"Karur Vysya Bank Q2 FY21-22 Earnings Conference Call"

November 9, 2021

MANAGEMENT: MR. B. RAMESH BABU – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, KARUR VYSYA BANK
MR. J. NATARAJAN – PRESIDENT & CHIEF OPERATING OFFICER, KARUR VYSYA BANK
MR. RAMESH MURTHY – CHIEF FINANCIAL OFFICER, KARUR VYSYA BANK
MR. SRINIVASA RAO – COMPANY SECRETARY & COMPLIANCE OFFICER, KARUR VYSYA BANK

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY'21-22 Earnings Conference Call of the Karur Vysya Bank. We have with us today the management team of KVB, represented by the M.D. and the CEO -- Mr. B. Ramesh Babu; President & Chief Operating Officer – Mr. J. Natarajan; CFO – Mr. Ramesh Murthy; Company Secretary and Compliance Officer – Mr. Srinivasa Rao. 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. Over to you, sir.

B. Ramesh Babu: Thank you, Stanford. A very good morning to all the attendees of today's call. So, I think all of you have enjoyed the diwali last week. I welcome everyone on behalf of team KVB to this quarterly earnings update call.

After darkness comes the light is saying by a Roman historian. After about 1.5-years, we all celebrated Diwali last week with almost same spirit we used to have during pre-COVID times, thereby indicating positive vibes that good times are ahead. We witnessed a COVID-19 pandemic and the resultant lockdowns which pushed the growth downwards last year. It was expected that the growth would be rapid in financial year '22; however, owing to the advent of second wave in Q1 of this financial year, several state induced lockdowns, negated this assumption to a certain extent.

The positive note is that a third wave looks less likely or could be muted and the vaccination drive is progressing very well. As a nation, we have successfully completed 100 crores of doses last month. The overall belief is that the economy is on the right path augurs well for the business growth in the coming quarters. Being an essential service, we have continued to deliver uninterrupted service to our customers while taking all necessary precautions to safeguard ourselves, our families and our colleagues and our customers. More than 97% of our employees have already taken at least one dose of vaccination.

The pandemic crisis created an opportunity for the growth of digital banking. Our bank continued a growth in this space; in the second quarter, about 92% of the transactions were routed through the digital mode as against 88% of the previous corresponding period. The growth in UPI transactions was 134% more than the corresponding period.

The Indian economy appears to be back on the growth path in Q2 post the opening of the economy with several elements falling in place. This year thus far, the growth in the major banking indicators have been mixed. Growth in deposits have slowed down while that the credit growth is almost flat after witnessing a dip of 1% last year as of September '21 over March '21. With the economy picking up in the second half, it is expected that there will be higher demand for the credit and overall growth of around 8-10% for the year, maybe expected for the banking sector in general.

So, coming to our bank, with the relaxation of lockdowns by various states in a phased manner, we were able to report a steady performance in the growth of business. Our total business as on 30th September '21 stood at Rs.1,19,261 crores with a gross advance of Rs.53,851 crores and deposits of Rs.65,410 crores, a growth of 7% on year-on-year basis.

Let me take you through the numbers in detail: We have been highlighting to all of you the initiatives taken by the bank for a superior performance in the earlier commentary and interactions. We are now witnessing positive momentum in many of the business metrics of the bank that we are glad to share with you. We have been continuously improving our disclosure standards and published the relevant information and data for your ready-reference through our ‘Investor Presentation.’ Yesterday also, we have uploaded. All of you would have gone through that.

Now, I would like to share my observations and guidance on certain important parameters: Coming to net interest margin, we have achieved a NIM of 3.74% for the second quarter of the current year as against 3.47% for the quarter ending September '20 and 3.55% for the quarter ending June '21 which is very encouraging. This has been made possible mainly on account of higher interest spread. Our cost of deposits is also further reduced to 4.32% as against 5.06% for the quarter ending September 2020. Further, higher NIM is supported by lower slippages and recoveries in NPA accounts. There will be lesser scope for further reduction in deposit interest rate and yield on advances is likely to come down by a few basis points due to reduction in MCLR and interest reset option for the existing loan book and stiff competition prevailing in the market currently due to the liquidity. We continue to focus on this parameter to sustain NIM at the existing levels and maintaining it above 3.5%-plus levels.

Before discussing our profit numbers, I would like to draw your attention to Slide #7 of our ‘Investor Presentation’ wherein we indicated certain significant accounting changes in impacting other income, operating profit and provisions which we implemented in compliance with the Reserve Bank of India Master Directions dated 30th August 2021. Of course, there is no change in arriving at the net profit numbers. Prior period numbers have been recast for the ease of comparison.

Thanks to higher NIM; our net interest income has increased to Rs.680 crores as against Rs.601 crores during the quarter ending September 2020. Core fee income has increased to Rs.143 crores from Rs.119 crores. Investment in trading profit has reduced to Rs.17 crores as against Rs.120 crores during the corresponding quarter of the previous year and this is mainly on account of hardening of interest rate and our conscious strategy to keep the MTM risk at the lowest levels.

Employee expenses include a sum of Rs.27 crores which comes to around one-third of the total estimated one-time expense of Rs.80 crores on account of enhancement in family pension. Though Reserve Bank of India permitted banks to amortize these expenses over a period of five years, we have decided to account for it during the current year itself in covering three quarters. So, earlier, we had indicated a sum of Rs.1,050 crores under employee expenses for the whole year and we estimate that we will be within these limits.

There was a marginal increase in the other operating expenses. Major reason for the increase constitutes – sourcing cost for the business and ATM and digital transaction based expenses where corresponding income is booked in income heads. We have initiated several cost control measures and we continue to closely oversee this. As you could see, all round positive performance indicators are visible and our operating profit after making adjustments as per the new disclosure and reporting requirements, increased to Rs.374 crores from Rs.360 crores for the quarter ending September 2020 despite a reduction in treasury income by Rs.103 crores due to interest rate hardening. Due to lower slippages and recovery initiatives, our credit related provision requirement reduced to 169 crores from 205 crores which include restructuring provision of Rs.56 crores. There is no significant MTM provision on investments other than SR and certain non-SLR investments. Our net profit increased to Rs.165 crores for the quarter as against Rs.115 crores for September 2020 and Rs.109 crores for June quarter of the current year. This is mainly on account of increase in net interest income, sustained other income, controlled expenses and lower provision requirements. This is the highest quarterly profits earned by the bank during the past 17-quarters, I feel very happy to mention this. We are confident and motivated by our performance and going forward we aim to have consistent improvement in our results. Our ROA was at 0.86% for the quarter as against 0.63% for the quarter-ended September 2020 and for the half year ended September '21, ROA is at 0.72% as against 0.61% for the half-year ended September '20. We had indicated achievement of ROA of 1% in the year 2023 and we are on track with our guidance.

