"Karur Vysya Bank Limited
Q2 FY'25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY'25 Earnings Conference Call of the Karur Vysya Bank. We have with us today the management team of KVB, represented by Mr. Ramesh Babu, MD and CEO; Mr. Natarajan, Executive Director; and Mr. Ramshankar, CFO.

As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. B. Ramesh Babu, MD 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. Thank you very much. Good evening to all of you. On behalf of Karur Vysya Bank, I welcome you all for our bank's earnings call for the quarter 2 of the financial year 2025. So we trust that you, your colleagues and family members are keeping well and are in good health. So we have uploaded our financial results along with the presentation on our website and I hope you have had a chance to go through it in detail and ahead of this call.

I am pleased to mention that the bank continued to have another strong quarter of performance built on our guidance of three metrics; growth, profitability and asset quality. Bank's performance indicators are in line with our guidance, and the bank is seeing consistent and steady growth. It is encouraging to note that our team was able to sustain the growth momentum witnessed in the first quarter. And I am confident that the same will continue in the ensuing quarters.

The bank's total business stands at INR1,76,138 crores as on 30th September 2024. We were able to sustain the growth impetus created during the first quarter as our total business registered a growth of 4%. The advances stand at INR80,299 crores and deposits grew to INR95,839 crores with a growth of 3% and 4%, respectively. We have been guiding in our earlier calls about our focus on inclusive growth from all verticals with respect to advances.

I am pleased to share that the same is being sustained in the RAM verticals with 5% quarter-on-quarter loan growth. Commercial advances clocked 6% growth. Retail advance and agriculture advances grew by 4% each. Retail growth was predominantly driven by mortgages, which grew 10% during the quarter. Housing loans grew by 3% and jewel loans by 7%.

Our BNPL book remained flat during the quarter. Agri Jewel loan book grew by 4%, corporate book has degrown by 4% during the quarter, mainly due to lower availments in certain seasonal sectors, lower disbursements, repayments. And of course, as I always say, wherever the pricing was not conducive enough, so on our own we have exited those accounts.

Deposit growth remains one of the key focus areas for the bank, and you are aware that the bank had initiated various strategies for deposit growth, including establishment of sales acquisition channel for both term deposits and CASA growth.

Our total deposit growth was at 4% during the quarter. Depletion and balances in existing CASA book has resulted in growth of only 1% sequentially. Term deposits grew by 5% during the quarter.

We had indicated in the last call that NIM would be above 4% levels till first half of the current year. I'm happy to say that the NIM for the quarter is at 4.11%, and for the half year, it is 4.12%.

Our continued journey on shedding away low-yielding corporate advances on one side and focused more on better yielding granular secured advances in RAM and prudent treasury operations have helped us to retain above 4.1% levels of NIM during the quarter in spite of 8 basis points increase in the cost of deposits.

The cost of deposits increased by 8 basis points and the yield on advances reduced by 2 basis points sequentially. Yield on investments increased by 2 basis points during the quarter. Based on our historical pattern of renewal of deposits and fresh deposits acquisition, we expect moderated rise in the cost of deposits by 10 basis points in the next quarter.

Yield on advances is expected to be flat, and yield on investments would be in the similar range for the second quarter -- of the second quarter. Considering all these factors and without taking into any policy rate changes, we expect that NIM will be around 4% in the next quarter. We have achieved ROA of 1.72% in this quarter. We had guided that our effort would be to ensure ROA is above 1.65% levels and we are confident to maintain the same going forward also.

Our gross slippages during the quarter continued to be under control at INR181 crores, which is 0.23%. On an annualized basis, it comes to 0.9% of our loan book. With our continued close monitoring of accounts we are confident that we'll continue to keep the ratio below 1% as guided in our earlier call. Our efforts on recovery of technically written-off books is continuing to yield results as we have recovered a sum of INR180 crores during the quarter.

Due to lower slippages, recoveries, upgrades and write-offs, our gross NPA has come down to 1.1%. We expect that we will continue to maintain at below 2% levels as advised earlier. For the quarter under review, we have provided INR155 crores towards NPA migrations and INR10 crores towards standard assets and reduction in restructured assets provision by INR9 crores on account of reduction in balances aggregating INR156 crores, which is 0.78% of our advances on an annualized basis.

