



“Karnataka Bank
Q1 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Karnataka Bank Q1 FY2021 Earnings Conference Call hosted by Monarch Networth Capital Limited. 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 over the conference to Mr. Aalok Shah at Monarch Networth Capital Limited. Thank you, and over to you, Sir!

Aalok Shah: Thanks Aiysha. Good evening to all. On behalf of Monarch Networth Capital Limited we welcome you for Karnataka Bank's Q1 FY2021 results and future outlook. To discuss about the results we have the entire management team of the bank starting first with MD & CEO, Mr. M S Mahabaleshwara; COO, Mr. Y V Balachandra, Mr. Gokuldas Pai, CBO and Mr. Muralidhar Krishna Rao, CFO and other senior management team. Without taking much of their time, I now hand over the call to MD Sir for his opening comments post which we could start the session for Q&A. Thank you and Over to you Sir!

Mahabaleshwara MS: Thank you. Good evening and welcome to all of you. This is the first concall on the first quarter results of Karnataka Bank. I have with me my Chief Operating Officer Mr. Balachandra, Chief Business Officer Mr. Gokuldas Pai and also our Chief Financial Officer, Mr. Muralidhar Krishna Rao and other Senior Management team.

Friends, after seeing Q1 result one person from Mumbai, called me about couple of minutes back and said that “it seems there is no lockdown impact for Karnataka Bank”. I think that sums up the mood of well-wishers of Karnataka Bank. Yes, the COVID-19 affected first quarter that is Q1 of FY2021, we have been able to sail through not only successfully, but also with flying colors with an all-time high net profit of Rs.196.38 Crores with year-on-year growth rate of 11.95% and on top of it an all-time high operating profit of Rs.677.04 Crores with an year-on-year growth rate of 93.43%,-our two top highlights of Q1 results. The significant jump in operating profit was mainly on account of decent and nominal growth in the interest income, well controlled expenditure of under both interest expenses as well as other expenses category and of course the robust treasury profit. We have used the entire treasury profit amounting to around Rs.355.37 Crores for current as well as future provision requirements which were generally one off in nature. For example, about Rs.189 Crores of amortized provisions which was supposed to be done during the first three quarters of the current year, we have absorbed that entire portion during this quarter itself. Otherwise at a rate of around Rs.63 Crores per quarter we would have debited that to the profit and loss account during the June, September and December quarters. So we have debited entire Rs.189 Crores to the profit and loss account and credited back to the reserves account. In the March quarter full provision was made by debiting 25% to the P&L and balance 75% of the reserves account. So now that is totally reversed. Then we have also made a COVID-19 additional provision of around Rs.73.91 Crores and even accelerated provisions amounting to Rs.61.61 Crores to a few NPA accounts is also done upfront during this quarter and few ICA accounts, we have made additional provision of around Rs.22.41 Crores and of course superannuation benefits of around Rs. 33.79 crores and all these things were absorbed from this one off profit source. Thus an effort is made to further strengthen the balance sheet. We have also identified proactively certain borderline accounts as NPA amounting to Rs.166.84 Crores. This is mainly depending on the incipient sickness and no clear business plan for them post COVID scenario etc. So we took a prudent decision of declaring about Rs.166.84 Crores as NPA otherwise it would have continued under the COVID-19 portfolio .Further, on account of increased provision, and technical write off of around Rs.361.32 Crores, our net NPA improved to 3.01% and the gross NPA also improved to 4.64% .The slippage ratio is at 0.30% as compared to 0.99% about a year back and the credit cost is at 0.45% as against 0.43%. This is mainly on account of the accelerated provision. As a result, the provision coverage ratio has significantly improved to 67.93%, from 58.08% about a year back. As of March it stood at 64.70 and now it further improved to 67.93. Capital adequacy ratio also has seen a significant improvement to 13.07% consisting of 11.07% Tier-1 and 2% Tier-2. This was at 12.70% about a year back and 12.66% as of March 2020. The advances growth is very much muted, it is below 3%, but here the fundamental changes what we have made is since last three quarters we have been focusing on the retail and mid corporate portfolio rather than the corporate advances. So in fact the