Coming to Slippages and Asset Quality: One of the significant and notable performances during the quarter is that our gross slippages have come down to Rs 164 crores for the quarter which is 0.3% of our loan book. Our recovery surpassed the slippages, resulting in negative net slippage of Rs.196 crores during the quarter and reduction of NPA book to Rs.3,972 crores from Rs.4,167 crores as of 30th June 2021. There was no technical write off or sale to ARC during the quarter, indicating best efforts made by the bank. We are now confident and working towards keeping the gross slippages well within 2% of the loan book at the end of the financial year and negative net slippages in the coming quarters.

SMA-30 plus balances at the end of Q2 stood at Rs.1,004 crores which is 1.86% of the loan book, if you people can recollect in 2020 and in those years, our SMA-30-plus used to be around 3.5%. Now, it is at 1.86%. The book also includes jewel loan balances of Rs.389 crores and other than jewel loan SMA-30-plus is at 1.14% of our loan book. This is considered very much significant as it clearly indicates consistent improvement in the quality of our loan book. Due to lower slippages and recoveries, gross NPA level have come down to 7.38% from 7.93% as of 30, September '20 and we continue to focus on this segment and are aiming to bring it below 7% level during the year. Our net NPA has been brought to below 3% levels on account of recoveries from NPA book, lower slippages and higher provisions, bringing net

NPA down to less than 2% will be one of our most focused endeavor in our agenda, and we are working towards achieving this.

So, when we discuss about the restructuring book, as at the end of Q1, we had disclosed standard restructured loan book of Rs.1,028 crores and our standard restructured book as at the end of September '21 increased to Rs.1,579 crores and the details are furnished in Slide #34. It could be seen that substantial portion of the book comprise of retail and commercial segment and corporate sector consists of around seven customers. As of 30th September, we have invoked 159 requests for restructuring amounting to Rs.251 crores pending for processing which should be implemented on or before 31st December 2021 if they meet our criteria. We do not see much challenge as we did restructuring based on current business status, cash flows and the ability to come back to normal situation and further this loan book is secured by sufficient immovable properties. Having said this, as a matter of caution, we have created a suitable system to oversee this book carefully and conducting periodical review meetings at the senior management levels. In terms of regulatory guidelines, we have provided Rs.63 crores during the half year towards this book.

When coming to the growth, considering the economic outlook and environment, we plan to grow responsibly, and we have indicated during our Q1 commentary that we have planned to grow at 12% in the normal environment. We have achieved YoY growth of 7% on deposits and advances. 14% in savings bank and 8% in current account balances despite the current account discipline. We continue to maintain a CASA-to-deposit ratio at 35% levels and we realized that improving CASA is the major source to reduce cost of funds as interest rates have bottomed out.

The recent approval by the Ministry of Finance on government business particularly collection of tax on behalf of Central Board of Direct Taxes and Central Board of Indirect Taxes and Customs, will be helpful in building the float funds. Efforts are on for technology integration with these departments. We continue to add many features in our DLite app, which will be the face for the bank for the retail liability business.

On the loan book, agricultural book grew mostly on account of jewel loans by 15% year-on-year and sequentially 10%. We expect that the growth will be generally better in the second half of the financial year and aim to sustain the momentum. Retail loans have grown by 10% year-on-year and sequentially by 8%. This is predominantly on account of residential mortgages and jewel loans.

We have soft launched our retail credit card during the quarter and issued cards to employees and plan to roll out pre-approved program starting from 15th November to our existing customers.

Commercial loan book has grown by 5% year-on-year and about 18% sequentially on an annualized basis during this year. There has been a visible increase in the sourcing and disbursement of loans, particularly from the MSME connected with textile sector. Bank has made highest disbursement of Rs.650 crores in the month of September. Considering the ensuing busy season and good monsoon, we expect credit requirement will pick up and we plan to achieve 10% growth at the end of the year under the commercial loans.

Corporate book though shown muted growth year-on-year, there's a positive growth of 10% sequentially on an annualized basis. We also see good flow of proposals post-September, and we anticipate a decent growth during the second half. We have kept maximum exposure at Rs.125 crores per borrower and we'll be cautious in building the portfolio.

Our NEO and Precious Metal division continue to grow well at the desired level. Our core lending business model which NBFCs is building well. We have built a portfolio of about Rs.200 crores under this.

We participate in BNPL program with Amazon and Razorpay through one of our fintechs. All these programs are run end-to-end digitally. Overall, we plan to achieve a growth of 10%-plus under advances during this year. Our CRAR continues to be robust and is at 18.82% giving us comfortable headroom for growth. Our liquidity is also comfortable and we continue to maintain LCR at about 200% levels. The financial performance for the quarter ending September '21 is an important milestone, considering the fact that we are moving towards best of our times.

So, with these things, I can leave it to the floor for the questions.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prashant Poddar from ADIA. Please go ahead.

Prashant Poddar: Sir, first question is on the margins outlook. This quarter had very significant pick up in margins. Could you break up that into some one-offs if there are and what is the outlook on this with the given the mix of business that you've indicated in corporate SME etc.,?

B. Ramesh Babu: In my initial address itself, I was mentioning 3.74. So, this is on account of a few factors also there because the cost of deposits have come down, over the last year you have seen that that has also helped us and the business what we have booked also has helped us despite giving lower rates of interest to many of our customers because of the stiff competition. So, this in addition to that, our net slippages are negative as far as NPA is concerned. The interest reversal has come down drastically. All these have helped us. So, as far as deposits are concerned, as I was mentioning, the headroom is very meager for coming it down. So, that way we cannot expect the sort of additional benefit of lower interest rates and yield also we may have to more or less consider a few other cases where we need to compete with the competition. So, that way we expect that we plan that above 3.5%-plus we will try to maintain that.

Prashant Poddar: So, very quickly on the competition, if you can talk about in SME, we are hearing the business banking customers or SME commercial customers that you have, many large banks are taking interest in regional markets now, further, you are also planning to grow in corporate, so, if you can give us some idea about the competitive environment in that and incrementally, are you seeing pressure on spreads in these two businesses?