Apart from this, we have provided a prudential provision of INR25 crores as was done in the previous quarter. Our net NPA has come down to 0.28%, and we will continue to maintain net NPA at less than 1% of our loan book. Our standard restructured loan book is further reduced to 0.79% of our loan book, and we hold a provision of 39.85% of the standard restructured book.

The BNPL book balance is at INR1,030 crores as at the end of September, that is which comes to 1.28% of our portfolio, and it is performing well. Our overall unsecured portfolio,including the BNPL, of the total advances comes to 2.04%. Our MFI portfolio, which we started just two years back and we have started taking baby steps in that now stands at INR298 crores as at the end of 30th September '24. We are taking a very cautious approach in this segment.

We have tied up with three business correspondents who have sort of an expertise in this as partners, and we'll be mindful in growing selectively in states where position is relatively better.

Our establishment costs were INR357 crores during the quarter, increased by 7% sequentially, mainly on account of AS-15 actuarial provisions, which were up by INR13 crores compared to previous quarter due to steep fall in the discount rates. Operating expenses were at INR358 crores, sequentially gone up by 7%. Our cost-to-income ratio is at 46.72%, and we will continue our efforts to peg it within 50%.

Our CRAR, as per Basel III continues to be healthy and is at 16.27%, providing us comfortable headroom for growth. Our liquidity coverage ratio continues to be well above the regulatory requirement of 100%.

So bank added one branch during the quarter. And the setting up of the lite branches is under progress and the first set of such branches are expected to function on the third quarter of this current year.

Our endeavour is to continue the current momentum in the next half of the year. As planned, we are mindful of the challenges, particularly on the liability side and are taking every step to increase the low-cost funds, which would also help us to improve the margins.

I am grateful to all our investors, analysts and stakeholders for the confidence and the continued support, which we will reciprocate to our better performance in the days to come. Now I'll be glad to respond to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jay Mundhra from ICICI Securities.

Jay Mundhra: Congratulations on a great set of numbers. Sir, first question is -- on your loan growth, right, so we can see that we have been following a profitable loan growth approach, and we have been growing 20% Y-o-Y in retail, agri, MSME, but the total growth is slightly constrained by degrowing corporate book. And from the last time when we had spoken, from this quarter, there has been a little bit moderation in the systemic loan growth. What would be your assessment considering the approach that you have taken? I mean, would you still be comfortable going 15% above, or how should one look at it?

B. Ramesh Babu: Yes. Thank you, Jay. In fact, Jay, if you look at it, the question is the composition of the deposit growth. So still we find that the CASA book as we planned, it is not growing at the same pace what we planned. Until such time that composition comes up, so it will not make much sense to raise the deposit at 7.6. Suppose senior citizen is there at 8.1 also we are taking and many of the corporates, if they expect between 9, 9.25 and all. So 8.1 CRR, SLR, credit costs, standard asset provision, operating costs, with all these things, it doesn't make much sense rather than just bloating the book and top line growth. So that's why we would just want to wait and watch.

Another point I want to say. So it is interest rate sensitive that is elastic as far as corporate is concerned. So for the rest of them, why we are fuelling the growth in rest of the RAM segment is if you reduce the momentum there, getting back the momentum from the whole team will become absolutely difficult because it's granular, and many people on the ground, they are working on that.

As far as corporate is concerned, it is interest rate sensitive. So the moment you are able to offer a better rate, so you'll be able to come back. I'll just give you an example. Our NBFC portfolio, which used to be 8.5% of the total book at a point of time. Now it has come down to around 5% plus. 3% we have brought it down many of the NBFCs there. Suppose tomorrow if you have a reasonable amount of money, the 3% of this INR80,000 crores itself comes to INR2,000 crores odd. So that way, growing should not be a problem, but we want to be conservative seeing the position. The moment we get a hold on the CASA book, it is growing there and all, so we will release the pipe towards CAG also.

Jay Mundhra: Right. No, understood, sir. So yes, so that is understood. Secondly, sir, is there any -- there were media reports? Or is there any -- I mean do you have not given the gold loan book, total gold loan book, at least I could not figure out from the presentation.

B. Ramesh Babu: No, we have given slide on the gold loan. So 26%, you can see that. We have mentioned saying that last 4 years how the gold loan is moving, what is its LTV, what's the SMA, everything is provided.

Ramshankar: Slide 15.

B. Ramesh Babu: Slide 15, if you look at it, so we have given jewel loan portfolio, SMA, LTV; everything is there in that.

