



## “Karur Vysya Bank's Q4 FY'22 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY'22 Earnings Conference Call of the Karur Vysya Bank. We have with us today the management team of KVB, represented by the M.D. and CEO, Mr. Ramesh Babu; President and Chief Operating Officer, Mr. Natarajan; CFO, Mr. Ramshankar; Company Secretary and Compliance Officer, Mr. Srinivasarao. 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 -- M.D. and CEO to take us through the highlights of the quarter gone by, after which we will open the floor for questions. Thank you. And over to you, sir.

**B. Ramesh Babu:** Yes, thank you. Good evening to all of you. I welcome you all to our Bank's Earning Call for the Q4 of Financial Year '22. We trust that you, your colleagues and your family members are keeping well and are in good health. I am sure that you would have gone through our detailed presentation on Q4 financial year '22 performance.

I would like to share my views on the performance of the bank during the quarter and our guidance for the year '22-23.

I am pleased to report that there has been a consistent and overall improvement of the performance in all critical areas, business growth, increased profitability and improved asset quality. The financials are on the lines with the guidance stated in our earlier earning calls.

You will be happy to note that we have crossed milestone business number of Rs.1,25,000 crores this year. Net profit for the year stands at Rs.673 crores, which incidentally is the highest ever recorded by the bank.

Beyond numbers, we are encouraged by the qualitative improvements that are taking place in the bank, which will strengthen our performance in the period ahead.

Taking stock of the year '21-22, our improved performance across the board can be measured by these facts. We continue to maintain rather we have improved our NIM by 11 basis points during the quarter and 29 basis points during the year to 3.79% despite competitive pricing environment prevailing in the market.

Our consistent efforts to keep the costs on the lower side, coupled with higher recovery in NPAs and improvement in the yield on investments during the quarter as well as the year supported us for the improvement. About 28% of our loan book is priced at EBR-R. Repricing of such accounts in sync with the policy rates and also increased yield on investment portfolio will keep our NIM to be at 3.5-plus levels during the current year even after factoring the likelihood of increased cost of fund.

Net interest income has increased to Rs.710 crores and is up by Rs.97 crores from Rs.613 crores earned during Q4 of 2021.

Fee-based income has increased by 21% year-on-year to Rs.205 crores, the same is up by 5% on a sequential basis. Majority of increase has come from credit-related segment.

Normalized employee expenses are lower during the current quarter as well as the current year as compared to the corresponding period of last year. This is on account of lower AS 15 provisions. Employee cost for the current quarter includes an amount of Rs.27 crores, which is the last installment of the amount, amortized to meet the enhancement of family pension obligations. You are aware that RBI permitted banks to amortize these expenses over a period of five years. However, we have decided to expense the entire amount of Rs.81 crores based on the actuarial valuations during the three quarters of the current financial year and accordingly, it is now fully accounted for. Our normalized employee costs for the current year estimated to be in the range of Rs.1,050 crores in line with the business targets, which we have set for '22-23.

Other operating expenses went up by 9.13% during the year in view of the increased scale of operations. We have initiated various cost control measures and continue to closely monitor various items of expenses. We are working towards maintaining cost-to-income levels of around 50.

Operating profit after recasting the depreciation on investment as per the revised disclosure requirements for the quarter ended increased to Rs.441 crores, higher both on YoY basis as well as sequentially, that is up from Rs.401 crores earned during the third quarter of current financial year. This is on account of improved NIM and a lower cost-to-income ratio.

Provision for NPA for the quarter was at Rs.143 crores, while net slippages were negative. The provision requirements in respect of migration, ageing needed to be undertaken and also to improve our provision coverage ratio further.

Credit cost for the whole year was at 1.25% and for the year '23, we expect the credit cost will be around 1% of the loan book. In spite of increase in bond yields, there is no significant MTM provision on our investment portfolio on account of our conscious decision to maintain lower duration.

During the quarter, we have provided Rs.32 crores towards depreciation, of which a significant portion is towards security receipts. Net SR book stands now at Rs.146 crores at the end of the year

Considering our low duration AFS, SLR book, we do not expect any significant MTM losses based on the current yield structure. Investment portfolio includes interest earning non-SLR

bonds and debentures of Rs.1,400 crores. In tandem with yield movement, there is likely to be some MTM losses though not significant.

Net profit has risen to Rs.213 crores for the quarter, registering growth across the quarters. For the whole year, profit earned was Rs.673 crores. As I said earlier, which is the highest net profit earned by the bank so far during an year.

ROA way for the quarter was at 1.06% and for the whole year, it is at 0.86%. We are confident of maintaining ROA between 1 to 1.1 levels during financial year '22-23.

Our CRAR continues to be robust and is at 19.46% providing us a comfortable headroom for growth. Our liquidity is comfortable and we continue to maintain LCR at around 200% level.

Bank has recommended a dividend of 80%, subject to the approval of the shareholders.

Other business performance highlights are given in our presentation.

Now, coming to the slippages and asset quality. Gross slippages were at Rs.300 crores during the quarter and for the whole year at Rs.843 crores which works out to about 1.46% of our loan book. Our recoveries, upgrades have surpassed slippages marginally during the quarter, resulting in net slippages being negative to the tune of Rs.7 crores during the quarter. It could be noticed that the negative trend continued in Q2, Q3 and Q4 of the current year. Technical write-off of Rs.450 crores during the quarter has been undertaken and there was no sale on SR basis during the quarter. Our estimated gross slippages for the year ahead will be in the range of 1% to 1.5% and considering estimated lower slippages and possible recoveries from the existing NPA book, we aim to achieve net negative slippages in the coming quarters also.

SMA-30 plus balances at the end of Q4 stood at Rs.470 crores which is 0.82% of the loan book. SMA book includes jewel loan balance of Rs.74 crores. So, all of you must be knowing that at one point of time, our SMA-30 plus used to be at around 3.5%. Due to lower slippages, recoveries and technical write-off, gross NPA has come down to below 6% and now stands at 5.96% Our aim is to bring it down to below 5% levels by 2023. Our net NPA level has further reduced to 2.28% and it is our endeavor to keep this below 2% by 2023.

Coming to the restructured book, our overall standard restructured books stood at Rs.1,640 crores which is 2.85% of our loan book. Details are available in the slide # 32 of our "Investor Presentation." In terms of regulatory guidelines, we have provided Rs.130 crores towards this book.