B. Ramesh Babu: The competition is there, but the niche of KVB all of you know the "Customer Connect." So, this is the major strength of the bank is in the culture, culture of the organization is there. That is the reason if a customer wants to leave, he will think 10 times because whether he'll be getting the same level of response and comfort in the next bank. So, this is our major strength. That is the reason when we are able to grow Rs.650 crores disbursements when I made, despite all this competition and all we are able to do that. So, I agree a few banks may offer a lower rate of interest and all. So, to the extent wherever possible, we are also offering and wherever it is not possible or the accounts where we feel we are not comfortable with those sort of accounts and all, it is better they go. In the normal course, they may not be going. It's an occasion for us to allow them to go. So, that's why in those cases, we have allowed them to go. Otherwise competition is concerned, we are able to face it, not an issue. Particularly on the business banking and SME, a lot of traction, we are finding and so many proposals are coming. So, that way it is not a big issue actually. Our CFO also wants to add.

Ramesh Murthy: Regarding competition, I just wish to add to what our M.D. said. We have also seen some of our customers leave for larger banks and come back, that has also taken place actually, and we witnessed that, within months they have come back. Talking about service standards and the culture so that way, we are fine.

Prashant Poddar: Just one last question on the employees, it has come down from 7,746 to 7,478 in last six months. If you can help us understand the outlook on that as well as the mix of new hires that you are doing and the retirements that's happening?

J. Natarajan: Prashant, I am Natarajan here. With regard to these employees, the substantial reduction is in the clerical level. We already indicated during the earlier quarters commentary; the bank is doing a lot of transformation with regard to these operations. So, we have created a central operation center, we have created a central expenditure management center. Like that, our focus will be in the branches more towards sales than on the back-office operations. To that extent, wherever our people are retiring, wherever people are resigning in the lower segment, so we are not going for fresh recruitment. But if you see the other side, for example, the officer and specialized cadre, we continue to recruit people based on need-based requirement. So, that is why the number looks to be fall, but at the senior level and at the sales level, we continue to add people. Only on the operation level where the need for people because of the centralization is low, so the number has come down.

Moderator: The next question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: So, just one strategic question on the retail asset. I mean, if we look at the breakup which we give in the PPT, except the home loan, the rest of the retail asset product, be it Personal Loan, LAP or other products has been static at around same level what we used to have two, three years back. So, sir what is the strategy going forward to sort of scale up the retail asset book, of course, we hear you on your commercial and corporate strategy, but if you could throw some light on retail asset strategy would help us sir?

B. Ramesh Babu: So, I'll give you product wise. One is if you to look at the personal loans, before pandemic, so we have created an artificial intelligence and data analytics wing and all. With that, we were taking out the data and all we were marketing the pre-approved personal loans. So, that was good. During pandemic we took a conscious call, because if at all something happens and the delinquency is there, the first level will be at that level. That's the reason we have totally tightened our norms and more or less it has come down drastically. So, our total portfolio also if you see earlier used to be Rs.500 crores, it has come down by another Rs.100 crores now. So, now that normalcy is restoring, so, we are planning and all to restart this personal loan portfolio so that we can go ahead this way. So, this is a conscious decision. Coming to the LAP also, it is unlike home loan, home loan is concerned you will look at the salaried person, the continuous income or rental all these things, whereas LAP is concerned you will see the cash flow of a business unit something like that. So, during the pandemic and all the business flows got affected, so, we started going slow when we found out some sort of a strain in the LAP portfolio. We thought that if we take further exposures under this segment, it may create a problem tomorrow. So, consciously we have reduced the LAP there. The same is the case now that the position is good, so we are going but if you look at our NEO portfolio, NEO is basically doing the LAP business and all, and there we are growing well. So, when we have got confidence there, under the normal retail segment the branch sourcing model also, we are relaxing our norms and all. These two products we are going to restart now, because we have got a clarity now.

Renish Bhuva: Both these products, PL and LAP, the yields will be significantly higher than the blended yield what we have?

B. Ramesh Babu: Absolutely, because personal loan is concerned, definitely unsecured, it is the highest we have and the next comes LAP.

Renish Bhuva: Anything on vehicle loan?

B. Ramesh Babu: Vehicle loans we are doing but in between as you must be knowing there was a shortage of supply and these sort of things and all. So, that is the reason. Otherwise, we are there in the market and all, still the focus is there, we will ramp up our vehicle loan portfolio, no issue at all.

Renish Bhuva: On the credit cost guidance, so I think in Q1 call you had highlighted it will remain at 2%. Now since we are expecting net negative slippages in second half, does it also implies that the credit cost could be lower than what we have envisaged earlier?

B. Ramesh Babu: Renish, I agree with you, but for the time being let us keep it 2% as it is. So, though our efforts will be always there to keep it at the rock bottom.

Moderator: The next question is from the line of Rakesh Kumar from Systematix. Please go ahead.

Rakesh Kumar: I have two questions. Firstly, now, the gold loan book, agri and non-agri jewel loan is around 25% of the book. So, going forward when the credit growth comes back to system, this number would certainly come down as a competition. So, what the plan we have, how to manage or how to maneuver the credit yield when this gold loan book composition is coming down?

B. Ramesh Babu: Rakesh, if you look at it, gold loan has two components; one is the agriculture component as well as personal component; agriculture comes around 8.2, 8.3 something like that where you will get the benefit of priority sector and whereas personal segment is concerned, retail, that is around 9.5. So, coming to 25% if we look at it, agri, once the loan book grows, this percentage may come down, but jewel loan portfolio also will grow up. So, that rate is 25% more or less, and initially also in one of the calls we have mentioned when one of the analysts asked what is the comfort level as a bank, at what level percentage bank wants to retain this percentage. So, we have integrated saying that it will be between 25% and 30% we can go ahead, and last year when we have gone for the gold loans it was a strategic decision, because it's totally a secured loan and all, total focus was there on that, because we reduced our focus on the LAP as well as PL. So, now that the focus is coming on other products, gold loan focus also will be there. Now, if we look at the products which we are going to focus, all of them the yields will be better than the gold loan. So, that way LAP portfolio as well as PL portfolio and commercial what we are going to focus now, all of them will be above this portfolio. So, that way there will not be any dilution in the margins as far as the gold loan component is not growing proportionately.

Rakesh Kumar: But sir, actually the capital consumption rate would go up if we go to some other segment, like as you mentioned, capital consumption rate wouldn't be the same what is right now in case of the gold loan?

B. Ramesh Babu: Suppose, jewel loan may be having 0%, but that doesn't mean that the entire business has to be jewel loan. If you look at our CRAR also, it is more or less 19%. With this much of capital what all is there, we need to take the risk. If you look at the risk weighted assets, also, the risk weighted assets to total assets, the weightage has come down to 53% over a period of time on account of the gold loans. So, we can increase that risk and all so that the yields also will go up. So, we have enough headroom as far as the capital is concerned. So, we need not worry about growth in retail as well as the commercial for the time-being for next two to three years.