corporate advances which was at 27.43% about a year back has now come down to 21.38%. Similarly the mid corporate advances that is Rs.5 Crores to Rs.100 Crores which was at 27.29% of our GBC, it has now improved to 30.73% and the retail advances that is less than Rs.5 Crores it was 45.28% about a year back, now it is improved to 47.89% of our total loan book. So you could see that in the corporate advances year-on-year degrowth is to an extent of 19.64% whereas in mid-corporate, a solid Y-OY growth of 16.08% and in the retail advances, very impressive growth of 9.03%. So all-in-all, especially in our focus area of retail and mid-corporate, we have been able to register an average growth of 11.70% that is both retail and mid corporate put together whereas our corporate advances has shown a degrowth of 19.64% as per our

advances portfolio realignment strategy. The CD ratio is now at 75.4%, CASA compared to June 2019, which was 27.40% now has improved to 28.66% and of course we have been able to contain the cost of deposit, it was at 5.97% about a year back, now it has come down to 5.70%.. Yield on advance almost remained at the same level, last year it was at 9.32% now at 9.33%. Yield on advances has improved by one bps whereas cost of deposit declined by 27 bps so as a result our interest spread improved to 3.63% from 3.35%. In the NCLT related accounts we have now around Rs.1413 Crores and for this I have a provision of Rs.1313 Crores that means almost a 93% provision is there. As and when in future the resolution happens, even if we get about 30% or 40% so this is the future income that we have parked there, as we have adequately provided. COVID-19 related moratorium, we have now around total Rs.97 Crores we have already provided this is under the standard advances provision and the current quarter the additional provision made is Rs.73.91 Crores. The staff productivity has also shown a positive traction. My turnover per branch now stands at Rs.146.93 Crores compared to last year's is Rs.144.63 Crores, business per employee slightly improved to Rs.14.95 Crores compared to last year's Rs.14.70 Crores. The significant improvement has come in the area of operating profit per employees, which is presently at Rs.8.03 lakhs versus 4.24 lakhs and of course cost to income ratio because of the improved operating profit has improved significantly to 35.77% versus 50.32%. However, 35.77% may not be sustainable but I think around 45% may be quite possible.

Under transformation journey "KBL Vikaas" we have already started our own subsidiary KBL Services Limited which is incorporated on June 21, 2020 and this is going to be operationalized during the current year which would help in further reduction of our operational costs and improvement of overall efficiency. Our assignment with the transformation consultant BCG was initially for two and a half years which has come to an end as of June 30, 2020. Of course the handholding process may continue for another one or two months and all the initiatives whatever that we had planned under the project is fully implemented. Transformation is a continuous journey hence our transformation cell will continue to function and we have further strengthened our transformation cell as well as our Digital Center of Excellence. In our digital center of excellence, digital sanction of retail loans we have initiated, so now around 40% to 50% of loans are being sanctioned under the digital route and going forward around 80% to 90% of the retail advances we plan to cover under the digital journey, which would have a different customer experience as well as high efficiency in the under writing process of the advances.

Further, current year's annual general meeting is scheduled for Friday, July 17, 2020 and that will be e-AGM. Going forward we will continue to be "cautious and conservative" and only after the September result, we may be able to give some definite guidance for the current financial year. What we understand is that this uncertain economic conditions may continue for the first half whereas some clear indications are going to emerge in the second half of the current financial year. Nevertheless at Karnataka Bank, we are well prepared for the worst scenario as well as for the best. So that is why I said very cautious and conservative approach of Karnataka Bank would continue and I am optimistic that we would be able to sail through this COVID-19 related situations and uncertainties in a comfortable manner. With this opening remarks now the forum is open for your observations or any further clarifications and you are most welcome.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Kishan Gupta from CB Research. Please go ahead.
