Classification | REGULATORS

Karur Vysya Bank
Smart way to bank

IRC:F48:177:348:2024

July 24, 2024

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

Scrip Code: KARURVYSYA

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

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 ended June 30, 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 July 18, 2024 at 5:30 P.M. (IST), in connection with the Unaudited Financial Results of the Bank for the Quarter ended June 30, 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-fy25-1.pdf

Kindly take the same on record.

Yours faithfully,

SRINIVASARAO MADDIRALA Digitally signed by SRINIVASARAO MADDIRALA Date: 2024.07.24 19:29:17 +05'30'

Srinivasa Rao M
Company Secretary &
Deputy General Manager

Encl: As above

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"Karur Vysya Bank Limited Q1 FY25 Earnings Conference Call"

July 18, 2024

MANAGEMENT:	**MR. B. RAMESH BABU – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, KARUR VYSYA BANK LIMITED** **MR. NATARAJAN J. – EXECUTIVE DIRECTOR, KARUR VYSYA BANK LIMITED** **MR. M. S. CHANDRASEKARAN – CHIEF OPERATING OFFICER, KARUR VYSYA BANK LIMITED** **MR. RAMSHANKAR R – CFO, KARUR VYSYA BANK LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of the Karur Vysya Bank.

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

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. B. Ramesh Babu - Managing Director 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.

B. Ramesh Babu: Thank you, Sagar. Good evening to all of you.

On behalf of Karur Vysya Bank, I welcome you all for our Bank's Earning Call for Quarter 1 of the financial year 2025. We trust that you, your colleagues and 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.

Before I go into the numbers, let me begin with senior level changes that happened during the quarter. Shri Natarajan, who was President of the Bank, has been inducted in the Board and designated as Executive Director. He will be overseeing all business verticals including treasury operations. His quadrennial experience in various facets of banking would further shape our future growth. Mr. Dolphy Jose - Chief General Manager looking after Consumer Banking resigned during the month of June and we have already recruited Mr. S T Gopal, who now heads Liability Business. Mr. Gopal has been a domain banker for 34 years and is in the Liability Acquisition Business for more than 16 years. As indicated earlier, Mr. Nitin Rangaswami heads Retail Assets Business including Open Market Channel. Earlier, he was handling the Open Market Channel. The Bank has now a strong Management Team and business, support and control functions are headed by seasoned executives.

The Bank had another strong quarter of performance built on our guidance on three matrix, growth, profitability and asset quality. Banks performance indicators are in line with our guidance and the Bank is seeing consistent and steady growth. It is encouraging to note our consistent and inclusive performance highlighting a strong start to this financial year. The same will be continued rather we will aim for further improvement of the performance in the ensuing quarters.

The Bank's total business stands at Rs. 1,70,059 crore as on 30th June 2024. We were able to sustain the growth impetus during the first quarter as our total business registered a growth of 4%, the advances stand at Rs. 77,710 crores and deposits grew to Rs. 92,349 crore with a growth of 4% each. We have been guiding in our earlier calls about our focus on inclusive growth from all verticals with respect to advances. I am pleased to share that the same is being sustained in RAM verticals with 6% quarter-on-quarter loan growth and the retail advances grew faster at 7% Q-o-Q driven by growth in jewel loans, mortgages and personal loans category.

We have integrated our open market channel that is earlier we were calling as a NEO with our branch channel as a combined retail assets team from the beginning of the current year. The integration would help us to accelerate the growth in this segment. Commercial advances clocked 6% growth quarter-on-quarter and agriculture advances achieved a growth of 4% during the quarter. Corporate book has degrown by 2% during the quarter, mainly due to lower availment in certain seasonal sectors, lower disbursement and repayments and of course few accounts consciously we left to due to pricing.

Deposits growth remains one of the 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 deposit growth was at 4% during the quarter and term deposits and CASA deposits have grown by 4% each. We have now revamped the liability business model, particularly on the CASA. Besides creating an exclusive acquisition channel, we have launched 24 new variants of CASA products. Further, we have created separate channels for corporate salary, institutional, NRE, government business, trade and FOREX, business correspondent and we have recruited national sales managers from the market to manage this business.