Growth: We have achieved a growth of 10% in CASA and total deposits increased by 9%. For the year 2023, we are planning to grow by 12% on deposit front, 15% growth is targeted on CASA portfolio. Considering the need for building up deposits to meet over our asset growth

and to reach 40% CASA levels over the next few years, we have made certain structural changes

We have created consumer banking division by merging personal banking liabilities and personal banking assets, which will manage branch banking business, which consists of retail assets, liabilities, third-party products and government business.

Dolphy Jose, who is looking after our Neo business will head this division and there will be national sales managers for retail, institutions and government business. We are strengthening the branch and sales channel to ensure acquisition and deepening are effectively carried out. Our digital systems and partnerships will support the required growth further.

During the year, we made a fresh loan disbursement of Rs.13,242 crores as against Rs.9,200 crores during last year. Jewel loan disbursements are not included under this. We achieved a growth of 9% and we continue to follow the current mix of our loan book and plan to increase the loan book by 12% during the current year. So, if we add back the write-off portion of the loans what all we have written off during the year, the loan growth comes to around 10%.

Retail loans under the personal segment have grown by 8% year-on-year. This is predominantly on account of residential mortgages. As indicated earlier, we have made certain significant changes in our structure, and this will help us in building a sound retail book during the current year.

Our agriculture loan book which consists mainly of jewel loans grew by 13% year-on-year and sequentially by 5% and we expect that trend will continue.

Our overall jewel loan book has grown by 10% and constitutes 25% of our loan book. LTV stands at 68% with negligible NPAs. SMA-1 and 2 of the jewel loan book is at 0.52%.

Commercial loan book has grown by 12% year-on-year. We are focusing on this segment very closely and plan to achieve 12% growth.

Corporate banking book has achieved a lower growth of 2%. But, if we add back the written off portion of the loan book what we have written off during the year, it comes to around 7% growth in the corporate banking book. Fresh disbursements during the year '21-22 amounted to Rs.2,451 crores under corporate banking. We are planning for a growth of around 12% in this segment during this current year.

On the Neo front, which we started in July '19m I'm happy to share that it is growing on the expected lines. AUM has crossed Rs.2,500 crores. As of 31st March '22 and is estimated to grow at 60%- 65% in '23. Delinquency in the book is low at Rs.8 crores.

Co-lending business model is progressing well and the loan book increased to Rs.360 crores. Sizable scale up will happen during the year, taking into account new tie-ups with the NBFCs.

Our precious metal division has imported 11,550 Kg of gold as against last year number of 2,920 Kg and 36,000 Kg of silver during the year. The metal loan book as on 31st March stands at Rs.589 crores.

We have launched account aggregator services and have integrated with our digital loan origination system. We are now part of the Sahamati umbrella for aggregator services.

Let me conclude by stating that the financial performance for the quarter as well as the year is on the expected lines and in line with our earlier estimates. I take this opportunity in thanking you all for the confidence reposed on the bank, and your enthusiasm and continued feedback will help us to achieve much better growth.

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

**Moderator:** We will now begin the question-and-answer session. First question is from the line of Jay Mundhra from B&K Securities. Please go ahead.

**Jay Mundhra:** I have a few questions: First is sir on corporate slippages, this quarter we have seen some corporate slippages whereas, SMA-1, 2 have been very benign for the last one, two quarters. So, just wanted to check if you can provide some more color on this Rs.150 crores of corporate slippages, where are they coming and was this kind of expected or sort of unexpected?

**B. Ramesh Babu:** If you look at this Rs.150 crores, nothing is chunky exposure, this is small, small exposures around Rs.30, 40 crores, these sort of things what all are there so, they were there. In addition to that, few are there on the borderline cases which we felt saying that which may become this thing and all. So, we thought it is better we identify them as an NPA and start the process of resolution rather than waiting for it to come back. So, that is the reason we took a proactive call and is around eight to nine accounts together that way it has come and all, not a big account anywhere in this.

**Jay Mundhra:** Sir, I also see there is some change in the restructuring of corporate restructured. The number has gone up versus last quarter. Is there any movement in that?

**B. Ramesh Babu:** Actually, if you look at it, there are around six accounts in the corporate which has moved up. Out of that, there are one or two big accounts where we have given some sort of an extension of the DCCO for the second time, on account of that has become, but whereas if you look at the project and all, everything is completed and the rentals, everything is starting and all. That way technically it has come to that level and all, but within one year, within securitization and all these things and all, so it will be back. No need to worry about that movement of what all

has come from Rs.200-odd crores to Rs.400-odd crores. So, nothing much to worry. Two big accounts what all are there, both will be out after this normal tenure of this one year.

**Jay Mundhra:** I think you mentioned slippages of 1% to 1.5% Would this include business as usual corporate slippages or –

**B. Ramesh Babu:** Yes, everything together.

**Jay Mundhra:** You also accounted for some of the slippages from restructured book also right in this range?

**B. Ramesh Babu:** Yes, because that is also we are continuously monitoring. If you look at the overall slippages is around 19% coming to the restructure book that way. So, the rest of the accounts what all are there closely is under monitoring. We have taken them also as well as other things what all will come up. So, within that only, we will be able to manage within 1% to 1.5% absolutely.

**Jay Mundhra:** The second question is on your net NPA. So, you are saying that you would be having negative net slippages and you would still have let's say 1% credit cost, then your net NPA ideally should fall much lower than what we're seeing at 2% versus 2.28% right now. So, –

**B. Ramesh Babu:** You're right actually, because all our efforts are towards NPA, how much of effort we are putting on towards the business, more or less equal effort is we are putting on the NPA front also resolution. So, though we say 2%, we may be much better than that, because if you see during this year, the net NPA has come down by 1.13%, which progressively we have been working, that way we are at 2.28%, so, it will be less than 2%, but that way we will see how progressively we need to move towards the below 1% level which we aim for over a period of time.

**Jay Mundhra:** There are reasons, of course, that we have done some large write-off, but the specific PCR has actually declined a little bit. So, if you can share how should one look at the PCR levels by FY'23

**B. Ramesh Babu:** Around 65 that level and all, because if you look at it, that we felt that is a reasonable number and all, we are trying to maintain at that level, we will see that.

**Jay Mundhra:** On co-lending, I think you had mentioned that the quantum is around Rs.360 crores. This is the cumulative disbursement number, right?

**B. Ramesh Babu:** This is the loan book outstanding as on 31<sup>st</sup> March.

**Jay Mundhra:** Anything on, let's say specific to Chola, we have co-lending there, how much is the total disbursement and how is that shaping up?

**Natarajan J:** Chola is shaping up well. Initially we started with the construction equipments and commercial vehicles and other products we're all discussing. As of now roughly some Rs.125 crores is the portfolio built through the Chola co-lending model, Jay. Going forward, we already tied up with three NBFCs for different products and the integration and other process is going on. So, that's why we also mentioned that going forward, the portfolio will be gaining momentum.