- Kishan Gupta:** I want to know like you have advances of some Rs.54000 Crores how much is under moratorium currently?
- Mahabaleshwara MS:** There are two moratorium packages, one is moratorium package one, March, April, May and another one is moratorium package two June, July August. Even though moratorium is extended to all the eligible borrowers, under moratorium package one initially I had 46.62% of our eligible advances and the same has come down to 44.89% whereas under the moratorium two which is for June, July, August, 6.26% of eligible borrowers have opted for . So moratorium one package has come down and there is an addition of 6.26% under two so both put together 51.15% as of now.
- Kishan Gupta:** How much provision you have made related to this suppose it is 50%, Rs.27000 Crores?
- Mahabaleshwara MS:** This provision is not linked to the moratorium. Provision is linked to stand still clause accounts which otherwise would have been treated as NPA. So there is asset classification benefits for around Rs.970 Crores of advances wherein we have provided amounting to Rs. 97 Crores i.e., at 10%.
- Kishan Gupta:** What sort of accounts are there in this moratorium composition?

- Mahabaleshwara MS:** Agricultural advances is around 32% that is out of the moratorium one, moratorium two around 14%, corporate advances moratorium one 35% and under two 3.54%, MSME 65.84 and another 2.86 and the rest of the retail 45.43% and 9.46%.
- Kishan Gupta:** So what is 45.43?
- Mahabaleshwara MS:** 45.43% under moratorium one and moratorium two 9.46% under Retail.
- Kishan Gupta:** Retail?
- Mahabaleshwara MS:** Yes.
- Kishan Gupta:** And corporate how much you said?
- Mahabaleshwara MS:** 35.28% of the corporate portfolio plus 3.54% so around 38% of eligible corporate advances
- Kishan Gupta:** And you have mentioned somewhere that you were taking cost reduction measures so what sort of cost reduction measures you have taken and could you quantify those numbers?
- Mahabaleshwara MS:** Many things we did. We had planned for additional around 20 new branches for the current year and that we have totally stopped. Whatever the last year branches spillover was there around 12 branches, only those 12 branches we are opening and of that around 10 branches we have already opened, so no new branches. Shifting of the premises unless and until it is very much required, we have stopped that also. All the existing premises owners we have contacted and requested for reduction in premises rent, the result is very encouraging and is varying from 10% to 44% reduction for the current year. I have already reduced the rent for about 90 branches out of 858 branches. So there is a very good response and we will continue our efforts for reduction of expenses. In all other areas especially miscellaneous expenses, travel expenses and conducting the meeting through the Webex all these things are being attempted. So as a result the miscellaneous other expenses has come down by 1.27% during the first quarter itself. We are not going to recruit any additional manpower for the current year. Even though there is about 350 people who are going to retire by attaining the superannuation during the current year, we are in a position to manage with the existing manpower only. So the fresh recruitment as well as internal promotion we have deferred for the current year. Besides, I think you might have already noted this because in our annual AGM notice also, we have mentioned that the Board of Directors also have opted to take a take a cut of around 29% in their Board sitting fee and the committee meetings by 20% and of course as a token of morale booster, I too have opted to forgo my variable pay for the last year. We are very, very selective in incurring any capital costs and virtually we have stopped almost new capital expenditure. Of course it is my responsibility to lead from the front. I too have opted to use my old car only without any replacement even though it is due for replacement. So those are the small gestures but definitely I believe that it sends a strong message down the line.
- Kishan Gupta:** Sir the total cost was Rs.1600 Crores last year employee plus other operating so how much you can save this year that these internal estimate how much is?
- Mahabaleshwara MS:** We are planning for at least Rs.100 Crores.
- Kishan Gupta:** Rs.100 Crores?
