"Karnataka Bank Q4 FY-22 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Karnataka Bank Q4 FY22 Conference Call hosted by Investec Capital Services. 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. Mahabaleshwara M. S. – Managing Director and CEO of Karnataka Bank and his team. Thank you and over to you Sir.

Mahabaleshwara M.S.: Good evening and welcome you all to the con-call on the Results of Karnataka Bank for the quarter and year ended 31st March, 2022. I am Mahabaleshwara M.S. – MD and CEO of the Bank. I also have with me Mr. Balachandra Y.V. – our Chief Operating Officer and Mr. Muralidhar Krishna Rao – Chief Financial Officer.

I would like to draw your attention to the five important developments:

- The first one is Bank has migrated to the new tax regime by absorbing a one-time hit of Rs. 85 crores during the Q4 of FY22.
- Secondly, Bank has upgraded its audit system to the fully centralized audit mechanism.
- Third one is Bank continued its consistent stance of accelerated provision to further improve the PCR and reduce the net non-performing assets.
- Fourth we have on boarded the two additional Independent Directors. They are Mr. Jeevandas Narayan, Former Deputy Managing Director of State Bank of India and former MD of State Bank of Travancore and Mr. Gururaj Acharya, a leading chartered accountant from Bengaluru who also served as Independent Director and chairman of the audit committee of the board of the erstwhile State Bank of Mysore. With this our Board has 11 members of which 9 are independent and it constitutes around 81.82% of the total strength.

- Fifth is, Bank's risk management practices and processes have been accredited with ISO 9001-2015 standard on quality management system. I am very happy to share with you that we are not only the first Bank in India but the only Bank to get this ISO certificate as of now.

With this let me highlight the Standalone Results for the quarter ended March '22 as well as year ended 31 March '21-22:

First and foremost is net profit:

Net profit reached a new high of Rs. 508.62 crores. You all know that first time Bank has crossed the mark of Rs. 500 crores. Not only that, Bank has also declared a steady profit of over Rs. 100 crores in all the four quarters of FY21-22. The net profit during this particular quarter is at Rs. 130.35 crores as against the corresponding previous year quarter of Rs. 31.36 crore with a growth rate of 315.65 %.

However, on year-on-year basis our March '21 annual net profit was Rs. 482.57 crores. Now it stood at Rs. 508.62 crores with an annual growth rate of 5.40%.

If you look at the operating profit during this particular quarter, it has shown a growth rate of 15.64% and whereas on year-on-year basis it is down by 14.37%. Of course, the main reason is, last year we had good trading profit. However, if you exclude trading profit the annual growth rate of the operating profit is at around 23.52% for the full year whereas for this particular quarter it is 20.01%.

Interest income during this particular quarter went up by 11.38% and for the full year it almost remained at the same and interest expenses during the current quarter is down by 3.76% and on year-on-year basis it is down by 7.87%. So, as a result, net interest income went up during this quarter by 42.98% and whereas for the full year NII is up by 14.10%.

If you look at the Net Interest Margin (NIM), for this quarter ended March '22 it is at 3.25% whereas it was 2.41% for the quarter ended March '21. For the full year it went up from 2.91% to 3.18%, a 27 bps up.

ROA for this quarter went up from 0.15% to 0.56%. For the full year it remained at 0.57%. ROE it went up from 1.89% about a year back to 7.42% now and for the full year it is at 7.41% compared to 7.65% about a year back that is 24 bps down. Gross NPA now it is at Rs. 2250.82 crores whereas March '21 it was Rs. 2588.41 crores. Whereas similarly the percentage also March '21 it was 4.91% now it is at 3.90% that is both amount wise and percentage wise GNPA has further moderated and if you look at the December '21 the previous quarter position it was a Rs.2330.52 crores and 4.11% and as far as net NPA is concerned during this particular quarter it is now at Rs. 1376.97 crores and total percentage is 2.42%. Last year March '21 it was at Rs. 1642.10 crores and the total percentage was 3.18%. So, from 3.18% it further moderated to 2.42%.