Rakesh Kumar: Sir, apart from the provision that we have for gross NPA, what are the other provisions outstanding is there in the book for restructured loan or maybe for the standard advances, so, put together what is the provision not utilized for PCR?

J Natarajan: Rakesh, if you see the Slide #8 of our presentation, in the provisions, we have very clearly mentioned credit related that is 169. It consists of our regular IRAC plus our restructuring provisions.

B. Ramesh Babu: In page 29 also, Rakesh, if you can look at it, we have given the breakup; NPA 113 which includes the migration provision there and standard assets Rs.8 crores and restructured is Rs.56 crores.

J Natarajan: For our PCR purpose, we take only the provisions for NPAs, IRAC norms, but the standard assets and restructuring, we don't account for our PCR.

Rakesh Kumar: Actually, sir, I was asking outstanding provision. So, standard asset total provision for the restructured book and if any ad hoc provision, contingent provision we have, so this is a floor number, I was asking for outstanding number sir?

B. Ramesh Babu: Rakesh, let me repeat. So, you were asking about which are the provisions which will be reckoned for the purpose of PCR. So, what we were responding was NPA provisions what we have made that only will be reckoned the standard assets as well as the restructured what we have mentioned in page 29, they will not be reckoned for the purpose of PCR. That NPA provision what we have made that includes the migration provision also for the earlier NPAs.

Moderator: The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: Sir, first if you can highlight what is the gross slippages for this quarter, if we have done inter-quarter net off?

J Natarajan: In the Slide #26, we have indicated these numbers. So, accordingly, the opening balance 4,167 crores and additional whatever we have mentioned Rs.164 is the gross slippages during that particular quarter. So, whatever recovery is happening, we put it separately, for example, if any account slipped during that particular quarter and then recovered within the quarter ,we don't count. So, at the end of the quarter, whatever slippages are there during the quarter which is not recovered, we take it as an addition. And whatever the recoveries from the NPA book that means from Rs.4,167 crores, Rs.360 crores we have mentioned that is the recoveries we made, that is what we mentioned as a reduction.

Jay Mundra: So, if I were to use only the all slippages, I mean, even if it has slipped and then recovered, what would be that gross number because most other banks would be counting that number in slippages as well as recovery, so just a like-to-like number?

J Natarajan: This NPA automation, we have done a 10-years back, a daily basis it moves. So, it's very difficult to move every day how much is slipped to NPA and again to reverse. So, it's very difficult to track. So, that at the end of the month or at the end of the quarter we used to track.

B. Ramesh Babu: One more point also just see, suppose, if we have slipped today and tomorrow or day after tomorrow we upgrade and all, so you cannot literally brand it as an NPA. So, within the quarter suppose there is a movement here and there happens and all, that sort of small leeway we may have to give it. It is not a chronic case. So, that way it is an accepted practice which has been going on. So, to net it these things and all, during the quarter what all is there to show it.

Jay Mundra: Second thing is if you can bifurcate the reduction into recovery upgrade and write off separately?

B. Ramesh Babu: There is no write-off during the quarter.

Jay Mundra: Now, if you have this data handy or otherwise we can have it offline this, so, we have given segmental gross NPA so, let's say the outstanding agri is to 60, retail, commercial and corporate it looks like around 50% of the GNPA in corporate book, right, but what would be the corresponding provisions if you have on corporate and commercial because agri, retail looks anyway very miniscule, just to understand this slightly better?

B. Ramesh Babu: Earlier, we did a back-of-the-envelope working on this. As far as corporate is concerned, it is coming to between 75% and 80% of the amount as a PCR.

Jay Mundra: And now sir, in your opening remarks, you mentioned about that you are participating in BNPL loan via Amazon and Razorpay. If you can throw some more lights as to what are the checks and balance do you have in originating those loans or in sanctioning those loans or is there any loss sharing between the originator and you and what kind of credit decisions are being taken by bank and the originator, I mean, how much control do you have and what is the sort of set up?

J Natarajan: So, as far as the BNPL is concerned, with Amazon, we have been doing for more than a year. It is done through a fintech NBFC See, the Amazon model is by themselves they have some sort of underwriting in their system, for example, bureau pulling and all these things they check and then they will pass it on to the NBFC and also we have internally we have certain general underwriting metrics. Everything is completely digital and there is no manual intervention at all. And once first the data comes, the customer ID is created, and all due diligence, everything is completed. But as and when any buyer of Amazon goes to the site and at the time of checkout, he can opt for this facility. Based on the approved process, the loans gets disbursed. So, everything goes seamlessly without any manual intervention. Second question is about these delinquency and all, a very, very negligible number. And in fact, we have certain FLDG arrangements with this NBFC as well as Amazon. For example, we are doing almost for more than only year. The NPA and all these things is nothing, very-very negligible small numbers are there. That is with regard to Amazon. The Razorpay, only just three months back we have started with the same fintech and NBFC, not much loans are disbursed, we are still in the initial phases.

Jay Mundra: This NBFC that you mentioned is a third-party, NBFC, right, it is not Amazon-backed NBFC or Razorpay-backed NBFC?

J Natarajan: It's a third-party and they have the agreement with Amazon.

Jay Mundra: In this thing, again on digital, so, you mentioned a slide on digital where you have said that number of registered users of "DLite" are around 16 lakhs. But that number looks very small if you compare your overall account holders. What is your total number of accounts and why this number looks low?

B. Ramesh Babu: On an average the active number of customers currently are around 45 lakhs. But instead of looking at this 59 lakhs the pace with which the registrations are going on, that needs to be seen, because the profile of the customers also need to be seen. So, we are actively promoting this and so many features when we have brought this we are advocating saying that it's a substitute for the branch. Fresh accounts, what all we are opening, majority we are doing through this "DLite" only. And existing what all is there this really we are migrating. Our focus is to migrate the customers to this so that it is convenient for them, and for us also the majority of the load will go into the system

J Natarajan: We have added a lot of features. Kindly download and see.

B. Ramesh Babu: The next time you have to give us feedback also, "How is our DLite? Are you really delighted or not?"

Jay Mundra: Non-account user cannot use this app. So, how would it help? I am saying as of now one point on the user…

J Natarajan: You are right,considering the universe, as mentioned by our M.D. the numbers are every month continuously increasing and every day the accounts are getting opened without any manual intervention. And today, the customer using the DLite App, not only opening up account, he can do any type of transaction as far as retail transactions are confirmed. So, very shortly, we are going to implement a complete wealth management package, not the real sense, but for example, they can invest in the mutual fund, they can book the insurance policies, they can buy a gold, and whatever it is required. So, today, there is a lot of fintech companies, we are all continuously discussing it. So, every month we are continuously adding the features. It's very interesting application which is you can see it's almost similar to SBI or Kotak 811 models.