- Mahabaleshwara MS:** Yes and a detailed note is also put up to the board so that Board is also informed what are all the cost reduction measures and areas. See what I did is, I called for the suggestions and active participation of all my staff members. They only suggested these are all the areas where we can contribute so it is something like an inclusive sort of a movement that is going on in Karnataka Bank in cost reduction. So my rough estimation is that we should be able to save at least Rs.100 Crores because of this initiative.
- Kishan Gupta:** That includes branch opening expenses?
- Mahabaleshwara MS:** Branch opening expenses is also included.
- Kishan Gupta:** Okay and what sort of recovery mechanism you have put in place for this moratorium accounts?
- Mahabaleshwara MS:** Upto August end moratorium benefit is there and we have now started contacting all the borrowers who have availed the moratorium. We are in regular touch with them and we are also assessing what is the post COVID business revival plan of these customers through our branches and wherever their cash flow has already resumed repayment has already started coming in. So I think by September end the position may further improve and by that time we will be able to give a clear-cut picture. Hence, as far as the recovery front is concerned, it looks like the situation is well under control because our regional recovery hubs have started functioning and the response is also encouraging.
- Kishan Gupta:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Sagar Shah from SK Analytics. Please go ahead.
- Sagar Shah:** My first question is what is our exposure to Tamil Nadu state is concerned in terms of advances?
- Mahabaleshwara MS:** Exposure to Tamil Nadu?
- Sagar Shah:** Yes and Maharashtra?
- Mahabaleshwara MS:** Maharashtra our advances exposure is Rs.10244 crores and in Tamil Nadu it is Rs.3706 crores.
- Sagar Shah:** Okay so basically almost around 30% of your advances approximately between 28 to 30% of advances, low portfolios concentrated in between these states and this lockdown is still impose in these two states so just before you told that you are contacting each and every customer who is in the loan moratorium, so basically what kind of response are you getting from your customer in these states particularly is the situation improving or is the situation deteriorating as far as their economy is concerned?
- Mahabaleshwara MS:** Situation is improving but customers by and large are expecting further relief measures from the Government of India as well as the regulator, basically from the point of view of onetime restructuring. We do not know what is the response of the regulator. So this is the mood at the field level. So even though a few of them have restarted their activities and they have revived to certain extent, but definitely they are expecting some restructuring from the concerned authorities.
- Sagar Shah:** Particularly in these two states you are saying?
- Mahabaleshwara MS:** Maharashtra our major exposure is to the corporates and there it is not an issue because if you look into the corporates, moratorium is not that high. In fact in the externally rated borrowers the moratorium availed as of now is around 24.38%. Similarly in the NBFC portfolio which is constituting around Rs.8466 Crores, only 5% of them have availed the moratorium. So it varies. By and large the retail advances and mid corporates are expecting one time restructuring and revival is quite visible now.
- Sagar Shah:** Okay my second question was that as far as the MSMEs are concerned especially in your own state, Karnataka and from other states as well, so what is the current situation as far as MSMEs are concerned, who are especially not in the essential category, for those customers especially who are not on the essential category who are in the nonessential so how is their economy situation is concerned actually, how is the economy health are they trying to come out of this crisis, how are they actually trying to...
- Mahabaleshwara MS:** Some good effort in right direction is there. You may be aware of central government's GECL scheme that is guaranteed emergency credit line scheme. Under that we have identified above Rs.2700 Crores for fresh lending and you know that this is 0% risk weighted and the period is for four years. So that would definitely ease the working capital pressure of these MSMEs. MSME sector is very important for the revival of the economy hence wherever the deserving cases are there, we are entertaining the credit proposals.
- Moderator:** Thank you. The next question is from the line of Tamisha from ICRA. Please go ahead.
- Tamisha:** Sir actually I just wanted to ask like you said about the NBFC sector it is Rs.8466 Crores you have and 5% have availed for moratorium so what would be the credit rating profile of this outstanding, these NBFC?