So, slippage ratio last year corresponding quarter that is March '21 it was higher at 2.25%. The reason is, there was a status quo of the Hon'ble Supreme Court also. So, NPA recognition resumed during March '21. So, as a result, there was high slippage ratio during that particular quarter and during this quarter that is March '22 it is at 0.73% and for the full year last year we had 2.44% and this year it is 3.10%. So, here the main reason is last year even though during the last quarter there was NPA recognition in the remaining quarters NPA recognition was not there. So, intra-quarter slippage was also not there but here it was normal quarters throughout the year.

Credit cost during this particular quarter it is at 0.21%. Whereas March '21 it was 0.67%. For the full year last year our credit cost was 2.38% now it is 1.04%. Provision coverage ratio has further improved from 69.99% a year back to 73.47%.

Cost-to-income ratio has increased from 46.81% to 52.57%. Of course, it is mainly on account of the reduction in the income which was mainly on account of a lower trading profit. Otherwise, it is almost at par. CRAR has also improved to 15.66% from 14.85% about a year back and overall business turnover has reached a new high of Rs. 137,169.99 crore with a growth rate of 7.71%. Deposits grew at 6.25%. Advances grew at 10.22%. CD ratio has improved to 70.64% from 68.09%.

CASA has also further improved to 32.97% from 31.49% with an YoY growth of 11.23% in the CASA. Yield on advances during this particular quarter it has improved by 54 bps from 8.06% to 8.60. However, for the full year it is 21 bps down from 9.05% to 8.84%. Of course, it is mainly on account of the stiff competition in the interest rate in the market. However, the plus point is cost of deposit for the last full year it was 5.29%. Now it is 4.66% so it has improved by 63 bps and as a result our spread has improved significantly. Last year our interest spread was 3.76%. Now it is 4.18%. So, 42 basis points increase in the spread is also observed. Our Board of Directors have also proposed a dividend of 40% and going forward I have every reason to believe that stage is all set for an impressive takeoff from here on so as to ensure business excellence during FY22-23 especially in the areas of credit growth which could be upward of 15% and asset quality would further improve. Technology initiatives would be further strengthened and of course all in all we will be focusing more on further strengthening the fundamentals of the Bank. So, this is in nutshell what I have to share with you and I welcome further clarifications or questions or suggestions whatever may be from all the participants. Thank you.

Moderator: Thank you sir. We will now begin the question-answer session.

Moderator: We have the first question from the line of Yash D from Dundee Equity Research. Please go ahead.

Yash D: The performance has been all round extremely good. I just wanted some idea on how the loan's demand is panning up right now and what about are you going to give any guidance regarding the net interest incomes for this coming financial or the coming quarters whatever you can will be great?

Mahabaleshwara M.S.: Yes, credit demand pipeline is very strong that is what I can share with you. In fact last quarter also, we had sanctioned about Rs.5250 crores and that was pending for disbursement as of March '22. At least 50% of it had been released the credit growth would have been somewhere near 13-14% but anyhow that is going to be disbursed during this quarter and going forward. Along with that I had about Rs.7783 crores unavailed limit maybe in the working capital and other thing. So, I should say the pipeline for release is very strong and that is going to happen and added to that the current year also we will be continuing our focus on the retail and mid corporate. Last year the growth has come from the large corporates. So, this year because of this strong sanction pipeline as well as fresh demand I think we will be able to get a very solid growth in the retail and mid corporates. As far as net interest income your second question is concerned. I think going forward it will still improve even though during current year we have grown at a rate of 14.10%. The interest earning assets would also grow and I am also confident that the yield on advances would also significantly improve. Third one is I am not foreseeing any negative surprises in the asset quality. So, in our disclosure also the detailed analysis of the statements that we uploaded in our website you might have seen there I have given a chart of NPA accounts of Rs. 25 crores and above and the provisions held. Last year 25 crores and above I had Rs. 355.03 crores under NPA. Now it is drastically reduced to Rs.158.06 crore. So, that means 25 crores and above NPA whereas last year it constituted 13.72% of our total NPA. Now it is at just 7.02% so these are all the major steps that we have taken but I am confident NII is bound to improve going forward.

Yash D: I said your NIM have gone up consistently for the last three years from 2.43 to 2.55 to 2.7 for the last financial year. Would you be able to give a guidance on the next financial year and do you see an improvement in the NIMs further?

Mahabaleshwara M.S.: As far as NIM is concerned we have been consistently working on it from 2.91 it has improved to 3.18 now and that is on the year-on-year basis. I can only share with you that our best is yet to come.