**Jay Mundhra:** Lastly, sir on your commercial segment, which we are seeing 10% to 12% kind of a growth. In the last two months, clearly, there has been an input cost rising and there are some global supply side issues. In your feedback with the commercial clients, what are they saying in terms of this increased global tension and local input price increase, is there any change in the business outlook there in your underlying customers?

**B. Ramesh Babu:** Suppose, if we have the exposure majority towards the textiles, so, we are continuously in touch with them. As far as spinning industry is concerned, because the cotton prices have become so volatile, earlier if they were maintaining a stock of three to six months, now they started maintaining for 15-days, and they're able to effectively pass on this pricing what all is there towards the buyers and all. But whereas the problem is coming in respect of the garment manufacturers as well as the readymade, the buyers there, they are not willing to take the sort of additional load. But luckily because the rupee is getting depreciated, they will be compensated to some extent. So, that way, there may be some lull in respect of the readymade as well as the garment, but whereas spinning is concerned, so, they're doing well, though not at a full level capacity utilization, few of them have reduced it, but they are very carefully gauging because they expect the cotton yield which is going to come in the coming year that way, that will be good and all, prices are going to come down. So, that way more or less the textile industry is concerned, the geopolitical situation and Ukraine, this didn't have much impact on us, but whereas these localized issues like cotton, this has impacted to some extent and all, but because people are prudent, and they are there in the field for a long time and all they are with us, they know how to handle and all. So, we didn't find much issue. Continuously, we are engaging with them on what's happening in the market.

**Jay Mundhra:** Sir, you said we will be targeting 10%, 12% kind of growth and again it looks like a broad-based commercial as well as corporate growth. I am asking if you have any growth driver within at least let's say commercial things are looking up or your corporate base is very low and after YoY decline, it is now stabilized. So, should not one think of slightly higher growth in corporate or maybe commercial or your overall growth guidance of 12%, how should one look at it, would you be comfortable or you think you can surprise?

**B. Ramesh Babu:** It's not the question of surprises. What all indication is there we have made. Jay, understand, right from the last few years, our intention is to granulate the portfolio rather than going for a high value corporate. So, all of you must be knowing that 125, that's why we are trying to come below that one. So, to the extent possible, the first preference we are giving for the commercial, where we have a strong hold when the yields are better and the retail we are trying and agriculture also because we will get the PSLC benefit and with this portfolio also



will be quite granular. If you can look at our commercial business also, it's around 38 lakhs, that granular is going on that way. So, now corporate is concerned, selectively, still we want to grow. We have a slide on the movement of the ratings. So, if you can look at it, how the BB and below rating accounts have come down, volumes and all, you can see that because with earlier experience what we had and that too we do not find great green shoots in the corporate business and all, so we are going selectively there and all, but our focus would be more on the retail and selectively we grow on the corporate, but not on the big accounts and all. If we are taking big accounts and all, it's good rated accounts we will take, otherwise around Rs.75 crores below that we will try to grow. But we are focusing on the corporate also. Otherwise, if you look at it, so we were talking about earlier 3%, 4% corporate, this year what we have indicated is around 12%. That itself is a good number. Overnight, if we increase it to 20%, 25%, again, it may lead to accidents and all which we do not want to encounter.

**Moderator:** The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

**Pranav Tendulkar:** Can you also guide for the total recoveries and upgrades for the next year? You have said that next quarter it will be more than the gross slippages. For the year how it would be?

**B. Ramesh Babu:** Pranav, in fact, that's what we were indicating, on one side when we have told that our slippage ratio will be between 1% and 1.5%, naturally the recoveries have to be a shade avoid that to see that the overall net slippages are there. But there are many imponderables, unknown, unknowns are there like many cases stuck in the courts and NCLT which are at the fag end. Suddenly, a few of them they come forward and resolution comes up and all, few big accounts, we may be able to get a clarity on that. So, that way, while the other accounts where we have some sort of a hold, we are able to do that, few accounts where we will not been able to do, but we pursue that. So, we cannot give straightaway a number, but when we aim for a net negative slippages, naturally, 1% to 1.5% when we are seeing, so it has to be relatively higher than the recoveries will be.

**Pranav Tendulkar:** So, net slippages could be for the year near zero, plus or minus small amount?

**B. Ramesh Babu:** That is our intention and we are all working towards that angle only because in last three quarters we are able to do with that aim, we could to some extent succeed. Now, the team is more or less in the groove. So, we need to take it forward on the same lines.

**Pranav Tendulkar:** In terms of AFS book, obviously, you have provided a direction. But what is the kind of yield movements and sensitivity to this book in terms of treasury income for the year, could you give some scenarios like if yield stabilizes for the year on an average say 7.6%, 7.7%, how much could be the treasury income or treasury losses for the year?

**Natarajan J:** Pranav, if you've absorbed our treasury portfolio during the past three years, so consciously, intentionally, we kept our duration very low. So, on our incremental investments, we are only

either on the floating rate bond or very short debt security we have invested. So, that is why our yield also come down from 6.3 level to 5.3 level during the last quarter. This quarter if you see already there is 13-point increases there in the yield. So, it's only a beginning, for example, in these first two months alone, more than Rs.1,500 crores securities are getting replaced. So, when you are continuously replacing short-dated securities, and we are also hopeful that after June, there will be some sort of clarity on the yield movement. We thought that we will replace the securities with better yielding securities. So, that is why when you're talking about NIM also, M.D. has very specifically mentioned that we are very confident of maintaining the NIM at the existing level. So, what we expect is at least 30 basis points increase will be there in the yield during the current year.

**Pranav Tendulkar:** So, there is a very low probability of having a loss in that item, that is what you're saying?

**J Natarajan:** Even in the current interest structure rates also, we don't have any significant MTM losses in the books and only that in non-SLR book, some Rs.1,400 crores portfolio we keep. So, there will be some sort of MTM losses. But anyway, these are all short-dated, '24, '25 maturity, it wouldn't be notional.

**Pranav Tendulkar:** Congrats that you have include that recovery and upgrade in that slide so that nobody has to ask now. Similarly, could you also add to the presentation, split of other income, like three major head -- fee income, treasury income and recoveries from the written off accounts?

**J Natarajan:** We can do that. We'll do it.

**Pranav Tendulkar:** If we just see the Rs.26 crores of the family pension provision that you have done in this quarter, the employer expenses come to 197 crores. There will be as obviously 10% or 11% increase YoY. Is this the right way to project employee expenses?

