjustments only we are arriving the rate. So even though there is -- the deposit cost is continuously going up, so there are the chances that the operating cost or the negative CRR increase, whatever is there that impact always will be there, 5 basis points the impact always will be there.

B. Ramesh Babu: That's why, Jai, what you said is MCLR, suppose this reduction even if opex comes down also and the cost of deposit is much more than that MCLR will not come down. So whereas EBLR is concerned, it's straight case when RBI cuts, it's straight through process, it may hit us.

Jai Mundra: Right. And sir just a small clarification to the Rikin's question on gold loan circular that circular is clearly in effect now that there is no, let us say -- I mean, it has already been implemented and there is no negative, let's say, implication on either growth or maybe customer acquisition or I mean, asset quality should not be challenged, but this does not impact -- or there is no remaining impact out of this circular? Is that the way to look at it?

J Natarajan: Jai, I will give some more clarity. See, the at least three or four points of the recent advisory circular doesn't applicable to our bank. For example, engaging the third-party for sourcing business, but we are not doing it. All the business is done only through the branches. And if you leave alone other important areas what the spirit behind whatever the directives and advisories are particularly on the scale of finance, that should be accepted process and the identification of a farmer, the documentary evidence that it should be required.

And third is the end use. So all these things, the bank has put in place a proper process model before 2 years and we have been implementing it. And the latest one is the rollover of the account. So the earlier the banks have the habit of rolling over the account by collecting only the interest amount. That also RBI says that it's ever greening it's not possible. Not also we stopped, not now even 1 or 2 years back itself.

So whatever are the regulatory direct advisory on the spirit of the guidelines, everything that bank has implemented through validated process.

Ramshankar R: One more point to further clarify, you see the agriculture growth is 5% quarter-on-quarter. Similarly if you see the risk-weighted assets which has come down by 2%, mainly account of higher gold loans which we did during the last quarter. It clearly says that the tempo still is going on.

J Natarajan: And we are not in the subvention model. So we are giving a direct agricultural loan without subvention. We do not have any loan, Jai which is under subvention where we need to claim the subvention. This is not there at all.

Jai Mundra: Okay. Understood. Great, sir. That’s all from my side. Thank you and all the very best.

Moderator: Thank you. The next question comes from Suraj Das from Sundaram Mutual Funds. Please go ahead.

Suraj Das: Hi, sir. Thanks for the opportunity. Sir, just a few questions have already been answered. A couple of questions. The mortgage, the LAP piece has been growing well for you for last so many quarters. If you can give some color around this book, I mean, how do you see the growth going ahead and also what could be the average LTV in this book?

The second question is on the SME side. The SME customers, the book is again growing well. The customers that you were acquiring, does they open current account with you also or is this just the asset side customers and don't have any kind of liability or something like that?

B. Ramesh Babu: Sorry, sorry, Suraj, that SME question, can you repeat once again, please?

Suraj Das: Sir, I'm saying that the SME customers that you are acquiring, does also they open current account with you?

B. Ramesh Babu: Okay. Understood. Yes. These are two questions?

Suraj Das: Yes.

B. Ramesh Babu: Yes. Coming to the LAP is concerned, you see majority of them they are going for the lower ticket size. If you look at it, the ticket size is below INR1 crores and to some extent, bigger accounts come up also INR3 crores to INR4 crores, if it goes there. But the purpose for which they are taking and the cash flows for servicing the loan, this is the main criteria we are looking at it. So security definitely is needed.

But in addition to that, cash flows as well as the serviceability, ability to service, this is the key we are seeing. That's why if you look at it, it may be done by any vertical. Overall, if we look at it the stress is under this portfolio is absolutely dismal and minimal. So the onboarding, what all checks and balance are required that we have thoroughly strengthened. So that's the reason.

So we can say that because second thing is, if you see the percentage is going up by 20%, 30% that way and all. So it is not that way we need to see because the base itself is low, the percentage is high. If the base is high, actually, what -- compared to the potential what all is available whatever growth is absolutely doable and all we can do. So that's why it is not a cause of concern LAP as it is for us.