Yash D: Also, sir as you have time till September to raise funds as far as the knowledge that I have so is there any update n that because it's been very long I think almost a year you took the access to raise the 1000 crores or something for a QIP or corporate money but there hasn't been any update on that case yet from the Bank or from you. So, I am sure you wouldn't be able to get into the detail because it's a live transaction but at least you can give us an idea of how it's whether it's moving forward, it's not moving forward, whatever it is sir because you have till September only to raise those funds right?

Mahabaleshwara M.S.: Yes. See our capital to risk asset ratio which was 14.85% has now further consolidated at 15.66%. This is one point which is worth noting and the QIP is still on and at appropriate time we will disclose our strategy.

Yash D: Okay sir also one last question sorry for taking so many questions but regarding the book value for the last year has come to around Rs.228 I am not mistaken so do you have a threshold for raising money in QIP that for example we won't raise money below 0.5 book value to price or we won't raise below 0.6 or 0.7. Your last 10-year median average has been 0.8 book value to price. Will you raise money below that or won't you raise below that. That is my last question because then the reason this question is very important is because anything 0.8 this is your 10 year median price to book value average would be actually a loss to the shareholder if I may say. So, I would really

Mahabaleshwara M.S.: Yes, you have raised a very valid point. Definitely we will be considerate of all these points before taking an informed decision.

Moderator: Thank you. We have the next question from the line of Shrish Vaze from Moneylife Advisory. Please go ahead.

Shrish Vaze: My question is pertaining to the loan book mix that we are targeting going forward between retail mid corporate and corporate. If you can give some idea of what is the kind of loan book mix that will be targeting between these three segments and within the corporate loan book what are the kind of products that according to you will driving the growth going forward. Thank you.

Mahabaleshwara M.S.: See, retail-mid corporates and the corporates, most probably our corporate would be in the range of around 20% of the loan book and remaining 80% would be from the retail and mid corporate. What we are seeing is there is very good demand for the mid corporate segment that is 5 crores to 100 crores including the MSMEs. So, our effort will be there to get good quality advances either less than 100 crores exposures segment and in the corporates as well as in the mid corporates we will continue to focus on the NBFCs as well as lease rental discounts and other MSMEs including some good agricultural advances also apart from co-lending initiatives. So, these are all the areas where we have already made certain headway and we will be further consolidating our position. If you look into these two portfolios of NBFC as well as the lease rental discount so these portfolios are performing very well and that is why we have been taking exposure to the good rated advances also. So, this will continue to be our focus area for the current year.

Yash D: Got it sir just one additional question if I may ask so in terms of these three segments that the Bank will be focusing on in which segment and if you can also give details on which kind of products. Are you seeing most kind of competition from other banks and NBFCs in terms of the interest rates etc? Thank you?

Mahabaleshwara M.S.: Wherever the competition or very good opportunity for further lending is there we are exploring co-lending opportunities. I am getting some good feedback in that area and also good business leads. So, I think that is where we have abundant opportunity for quality lending in that area as well.

Moderator: Thank you. We have the next question from the line of Suraj Das from B&K Securities. Please go ahead.

Suraj Das: Yes, sir. So, that I was asking mainly about asset quality. So, if I see the slippages movement on QoQ basis your slippages have increased on a QoQ basis around Rs. 100 crores. So, I just wanted to know if there is any large account here or is it more of granular accounts or what is the reason of increasing slippages because if I see that the system levels then the system levels are coming down and also for your

Mahabaleshwara M.S.: Yes, There was a temporary aberration of one account worth around Rs.35 crores and that was only for couple of days i.e., March 30 or 31, it slipped and got upgraded during the first week of April '22 but for that, this is Rs. 37.62 crores, it is in the MSME sector. Excluding that the slippage is from another MSME where exposure was Rs. 19.62 crores. So, no major accounts have slipped to NPA during this particular quarter.

Suraj Das: Okay so sir existing for all these your slippages will be something around 2.5 something like that. So, what is your expectation going ahead because most of the corporate slippages have been recognized at the Bank level as well? So, for full year FY23 what is your slippages guidance?