**B. Ramesh Babu:** If you look at it that way, we have projected around Rs.1,040 crores for the employee expenses which is a usual run rate and normal growth of these DA, these sort of things and all. So, that way, there will not be any abnormality in the employee expenses, that's why we have projected this. This year also if you look at it, more or less our actual expenses are in line with what we estimated.

**Pranav Tendulkar:** Second thing is how much of this SR book provisions will come next year roughly?

**J Natarajan::** Net of provisions, the outstanding book is only Rs.148 crores. Of course, the recovery is also coming.

**B. Ramesh Babu:** Now, we are continuously engaging with the ARCs, because earlier last two years the properties they have, but they were not willing to dispose of at a throwaway price because their skin in the game is also there in that. Now that the market is looking up and all, the demand is there for the real estate, they started moving out and scouting for the buyers and all. So, the

recoveries what all will come also may be self-sufficient enough to provide further. But even then, if you look at overall on a scheme of this sort of balance sheet, Rs.146 crores is the only outstanding, it should not be a major problem as far as SR book is concerned.

**Ramshankar R:** One year redemption is Rs.106 crores.

**B. Ramesh Babu:** This year we didn't sell any of the assets on SR also.

**Pranav Tendulkar:** In other income, you have provided the fee income which is around Rs.182 crores. Could you just provide how much of that is say loan origination-related fee and account maintenance fee, and how much of that is related to any cross sell or third-party distribution-related fee? Also, are we tracking product cross sell per customer because that will be important matrices, going forward we have a huge customer franchise, and those franchises are probably taking those products from other banks, any qualitative information will be really welcome?

**B. Ramesh Babu:** Credit-related when we talk about, the processing charges itself is up by 40% year-on-year. The net income which we have got it and all. So, that way the bills and other income also if you look at, it is up by 20% and LC income also has gone up. We were mentioning about 2,500 crores of disbursements under the corporate and likewise the disbursements under the commercial also are pretty good this year compared to last year and all. So, that way the processing fee what all is coming, that is a major contributor on the other income. Coming to the next question, product, product per customer is concerned, yes, Pranav, we started working on that. So, initially, we started looking at the bank level, now we have gone up to the next level divisions and we are going up to the branch level. Now that we have created a consumer banking division. Just for the sake of clarity, I'll just share, because earlier, the liabilities and assets, they were independently working. Now then we thought, saying that, so the inter departmental coordination will be difficult if each one separately works. So, that's why we have created a consumer banking division with a head, so wherein both these verticals will be under him so that a holistic picture he'll be having. Now that we have got the government business also, the TASC, all these things third-party also is a major focus. They are taking people from the market also who have expertise in this to push this particular area. So, our focus is there. With the creation of this consumer banking division, we'll be able to do much better and will improve the penetration under that.

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

**Anand Dama:** Sir, can you provide some growth outlook and margin outlook as well, that will be great to start with?

**B. Ramesh Babu:** Yes, growth outlook is concerned, in fact, in my inaugural address, I have clearly mentioned saying that, so, around 12% of the deposits and around 15% of the CASA we are planning and advances are concerned vertical wise, I have mentioned at the time, so corporate 12% and commercial also 12% and around 10% or something like that in the retail segment and 13%,

we would like to grow under agriculture. So, that way overall, we'll try to grow advances around 12%. Coming into the margins, if we look at it, despite the stiff competition from various players, because of the liquidity, so, still we are able to maintain our margins; our NIM has gone up and it is annual basis 3.69% and the quarter ending it is 3.79%. So, it is not only on account of the cost of funds. The cost of deposits is one part. And second thing is we are able to maintain our interest income despite this competition. And third thing is the recoveries which are helped us, the reversal of the income also has come what earlier you couldn't book and all. So, all these things which have helped us, in addition to that the yield on the investments what all is going up, so overall, we feel we'll be able to maintain a NIM of 3.5%+ despite these raising interest rate scenario, that's what we feel. And our focus still continue to be on the retail portfolio where our margins are relatively better and our portfolio is granular.

**Anand Dama:**

Sir, but in your guidance, basically you're talking about corporate growth at about 12%, looking at the way scenario shaping up, it looks like the corporate certainly could grow at a slower pace. On the other hand, basically you're talking about retail just growing at about 10%, you have set up a consumer banking division. So, why not accelerate the growth on the retail side rather depending a lot on the corporate side?

**B. Ramesh Babu:**

No-no, I agreed, in fact, if possible, we may grow even at 15% also on the retail front. But then consumer banking is because the unit need to be set up, and whatever other issues we need to work it out and all. So, even with all these things also, you would have seen our home loan growth last year is around 11%. So, last year, two products, which we didn't do, so, we are planning to restart them, one is on the personal loan front. Personal loan front, if you look at it, so we have a database and all. We have scrubbed and we have brought out some number, but because majority of them are under the self-employed category, we were a bit cautious till such time with clarity, we do not want to open the floodgates under the personal loans, because earlier also you were asking, why you cannot grow aggressively in the personal loans, so that it will act as a kicker as far as the pricing is concerned. So, now, we have made up our mind. So, we have got the pre-approved loans, we will try to push that particular segment. And next thing also, we'll try to see how best we can improve the jewel loan component before last year, because of the COVID, people have taken out their gold and all and last year many of them have redeemed. So, now we need to focus on this particular segment also, how we need to go ahead. Anyhow, our focus on the mortgages like housing as well as LAP, will continue. So, that way education loans also. Earlier instead of doing the domestic loans and all, we entered into a partnership with a firm who has the expertise and together how to take it forward. We are working. More or less it is the final shape. Each of the products what all are there, we are trying to work out. Even the retail credit card also, so which we have launched now, we have shortlisted a set of customers whom we can offer and that also will push it this year. So, that way the focus will definitely be on the retail.

**J Natarajan::**

I think I would like to add a couple of points here. See, as far as the retail is concerned, your point is well taken. But the only thing is last year, we achieved a growth of 8%. So, now we

have done a lot of changes in our product structure, in the organization structure, and then now we are going to start this business. Interest rates are very tuned according to the market. So, it will take some more time for them to stabilize and then achieve the growth. So, that is why we are expecting 12% to 15% growth on the retail segment. On the corporate side also, if you take even that existing 7% growth other than technical write-off, existing customers also we have to serve now. So, to meet the requirement of existing customers itself, we are confident I think 4% to 5% growth we will be in a position to achieve. So, that's why we are planning like that. But your point is well taken and maybe in the next nine months, 10 months period, probably, our growth we are expecting 12% to 15%, but going forward in the years to come I think we are planning for a much higher growth.