Jay Mundhra: Right. So okay, sir, is there any difference in the agri gold loan and retail gold loan growth? Are you seeing anything -- any trend change there?

B. Ramesh Babu: Yes, we are able to see that particularly in the first quarter of this year, so we could see some sort of non-agri jewel loans also coming up, but it got slightly reduced in the second quarter. So that first quarter was a good quarter for the jewel loan growth.

So second thing also, we will grow in the jewel loan growth. We are not disputing that. But our intention is to focus on the core. Otherwise, once we totally move into non-agri growth there, so a set of complacency may come up and all, we may not go in the core products. So that's why we wanted to grow in a balanced way.

And 1 more thing also 2 to 3 years back also this question was coming up, how much is the amount of the gold loan out of your portal portfolio. So 3 years back itself, we have given an indication that we would like to go up to around 30% because too much of concentration in a particular product also is risky.

So now if you look at 25.1% has become 26% now. So because not only agri, as I said also, we are coming up and on. So we will grow in that. Demand wise, there is no problem because RBI has also issued a circular on 30th. So many of the compliances, we are in line with that and all. So we will grow in a measured way as far as the gold loan is concerned.

Jay Mundhra: Sure, sir. And sir, I have some data keeping question. If you can highlight the LCR percentage for the quarter and the number of staff.

B. Ramesh Babu: LCR is 128% now. Number of staff now comes to more or less because we have taken many other feet on street and particularly for the liabilities, those who need to be at the lowest level, likewise in the counter also from the deepening the book also at the lowest level. So we have taken a set of people. It comes to around 9,500 something like that, we can think of now.

Jay Mundhra: So sir, the LCR 128% on a reported basis, right, there is a dip from last quarter. Whatever, let's say, change in the methodology. I mean, was there any change in methodology? And if that was the case, is this now sorted that -- or do you think there could be any other changes in that also?

Ramshankar: Ramshankar here. It has been fully sorted out. It started in last week of June, the revised methodology. And this full quarter, it has been fully on the revised methodology only -- so -- and it varies, for example, the 128% on an average basis for 90 days. 2 days back, say latest, it's 135%. So it varies here and there in a sort depending on the composition of the HQLA,High Quality liquid assets, it keeps on varying, but it is sorted out fully.

Jay Mundhra: And so this should not be any constraint for your growth or margin, right? I mean the LCR optically falling from much higher level to 128%. Could this have any bearing on the growth or margins?

B. Ramesh Babu: That's what is a tight rope walk for everyone. In fact, we need to keep in mind all these factors and all. Accordingly, we need to go for our planning. That's it. Yes. In fact, every vertical, including treasury, we are aware of this, how we need to plan, our ALCO is also on the job. Accordingly, we are planning.

Natarajan: But this 128% is a sufficient cushion, headroom is available for growth.

Moderator: The next question is from the line of Roshan Chutke from ICICI Prudential Mutual Fund.

Roshan Chutke: I just wanted to understand how is the situation among the textile sector, MSME customers, if you can give any view around that?

B. Ramesh Babu: No, agreed. So compared to 2 to 3 years back, because up to COVID, post-COVID it was doing well, spinning and all. Later, there was a lull because external factors were creating a problem. Now if you look at it slowly, the position is improving. I will not say that the limits have been used sufficiently and all these things and all. So the fact that in a few other locations, they are placing the boards that we require people, these sort of a thing. And second thing is absolutely everything is happening in-house without much outsourcing and they are able to manage. So their order quality and their margins are relatively much better compared to others.

So spinning mills also those with 25,000 spindles and above. So they are there and all their order book is good, they are able to manage well. And below 25,000, they need to still -- wait for some more time. Otherwise, overall, if you look at it, the position which was there prevailing one year back has improved now, and they are hopeful saying that in the next six months, the position will further improve.

So next thing is as far as our accounts are concerned, you would have seen that the worst times also, we have passed through more or less. So that way, the portfolio, what we have is reasonably well that we are managing and all. We are continuously engaging with these customers to show what is happening on the ground.

Moderator: The next question is from the line of Anand Dama from Emkay Global.

Anand Dama: Congratulations for great share of results. Sir, the first question that I have is related to higher other income. So what basically is the treasury gain during the current quarter, recovery from written-off? If you can provide some...

Ramshankar: Recovery from written-offs is INR181 crores.

Anand Dama: And how much was treasury?

Ramshankar: Trading profit we are around INR 23 crores.