Mahabaleshwara M.S.: Yes, here what happens see there are some intra quarter slippage also factored in. It is not a net slippage including that the intra quarter slippage which get upgraded during the intra quarter that is also factored in. So, that being the case I presume that my slippage ratio would be somewhere around 2%.

Suraj Das: Okay understood sir.

Mahabaleshwara M.S.: During this quarter you might have seen it was at 0.73% so even if I score at that rate I think it would be around the same levels around 2%.

Suraj Das: Right understood sir. Now coming to the PCR so while if I see the PCR excluding technical write off that is a specific PCR so that thing sir has declined on QoQ basis and that is something around 39%. So, are you comfortable in this bands sir going ahead as well and I mean with this kind

Mahabaleshwara M.S.: It is not just me being comfortable, you also have to be comfortable. I would request your attention to our sector-wise PCR percentage slide in our analysis of financial results we have put in the website. Have you seen that?

Suraj Das: Yes sir I have seen that.

Mahabaleshwara M.S.: Yes, so I would again draw your attention. So, PCR we have mentioned at 73.47% and all the sector wise we have given. NBFC, infra or large enterprises, CRE, agri, MSME, housing all such things and I have also given PCR excluding technical write-off which is at 38.82%. This time I have also disclosed another thing of this how much is secured. So, you would come to know out of this NPA, around 93.16% is fully secured. So, 93.16 plus additional provision of 38.82%. So, in fact 131.98% would be the total security coverage. Now you draw a conclusion whether this PCR excluding technical write-off is adequate or not. We are fully convinced that this is adequate. We have all the bandwidth to absorb that any eventual losses. But nevertheless, we will try our level best to further improve the provision on the PCR excluding the technical write-off also but this is the latest position. We have adequate security even though it is non-performing asset.

Suraj Das: Right sir. Sir I was actually more coming from that point of view what you said at the last that your endeavor would be increasing the specific PCR so while your endeavor would be increasing the specific PCR do you believe that your credit cost for next fiscal year could a same like something around 1% level?

Mahabaleshwara M.S.: Yes, here credit cost has two components this is for the fresh provision for the fresh NPA and also additional accelerated provision for the existing NPAs. We may slightly improve our PCR and that would also indirectly help me to further reduce the NNPA because I am not expecting any major addition to the NPA. It is mainly from the point of view of further strengthening the fundamentals of the balance sheet. We'll take an informed decision at appropriate time.

Suraj Das: Nice sir. Any internal kind of guidance that you for this fiscal year let's say in terms of PCR or net NPAs?

Mahabaleshwara M.S.: PCR we would definitely further improve it may be around 200 bps or so and NPAs would both GNPA and NNPA I am very confident that it would further moderate.

Suraj Das: Okay understood sir. And sir one more question on the ECLGS side if you can disclose what is the outstanding ECLGS amount as of 4Q that would be great.

Mahabaleshwara M.S.: ECLGS, I think one minute we will share with you separately.

Suraj Das: Sure, sir and qualitatively sir how that move is performing any kind of sales that you are seeing on that move or what are the delinquency levels there?

Mahabaleshwara M.S.: Delinquency there is at around 8% or so and I am sure it would in the same range or it most likely to come down. As of now in the restructured book itself 8.18% is the NPA whereas 3.28% in SMA-2. So, even if about 50% of SMA-2, let us presume that it slips to NPA I don't think even under the worst-case scenario the NPA slippage may exceed the 10% of the restructured book. Another thing is even the restructured book is Rs. 4115.18 crores for that itself we have Rs. 560.34 crores provision. It amounts to around 13.62% provision. So, even in the worst-case scenario let us say a 10% slippage, for Rs. 411 crores slippage we have Rs.560.34 crores provision. So, that means from the provisions point of view the restructured portfolio is totally insulated and we are taking utmost precautions to see that this restructured advances including the ECLGS all such things they are properly monitored. I have already constituted a separate restructuring monitoring cell with two executives exclusively in charge for that cell and as a result in few of the accounts we have already started receiving the recovery as per the pre-restructured terms of repayment. So, things are improving even though borrowers have opted for restructuring. What we are seeing is once their cash flow improves, they are all volunteering to repay the loan. So, even the restructured portfolio also I am confident that it would not further deteriorate.