**B. Ramesh Babu:** Anand, one more point I just want to share. Corporate, when we talk about unlike bigger banks and all, in our case any account above Rs.25 crores comes under corporate. So, on a granular portfolio of Rs.50 crores is sort of a thing if we focus on that, so, we will have the benefit of the pricing advantage as well as the granularization.

**Anand Dama:** You talked about the global crisis and impact and all, but close door, basically Sri Lanka is already into a crisis. Any of our corporates whom we have lent, would have exposure to Sri Lanka because I think --?

**B. Ramesh Babu:** Nothing much, absolutely, we haven't seen that. So, we do not have much exposure at all in Sri Lanka.

**Anand Dama:** So, you don't see any corporate NPAs or slippages coming in because of the problems in Sri Lanka?

**B. Ramesh Babu:** No-no.

**Anand Dama:** The tax rate seems to be a higher side. So, any specific reason for that?

**Ramshankar R:** Whatever the normal corporate tax rate is around 25%-plus, that's what we are also working on the same lines only. It's normal, nothing abnormality which we can look at.

**Anand Dama:** So, we have moved to the new tax regime or we are still on the old one?

**Ramshankar R:** New tax regime, from last year we have moved.

**Anand Dama:** So, then we should have effective tax rate somewhere about 25%-odd which is not the case?

**Ramshankar R:** Same range only.

**Management:** 25.16%. Slightly higher because there are a couple of items which are not tax-free. So, we have not claimed DTA benefit maybe because the items are not high. Probably, that is why

there is a slight increase from the effective rate of 25.16%, I think it has come to somewhere around 26%-plus something. If you see the quarter and the year, the year would be more closer to 26%, whereas the quarter will be slightly higher because of the year-end finalization of accounts and the provisions which we have made.

**Ramshankar R:** Not a major variation which we need to be concerned.

**J Natarajan:** You can take 25.16% as our run rate for this year.

**Moderator:** The next question is from the line of Mahesh M B from Kotak Securities. Please go ahead.

**Mahesh M B:** Just two questions on my side. One is on the yield on investments, your portfolio carries a yield of about 5.4% which is extremely low. Any thoughts to it?

**J Natarajan:** Mahesh, that's what I was responding to Pranav also. So, if you notice for the past four or five years, two years, we have sold a lot of higher yielding securities in HTM and then we converted into lower yielding securities, because we want to take advantage of the market. When the interest rates are peaked out, so we sold some HTM portfolio and then we've taken the investments in the low duration securities. So, that is why that yield drastically has come down when you compare it to the earlier years. Already, it is reflected in the last quarter, but this year, we are expecting at least a minimum 30 basis points increase in our yield. So, it's a strategic call we have taken. Now, I think we will go back to around 6% to 6.5% yield in this year and next year.

**B. Ramesh Babu:** Mahesh, suppose we look at on the other side, had the yield been high and all, longer duration had we taken, now we are susceptible for these MTM losses. At least that we'll be able to save and that way we'll be getting compensated to some extent to the call we have taken for a lower duration

**Mahesh M B:** One additional question again. This question has been asked many times. So, on the growth side, from your perspective, is the demand from customers improving with each passing month or it continues to remain fairly subdued, there is going to be a little bit of a push to hit to a 12% number as well?

**B. Ramesh Babu:** Both ways; demand as well as the push, because our penetration is pretty low. Because the legacy what we have, the presence we have, if we deeply go and continuously pursue, many people are willing to come. That way if we look at the commercial itself, compared to last year, the disbursements have gone up by more than 50% compared to 2021. So, that way it's a combination of both; demand as well as push.

**Moderator:** The next question is from the line of Sri Karthik from Investec. Please go ahead.

**Sri Karthik:** On an incremental lending basis, what are your yields on your commercial and corporate portfolios?

**B. Ramesh Babu:** Incremental is around 9%-odd we can say for the commercial, but corporate we will not be able to quantify. The reason is because of the liquidity, if you look at a few banks, they'll say that five and half also they will give and few of them seven. So, we look at the quality of the account. Suppose the quality is so good and depending upon the funds what all are available and alternate sources of deployment we will see, if we're able to make some more higher money in the corporate, we will go for that. So, that way overall if you look at it, eight plus we can think of in corporate, but nine plus is coming in the commercial

**Sri Karthik:** The second question that I have is with respect to our commercial portfolio. Has there been higher churn as in people moving out for balance transfers to other banks and as sourcing more in the commercial portfolio in the last two, three years?

**B. Ramesh Babu:** To some extent that is there, we cannot say no, because we are also conscious about the risk reward. So, suppose if our pricing is not in line with the risk what we are taking, at least to some extent, we can give an allowance for the relationship, but not beyond that. So, that way someone is putting around six, six and a half for a commercial also, you're allowing them to go. Likewise, a few accounts where we wanted them to go actually, some opportunities there under these circumstances, others are asking, we are allowing them to go. But that way overall, if you look at it, even if some prepayments are there and takeovers are there, despite that, we are able to grow which implies saying that demand is there, and as I was telling Mr. Mahesh, push is there. So, both ways despite these takeovers and these things, this is not only for our bank, every bank is having the same problem, we are able to grow net-net.

**Sri Karthik:** Also, slide #20 sir, in our corporate book, about 41% of the portfolio is BB and below. How should one look at this portfolio and the risk associated?

**B. Ramesh Babu:** No, no, you have to compare it over a period of time because you see from March '21 quarter wise when we have given, so how the movement is there you see. So, how the BB below and book has come down and how it has moved to triple B and above So, that way consciously when additional exposures we are taking, we are consciously focusing on good quality, and likewise the BB and all, when the renewal comes to, all the concessions we are withdrawing and more or less we are giving a message saying that below and all, so either you price it or you mend yourself or you can leave. So, that way with various measures not that rest of the BB and all, all of them are quite vulnerable, we will be taking a hit. All of them we are able to manage well, there should not be any problem at all, but our consciousness towards better quality assets have gone up and all, that is the reason the movement is there.

**Natarajan JR:** One more point, Karthik, unlike the other banks, the corporate account, what we talk about is Rs.25 crores and above exposure and the constitution maybe a proprietor, partnership and all. So, when you do the rating for a proprietor or partnership, generally, rate awarded is slightly

lower. So, in that way a trading firm consistently with the bank for many years, it's very difficult for them to get the triple B rating. So, the constitution wise corporate, where it is easy for them to get a triple B rating. But otherwise if you see the performance, all, everything will be good. But the challenge is only in the case of these trading accounts.