- Mahabaleshwara MS:** Yes we have just uploaded these details in our website also but for your information, 3 borrowers companies under 'AA' rated category with an exposure of Rs.393.crores, one borrower company under 'A' rated category with an exposure of Rs.20 crores and one borrower company under 'B' category with an exposure of Rs.11 crores have so far opted for moratorium. Thus 5.12% of NBFC eligible outstanding balance is under moratorium.
- Tamisha:** Okay Sir that is really helpful and if possible can you just share the liquidity coverage number for the quarter Sir if it is possible?
- Mahabaleshwara MS:** around 235%, very comfortable.
- Tamisha:** 235% okay Sir thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.
- Sneha Ganatra:** Sir Two to three questions. First is on the I was just wanted to know what is the outlook on the credit cost considering the COVID related any additional provision which we required to meet for the next two quarters. Second question is on the asset quality how do we see the trend of the slippages and any bigger accounts of recoveries that are expected and third is any plan for the capital raising?

- Mahabaleshwara MS:** Okay, credit cost is a proactive decision that we took. But as I said depending on the insipient sickness and if there is no effective business continuity plan even after the post COVID so on that basis we will take a call. So credit cost would depend on that, but I do not think it would be on the higher side because last year for the full year our credit cost was 2.28%, current quarter it is 0.45%, last year corresponding quarter was 0.43%. I think it would remain almost in the same range. As far as the asset quality is concerned, definitely it is going to further improve both in terms of net NPA as well as gross NPA for the September quarter and thereafter we will have to see because it is dependent on COVID 19 triggered factors. Then your third question is on capital raising. As I said the capital adequacy ratio, has now improved to 13.07% consisting of tier I of 11.07% and tier II of 2.00%. Here this 13.07% is excluding the current quarter profit. If you include that this would be around 13.45%. So CAR is comfortable and adequate. Capital adequacy ratio so dependent on the future growth plan post COVID and if there are any good opportunity for us to raise the capital we will explore that at appropriate time, not immediately. Shareholder's mandate for QIP is valid up to March 4, 2021 so by that time we will be taking a call regarding further augmentation of capital depending on the requirement. As of now I may not be able to give any timelines because we have kept that option still open as the validity of the shareholder's resolution is up to March 2021.
- Sneha Ganatra:** And Sir one more question. If the moratorium is for additional three months up till December 2020 so what is your outlook on that?
- Mahabaleshwara MS:** Definitely the banking sector and the economy and the customers would welcome it. So only thing is the additional provision may increase. Since we have already absorbed the full 10% during this quarter itself I think we should be able to comfortably absorb as and when that type of situation arises. We are in an era of uncertainty and we have been trying our level best to sail through this uncertain period and we have been very successful during this quarter and depending on the experience whatever that we got during this particular quarter I hope that we should be able to continue to sustain with this type of satisfactory performance going forward.
- Sneha Ganatra:** Sir on the opex front and BCG guiding us and we were able to curtail down some amount of the expenses cut down expenses from overall?
- Mahabaleshwara MS:** These are the operating cost reduction measures which were undertaken by us only. By duly looking into the prevalent uncertainty in the economy we thought that this is the right thing to curtail some of the expenditure. So as long as this type of thing is required we will continue that. I do not think we will stop it after the first quarter or two quarters if it is required to be continued for the full year, we are fully prepared for that.
- Moderator:** Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Hi Sir good evening. Sir first I wanted to understand this provisioning net so as of Q4 we had Rs.240 Crores of standstill account, where we provided 10%, the total overdue was somewhere around Rs.3800 Crores of which Rs.240 Crores was in standstill and you provided 10%, now what is the additional Rs.74 Crores coming from?
- Mahabaleshwara MS:** This pertains to Asset classification benefit. February 29, 2020 was the base period for recognizing the stress for the asset classification benefit. So we have a total Rs.974 Crores under the standstill category. Rs.240 Crores in the March quarter for which 10% upfront provision is fully provided during March quarter itself and remaining Rs.734 Crores pertains to June quarter on which again we have provided fully 10% in this quarter. Thus is the total COVID 19 provision is Rs.97.40 crores.