Suraj Das: Understood sir and sir this restructuring number Rs. 4115 crore this is the net restructured book right? The reason I am asking net of provision. The reason I am asking is that because one of your slide number 20 you have given the total restructured book of Rs. 4478 crores. Here the number is different than this Rs. 4115 crore. So, I am just wondering what could be the difference.

Muralidhar Krishna Rao: Total our restructuring is all Rs. 4478 crores out of this standard restructuring is Rs. 4115 Crores. Balance is NPA under restructuring.

Suraj Das: Okay.

Muralidhar Krishna Rao: Which slide you're referring to?

Suraj Das: Sir I am referring to Slide #20 where you have in the column of restructured where you have the geographical credit concentration. So, there under the restructured column the total amounts shows that Rs. 4478 crores and in the subsequent Slide #21 if I add the Rs. 4115 crores plus NPA amount which is Rs. 336.42 crore still it will not add up to 4000 it will add up to Rs. 4478 crores?

Muralidhar Krishna Rao: Rs. 4478 crores is correct.

Suraj Das: Okay understood sir.

Muralidhar Krishna Rao: Out of Rs. 4478 crores, Rs. 4115 crores is the standard remaining Rs. 300 crores and all is the NPA.

Suraj Das: Okay understood sir and sir two more questions. One is if you keep the loan book breakup by benchmark in terms of how much of the total loan book would be linked to EBLR, how could be linked to MCLR or let's say fixed rate loans.

Mahabaleshwara M.S.: MCLR is coming down. Last year March '21 48.85% of the gross Bank credit was under MCLR. Now it is 28.88%. EBLR linked to the G-Sec, last year it was 10% now it is 9.51%. EBLR linked to T-Bill, last year it is 23.22% now it is 39.49% and balance is EBLR not linked to others and base rate. So, major is EBLR linked to T-Bill rate is going up and exposure MCLR is coming down. So, that is why I said the yield on advances has also shown negative trend and now it appears it is moderated and hereafter I think slowly it may improve.

Suraj Das: Right understood sir. And sir one last question on the SMA slide. The SMA 1 and 2 numbers that you have given for this quarter it looks like the numbers are restated for the previous quarters like for December 21 and March '21. So, I just wanted to know whether this SMA numbers is all inclusive or it is only for Rs. 5 crore and above.

Mahabaleshwara M.S.: No, see in my case SMA is all inclusive not only the main accounts but also the related accounts, not only Rs.5 crores and above even less than 5 crores. It is all inclusive.

Suraj Das: But sir in your quarter presentation the SMA-2 number something different for December 21 which was something around 1155 crores but in this December 21 number for SMA-2 is 890 crores. So, there is some gap.

Mahabaleshwara M.S.: I'll look into that. Right now I don't have the details. But it is all inclusive please note.

Moderator: We have the next question from the line of Sushil Choksey from INDUS Security Advisors. Please go ahead.

Sushil Choksey: Sir what is our digital spend likely to be in the year 22-23 with a centenary year coming up?

Mahabaleshwara M.S.: Digital spend will slightly increase in tune with our corporate strategy to emerge as a digital Bank of future. So, keeping that in mind we have realigned. So both the revenue expenses as well as capital expenses it will slightly increase but when you compare it to the industry, I am still below the industry level.

Sushil Choksey: Sir any number which you can put.

Mahabaleshwara M.S.: Now I don't have Sushil.

Sushil Choksey: Okay sir where do you see CD ratio going forward. Historically pre-COVID we used to be at 79-80% and currently we are below 75% so where do you see

Mahabaleshwara M.S.: I might require about couple of years but definitely it would keep on improving. Now it is at 70% plus, 80% is historical high I will take your advice and let me work on that. For me the most important things are growth with quality. I can definitely improve the CD ratio but whenever we get a good qualitative growth opportunity we will explore that.

Sushil Choksey: Keeping in mind growth and quality. So, I am not asking to sacrifice.

Mahabaleshwara M.S.: See it is all depending on so many external factors also. So, going forward let's aim, as you said 75-80%.

Sushil Choksey: Sir what enablers are in place to improve CASA?