The last year trend of depletion in existing book on account of other opportunities available for the depositors is still being witnessed in the current year also. However, we are confident that our conscious efforts in improvement in our engagement with our customers supported by dedicated channels would result in stemming the above reduction. All of you are aware of the September 2023 master direction of Reserve Bank of India, wherein banks are to follow new regulatory guidelines on classification and valuation of investments effective from 1st April 2024. Accordingly, we have implemented the new guidelines, and the transition is P&L neutral. The net positive impact on reserves is about Rs. 81 crores.

We had indicated in the last call that NIM would be above 4% levels till first half of current year. I am happy to say that the NIM for the quarter is 4.13%. Our continued journey on shedding away low-yielding corporate advances on one side and focused more on better yielding granular secured advances in RAM verticals both have helped us to retain about 4% NIM levels during the quarter. We are hopeful to continue our effort in maintaining the NIM above 4% for the next quarter too. The cost of deposits increased by 12 basis points sequentially and yield on advances by 2 basis points, yield on investments increased by 12 basis points during the quarter. Based on our historical pattern of renewal of deposits and fresh deposit acquisition, we expect moderated rise in the cost of deposits by 12 to 15 basis points in the next quarter. Yield on advances expected to go up by 5 basis points and yield on investments would be in the similar range for the first quarter. Considering all these factors, and without taking into any policy rate changes, we expect that the NIM will be above 4% in the next quarter as I told earlier.

We have achieved a ROA of 1.7% in this quarter. We had guided that our effort would be to ensure ROA is always above 1.65 levels and we are confident to maintain the same going forward also. Our gross slippages during the quarter continue to be under control at Rs. 174 crores, which is 0.22%. On an annualized basis, if you see it comes to around 0.89% of the loan book. With our continued close monitoring of 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 accounts are continuing to yield results as we have recovered a sum of Rs. 101 crore during the quarter. Due to lower slippages, recoveries, upgrades and write off our gross NPA has come down to 1.32% and we expect that we will continue to maintain it below the 2% levels. For the quarter under review, we have provided Rs. 100 crores towards NPA migrations and Rs. 33 crores towards standard assets and restructured prudential provisions aggregating Rs. 133 crores which is 0.56% of our advances on an annualized basis. We estimate that the credit cost for the current year would be in the range of 75 basis points as guided earlier. Our net NPA has come down to 0.38% and we would continue to maintain net NPA at less than 1% of our loan book. Our standard restructured loan book is further reduced to 0.85 of our loan book and we hold a provision of 40% of the standard restructured book. Our establishment costs were Rs. 333 crores during the first quarter, which is within our guided range of Rs. 325 to Rs. 350 crore. Operating expenses for Rs. 333 crore sequentially gone up by 4%. Our cost to income ratio is at 47.20 and we will continue our efforts to peg it to and always to maintain within 50%.

Our CRAR Basel III continues to be healthy and is at 16.47 providing us comfortable headroom for growth. Our liquidity coverage ratio continues to be well above the regulatory requirement of 100%. Bank has added two branches during the current quarter. The setting up of the lite branches is under progress and the first set of such branches are expected to function from the beginning of the second-half of the year.

To end, keep moving ahead because action creates momentum, which in turn creates unanticipated opportunities, Nick Vujicic. Our endeavor is to keep up the momentum created, and we have started the year as planned. We are mindful of the challenges particularly on the liability side and are taking every step to increase the low-cost funds, which would also help us in improving the margins.

I am grateful to all our investors, analysts and stakeholders for the confidence and continued support which we will reciprocate to our better performance in the days to come.

Now, I will be glad to respond to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Sir, few questions, first is sir, on yield on advances, right, so we had increased MCLR at the beginning of the quarter. And I think we had also revised repo rate link by 5 basis points, in this quarter, corporate book has actually degrown, still the yield on advances rise is only 2 basis points and I think in your opening remarks you mentioned that it could rise by another 5 basis point. So, just wanted to check, ideally the yield on advances should have risen a little bit more. So, I was hoping if you can provide some clarity there?

B. Ramesh Babu: Jai, in fact, if you need to look at it, there are few more aspects here. MCLR, what all is there, our total book is not on the MCLR, so around 40% book is covered under the MCLR, so that way out of that at the time of repricing only, you can pass on this unlike other things and all. So, second thing, so there is some sort of a pricing pressure from other competitors also. So, wherever actually you need to retain a customer because for a long time they are there, if you need to look at the other value, so those cases you may have to give some sort of a concession. The aggregation of all these together and above all, as you have also seen the corporate actually, so few of the accounts where we have this we have degrown also. So, that is why if you look at it overall that 5 basis points you may not be able to find straightaway in the yield, but over a period of time progressively it will start coming, though not now immediately in this quarter.