- Jai Mundhra:** So Sir in other words, Rs.3900 Crores overdue that has become Rs.980 Crores if that is the way to understand?
- Mahabaleshwara MS:** Yes.
- Jai Mundhra:** I mean all overdue as of May end or June end has become 900 right and were in we have provided 10%.
- Mahabaleshwara MS:** June end.
- Jai Mundhra:** Okay sure and Sir in your slippages Rs.166 Crores, was there any retail or agri slippages?
- Mahabaleshwara MS:** Agriculture is around Rs.35 Crores that is the harvesting and transportation, MSME small portion, few housing loans, some large and medium sector also. All together Rs.166.84 crores.
- Jai Mundhra:** Sir housing loan the person could have taken moratorium right why would he slip?
- Mahabaleshwara MS:** There may be some fraudulent accounts, special situation, probability of default etc., and under those circumstances it is classified as NPA.

- Jai Mundhra:** Thank you so much Sir. You have also improved your disclosure this time around and we will see a lot of new data under the presentation just last thing...
- Mahabaleshwara MS:** Yes, it is a continuous process. In fact I even have further bifurcation of the housing loan portfolio where in the salaried class how much they have taken the moratorium, others how much all these things, because I believe in full disclosure and transparency because I expect all the investors to make an informed decision.
- Jai Mundhra:** Correct. Okay Sir I will come back in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Bhavin Shah from B&K Securities. Please go ahead.
- Bhavin Shah:** Hi Sir. Sir thanks for the opportunity. Sir the treasury income that we earn this quarter so was that from shifting of held-to-maturity securities selling them.
- Mahabaleshwara MS:** Yes.
- Bhavin Shah:** Sir, are we sitting on more treasury gains in case that you will dip further or how is it or we have exhausted?
- Mahabaleshwara MS:** It is entirely deepening on the market. If there is an opportunity we will never lose that opportunity because it helps us in further strengthening the balance sheet. Our intention is by protecting the main line of business we should be able to earn profit and this type of one off benefits we must be able to meet one off contingencies.
- Bhavin Shah:** Sir what would be the quantum of gain Sir, treasury gain?
- Mahabaleshwara MS:** This quarter it is Rs.355.37 Crores and corresponding last quarter it was Rs.24.17 crores.
- Bhavin Shah:** Okay Sir and this was regarding the behavior of moratorium, Sir Agri and micro in small industry moratorium has gone up any specific reason?
- Mahabaleshwara MS:** In the agri sector cultivation activities has picked up because of the timely onset of monsoon and monsoon is also advancing as per the expectation. That being the case farmers have opted for the moratorium because they are utilizing the liquidity for their day-to-day cultivation activities. In the micro and small sector also same trend is seen.
- Bhavin Shah:** Okay and Sir, this was again regarding the asset classification thing, Sir the circular state that whatever overdue loan as on February 29, 2020 and they would have slipped by March 30, 2020 on those accounts you had to provide 5% in first quarter and 10% in two quarters? Am I correct?
- Mahabaleshwara MS:** 5% each in two quarters i.e., March and June quarter. However, we have provided entire 10% upfront during march quarter itself and similar accounting practice we have adopted for the June quarter also, by making full 10% provision.
- Bhavin Shah:** Sir what would be the proportion of loans who have not paid any installments so far in the moratorium period?
- Mahabaleshwara MS:** Moratorium period not paid installment is 51%.
- Bhavin Shah:** Sir this 51% would like only for the month of June.
- Mahabaleshwara MS:** No it varies. It includes all accounts which have availed moratorium for the first four months i.e., March, April, May and June. Out of this 51% there are few accounts who have availed moratorium for all the four months, few only for three months, few for two months and few for just one month.
- Bhavin Shah:** Sir what would be the proportion of accounts having availed for all four months?