B. Ramesh Babu: Jai, that way we can say that the features are there, it is comparable to many of the best mobile banking apps we have in the market.

Jay Mundra: Just to summarize this the pace is strong, but as of now, let's say 1/3 of the customers have been migrated to digital and hence in 6, 12 months, this number could be very high number?

B. Ramesh Babu: Not only that, if we talk about digital, you need to look out the internet banking users also. So, few of them they are comfortable in internet banking, they are using, that number also needs to be added. So, there maybe be a few people those who are concurrently using both, but we had to look at the internet banking also. That is the reason 88% of our non-branch transactions have come to 92% now.

Jay Mundra: That is clearly there. The last question sir is I think someone had already asked on this competition, especially in commercial segment, so, I see majority of our commercial book is below Rs.5 crores level and so far large private banks were not very active in this business banking space, but in the last one, two years, they have become very aggressive. Are you are you also feeling that the competition from large private banks have increased? I think you have given 10% YoY guidance here. But just wanted to get your view on the competition, and at the same time, I think CFO also mentioned that a lot of customers, we are seeing reverse migration. If you can also highlight what did you observe as to when would they come back, is it only due to yield, service or something else, but first your view in the last 12 months, if you've seen any heightened rise in the competition from large private banks?

J Natarajan: Before our M.D. says, but I would like to add here, see, the word competition, which we have mentioned, when we talk about the NIM, when we talk about the yield on advances, we expect that because of the competition, there may be fall in interest rate, but as far as the account sourcing and retaining the customers are concerned, we have not lost any customer at least during the last quarter I can very clearly say that unless otherwise any specifically exit account and all these things. That's number one. And number two, yes, competition is there, particularly in some of the new gen banks, as well as some of the public sector banks, but the issue is the customer will come back to us. “No, no, I'm getting this much of rate. You please reduce this rate.” We will also work out and based on the credit risk and all.we are considering it. In that way only the competition is affecting because today we have alerted all our business group, all our operations team, we are continuously in touch with the customers and we are also using the systems, we track which customer is making any… something like that we have created the system. So, in that way, we have complete control on the accounts, but the competition definitely it will pull down the yield. So, that is what we have mentioned when he talked about NIM.

B. Ramesh Babu: In a broader sense, if you look at it, I feel that competition is a must for every organization. Then only organization will be agile and active. So, the core strength as I said earlier, the culture is nimble footedness for the organization. So, this one, someone can buy an AC or a computer, but the culture is very difficult for any bank to buy. So, the customer connectand nimble footedness, these things are there, so, we will be able to compete and absolute because someone is a competitor to us and we are a competitor, someone perceives we as a competitor. So, this is a part and parcel of the market. So, we need not worry about that. We need to focus on our business growth strategy, how we are moving forward and if some competitor is there, we must feel happy saying that so we are doing well that's why someone is wishing to compete with us.

Moderator: The next question is from the line of (Sumant Malodia) from MKVentures. Please go ahead.

Madhu Kela: This is Madhu Kela here. Between 2008 and 2016, we had an absolute golden era for the bank wherein our gross NPA was significantly below 2% on an average and net NPA was 0.5%, and we had an ROE of around 20% in that period. What is your judgment, when do we return back to that golden era, how many years will it take for us to reach there?

B. Ramesh Babu: Just let me tell you, that every journey has to begin. So, you have seen that the baby steps what we have taken during the last one year, they started yielding some sort of results and all we started getting confidence of that. The fact that in a quarter net slippages are there, but if we look at the earlier era, what you have mentioned 2008 to '16, that was relatively a different era, because everyone were mentioning at the time, so, India is growing, infrastructure is the key and all without that, how we can go. So, that's why everyone moved into that one. KVB also moved into that particular portfolio. So, that infrastructure what all high value were there and all, low value the focus was low, that is the reason NPAs were not there. When actually the problem has come up and all, many of the big corporate accounts we had a problem. So, now, we have put in so many checks and balances that earlier situation may not come up, that is for the first point. Second point is now that we are granular and activated, all these outlets and above all we have restructured also. Earlier, the focus was only branches for doing all these things. Now, we realize that the focus is something different. So, for the corporate we have created a separate structure and the business banking we have created a structure. So, likewise, different verticals are created, each vertical is focusing on the potential available in their area. And in addition to that, we are not losing focus on recovering the past NPAs. Someone has asked in that what is your NPA in Rs.1,900 crores out of the Rs.3,900 crores. In fact, that I can say, it is one of the reserve for the bank. Because many of the cases are with NCLT and different stages are there, consortium and all. Once we start getting money back from those accounts, where more or less 75% to 80% has already been provided, they will all be adding back to our profit in addition to the normal operations what we do. So, in the process, the gross NPA percentage will automatically come down. And second thing is these sort of one-time getting the benefit of these things will be coming up. So, that way what we feel, sir, maybe next three, four years, we can think saying that so the best of our times, we will be able to move forward. And that's why when some six, eight months back when the things were actually gloomy, when all analysts were asking, what is your view about ROA of 1%. That was more or less a utopia one year back when actually we were looking at it, whether we can do that or not, because we were mind with many of the issues; business was not growing, NPA and many things were not happening. So, with the initiatives what we have taken, now confidently, we can say so, this year, though we will try because you have seen the movement of ROA also. For 2023 we have indicated and given a guidance to the market that 1% we will be able to achieve. So, absolutely we are on the track keeping a full focus, absolutely FULL is in the capital letter on the slippages, NPAs recovery is a major focus on that, because on one side we grow and second side NPAs are getting generated, the purpose of growth is defeated. So, it is a two-pronged strategy we are working and that's why as I said finally In my inaugural address that we are moving towards our best of our times. So, we need the good wishes of all of you. And we will definitely work towards what we have planned and what is expected by all of you.

Madhu Kela: Mr. Babu, I have known you and you are a man who bats from the front foot and very, very impressive leader. So, what I am asking is, is it in the realm of possibility that by 2025 in three more years, will we see the gross slippage go below 2% and net NPL below 5%?

B. Ramesh Babu: Until and unless we have a goal post, we will not plan for that. It is a good thought you have injected and we will sit with our team and all how we can plan towards this, we will see that, sir.

Madhu Kela: It is possible again 20% plus ROE will come in this timeframe? We had only asking for aspiration sir. There is no guidance anyone has to give.