Jai Mundhra: And secondly, sir there is a sharp growth in the jewel loans and retail segment, right. We have been looking to increase growth in gold loan in retail category, but this 24% Q-o-Q growth, is there any specific reason, have we introduced a new product or new geography or what is giving such kind of a growth especially in this quarter?

Ramshankar R.: There are two things we need to see, Jai. So, 24% number looks good, but you look at the base, base amount it is not on a Rs. 5,000-Rs. 6,000 crore base or Rs. 10,000 crores base, it is not there because the base is low the percentage looks high, first thing and second thing, yes, we consciously made some sort of efforts in this. Many of the customers with whom we were dealing actually, so on a win back we had a campaign wherein our branches started calling them and stating that this is what we can do, and we start to streamline our delivery numbers what all is there. So, with these things, we are able to see some sort of a traction this quarter under the jewel loans. So, some sort of a conscious effort has been made to win back the existing customers whom currently they are not dealing with us, two years, three years back they were dealing with us. So, this has to some extent supported us and in getting the growth. Product wise, more or less same product going on because of the existing product is quite appealing. I will tell you Jai, in fact, the jewel loan rather than the product and pricing, the major thing is the delivery. If some someone comes, how fast you will be able to deliver and the second thing is how fast you are going to release the ornament of, both are important, so that we have focused on that, or anyhow pricing is quite competitive compared to the market what all is there. So, that all factors together it supports us in this quarter.

Jai Mundhra: And last two data keeping questions, sir. One is if you can quantify the treasury gains in the total fee, I think you had already quantified at TWO recovery at Rs. 101 crore, but what would be the treasury gains in the other income in this quarter and if you have the number of outstanding staff count?

B. Ramesh Babu: No, it is not that, CFO is mentioning it is Rs. 11 crores. Investment in trading profit is Rs. 11 crores this quarter and last quarter it was Rs. 10 crores, March quarter was Rs. 10 and this Rs. 11.

Ramshankar R.: The employees number is 9403, Jai.

B. Ramesh Babu: But Jai, in fact, it is another point we need to keep in mind, Jai in fact, we used to be Rs. 7700, something like that, but of late whom we have taken, more or less majority are at the bottom in the sense that they are the running sales team who will be on the feet on street, those sort of thing, so that way overall they will be adding value into the sales and growth over a period of time. So, the higher level taking the people is very few in this lot.

Jai Mundhra: And for all these people that we have added in the last 18 months, they are not on IBA model, right, they are on CTC basis, is that right?

B. Ramesh Babu: Absolutely.

Jai Mundhra: And then, sir, on the total 9400 people, how many would be, let us say, ballpark IBA and CTC?

B. Ramesh Babu: Around 33% would be CTC and the rest of the 67 will be IBA.

Moderator: Thank you. The next question is from the line of Prabal Gandhi from Ambit Capital. Please go ahead.

Prabal Gandhi: Sir, my first question was on the MSME segment. We are seeing the growth of 22% here and it seems that this is largely driven by the increase in ticket sizes. So, how sustainable is this growth? And have you tweaked any strategy to focus more on the higher end or larger ticket size customers within the MSME segment?

B. Ramesh Babu: Yes, there are few aspects, Prabal, if you see agreed continuously, we have been tracking the average ticket size and based on our past confidence, higher ticket, the relaxations what we have given at the lower ticket, we tried to pass on slightly to a higher level also. We have seen the checks and balances what we have got up to 50 lakhs and the delinquency level is low, and these relaxations, if we give it to 75 lakhs, how it works, so that way we have experimented and we gave few of the relaxations that is working to some extent and second thing, so the teams in the branches and others also they have started working well. And third thing there was some demand. Due to that, the availments also have gone up. So, these three factors have helped us. So, regarding the trend going to continue, I may not say that this 20%-21%, but our efforts will continue, so which may more or less yield. Our focus majority, first of all, if you look at it over a period of the last three years, the commercial segment composition in the total advances has been going continuously up. The simple reason is that is a granular portfolio, secured and better yielding for us out of all the verticals. That is the reason all branches, every resource is working on that. So, we will try to maximize what best we can use get under that MSME segment.