Mahabaleshwara M.S.: Yes, CASA enablers have started yielding results and as I said we already have CASA marketing officers at field level and CASA regional sales executives in all 14 regional offices. We have also rolled out good number of CASA products especially SB products which would also cater to the requirements of the high networth individuals. Secondly we are now an empaneled Bank for the agency business of the government departments. We have already started an exclusive cell for the government agency business. I already have one national head to pursue this particular line of activity. So, I am reasonably confident that by next year my CASA would surpass 35% of the total deposits. So, lot of enablers are in place there.

Sushil Choksey: If I take a your 2 year's outlook or little medium-term outlook what would be ROE, ROA aspiration of the Bank?

Mahabaleshwara M.S.: Yes, another 2-3 years outlook ROA should be in the range of 0.8-1% and ROE should cross about 12% with another 2-3 years timeline.

Sushil Choksey: Sir looking at that we actually don't need equity I remember in the last quarter we were discussing about some equity infusion which would be more of important or strategic in nature. Is anything fructifying on that side?

Mahabaleshwara M.S.: It is under consideration. Deliberations at board level, management level etc., is going on. We are just waiting for an appropriate time for an appropriate move.

Sushil Choksey: Sir you have a large southern presence which are the rich states in terms of where unicorns and lot of capitalism and also the educated class of India lives in the states where our branches are. So, what is making difficult that the connectivity between the customer and the Bank is missing to achieve that?

Mahabaleshwara M.S.: So, what kind of connectivity delink that you are visualizing?

Sushil Choksey: I am asking CASA cross selling maybe customer base increased because Karnataka, Maharashtra, Tamil Nadu, Andhra and Telangana whether it is NRI or domestic productivity, digital customers, new startups, manufacturing activity, may be PLI scheme.

Mahabaleshwara M.S.: All those things have started. In fact we have started in a big way our digital marketing initiative also. So, that is the reason why our CASA is consistently improving. About three years back it was somewhere around 28%. Now almost at 33% and these are all the areas as rightly pointed by you which are going to support not only the CASA but also the cross selling activities. So, keeping that in mind I am going to start ACoE analytical center of excellence at Bengaluru which would provide lot of analytics and predictive analytics and these are the good technology-oriented initiatives that we have under KBL ACoE. All those things whatever that you have just mentioned it is in the pipeline in a big way.

Sushil Choksey: What is your outlook on our investment book?

Mahabaleshwara M.S.: Investment book-our total investment is around 22000 crores. Outlook, in fact interest rate has started increasing as all of you are aware about that. Definitely will be having an opportunity to build up the portfolio for the future now. Profit booking may not be there for this particular year also.

Sushil Choksey: No, profit is fine but at what yield are comfortable based on the current book what you own because you already May is almost complete two months are down. So, where do we stand as of today on today's yield pattern?

Muralidhar Krishna Rao: There may not be much depreciation impact here because our holding in AFS category and HFT category is slightly minimum. So, may not be having the market risk for the time being. Because, Banks are permitted up to 23%. There may not be material depreciation impact but profit booking opportunity may not also be there. Recent investments are now at around 5.47%.

Sushil Choksey: Okay sir we already on May 30th what kind of unutilized limit and sanctions you would have achieved whereby our growth would be visible in a current quarter and the year to go by?

Mahabaleshwara M.S.: There was a positive traction in the first two months also as I highlighted the unavailed and the unutilized limits. So, the credit off take has already started. So, I am expecting a positive traction in that sector.

Sushil Choksey: Sir are sensing this credit of often more led by inflation in every business segment or it is new fresh credit?

Mahabaleshwara M.S.: It is all demand mainly from the point of view of improved production. See wherever we have exposure to the manufacturing sector and also in the trading sector. So, that demand for credit is on positive traction.

Sushil Choksey: What would be the fresh sanctions for the year in April, May?

Mahabaleshwara M.S.: Yes, sanctions especially for 5 crores and above we have the CMC approach that is credit management committee approach. So, there also on weekly basis credit enquiries are on the increase. So, compared to the last year this time credit enquiries have almost about 1.25 to 1.3 times of the previous years as of now for the first two months.

Sushil Choksey: Do you think we can sustain them in 3.25 with current

Mahabaleshwara M.S.: I am confident and optimistic.

Sushil Choksey: Thank you and all the best sir.

Mahabaleshwara M.S.: Thank you.

Moderator: Thank you. We have the next question from the line of Yaswanth T who is a retail investor. Please go ahead.