B. Ramesh Babu: 20% is our aspiration also sir, because if you look at the current quarter more or less it has come to nine, so average it has come to six. So, that way compared to earlier, if you look at it, the ROE of the last four years, never it has crossed 5.5. So, first time the momentum has come and moving forward if you look at the profit per employee, business per employee, all the parameters are moving in a direction. So, the question is we need to accelerate the pace from here, which we are doing and we'll aim for the 20% ROEwhat you have mentioned also, sir, .

Madhu Kela: On the technology side if you can just do a little bit of light how much expenditure we did in the last three, four years, what is the plan over the next three, four years because technology will play a very crucial role in terms of the bank getting integrated with the new digital economy, and what kind of transactions will be digital transactions with the lending, collection, deposits over the next three, four years?

Management: Many things we have done in the technology. Our president will just explain.

J Natarajan: Thank you, sir. It's a very interesting question. As far as the technology is concerned, probably you've noticed for the past 15-years, we are always in all the areas we are the forerunners, whether it is ATM, whether it is core banking, all these things. So, in continuous to that, five years back itself, bank thought of it and then today, we completed all our loans, everything is in the digital mode. What I'm trying to say is the digital mode is retail loans, there is no physical paper we take from the customer. Today, India is data rich, information rich, all the validations, for example, home loan, there is a mortgage loan, we connect with 10 fintech, online within 10 minutes, we are in a position to give our in-principle sanction subject to the valuation report and the legal opinion of the property. This is with regard to retail loan. Similarly, for a commercial loan, four years back it was completely judgmental at the branches. Today, we put a proper loan origination system and proper business rule engine and most of the validations- system-based valuations are done through our fintech. So, ultimately, the branch manager has to do some interview and then he has to use the personal intelligence for the sanctioning of the loan. In that way on the lending side, both retail as well as commercial, the systems can be scaled up to at least five times of our existing portfolio, in that way it is built. We have created a Center of Excellence in Chennai. All our digital transformation initiatives, we have created a separate team and our team has been continuously working towards improvements in our strong domain, particularly on the commercial loan sector. Recently, we have added all our corporate accounts also…of course, it is a semi-digital you cannot put 100% digital there. All the validations, everything done through digital, and finally, the underwriters do some manual check and then put up the proposal. In that way, we have reduced a lot of the manual work and put everything into the system with regard to the loan size. Next week, we are launching our retail credit card. Again, it's a completely end-to-end digital model without any physical paper. So, we ensure that in maximum five to seven days the credit card reaches the ultimate customer. So, the underwriting also we put a best-of-the-class standards and we know the ultimate risk in building this portfolio and we have strictly created the underwriting rules. So, in that way, on the advances side, we are 100% using the digital, and the days to come, we will be in a position to scale up further. So, in this process, bank has reduced substantial manpower. Earlier, the bank was having 17 credit loan processing centers in different locations. Today, we shut down everything, there is no credit loan operation center in different places. So, everything is a centralized system because of the digital. On the liability side, we already mentioned our DLite App is going to be the face for the bank as far as the retail liabilities are concerned. Today, whatever account onboarding, account operations, everything can be done through our DLite App. In addition to that, we are continuously adding various features which are helpful for our normal savings account holder. So, in that way, we have built a very robust system. Again, it's a very highly scalable using the latest technology model for the retail customers. Now, our focus on the FOREX business and corporate customers, how to imbibe the latest digital technology. So, overall sir, we rely more on the technology and as already our M.D. has mentioned, 94% of our total transactions are happening through the non-branch channel, which is more predominantly on the digital side. So, there is a very clear roadmap bank has drawn and what should be our position in 2023, '24, '25 and with that roadmap we are going ahead, sir.

B. Ramesh Babu: In a nutshell, what I can say, see, we are abreast of developments what all is happening and we don't compromise on upgrading ourselves as far as digital is concerned, because we know very well, actually digital only can handle the load. Just for one example, I will tell you, when we were working with this Amazon platform during the festival period and all, they were expecting around 99% uptime and all. We maintained an uptime of 99.99. So, the lakhs of customers have been booked through this route and they were fascinated with the work our digital team have done and all, the agility with which they have done. So, we'll continue our strength and all, because we know very well that we need to be in this space to be in the front runner.

Madhu Kela: Mr. Babu, when I look at your cost-to-income ratio is still around 53%, 55% even if I exclude one-off, while my friends at public sector banks also are talking about 40% cost-to-income ratio aspirationally over the next two, three years. What is your plan and where will this number be for us over the next two, three years?

B. Ramesh Babu: So, there are two components here. Cost and income if you look at it, though we focus on the cost and reduction, the major cost suppose if it comes to employee cost, very little you can do, because last three, four years, we started moving towards the CTC and the IBA structure we have come up. So, it takes some time, it's not next two to three years I cannot reduce the employee cost. So, coming to other costs, we are trying to have a control. But rather than on the cost portion, we want to focus more on the income portion. So, that way at least we want to reduce the cost-to-income ratio as the initiatives what we have mentioned the business development other income with these things, we would like to bring it down initially to 50% and all, but initially we were thinking aspirationally around 45% over a period of time to bring it, we will work on that particular number, sir.

Madhu Kela: How many people are retiring from the bank here and how many are you adding?

B. Ramesh Babu: Adding, I think very few because wherever necessity is there, we are going to the campus and taking and all, there is no mass recruitment is there, that too suppose wherever some sort of specialized positions are required, those we are taking and not in lots, whereas retirements are concerned, it comes to around 50 to 60 people will be retired every year.

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

Mahesh M B: When we look at the outstanding pool of NPLs today of Rs.2,000 crores for corporate and Rs.1,500 crores for commercial, you had alluded to the fact that the provisions are reasonably high and these cases are in the NCLT at various stages. Any broad idea as to what are the timelines that we're looking at and what will be the quantum that we'll look at in terms of reductions of this book over the next two quarters and into FY'23 as well?

B. Ramesh Babu: Mahesh, in fact, on a lighter side, if I have that information, I'll be the happiest person in the world, because the cases are at different stages, sometimes it is taking six months, nine months, one year so that way when things are with NCLT, so that too few of the cases which are there with the consortium, other banks are also equally trying, but only a ray of hope is now that NCLT started functioning full-fledged way and physically also they started functioning, we expect some sort of a momentum in respect of a few cases we started getting orders also. So, that way case wise timeline and all it will be very difficult because it is not in our hands. But whatever it is, we are not only trying these NCLT route, out of the court settlements also wherever possible we are trying and so we are focusing on the smaller accounts also what we need to do. So, that way, where the possibility for recovery is more, we are focusing. Wherever the assets are higher than the loan amount, naturally, the borrower will have more interest. So, that too when NCLT is going to give an order within one week or 10-days, we are observing saying that people are coming forward for the discussions. So, that also because they know it once the order comes and all, the liquidation these things will come up and all, so it's really dependent on how the cases move.