- Mahabaleshwara MS:** Right now I do not have that bifurcation. All put together it is 51%.
- Bhavin Shah:** Okay that is it from my side Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Priyadarshi Srivastava from Monarch Network. Please go ahead.
- Priyadarshi Srivastava:** Sir I just wanted to know what is the nature of loan growth you envisage for the second half?
- Mahabaleshwara MS:** Second half the agriculture and agri gold loan is promising, Similarly, MSME,-GECL will also pick up. There could be few very good mid corporate advances.
- Priyadarshi Srivastava:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Sudhir Mahajan from Karnataka Bank. Please go ahead.

- Sudhir Mahajan:** Congratulation Mr. Mahabaleshwara for very good results. I did not get this information about what is the Bank's business and profit per branch and employee?
- Mahabaleshwara MS:** Yes, business per branch is Rs.146.93 Crores vs Rs.144.63 Crores about a year back and business per employee is Rs.14.95 Crores as against Rs.14.70 Crores about a year back, operating profit significantly improved to Rs. 8.03 lakhs per employee from Rs.4.24 Lakhs mainly on account of improved treasury gains.
- Sudhir Mahajan:** And per branch profit Sir?
- Mahabaleshwara MS:** Operating profit per branch is Rs.78.91 Lakhs as compared to Rs.41 Lakhs last year.
- Sudhir Mahajan:** Sir we have got about 800-odd branches, out of this 800-odd branches how many of them single view profitable and how many are not...
- Mahabaleshwara MS:** We have the FTP concept that is transfer pricing formula. For March 2020 we are yet to arrive that number. As of March 2019 we had about 115 branches inclusive of the new branches but more than five years I think some 41 branches were incurring loss under FTP and March 2020 position we will arrive, within another couple of months.
- Sudhir Mahajan:** Is something being done and trying to improve the profitability of these branches especially?
- Mahabaleshwara MS:** Yes. About three years back this number was still high. We have a turnaround plan for each of these branches. If we are not able to turnaround we explore shifting/merging /closing. We will be merging about five branches with the nearby branches shortly.
- Sudhir Mahajan:** And what is the loss being made by these loss making branches totally?
- Mahabaleshwara MS:** Right now I don't have that information. We will let you know later.
- Sudhir Mahajan:** Okay thank you all the best Sir.
- Moderator:** Thank you. The next question is from the line of Ravindra Kalal, an individual investor. Please go ahead.
- Ravindra Kalal:** So I am an individual investor in Karnataka Bank for past many years Sir but as a shareholder I have suffered a lot despite a good operations from the Karnataka Bank, not only Karnataka Bank many old generation private banks are in this state so what is the plan for the shareholder return Sir?
- Mahabaleshwara MS:** We are trying our level best to give a consistent result. I am also depressed by looking at the market and the volatility of the share price movement. But I am fully convinced that a day for Karnataka Bank would also come and at that time you all will have a very big smile in your face. I feel that turnaround has already started because the first quarter being the COVID-19 affected full quarter and it was really tough. We have been able to withstand all those things inspite of the sealed down areas, lockdown area etc. It was very difficult to operate. In spite of that we have been able to show a commendable performance and that is why I am optimistic that we should continue to create value for the bank which in turn definitely going to benefit all the stakeholders.
- Moderator:** Thank you. I would now like to hand the conference over to the management for closing comments.
- Mahabaleshwara MS:** Yes once again my special thanks to all the participants. We seek your continued support and from our side, we will be totally focused on professional management of the business with a cautious and conservative approach, steady and consistent and sustainable performance will be focused and with that I think we should be able to continue to perform well in the days to come in spite of the external situation. With that once again thanks to all of you.
- Aalok Shah:** Thank you Sir, on behalf Monarch Network, we thank you all for joining on this call.
- Mahabaleshwara MS:** Thank you.
- Moderator:** Thank you. On behalf of Monarch Network Capital that conclude this conference. Thank you for joining us. You may now disconnect your lines.