**Moderator:** The next question is from the line of Suraj Das from B&K Securities. Please go ahead.

**Suraj Das:** I have a couple of questions. The first question is on the restructured book, sir. If you can share how much of the book has already started billing or have come out of moratorium and how has been the collection efficiency in the restructured book specifically and what has been the trend?

**Ramshankar R:** Slide #32, if you see, we have given both standard accounts and NPA accounts for March and segment wise also we have given.

**Suraj Das:** Right, sir. but out of these Rs.1,640 crores of standard book, the COVID related restructured book is around Rs.1,200 crores. So, I mean how much of that book has come out of moratorium and started billing?

**Natarajan J:** Substantial portion of these accounts are working capital accounts. So, the working capital accounts, whatever the dispensation, everything is completed and every month, the billing cycle already started that. So, in that way, maybe 10% to 15% of the accounts, there is an element of stress, but otherwise the billing has already started and repayments are coming in most of the accounts.

**Suraj Das:** In your opening remarks here, you said that 28% of total loans are EBR-R-linked. So, what is the rest of the book, how much would be the MCLR-linked, how much would be fixed rate loans?

**B. Ramesh Babu:** More than 80%, 85% is floating rate. Hardly, fixed is less than 10%, something like that. So, other than that, majority is floating only.

**Suraj Das:** Out of that 80%, 85%, how much would be the repo-linked and how much would be MCLR-linked?

**Natarajan J:** Approximately, our loan book, I already indicated 28% is the EBR-R and MCLR constitutes 58% and fixed rate is 9.5% And remaining 4.5% is other category.

**B Ramesh Babu:** MCLR is around 57% and base rate is around 2%, BPLR is around 1%. So, that way majority around 88% is on the floating rate, around 12% is on the fixed basis.



**Suraj Das:** On the NARCL side, have you earmarked any amount, that you would sell to NARCL in the first tranche and what is your expectation let's say on the recovery side from that sale or let's say what is the provision write-back amount?

**Natarajan J:** On NARCL on the first tranche, we don't have any account. But there are some five, six accounts earlier when the initial discussions were taking place, we have shared the data, but we are yet to get any response, probably we are expecting something in this quarter.

**Suraj Das:** Any ballpark amount what you have identified for those eight, nine accounts?

**Natarajan J:** Initially, we have shortlisted some six, seven accounts at the time Rs.500 to 600 crores of a loan book, but subsequently one or two accounts we have closed. So, now I think we have to check with them, what are their interest and then we should take it forward.

**Moderator:** The next question is from Lena Prashant Kumar from Sunidhi Securities. Please go ahead.

**Prashant Kumar:** My question is on funding side. On the deposit and CASA expected growth is around 12% and 15%. And due to current market scenario aware where people have less saving and as we saw that the CASA is also muted or even slightly declined. So, if you have set this target and at current scenario, where do you see the cost of deposits, and I think so you will have to go aggressive on the interest rate hike, so, if you could give some color?

**B. Ramesh Babu:** If you look at our time deposit rate, more or less, they're comparable, they are a shade better than our peers. So, that way on account of interest rates we losing will not be there. Coming to the CASA if you look at it, initially I mentioned saying that, to have a greater focus, we are creating a consumer banking division. So, under that, two verticals will be there. Now, the branch vertical, which was actually mobilizing the CASA portion, now, we are creating a sales vertical also which will be aggressive on this particular job. So, that way sales and branch together once we start getting, so then we expect some sort of a growth there. And next thing if you look at it, we want to focus on the TASC segment also. So, that is the reason at national level we are going to create the sort of a structure and above all, we got the permissions for the government business to doing. So, that's the reason we are creating under the consumer banking wing, government wing also so that where we can get some sort of volumes and these sort of things, we started working on that. So, that way overall if we look at it, the SA as well as CASA, we want to grow at that level and overall deposits at this level. But if we look at the savings bank also in last one year, the average value of the account we started focusing rather than on smaller, smaller accounts where the labor and servicing will be more. So, that way we see the average balance of an account which a new acquisition is happening and all, that has improved. Now, we can start working on the product per customer, these things with them. That way overall, what we planned that 15%, we feel we will aim for that to reach that particular number. So, that 40% that is a reason I didn't give any indication for the CASA ratio, because it is on account of the time deposits growth also, it varies. So, individually, we want to work on the growth of CASA rather than focusing on the percentage of the CASA. So, we are

reasonably confident that we will be able to mobilize this level with the measures what we have taken for the liabilities.

**Prashant Kumar:** The other question is on expenses side. Staff expenses continuously decreasing. If you could give some color on IBA things? Obviously, operating expenses is good because it's business-related. Employee count has also decreased. So, could you give the incremental headcount and what will be the expense on staff?

**Natarajan J:** Prashant, yes, you're right, during the past one or two quarters, the employee expenses coming down, but the two reasons; corresponding previous year, because of the one-time arrears were there, it looks like that. But if you see the last quarter, the fall is on account of our lower AS 15 burden. Because of the discount rate, the interest rates are going up. So, the discount rate is slightly higher. So, that is why we are required to provide only lower amount. So, that is the reason for that. But going forward, since interest rates are going up, I think the AS-15 burden will be less, number one. Number two with regard to the number of employees coming down, we notice almost 400, 500 employees come down. So, the bank has done a lot of transformation process during the past two or three years. We moved a lot of operations from the branches and then we have centralized this operation so that in the branch level there should be a lesser people to do the operations, but more people for the sales side. So, that is the need of the hour because technology and digital system today enabling that type of things are possible. So, in that way, that is why the numbers are slightly coming down. This year, we want to increase the numbers. But whatever recruits we are doing; it is only on the specified required level we are doing it. So, in that way, going forward the number will be increasing it, but already we indicated Rs.1,040 crores establishment expenses for the current year.

**Moderator:** The next question is from the line of Sri Karthik from Investec. Please go ahead.

**Sri Karthik:** On slide #13 on the ECLGS portfolio, is that the outstanding amount or the disbursement number?

**B. Ramesh Babu:** Outstanding.

**Sri Karthik:** The Rs.960 crores for corporate, does that have any chunky account in it?

**B. Ramesh Babu:** On Rs.960 crores outstanding there maybe, but if you look at the SMA-30-plus corporate is miniscule so, which implies saying at that material time they would have availed it. But it doesn't mean saying they have stress. One more thing, Karthik, we have to keep in mind, arbitrage opportunities also made people to draw under ECLGS. When the rate of interest on the cash credit is higher, so, few of them they drew there and all, they liquidate the cash rate, that way they have got a benefit of 1% to 1.5% interest rate.