Mahesh M B: But just clarifying this, would you at least some sense of where the new borrower has been identified and the case has been given to the NCLT for approval, what is the likelihood of that quantum to come in in the bank for this financial year at least or even that is difficult to say?

J Natarajan: Mahesh, this Rs.1,900 crores is the corporate portfolio as of date. So, what we are internally focusing… of course, it's not a guidance, what we're internally focusing is at least 25% to 30%, which is in a very, very final stage. So, that we are also expecting that it will happen within the year. And one more point we all know that about this, the leading NBFC, all banks have got stuck. So, there is a statement that before March, it will be settled. So, we've not taken into account in that 20% to 30%. If it all happens, then it will be the addition. As far as the corporate accounts are concerned, at least 70% to 80% of all the accounts are a vintage of at least three or four years and above. In the recent past only, very few accounts are there. So, all these accounts are in a different stage, but because of the consortium, we are not able to commit. But internally what we are focusing at least 25% to 30% of our corporate portfolio, there is very good prospects of recovery this year, plus whatever the NBFC you know that which is the company I'm talking about. So, it will be addition for that.

Mahesh M B: Just clarifying, Rs.2,000 crores is the outstanding book and you're saying you have visibility of approximately 30% and I assume that you don't need any incremental provisions on this based on the current value for those loans?

J Natarajan: Yes, it's all almost fully provided or mostly provided.

Moderator: The next question is from the line of Prashant Poddar from ADIA. Please go ahead.

Prashant Poddar: Just one follow up question that is on the restructured assets pool. If you could give us some qualitative understanding of how this pool is behaving particularly in the light of high collections efficiency of 97.5 for the overall corporate? That includes commercial, I'm assuming this collection efficiency and the fact that almost 680 crores of that is retail. You also shared that SMA 30-plus is, I can't remember that number is also limited. So, what does this restructured assets mean then and you've created a separate team to look after that. So, just wanted to understand how should we see this restructured assets of Rs.1,579 crores?

J Natarajan: Prashant, this Rs.1,579 crores we have already given the breakup. And as far as the corporate is concerned, already our M.D. has indicated, it's only six or seven accounts. But the major portion comes from the retail particularly the residential mortgages in the retail and the commercial loans which is the MSME sector. If you notice, many of these loans are in the standard category, but the customers maybe because of they want to ensure that going forward they want to be very safe, so, like that they applied for the restructuring. But what we have done internally… that is why if you compare the other banks, our numbers are very low, because we do our due diligence, we have studied the cash flows, and first of all, the borrower should be genuine and business should be genuine, and then they are impacted temporarily on account of the environment. So, that is what we have seen, we have built our system for the restructuring process, accordingly, we have done the restructuring. Already, our M.D. has indicated. Having said that, this portfolio needs to be nurtured so that we should carefully follow it up because we have given some holiday period and all during that period how they are behaving. So, it requires a separate additional focus. So, that is why we are creating this department. But as far as the portfolio is concerned, it's only Rs.1,579 crores portfolio and I can say a substantial number of accounts have genuine business operations are there, it's only a temporary mismatch or a temporary problem they have availed the restructuring. As of now, we don't see any big challenge in this segment. And already our M.D. has indicated that all these loans are supported by way of immovable property, that's an additional cushion for the bank.

B. Ramesh Babu: I want to add one more point here. If you look at the retail the personal segment what we have mentioned which constitutes the major portion of Rs.679 crores, majority of that is either home loan or LAP. So, very small portion is on account of the personal loans, because as you know, our overall personal loan portfolio itself is Rs.500 crores, so, out of that very small portion is here. Even if some sort of an issue comes up also, it's the question of time next six to eight months we will be able to recover the money but home is close to the heart of everyone. So, at the material time when COVID was there, they were unable to service. So, once things are becoming normal, so they will try to bring it back to the normalcy and all. So, we don't visualize many NPAs in the retail segment…

Prashant Poddar: It is not the retail is probably of the least concern because as you said it is secured, these are small ticket items. In commercial and corporate, if you could give us some …

B. Ramesh Babu: Same is the case. As our president has mentioned, now the business activity is back on track, commercial who were actually facing the cash flow issues at the time and all, majority of them are getting the cash flow and all. So, this should not be a problem, but commercial also as it was indicated, it is more than 100% backed by security in many cases. So, corporate is concerned, you would have seen that the delinquency stress levels are coming down day-by-day. The same is the case with this case also. Until and unless we are confident that the cash flows are there, we have not done that.

Moderator: The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Sir, you have not opted for any restructuring majorly in the June quarter and the slippages on the higher side, close to Rs.500 crores. This quarter you have opted for restructuring in a major way and again the number is close to Rs.500 crores for the quarter and the slippages looks lower. So, this is just the change in the thought process of not opting for NPA and going for the restructuring. This is what perhaps looks like during the quarter because last quarter obviously the slippages were higher. So, going by the trend and you have also indicated during this quarter again the restructuring could be to the tune of 250 crores kind of numbers if I heard it properly. So, when do you see this restructuring portfolio is also picking out and we might see this also starts degrowing going ahead?

B. Ramesh Babu: Thanks for your compliment for the results. If you look at it, Bajrang, when earlier the restructuring discussions were there, we were always indicating saying that our numbers will be around less than 2.5. And if you can see in the first wave when it has come up and all, our numbers are much, much below the 2.5% only because we have put in more checks and balances where we are confident that the account will be back, we did it. But the second wave which is unexpected which has come up and all, which is much more severe than the first wave and all, so, many of them got affected. During that time, again, the government as well as Reserve Bank of India have come back and they have relaxed these norms also for the restructuring. That way a few more requests have come. So, now, if you look at the guidelines also what they have given, the corporate can invoke the restructuring up to 30th September and 31st December is the time given to all banks to complete this thing. So, that way even if you reckon the Rs.250 crores also, currently we are below 3%, which is a decent number compared to the industry what is happening and all. And if even if we reckon this Rs.250 crores, I am not saying that Rs.250 crores totally will be coming and all because while doing, few of them may be ineligible also, that way the upper cap is Rs.250 crores. Even if we do that also, it will be below 3.5% which is a reasonable number and we have created sufficient buffer as well as provision also for that purpose. That doesn't mean that once we restructure, we are branding an account as an NPA. It will be under closer monitoring and they will be coming back onto the track. Because the liberalization, what the government and Reserve Bank of India has given during second wave that has actually given a scope for few others to come back whoever are feeling fragile.