Prabal Gandhi: And will you shift from these 60 lakhs to 75 lakhs? It is the same customer who you are giving higher loans or it is the new customer which is coming?

B. Ramesh Babu: New also, earlier also up to 50 lakhs new customers we were doing and those things actually when we look at and back test, what is the stress we are getting out of that, what is the rating all these things, so over a period of two to three years when we saw, so it is absolutely bearable. That sort of a risk is bearable. Having seen that we thought we can take some more risk with this sort of a relaxation, we have gone ahead in the last six months, but once you do it, it is just like an engine straight away it will not start. Slowly, it started working on this and all. So, over a period of time, we will start seeing an average ticket size going up, but there are three combinations here, one is average ticket size, second thing is the disbursements also have gone up fresh acquisition and third thing availments also have happened. It is a combination of all three has resulted in this growth.

Prabal Gandhi: And sir, we are also seeing current deposits grow on a sequential basis in a seasonally weak quarter. So, is there some correlation of maybe the MSME growth picking up for us and we are also able to tap float for the customers?

B. Ramesh Babu: No, I cannot say that directly thatthere is an effective linkage is there between these two, so these two are independent levers as it is. So, that way tomorrow MSME growth may be there, current account may not be there because the reason is many of them they may not place their money in current account. So, they are all absolutely conservative. They are conscious about the pricing. Instead of leaving the money in the current account they may keep it in their cash rate account itself so that they will save their interest. So, that is why I cannot say that. Current account growth can be linked to MSME growth.

Prabal Gandhi: And sir, secondly, in the BNPL portfolio, we have been growing that portfolio, but this quarter it seems that we have paused the growth in that portfolio. So, any stress that you are seeing on the ground or maybe it is just the cautious call that you have taken?

B. Ramesh Babu: No Prabal, it is not the question of a cautious call or staying. You see, we used to have around Rs. 350-Rs. 370 crores last March and last year Dussehra as well as Diwali, so there was a huge demand from the Amazon customers. So, that is how it has gone up to Rs. 1,100 crores something like that. So, though we are trying to maintain in those levels, we will see it again, the opportunity come this Dussehra-Diwali, what best can be taken and all, depending upon our risk appetite, we will try to do. Currently, if we look at it, the stress is under control. As we always told earlier also, we have FLDG of 5%. So, that way currently what all default our NPA is coming up, so all is covered under FLDG. So, we are not out of pocket as far as the stress is concerned. So, currently, everything is going on well, let us see when the next festival season comes, whether how much we can take, we will see rather than overnight opening the floodgates.

Prabal Gandhi: And so far as per your monitoring systems, there seems to be no challenges on this?

B. Ramesh Babu: Yes, absolutely. As on date, everything is going on well. And as per the tolerance limits, what we have for the stress, it is moving in those limits only.

Prabal Gandhi: Sir and last question was on the management bandwidth, so I understand that you have got a lot of people from outside at the senior level, but how are you grooming people at the second and the third layer because eventually this also comes with a key man risk. We have seen that happen in recent months that when a senior person leaves there is a risk that the systems below it cannot work that efficiently. So, how are you grooming the second and the third layer in order to make it more institutional?

B. Ramesh Babu: Yes, we are quite mindful of the fact about the succession planning. So, that is why every senior position, what all is there, we have a buffer for one or two people always under that. That is the reason anytime because someone leaving is not new to the Bank. It has been happening, but we never had that shock anytime in the last few years because the way we have groomed the people, many of them, they can handle multiple tasks, they have expertise in different areas and we have a concept of rotating them in different verticals also. In addition to that, as you mentioned, institutionalizing this one, so we started providing them these institutional training also for developing their management capabilities and so they are effectively working as #2 #3, so that way we have an effective planning mechanism which someone can take over seamlessly if there is a gap.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: Sir, just heard a few questions on this quarterly numbers. Firstly, sir this, like you mentioned this, the gain on the treasury book that have got routed into that reserve that is Rs. 23 crores plus Rs. 58 crores that we have reversed, the depreciation of the previous quarter, correct?

J Natarajan No, this is actually, this is effective from 1st April and the transition day on 1st April when we work out based on 31st March, this is the impact, whatever you mentioned the number that has got the results.

Rakesh Kumar: And sir, the other number which is like from the investment reserve that we have also reversed this quarter. So, if you can explain that number, sir, Rs. 203 crore, which has like transferred from the investment reserve. So, if you can elaborate on that, sir pertaining to the notes to accounts too, sir?