**Sri Karthik:** Could you quantify that amount – was it 30%, 40% of the people who have refinanced, the arbitrage that you mentioned?

**B. Ramesh Babu:** We will not be able to say because anytime people drawing, it will be going into cash credit. So, that much of discreetly having a surveillance and trail, we may not have done that, but the fact that the delinquency or the stress is not visible in the corporate in respect of these accounts also, which gives us some sort of confidence saying that they are not vulnerable.

**Natarajan J:** Only one point, Karthik, if you notice, the pattern of availment in such cases where they have availed the emergency credit line scheme, so many people are having a higher unavailed working capital limits. So, they are not availing the full extent. So, that gives an indication, I can say, 15%, 20% of working capital accounts, the unavailed limit rate has gone up. So, maybe on account of these loans, their day-to-day availment is on the lower side.

**Moderator:** The next question is from the line of Lalit Deo from Equirus Securities. Please go ahead.

**Lalit Deo:** Sir, on the arrangement with Rupeek gold loans, so, can you talk us about the partnership like in terms of risk sharing yield and the yield which we make on that book and can you also quantify the overall loan book which we have generated from the Rupeek partnership?

**B. Ramesh Babu:** The numbers straightaway I will not be able to make, but compared to last year, the numbers have gone up and more or less currently, our gold loan is at 9.5. So, more or less, we are able to get a similar pricing there too. So, that way, the stress levels are also nothing much and all, but compared to last year, there is a good traction this year for two reasons; one is the initial teething issues are over; and second thing is the number of locations where we were doing, we are slowly enlarging the locations. So, that way the numbers are going up, but I will not say that it's a great number and all, it is still in two-digit number only going on, and this year still we want to ramp up to further locations.

**Lalit Deo:** On the retail gold loans, so in this quarter there was a sequential decline. So, what would be the reasons for the same -- is it because of the lower demand or is it because of the high competition?

**B. Ramesh Babu:** It is a combination of both, in the sense that as I said, 2021 because of the COVID, many people out of desperation, they have brought out the gold and all, they had to take the loans. But now the position has improved, their cash flows have improved and all, many of them close the loans and all they have gone. And second thing if you look at it, competition is also there, we are not saying that way and all. So, that way when we see it, we wanted to more or less maintain our margins around nine plus that way and all rather than bring it down to a few of them offer 7.5, 8 and all, we don't want to offer those lines, the pricing and all into cannibalize our own agriculture portfolio also which is growing at around Rs.1,250 crores plus 8%-plus and also we have the benefit of PSLC there. You would have seen that our PSLC, the income itself is we have got around Rs.5.75 crores, something like that. So, we wanted to maintain that agriculture portfolio and we do not want to bring down the personal banking rate below that. So, we are balancing that way, but whatever it is, we will look at this position now,

and how best we can reverse the position and regain the jewel loan business, we are working on that.

**Lalit Deo:** In your initial commentary, you highlighted that there were certain cost control measures with which you are planning to improve the cost-income ratio to 50%. So, can you give us more details on the same?

**B. Ramesh Babu:** There are two things here. For the cost-to-income ratio, one is income, second is cost. So, our cost if you look at it majority is coming from the employee cost, on which you have your control is relatively less, though we are trying our level best to bring down the bring up the efficiency and all to improve the performance. So, that way, rather than focusing more on the expenses, I think we need to focus more on the income. So, that is the reason we are improving the productivity, if you can look at our last slide also, the business per employee which used to be 14.99 as at the end of '21 March has now moved to 17. So, progressively, we are improving the business where granular portfolio with yield going up also, we are maintaining NIM. So, that is one. Second thing, coming to the cost front, wherever these rentals, these things are there, we are negotiating, wherever ATM expenses these things are there, we are renegotiating with the vendors and all for bringing it down. So, every cost what all is there, vertical ways we are looking at it, which is unwarranted, we are trying to bring it down. But there are a few costs which you cannot do anything like that, suppose digital transactions are going up, naturally UPI and all the expenses are going up, you may have to pay more and all. But wherever it is warranted, we will go for that. But we will not reduce or contain the cost, which is going to give growth in due course. Suppose we were talking about the liabilities. For that sake, sales force, we need to ramp up, it may increase the cost initially front loaded, but you are going to get the benefit of this in the years to come. So, we will gauge in such a way saying that where the business is going to accrue on account of this cost, we will work which is unwarranted and wasteful cost and all, everything we are trying to bring it down.

**Moderator:** The next question is from the line of Manish Dhariwal from Fiducia. Please go ahead.

**Manish Dhariwal:** I had a little longer-term kind of perspective that I was seeking. So, see basically right now if I look at your book, it's like 25% of the book is gold loans, which is good, but it's also a reflection of maybe at some level reduced business opportunities and competitive intensity that exists in the market today. I wanted to understand how are you visualizing the bank say five years from now, where do you see the bank, how do you see the complexion of the asset book?

**B. Ramesh Babu:** The composition is concerned, we still wanted to maintain more or less the same composition where the retail will take a bigger pie compared to the corporate. Corporate will be growing, but corporate, when we talk, we will try to focus on below Rs.75 crores. You would have seen our corporate portfolio, the average ticket size is around Rs.38 crores. So, we will try to grow at Rs.75 crores that way and all. But focus will be on the commercial, retail, agriculture and corporate. So, that way we will try to go for that and the same composition what all is there we will try to maintain. The reasons are many, because we have a structure where we have the

branch structure and corporate banking unit, business banking unit, all these structures separately we have created which are dedicated to mobilize this business, we need to fully exploit the potential of this. That is why we will go for these things, first thing. Second thing is the granular portfolio. Third thing is the yields much better we will be getting and all. With earlier experience what we had in respect of a high value corporate, in our anxiety to grow the balance sheet, if we grow bigger accounts and all, so, when things are good and all, it looks everything good. So, when times are not good and all, again, you will have to face the same thing. So, we cannot forget the past experiences what we had. So, granular we will go. Likewise the Neo what we had, that also is pretty growing well, that is also a quite granular portfolio. So, our focus will be majority towards the retail and so to some extent up to the corporate because corporate we call it as not a big corporate, that way up to Rs.75 crores. So, this is what actually we feel. Now, coming to the profitability part, we have already indicated saying that, we will try to maintain 3.5. So, that way having come to this stage, because the last year if you look at it, our ROA was around 0.5 and now, we have moved to 0.86 on an annualized basis and year wise 1.06. We have been giving an indication earlier also by '23 on a sustained basis, we will be having an ROA of 1%. Our intention is to grow ROA much better than what we are thinking, with the efforts what we are making, we will be able to do that. Another good factor which is going to support us is progressively the good work what all has been done on the recovery front. So, that's why you could see how the gross NPA and net NPA numbers have come. In a particular one year, which also first quarter was a terrific year and all for every bank, we are able to bring down our net NPA by 1.13. Overall, if you look at it on a portfolio of around Rs.58,000 crores, the net NPA comes to Rs.1,261 crores. With the efforts and traction what we have brought, if we are able to bring something more on that front, and the provisions what all we are supposed to make, comes down, and the yield what I said in the retail goes up and all, with all these things, we feel that next three, four years, with the past experience what we had, we will be able to do much better than what we feel.