Yaswanth T: So, I have two questions one with respect to the restructuring what percentage of advances have been restructured in the last quarter and second question is about buyback of shares. So, I think I did hear a couple of investors raising this point so and this would also help us save some dividend distribution tax. So, when we go for buyback so Yes what is now stopping us to consider the buyback of shares?

Mahabaleshwara M.S.: Thank you Yaswanth, we will continue to strive hard to improve the results quarter-on-quarter basis. You might have seen the consistency in our results since last almost 8 quarters. You have two questions one is on the restructure. Second one is your suggestion on buyback of share. As far as the restructured loan book is concerned it is around 8% of our total advances. As I said we will be more focused on further improving the quality of the restructured portfolio. I have already shared with in this forum itself what are all enablers that we have put in place. As far as buyback of shares, on your thought I have nothing to comment on that because no thought process has gone in that direction as far as we are concerned.

Yaswanth T: Very much every other companies out there are considering just to make sure that now instead of paying of tax. So, it will also help us improve the value of the share so that is one tool which is available so that is the reason I raised the question?

Mahabaleshwara M.S.: You know, entire banking sector, not only our Bank, need capital. So, I think this may not be the right or the appropriate time to return the capital. Let say we would get the Bank to that level first and analyse the situation.

Yaswanth T: Okay let me add the information on that part. So, it is more about instead of paying about or considering Rs. 4 per share or 40% per share. So, why can't we think about like 20% on this and going 20% on the buyback. So, that was my point.

Mahabaleshwara M.S.: Your suggestions are welcome. We will keep interacting with you offline. Thank you.

Moderator: Thank you. We have the next question from the line of Shrish Vaze from Moneylife Advisory. Please go ahead.

Shrish Vaze: Yes, hi sir. I just wanted to understand if the kind of proposed fund raise that we have planned does not go through. What is the kind of loan book growth that Bank has the capacity for on its existing capital and liability base?

Mahabaleshwara M.S.: Loan book growth. I think our present CRAR would definitely sustain the loan book growth of around 15-20% for the next 1 or 2 years. Because as I have already made it clear the plough back of the profit will also be there and considering all these things, as the provision pressure has considerably reduced and our ability to earn profit has significantly improved. And of course we are also keeping this option of raising the capital also. So, definitely we are having a very balanced approach as far as maintaining the CRAR, raising the capital without compromising the loan book growth etc.

Moderator: Thank you. We have the next question from the line of Anil Kumar Sharma an individual investor. Please go ahead.

Anil Kumar Sharma: So, my question is as last year also same question was there. That are we have done a ceiling for the target of our buying because our value of how things are all parameters we are doing or the value of shares is not increasing. That is not in your hands but how we can increase that.

Mahabaleshwara M.S.: My focus area is to strengthen the fundamentals in every possible area and also create a new benchmark. So, if you see the results of the Bank for the last couple of years we have been very consistent and there is sustainability also and we have totally minimized the negative surprises. So, these are the proven track record and I will be definitely further strengthening all these things and I am hopeful that as it happened today the share price is up by Rs.5 by 8.29%. I think going forward when the real strength of the Bank is understood by all the wise investors like you, I don't think why this share should trade at such a low level. The book value itself is somewhere around Rs.200 and adjusted book value is also somewhere around Rs.185. Definitely it will get a right price in the market going forward. That is my belief. Myself and my entire team, we are totally committed for the qualitative improvement going forward and also keeping in mind the centenary year that the Bank is going to have during the year 2023-24. That is why I said the stage is all set for an impressive takeoff from here on and definitely will work hard over that in realizing your dream too.

Anil Kumar Sharma: Right sir. So, my second question was we are at the targets we should be targets acquired by anybody a good Bank or good corporate firm internal or external if we have received any feelings like that?

Mahabaleshwara M.S.: I am optimistic.

Moderator: Thank you. That was the last question. I would like to now hand it over to the management for closing comments.

Mahabaleshwara M.S.: Special thanks to all the investors and analysts and I appreciate the keen interest being shown by you and also the good support being extended by you. So, I am sure that Bank will continue to come up to your expectation in the days to come as well. From our side we will definitely strive hard to give a still better results going forward. Thanks to one and all.

Moderator: Thank you on behalf of Investor capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.