Coming to the SME is concerned. SME is concerned, now actually suppose if someone is availing a term loan and there is no working capital loan, naturally he requires a current account for making his tax payments, all these things and all, but suppose if someone is also having a working capital account, you may ask for a current account. But what will prompt him to keep the money in current account without any return - any payout of rate of interest and other side for the same money paying interest in the cash credit. So they'll ask.

But it is difficult actually impractical for us also to insist that you maintain a current account and keep some balance in that. It is nothing but penalizing him. So wherever they do not have a cash credit account, that is working capital account, definitely, we maintain the current account and all. So we'll use it for operating purposes.

J Natarajan: Okay. See, in the working capital accounts also, generally they operate in the working capital account. But wherever the retail rates, for example, we're giving POS machines, QR code, all these things, naturally he has to operate through current account only. So in such cases, they will run the current account and then frequently, they transfer to CC account.

Suraj Das: Sure sir. Got it. Thanks so much. That's all from my side.

Moderator: Thank you. The next question comes from Pritesh Bumb from DAM Capital Advisors. Please go ahead.

Pritesh Bumb: Sir, two questions. So one is on the NIM outlook. You mentioned that in Q4, you could see NIM coming down towards like 3.85%, but can you give some outlook in FY '26? How do you see the NIMs? Should it stabilize there? Can it come above 4% again? Of course, you have given some commentary around the RBI cutting rates and the impact on margins, but any levers we can pull it, pull the NIM up?

B. Ramesh Babu: See, Pritesh, it is too early to talk about next year because the position has become so dynamic. What is going to happen at this stage, we do not know because what will be the cost of deposits, how the yields move, what RBI cuts, all these things, so many permutations, combinations are there. That's why get assessment of one quarter at the most the visibility we'll have.

But one thing I will tell you, you yourselves you have responded. The rates on the deposits will not come down and the RBI is going to cut down the rates. Even then if it has to be above 4%, the only one way it will be above 4%. Our current composition suppose, let us say, unsecured is at 2.4%. I had to make it 10% or 15%, is it -- why is it? Because taking so much of risk on the book straight away when the rest of the industry is struggling with this unsecured and all at the wrong time for the sake of protecting the NIM.

Do we need to do that or we need to lie low at this stage till such time normalcy comes back and all, then we have our own forces as far as the BNPL, other things also for the unsecured going forward to take it forward. So that's what the time will tell. Maybe after the March results, we'll be able to have a better understanding. At that time, I'll be able to guide you on what is our thoughts on the next year NIM.

Pritesh Bumb: Sure. Just a follow-up on that, sir. Then you guided to maintain your ROA at above 1.65%. If NIM is uncertainty because if you look at the point, your credit cost is already very low, the cost efficiency is there and fees is doing relatively okay. Then what gives you the confidence that your ROA will be maintained at about 1.65%, 1.7%?

B. Ramesh Babu: It is pretty simple. If you look at it, the provisioning there is a stage where we may not be able to make further provision because you see the net NPA, what all is there INR160 crores. If really if you are serious, you can provide in one quarter itself and get out of that. So currently, INR25 crores prudentially we have provided more or less last year four quarters and this year three quarters we have provided, in future, it may not be required also. If the Board takes a call, those things may not be required that way.

So likewise, many of the prudential provisions what we have been making. So stage will come where the bank and the Board gets the confidence saying that if any eventuality comes tomorrow, the bank will be able to absorb the shock sufficiently, not a problem at all. At the time, we can definitely either prune down or reduce or stop the provision that will straight away flow into ROA only. So that's why 1.65% getting an ROA should not be a major issue.

Pritesh Bumb: Got it, sir. That's very clear. Last question was on corporate book. You have been shedding it down. But what will be that inflection point where you stop shedding it and grow? I mean, is it the spread which is -- because you've mentioned in previous calls also that the spread is not that great to continue corporate, but what will be that inflection point for you to again start growing or not degrow the book from here on?

B. Ramesh Babu: No, absolutely. Inflection point was yesterday. Why I'm telling you this point is we are willing to grow. But the point is we need to have a businessman mindset. When I am getting INR100, this INR100 where should I deploy? If some sort of an avenue where I'm getting 10% fully collateral, private sector coverage is coming up and all, the capital risk is low and all. So this sort of avenue is available.