Ramshankar R.: You have got 2 reserves. One is for investment fluctuation reserve, other is investment reserve. See 2% of the HFT and AFS portfilio we have to transfer it and keep it under the investment fluctuations reserve. If that is adequately covered the guidelines had informed that the investment reserve can be moved to the general reserve. That is what we have done..

J Natarajan For your question, the net impact out of the entire guidelines, whatever that Rs. 82.25 crores we have mentioned is the net impact.

Rakesh Kumar: Correct. So, this is Rs. 23 crores plus Rs. 58 crores reversal of the depreciation?

B. Ramesh Babu: Correct, 81. That is what that comes to 81.

Ramshankar R.: The total impact is neutral because within the reserve surplus it has moved from investment reserve to general reserve.

Rakesh Kumar: So, the investment reserve plus investment fluctuation reserve both the reserves of Rs. 203 colors transferred to the general reserve?

Ramshankar R.: Investment and fluctuation reserve stands as it is. There is no change in that. It remains as it is. Only the investment reserve has moved from investment reserve to general reserve within the reserves and surplus.

Rakesh Kumar: Which was Rs. 60 crores as on March '23, March '24 numbers we don't have?

Ramshankar R.: Additional fair value valuation because of that new direction that we have taken to general reserve, Rs. 60 crores.

Rakesh Kumar: And sir, I also saw this, recovery rate that we have seen in the Slide #21 that has improved significantly like if we compare with FY24 number or maybe Q4 FY24 number, so the recovery what we are doing, the provision right back we are doing on the recovery number that has improved. So, would that stay in that kind of a number ending to the figures there in the slide 21, sir?

B. Ramesh Babu: Now Rakesh, in fact, the recovery, particularly from the written-off and all, so we cannot give any guidance on that because it is dependent on many factors, external factors like courts, NCLT, auctions, these sort of things and all, but our efforts we started having for more than 2 years and different stages, different cases which are stuck, slowly they are getting released. So, our effort is to push each one of them as much as possible to get that.

Rakesh Kumar: Sir, I was referring to, sir, this recovery number, recovery and upgrade number of Rs. 90 crores and again that provision write back of Rs. 56 crores, so provision write back of Rs. 56 crores on Rs. 90 crores of recovery, I think that number comparable number for previous quarter and previous full year, there is a quite lot of improvement that we have seen, so I was looking at that way, sir?

Ramshankar R.: Yes, what your observation is correct.

Rakesh Kumar: And sir, thirdly, investment yield numbers are like I saw there is an improvement. So, it is now 6.53 for this quarter and for the March quarter it was 6.41, but if I look at the previous quarter investment yield which we had given it was slightly lower, so is there any reason for the March quarter investment yield number, sir?

Ramshankar R.: No, actually what happened last March, what happened, the YTD numbers were given. See here the entire figures are given quarter wise, end of June quarter, September quarter December quarter, March '24 quarter. Last, in March, this thing it was given till June figure what is the YTD till June.

B. Ramesh Babu: March one was for the whole 12 months, whereas up to December was only for the quarter. So, that is the reason because 12 months when it is equated, so it has come to 6.41.

Ramshankar R.: Now, we have given quarter wise to have comparable for all quarters.

Rakesh Kumar: And sir, gross security receipts numbers are in March '24, it was Rs. 378 crore and now the gross security receipt number is Rs. 263 crores, so I couldn't understand, sir, if you can explain, sir?

B. Ramesh Babu: SRs, some recoveries have come already. Last month also, last quarter also if you see Rs. 54 cores recovery you are able to see that. March quarter, we have a recovery. So, the recoveries are coming in SRs.

Rakesh Kumar: Actually, I was thinking for the closing figure of March and the opening figure of this June, so we don't have that, movement of that number?

Ramshankar R.: We will provide you with it Rakesh.

B. Ramesh Babu: movement, what all is there, let us provide.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, my first question is regarding this AFS reserve accretion that we have done during the current quarter. So, what is the positive impact on the CET1 during the quarter?

B. Ramesh Babu: Rs. 5 crores is the AFS reserve for this quarter, whatever the gains under the AFS portfolio, which was transferred to AFS reserves is Rs. 5 crores.

Anand Dama: So, the CET1 would have improved by Rs. 5 crores that is the way to look at it? And in that case, how much is in the basic point?