Anand Dama: So bulk of, basically, it's like recovery of written-off account seems to be on a higher side for us during the current quarter. Do you see this sustaining over the next two quarters?

B. Ramesh Babu: No. Anand, I'll respond on that. You see, these are the efforts we have been making for the last 2 to 3 years. You must be knowing that. So there are external factors are also involved. So unlike a normal loan growth and deposit growth, we cannot give a dotted line response saying that this is what we'll be able to do, but our efforts are on. But on the whole, if you look at it year-on-year, numbers are coming up.

It can be one quarter it may be more and in second quarter, it may be low. But overall, as far as the year is concerned, the ROA, what we have given a guidance, we will be able to do that. That's the first point. Second point, we didn't take much advantage of the traditional recovery of write-off what all has come up because if you look at it, the provisioning what we made around 65 basis points for the written-on assets, if you look at it, it has come to that.

And in the normal course, if you look at it, with our 0.28% of net NPA, that much of provisioning is not required. For a standard asset, if you had to make on an average INR10 crores to INR15 crores per year we had to make and migration is something we had to make.

And these things are required. Restructured already 40% is already provided. There also doesn't require.

So what we thought when good times are there when these sort of something comes up and all, instead of taking that as a profit, we need to strengthen the balance sheet and all, we have additionally provided there. So that way additional what all we have got has gone into the provision, we didn't take much benefit of that additional write-off what we have got.

Anand Dama: That's good to hear. Sir, secondly, is there -- your LAP book is actually growing at a much more faster pace. All these LAPs that you are basically mobilizing right now is the branch-sourced LAP or you have a tie-up over there? That's why we are talking this kind of a thing.

B. Ramesh Babu: No, no, no tie-up. It's all to set the feet on street our people, what are they are recovering that's coming from that. No question of any outsourcing, these things are not there at all, everything internal team, what they are doing, that is the growth.

Anand Dama: Okay. And sir, what is the typical ticket size of this LAP? And what is the yield that you're generating for this LAP book?

B. Ramesh Babu: Yield is more or less 9.5% plus we will be getting it. Ticket size, I need to look at it. Our CFO will come back to you on that.

Anand Dama: Okay. And bulk of this LAP is being generated in Southern India or like...

B. Ramesh Babu: Majority in Southern India. Majority Southern India, correct.

Anand Dama: And may be again in Tamil Nadu, right?

B. Ramesh Babu: No, not only Tamil Nadu; Tamil Nadu, Andhra, Telangana Karnataka, all these are there. But 1 more thing just to provide some more comfort to you, Anand, just I'll share some point with you. At the point of time, 3, 4 years back, what we were doing, actually, we were relying on the legal someone expert outside of whoever legal is there and panel lawyers and the valuers we were doing.

So we thought we need a third eye to look at; tomorrow at the time of disposal of these properties, we should not be caught unaware. So we have internally created a technical evaluation team wherein a set of people who have experienced this are there and at divisional office levels also, we have put engineers there and all. So what all we had to give for a valuation, so no one has a discretion.

On a round robin basis that goes to the valuer on a surprise basis. And what all it comes, it will be vetted at the local level, at the divisional office level, it will go to centralized cell also. They will also look at these things and all comparable valuation elsewhere, what all is there, legally other things are okay. After seeing all these things, they will clear it. In the process, we are declining many cases.

So we took a call saying that maybe it may not result in a business growth, but it will be safer now, so that tomorrow if issue comes up and all, you're unable to dispose off, the purpose will not be served. So that way, we have strengthen this mechanism and the different checks and balance at different levels to see that the enforcement really will work.

Moderator: The next question is from the line of Abhijeet Vara from Axis Mutual Fund.

Abhijeet Vara: I have a couple of questions. First one is, in the other opex, the growth rate has been around 25% for the last couple of quarters. I know you have given guidance on cost to income, but specifically on this, do you think this growth rate will continue or it will moderate?

B. Ramesh Babu: No. In fact, there are 2 aspects I need to share with you. There are a few costs consciously we thought of spending; one is we are strengthening our IT and information security. So because we cannot take any sort of a risk on this, so more than what is required and all we started actually spending on that. The next thing is we have got for an ambitious plan for having 100 branches this year. And last year, also 35 branches we have opened, before last year we have opened.

And the additional cost of these branches, what all we have opened started kicking in. And the next branches, what all are there already the furniture and fixture, this all coming up. And so we have front-loaded the staff numbers also for these branches. Once everything is ready, if you do not have the staff, you will be paying the rent, you will be stuck.