J Natarajan: Mr. Bajrang, one more point I'd like to add here. See, we are tagging is as a restructured account. Even though the account is performing, all these servicing part, everything is 100% perfect. Even then, we have to keep it under the restructured book at least for the next 24 months that is two years that normally restructuring we are permitting it. So, in that way probably from next quarter onwards we also provide more information on this book. As of now we are confident about this restructured book because there is a proper system we have in identifying the genuineness of the borrower and the business.

Moderator: The next question is from the line of Surabhi Saraogi from SMIFS Capital. Please go ahead.

Surabhi Saraogi: My first question is, what are the steps being taken to reduce gross NPA?

B. Ramesh Babu: So, one, one and a half years back we have created a separate vertical for this headed by a general manager and a full-fledged team. So, now under that, we are looking at the possibilities and wherever we need to auction where the properties are there, where to approach them, and the real estate brokers as well as agents, enforcement agencies, collections, all these things we have activated. That is the reason you're able to see the outcome during these last few quarters our net slippages are coming negative. And not only that, now, we have created a separate collection team also headed by a deputy general manager grade and official and all so the feet-on-street as well as call center, everywhere we are activating. So, wherever possible we are trying to go for the OTS where the asset is available and all, other measures also we're working on that. So, that way we are reasonably okay as far as the momentum what we visualize and what we have got. I can say much better than what we have got the results. So, we are on this job and we'll take it forward. Regarding the corporate GNPA of Rs.1,900 crores, earlier we have given a detailed explanation about that. So, now what I told you about other than corporate, the commercial as well as the retail. So, if you look at the NPA also, you see page # 28 of our presentation, our gross NPA used to be Rs.4,450 crores in March '19. Okay? It has come down now to Rs.3,972 crores despite a rough weather and during this quarter is another testimony, you can see that without a write-off so we could bring it down. The percentage also if you look at it, at 2019 March, we were 8.79 as a gross NPA and today we are at 7.38. So, the credit cost also if you look at 2018 and all, we were making more or less around 3%-odd as a credit cost. Now, if we look at it last year, it is 1.44 and this year, both the numbers are with you. So, with the measures what we have taken, we are able to see the numbers actually what we thought is going on those lines.

Moderator: We take the last question from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: So, sir just one question on this digital side. Historically, we used to operate it around 42-45% kind of a cost-income ratio. Now, whatever incremental business we get either from the NEO banking or the fintech partners, is it fair to assume that the business is ideally coming at those cost-to-income or it is slightly higher as we speak today?

J Natarajan: Renish, as far as the technology cost is concerned, you know that for the past two years or three years, we have been continuously building the infrastructure for that, for example, the precious metal division with the infrastructure we have created, so, this this department has the capability of building at least five times, six times of the business currently we are doing it. And similarly for transaction banking group, the platform which we have created is a very higher scalability. So, similarly, for all our digital loans, we have created all the system, we are not incurring any fresh expenditure over and above whatever is required for our regular operations. In that way, most of our investments with regard to the infrastructure for creating the digital is already completed. If at all anything is there, only to manage these applications we have to spend. I was mentioning to you before implementing the digital loans, we had a set of people sitting at 17 or 18 locations doing all the manual processing. Each center almost had 10 people. In 17, 18 centers, 180 people straight away we have reduced it in the process. So, in that way, 100% incremental cost for these loans will be lower, but whatever we are spending for this platform is slightly higher during this year. And again, one more point you have to appreciate the business model of the bank, for example, we have 25% of our jewel loan portfolio. All these 25% jewel loan portfolio happening at the branches. So, if it happens in the branches, naturally, you have to provide sufficient people for them to manage. In that way, the cost to income ratio basically depends on the business model of the bank. But we are very conscious about it, if you remove this one-time expenditure, both in technology as well as the establishment, definitely we will be in a position to reach the comfortable level in the quarters to come.

Renish Bhuva: On the recovery side in the commercial book which is roughly Rs.180 crores this quarter. So, when we say for the next couple of quarters, we will have a negative net slippage, which means recovery going to stay a little higher. So, from where did this recoveries are coming, I mean, we are selling the properties or this is just let's say, the account might have slipped in last one and a half year because of the COVID and with our rigorous collection efforts been able to recover, so sort of what is the nature of this recovery?

J Natarajan: Renish, I will first add and then maybe our M.D. will be adding some points. Why we are confident is about the slippages. Already we have disclosed what is our SMA-30 plus. It was historically lowest number what we are seeing today. If you are removing the jewel loan portfolio, hardly is 1%. So, our confidence comes from the slippages. We are 100% sure that the underwriting models is doing well and then onboarding of the customer has definitely improved over a period of time. And the immediate thing is, we expect that the slippages pressure will not be there. As far as the recovery is concerned, already we have indicated, if it is a corporate loan, minimum four years vintage. So, there is every possibility that the normal recoveries are happening in a gradual way. And for the past one year because of the environment in the market, there was no proper DRT, the SARFAESI permissions were not granted by the court. All the things have opened up. So, we have a laundry list of items to be done as far as the recoveries are concerned. So, this all are giving a lot of confidence for that our recoveries will be better, our slippages will be lower. So, this makes us to confidently say that coming quarters there will be negative slippages.

B. Ramesh Babu: You are asking whether you're selling the property or other things and all. There are different tools available; you may go for the auctions. Last one and a half years, even if you're going for the auction, people were actually holding their purse, they're not opening it, because they do not know how the COVID turns out and all, so they were not investing in the real estate. So, that's why the lukewarm response was there for the auction. Of late we started seeing some sort of a good response for the auctions we're making. And second thing also when people know that even if your auction is not going to go out, the response from the borrower also will be lukewarm. Now, when you are able to dispose of the property, many of them are coming forward for a one-time settlement and to close this one and all. Wherever we feel, the litigation is costlier and a time taking process and all, so we are going to go ahead. So, that way it is a normal recovery, OTS, this sale of property, auction, all these we have in the pipeline and all. We are working all of them and firing all guns together.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. P. Ramesh Babu – M.D. and CEO for closing comments.

B. Ramesh Babu: Yes, on behalf of the entire team KVB, I thank each one of you, because for the interest you have taken being in our call, it itself shows that so many hours you have spent with us in intricately asking the questions and all to know about what we are doing and how we are doing. So, I'm greatly thankful to each one of you and we will try to live up to your expectations and take the bank forward. And I wish all of you all the best and the season's greetings and enjoy the festivals which are there in the next two months and a happy new year to all of you from the entire team KVB Thank you very much once again.

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