Second side, actually, someone says you give me at 9% and absolutely it's a higher amount and all it's NBFC, all these things someone is talking. So then naturally I need to take a call where I need to deploy the money. Suppose on the retail side, where the scope becomes absolutely limited on the pricing front, collateral front, all these things, then if I have huge money which is beyond the requirement, what I can deploy in the retail, definitely, that money will go into corporate.

So it's a tactical timely investment pattern what we have taken, it is not sacrosanct. So once the normalcy in the business comes up and all. Suppose let us say one more thing, if you are going to raise a deposit at 8.1%, If you lend it at 9% after CRR, SLR and all, it will not make much sense for us. So that way 9-9.25% if we had to lend, we need to sufficiently look at it whether I cannot lend elsewhere.

So that inflection point, very difficult to tell. As and when there is an absolute Chinese wall on the other side on the RAM, then automatically the funds will move this side.

Pritesh Bumb: Got it sir. Thank you so much for answering all the questions. Thank you. All the best.

Moderator: Thank you. The next question comes from Abhijith Vara from Axis Mutual Fund. Please go ahead.

Abhijith Vara: Thank you for taking my question. Sir, first of all, congratulations on a very good set of numbers, especially in challenging macro. So the first question sir is on capital. I just wanted to check even though risk-weighted assets density has gone down, the ratios have not improved. In fact, they have come off. Why is it so?

B. Ramesh Babu: Yes. Thank you, Abhijith. Thanks for the compliments. So we need to understand one thing. As far as the CRAR concerned, so the earned profit of the last three quarters, we will be clubbing for the purpose of CRAR only in the March. So rest of the period, you may be earning, but it will not be counted. During this process, the profit what all was there up to March of last year, that will be reckoned and net owned funds, what all is there.

And the assets are going up. Naturally, there can be a depletion, but all these things will be made good in the month of March. If you can -- that is March quarter. If you can look at the past performance also, it will be on those lines.

Abhijith Vara: Sure, sir. Got it. Sir, the second question is on cost-to-income. Sorry if I missed your earlier comments. Can you please help us understand how to look at growth trajectory for the cost as such opex?

B. Ramesh Babu: The cost if you look at it, there are two aspects we need to look at it. One is employee cost and second thing are other expenses. Employee cost what we did, we understood it 2 years back and the liabilities is going to be a big stop for the bank and all that's why. We invested in the last 1 year, something on the sourcing team, acquisition team for the liabilities which comes to around 1,200 to 1,300 people.

Likewise, we also felt saying that the branch level servicing and engaging with the customer is equally important. Otherwise, retention will be very difficult. We have taken low-cost resources of around 1,600, 1,700 at the branch level also. So these people, they are coming and all settling down. They need to understand the bank. They need to start doing their job seriously. So these 3,000 people in the last 2,800 people, I can say that in the last 1, 1.5 years, that has had a bearing on the employee cost.

Coming to other expense also, if you look at it, a lot of branches, 5 years, we didn't open many branches and last 2 years, 2.5 years, we started opening the branches. This year also we plan for around 80 branches something like that. Already a few branches have been opened, rest we'll try to do it in the fourth quarter. So when the branch is open, you are incurring a cost and you will need to run for more or less 2 years to get a breakeven.

But if you do not invest today, tomorrow, there will be absolute darkness and now you will not be able to get the value out of that. So that is the reason a few of the costs we have front-loaded and we are taking it. So correspondingly, expecting on the other side in the income side may not go up, particularly earlier also, I mentioned about the corporate when it's not growing, the processing fee, all these things we are not getting.

So this is what is the balancing we are doing, but with all these things also, we have indicated that we would like to maintain our cost-to-income ratio at around below 50%.

Abhijith Vara: Sure, sir, that's very clear. Thank you for answering all my questions and all the best for future quarters.

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

B. Ramesh Babu: So once again, thank you all for the pains you have taken and the interest what you have shown in coming to the call and asking the questions and all. So as I mentioned in my initial inaugural remarks, so we are on the job. And what best needs to be done, we will try to do and we'll try to meet the expectations. Thank you very much and good day to all of you. Thank you.

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