So those staff are also more or less ready that way. With all these things, some sort of costing is coming, the value of all these things we will be seeing over a period of time. But a few more things also we look at it because when we are spending on these things naturally over a period of time, depreciation also will kick in and DICGC, all these things are there.

So with these things, if you look at it, overall, we are having a control on this, but we will still try to see which are the cases where expenses we can control further and one more just point, no, it is not a justification, just for the sake of clarity, I want to say. You see last year, more or less around INR1,000 crores odd this corporate, we have brought it down the portfolio. And this year also, if you look at it INR600 crores, INR700 crores has been brought down.

So INR1,700 crores to INR1,800 crores, it has brought down. In addition to that, had we grown in the corporate in these 2 years, another INR1,300 crores would have come. INR1,300 crores plus INR1,700 crores, INR3,000 crores of assets because of the constraint on the CASA, we are forced to release. And as and when the position improves, we'll be able to getting them back.

So that way, it also had a bearing in the denominator that base effect is 7 to 8 basis points that also is creating an issue. Overall, if you look at it, so we are focusing more on the rest of the ratios currently than our cost of assets. So if you are able to earn on the spending what we are doing, okay, we may have to spend it. But your point is well taken. We will keep that particular point in mind, how to have a decent cost to assets.

Abhijeet Vara: Right, sir. The second question is what is the total prudential provisions or floating provisions the bank holds? And do you include it in PCR calculation? Just for clarification.

B. Ramesh Babu: Yes. Last quarter, INR25 crores; this quarter, INR25 crores, that way it comes to INR50 crores. This is the floating provision -- with the prudential provision we have. Floating provision is concerned; last year, what we have provided, 4 quarters, INR25 crores each we have provided. So that INR100 crores is still there that way. And whether for the PCR purpose it is there or not.

Ramshankar: Floating provisions, we don't take. Prudential provisions, we take.

B. Ramesh Babu: Prudential will be taken and all; floating, we are not taking it.

Abhijeet Vara: Right. Okay. And sir, in the retail portfolio, just 1 observation is this quarter, the bulk of the write-offs have come in from retail portion itself, retail portfolio. So just wanted to understand what are these loans?

B. Ramesh Babu: I'll just tell you. No, no, it is deceptive. If you look at it, now what happens -- you look at our total gross NPA itself has come down to INR886 crores now. Earlier when we were having money, what we did, so first of all, we focused on the corporate. Majority of the corporate book, what all is there, we have provided. That is the reason if you look at it, so the corporate is concerned, not to be provided -- yet to be provided is a very small amount.

So next -- that way, they are going step-by-step with other verticals. So that way, this quarter, we would have taken few other accounts in the retail. That doesn't mean saying that these are absolutely unrecoverable accounts, that is not an issue at all.

Abhijeet Vara: Okay. Sure. Last thing, do you provide loan growth guidance and deposit growth?

B. Ramesh Babu: Deposit growth earlier, we have given, we stand too with that. So 14%, we have told them, saying that annual growth. But if you look at it, the complexion of that. So overall, it comes to 14%. But if you look at it, the RAM portfolio is concerned, more or less 18% to 20% we are growing because that is an engine which has to propel the bank to take forward.

So if that engine stop, it will become difficult for us. So with these constraints on the liabilities also, we are more or less managing to take the RAM book at that 18% to 20%. So that continues. If at all, we have a big leeway and we are able to get a reasonable cost of deposits then we will revise our guidance and all, we'll be able to take it forward. Particularly, as I said earlier, growing in CIG, it requires relatively lower effort compared to the RAM book. So that is the reason. Once lower cost funds are there, we will reopen the tap of corporate.

Moderator: The next question is from the line of Prabal Gandhi from Ambit Capital.

Prabal Gandhi: Sir, my first question was we have been shifting away from the corporate segment. But out loan yields are not reflecting, they have been stagnant for the last 3, 4 quarters. Why is that?

B. Ramesh Babu: First point is we need to revise the statement. We are not getting away from corporate, okay? It is lying low at this stage. As and when the composition of the liabilities comes back to a normal state, we may go back to the corporate. That is not an issue that way.