B. Ramesh Babu: Rs. 5 crores on a Rs. 10,000 crores, so very miniscule.

Anand Dama: Secondly, when we look at our basically our loan book because two observations, one is that we are growing a LAP book at a pretty faster pace, and secondly that we have also cut down our NBFC exposure on quarter-on-quarter basis, so any comment over there?

B. Ramesh Babu: No, if you look at it the LTV more or less what we maintain for a home loan as well as LAP, all of them, you are 100% secured. Then the options are different options are there. When you want to maximize the yield the costs of deposits have gone up and you want to maintain the margins. So, we do not want to aggressively go into the unsecured because tomorrow something happens the first fall will be from the unsecured, so that is the reason when we didn't go for that. At least out of these products if you look at it, one is Jewel loan is giving more or less 9.5%-10%, something like that they are giving, so fully back, that is why we are focused on that and LAP is also giving that 9.5 plus yield where you have full security is there for you and we are not relying only on the security here. We are looking at the cash flows. We are doing the assessment on those lines where we are thoroughly satisfied, their uninterrupted cash flows are there, you can service this loan, then only we are going for the LAP. That is why when we have seen few years the stress levels under the LAP is quite manageable. That is why we thought saying that when the opportunity is there demand is there. Why can't we go for that. Now coming to the NBFC, agreed. So, we have reduced the portfolio, there is a lot of scope available there and all because RBI guidelines have come up for the additional capital what we need to maintain. And second thing, suppose there is some sort of an issue, automatically NBFCs will have an issue indirectly. We will have the problem. That is the reason we are relatively in a calibrated manner, we have grown on NBFC and here the NBFC exposures we have brought it down, so that is why a manageable level keeping our risk appetite in mind, we are growing in the NBFC and not taking too many exposures on NBFC's.

Anand Dama: Sir, one more thing is that recently Telangana government has announced the farm loan waiver? So, basically one is that how much is our portfolio in Telangana? And do you see any impact of this farm loan waiver at least intermittently?

B. Ramesh Babu: If you look at it Anandji suppose, our total agriculture even today, 90% is jewel loan, so just jewel loan is 90%. So, out of these Rs. 18,000 crore, hardly less than Rs. 1,800 crore in the whole country would be other than jewel loan. So, that is spread out many locations and many of these cases also absolutely either it is backed by security or cash flows, these sort of things our clean loan off cash on credit card these sort of things are very low, but one more thing we need to keep in mind even if we have a small portfolio in these states, but it is a waiver when we talk about it, government will pay the money and all they are not asking Bank to bear the brunt so that way the question of we will get the money, but there can be a small shift in the culture of the people for the repayment, but we don't feel that sort of an issue agriculture, so much of deep penetrated other than jewel loan portfolio is there in Telangana for us.

Anand Dama: So, jewel basically is going to be collateral for you, right, but if the customer says he is going to get the waiver, he is not going to pay, right?

B. Ramesh Babu: Correct, we will be releasing the gold only after we receive our dues only. Before that, I cannot release it. So, why, anyhow, LTV is 75% is there, 25% even if fluctuations also I have the money with me, so that way there worry should not be much because I have a backing here.

Anand Dama: So, what will happen is that if the customer, the farmer doesn't pay, it will slip into NPA, your provisioning will be lower because you have security backing?

B. Ramesh Babu: Correct, provisioning in the sense that the entire amount will be able to recover because if LTV is 125% then the problem is there. So, if I go and sell for sale instead of supposing Rs. 100, I may be getting Rs. 90 and my outstanding is Rs. 75, I will be able to recover my money and balance I can return it to the customer.

Moderator: Thank you. The next question is from the line of Mahesh from Kotak Securities. Please go ahead.

Mahesh: Sir, just couple of questions, one, I know it is a small number, but just still trying to analyze the slippages that you are seeing on the retail side, is there any product segment which is contributing to it because it has been driving on a consistent basis in recent quarters?