**Natarajan J:**

Manish, one more point or like to add, if you see the composition of our branches, that 50% of our branches are in the unbanked rural, rural and semi urban places, where predominantly the jewel loan is a major activity for them. So, that is why, as always, we are maintaining 20% to 25% of our jewel loan portfolio. And particularly again, in the semi urban centers, so the traders love to have banking relationship with our bank. So, traditionally, our traders portfolio is consistently doing well and fully collateralized, where yields are also better. So, we are all continuously nurturing the portfolio, growing that portfolio. So, the third point is the mid corporates, all the metro centers. So, in the longer term, irrespective of four years or five years, because of the composition of the branches and geography, we need to mix our portfolio according to the requirements. So, our M.D. has already indicated about the NBFC co-lending partnership, the FinTech partnership. So, we are giving more importance to push that growth at the required level.

**Manish Dhariwal:**

Everybody is doing the same thing today because we interact with so many banks, and we find that everybody's trying to chase the retail, everybody's trying to granularize their book, and this

new fintech arrangement. Now, this fintech arrangement specifically yet to give any results, in the sense that costs are being incurred, because it's a new business like in the investment phase, but nobody knows as to how profitable or how remunerative it will be either in getting deposits or in improving the lending book and obviously, the costs associated with that. You also mentioned that, there new NBFC partnerships that you are now actually working on. So, my question here is that, on this co-lending or this partnership business, how are the risks mitigated?

**Natarajan J:** Yes, you are very right. So, as far as fintechs are concerned, it's very, completely uncertain, and we need to do a lot of homework. But as far as the co-lending is concerned, for example, we have built some three accounts. So, the portfolio size is something around Rs.360 crores today. First of all, it's all very short, term exposure, number one. Number two, we have been doing this business for the past two years. We have gained some sort of expertise in terms of technology. For example, if you take the Amazon, the BNPL program, so we are giving 99.99% uptime to them, and the millions of transactions are happening. So, in that way, we have built a proper technology platform, seamless platform, which many of the other competitors doesn't have. So, we want to capitalize this opportunity. That is why we are working closely on the NBFCs where bank is getting the benefit, we don't want do anything for fancy. So, wherever the returns are there, wherever the values are there, we are associated with these NBFCs and then we are progressing well in the direction.

**Manish Dhariwal:** Two areas; one, the FinTech and two, these NBFC relationships. So, over the next three years your asset brokerages at Rs.55,000 crores goes up to Rs.80,000 crores, what percentage of your book would be this fintechs and your NBFC relationships?

**B. Ramesh Babu:** In fintech if you say there are two aspects. Fintech can be for the liability, all these things and all. But we have been in discussion with many of them. But wherever we find value that over a period of time, the resources what we are investing, it makes sense, then only we are doing. That is a reason from the liability side nothing much we have done that and all. Coming to the co-lending, our president has already told saying that this is there. But it may not give huge numbers and all. Our current sales structure with the branch structure what all is there organic growth only will be the major portion. So, this co-lending growth, what all will be coming is only just a kicker. So, that too, we are selective in identifying and NBFC or fintech, their capabilities, how they are going to monitor and recover, that is a key factor, otherwise, financing is very easy, anyone can do, but tomorrow follow up and recovery is the key. So, wherever they have a presence and we have a presence, something like that, we are looking at it, and we are going selectively with NBFCs. So, if you look at it, it may not grow exponentially the co-lending portion what we are thinking of, it will be one of the channels where we can grow, but majority growth will be coming from our organic channel like sales structure as well as the branch channel.

**Manish Dhariwal:** There is a fair amount of consolidation happening at least on the public sector banks side. They've already had one or two rounds; SBI got merged and then another four mergers took

place. In the private sector side also, we see now small, small banks and payment banks, and then like banks like yours have a very, very strong legacy, very, very deep inroads into the specific areas that you are present in and obviously, the larger banks, like, banks like HDFC, and all they still continue to grow at 20% annualized, and they are demonstrating it. So, what is your view as to how the landscape is going to be emerging over the next three to four, five years in the private sector side -- are you seeing some sort of consolidation happening, some segments of the private sector, banking getting merged, what's your view on this?

**B. Ramesh Babu:**

I'll tell you one thing. So, this is an ongoing process, this unfolds, folds, all these things will be there, but each player, they'll have their niche. So, that way if we can carve out what is our niche, we are able to serve them, so definitely you will have your own space. That is the reason in every segment, what we are trying to look at is, we have to reinvent ourselves on which segment we can cater to. If there is a rat race, a dogfight going on and all, there is no point going in between and getting crushed. So, that way, we are looking at the products where the customers have confidence with us, that is one. Second thing is whatever maybe the bigger bank, whatever you may say, our experience to some extent is something different. So, when the bank is smaller, their ability and agility to respond to the customer is much better. So, we have seen few of the customers who have gone out. Within six months, they have come back to us saying that, the comfort what they enjoy in expressing their problem and getting the issues resolved is much better in a bank which they can understand. So, that way each bank who is having an niche and all, so they will be able to play. This consolidation and all, part of the job will be going on, that way and all, but who can carve out their own niche, I think they will be able to still continue and they will be able to run well.

**Moderator:**

As there are no further questions from the participants, I now hand the conference over to Mr. B Ramesh Babu – M.D. and CEO for closing comments. Over to you, sir.

**B. Ramesh Babu:**

From the entire KVB team, so we thank all the participants here for the interest they have shown even at this late hour. So, when they are curious to ask many questions in detail, that itself shows how keen they are to know about what is happening here. We are again thankful to each one of you for the good wishes and the guidance, which made us to bring out the sort of results and all. We will try to live up to the expectations and all. We will take it forward the journey what we have done in the last few years and it'll be much-much better, that is our intention. Thank you once again and good day to all of you.

**Moderator:**

Ladies and gentlemen, on behalf of the Karur Vysya Bank, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.