B. Ramesh Babu: Rising in the sense that you see Mahesh, in fact our total portfolio and retail unsecured is marginal and the rest of the product, what all is there, everything is backed by either a home loan or LAP, these two are having comfortable security. Sometimes what happens if you get these sort of slippages in the first and second quarter, it is relatively better for the Bank. The reason is you will have enough time for enforcing the SARFAESI, getting it and all. By the time third, fourth quarter comes, many of them, the SARFAESI process is going on itself. They will come for a compromise and settle it. So, that way we encourage suppose a more or less here and there, sort of an account is there, instead of prolonging this pain, it is better we provide the bullet and initiate the resolution process so that your ability to recover the money will be much faster. So, that way everything is backed by security. It is the question of time we will be able to get, so nothing much to worry about that there are no unsecured portion much in this.

Mahesh: Second question on the OPEX line which is currently running at about a little over 25%, the non-staff, right, any direction as to how you are looking at that number?

B. Ramesh Babu: Non-staff, as earlier also I was guiding, so normal course what all is there it will be growing just linked to the inflation, but so we have planned for around 100 branches this year, out of that 80 branches can be lite and 20 branches can be normal branches which we want to open. And these things are there, naturally the overhead cost for these sort of things can go up, but we need not do all those things. But if we do not do it, raising the liability, getting the leads and many areas which is the suburb developing and all, we will be missing the opportunities there. That is the reason what we thought maybe it is better we bear the cost for one or two years, then by the time one and half years, two years, they get breakeven, but next 10 years we will be able to reap the benefit of it. Other than that, routinely, if you look at it, normal OPEX is going on, no spikes will be there, if at all something is there, we may spend on IT upgradation these sort of things. And second thing is the branch openings and the cost for that. These are the issues only which can come up, other than that nothing much.

Mahesh: Sir, last question. In the last two quarters, you reported this 25% of floating provision. In this quarter you reported under other prudential provisions? Is there any difference in these?

B. Ramesh Babu: And it is a good question Mahesh, in fact, I will tell you when we were commencing this particular provisioning we clearly mentioned that because at that time unknown unknowns guidelines were there actually where we will be landing as far as ECL is concerned. So, we thought that let us provide something. When we have provided Rs. 100 crores and the calculations when we made more or less the provision, what we have made would be sufficient enough to take care of any shock if the RBI releases the guidelines. So, that is the reason there is no point in bloating that particular provision Rs. 200 cores, Rs. 300 cores and all it doesn't make any sense for us. So, that is the reason we have shifted this side so that it can be helpful on the stress side, if at all tomorrow comes up, those things will be eventually can be taken care of. That is it.

Moderator: Thank you. The next question is from the line of Nagesh Motamarri, an Individual Investor. Please go ahead.

Nagesh Motammari: Just wanted to know why the tax provision has gone up, sir, when the profit in the last quarter was 573, you have made 117 provision for tax and this year it is out of 612, 154 has been provided? That is one question and secondly, any expectations of bonus issue or something because there is a gap of about 6 years which you have done and very small bonus has been given in 2018, 1:10?

B. Ramesh Babu: Regarding the bonus issue, I will tell you, currently there is no thinking as yet in the board also. At the appropriate time, whenever the board feels we can think of, but currently we try to strengthen the capital this because the growth what all is coming, so it requires some sort of a capital. That is why we do not want to make any shift here and there currently, but as you mentioned that at the appropriate time when the board feels, definitely we will keep that particular point in mind, sir.

Nagesh Motammari: The reserves have gone up more than Rs. 10,000 crores for the first time?

B. Ramesh Babu: I know, sir, but you see the other side, the retail growth is also going at 21%. So, there in the meanwhile, RBI has also increased the risk weights for the capital for many of the products and sectors. So, these things we need to take care of that. So, we will gauge all these things and all what I call has to be taken by the board, appropriate call, we will take it, sir, we will keep that point in mind.

Ramshankar R.: From the provision for taxation, I just want to clarify, see the last year in the beginning of first up to third quarter, we are not so clear on the amount of what will be the IBA settlement bipartite, how much amount though we are being providing it, whether, only when it is paid before March or when it is finalized then only you can claim it as a deduction. There were lot of unknown unknowns were there, so our provisions were around 25% plus for taxation and when the March quarter when you have the full year view whatever what we had made for the three quarters and the balance year for the taxation for the full year was taken care in the, fourth quarter. Even if you see the first quarter also, the effective tax rate comes to around 25.2% which is as per the tax rates for corporates.

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: Thank you all for your interest and for the participation and serious questions you people ask, which are quite insightful. Thank you very much. As we assured earlier, we will strive to further show better results than what we have been doing and with the support and guidance of all of you. Thank you very much once again. Good day to all of you.

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