And yields, if you look at it that way, you see more or less the RBI rates, what all are they? They are more or less stagnant now. So under these circumferences, when there is no change, MCLR is concerned. The cost of deposit, what all is there will be automatically passed on. So EBLR is concerned because when there is no change in the repo rate, you will not be able to increase that one. So that's the reason there's a limitation beyond which you will not be able to do that.

So overall, if you look at it, if you are able to maintain these yields at this level, so I can give a part of the credit to the reduction in the corporate also. Otherwise, the yields would have come down. One more thing I'll tell you, when we are in the competitive market, getting every loan at 10% odd may not be possible. There can be a mix of loans in a different -- suppose agriculture is there, it can be 9.5% only. There can be agriculture, 9.25%. But I cannot take it in isolation, the agriculture will be reckoned for the purpose of my PSL.

If I go and buy the PSL, I had to pay 2% there. So indirectly, I'm getting 2% plus 9.5%, 11.5% I'm getting. So the composition of advances, whichever bucket it grows depends on that. So despite the growth in lower yielding wherever something is there, because corporate to some extent we have lost, overall, we are able to maintain our yields.

Prabal Gandhi: And sir, what are we doing to improve our fee income? That also has sort of remained there despite we increasing the share of retail loans.

B. Ramesh Babu: I agree. The fee income, there are different components are there. Now earlier, corporate, we were doing the fund based. Now the focus what we are trying to do is, so we have reoriented our focus and our corporate banking unit started focusing on the non-fund based business. So overnight, if you have to shift the gear, it will take some time. Otherwise, they are on the job, first thing.

And second thing, third-party income. Third-party income, which used to be pretty low in the bank. But overnight, again, you cannot press the accelerator button, it will lead to mis selling and all. So lot of effort we are making on that. So that way, we are trying to double that income every year, this is coming up.

And the third thing is there is a hit to some extent because corporate, if you grow aggressively, the processing charge is what you get will be pretty good because you are not going in the corporate at the rate at which you have to do it and all. So you have to make it up in the retail segment. That's why if you look at it overall compared to last quarter also, the overall fee is up despite not getting relatively the same amount of processing charges from the corporate, which we were getting.

Our focus is on that. So various assets what all are there, it can be guarantees, third-party income, LCs, all these things, we are working on that. We will see what best can be done and all, how to maximize.

Prabak Gandhi: Sir, how do we improve? How are you measuring productivity at a branch level and employee level that seems to be -- will you explain that there are some costs involved which are -- which will come down, but how do you measure the productivity at the employee and the branch level?

B. Ramesh Babu: Yes. We have a very structured way of metrics is there, which covers for each branch around 40 parameters. So we will give the target. And based on that target, the score will be given there and all the consolidated position of this for 100 mark score it counts and each branch will be rated based on the century's score of 100 marks.

Now many of the elements is what they get, they are linked to the score what they get. If someone is not getting the minimum score what they are supposed to get, they will not get and this will be reckoned for the purpose of their rating also, year-ending what the rating they get it, half yearly they get it and all, and it will be useful for the promotions. It will be useful for the transfer. All these will be reckoned.

So likewise, at the year-end, if you are paying ex-gratia to those who are over performing, these metrics, what we have created, it works well. And absolutely, it has been stabilized. This is dynamic. And every quarter, we'll be changing depending upon the priorities, what bank has and all those corporate priorities, which Board feels, our management feels that will be dove-tailed into this century score model and all. And everyone in the branch, they'll be knowing on these lines. So that way, we have a robust laid-down and tested mechanism for testing the productivity of the branches.

Moderator: The next question is from the line of Rakesh Kumar from B&K Securities.

Rakesh Kumar: Quite a good set of numbers this quarter. So just had a couple of questions, sir. So firstly, sir, on this risk profile of the corporate banking book in the Slide 17. So there is some fluctuation between A and above and BB book from September '23 to June '24 and coming to September '24. Is this just the volatility for the time being? Or how we read this BB composition coming to 28% approximately, if you can help us sir please?

B. Ramesh Babu: Yes, absolutely. You see there are different circulars which have come from Reserve Bank of India, particularly on the NBFC for different risk weights on the capital risk weights. So we look at all those things and what we thought, actually, if you're confining to AAA accounts, the yields, what you get and the capital risk, what you are maintaining, all these things are not commensurate.

And second thing, the deposit cost at which it is growing, the margins are getting squeezed day by day, and many of these corporates with AAA. So they ask for the finest rate. Otherwise, they can raise the money elsewhere the market. So that's why we took a call. Earlier, when actually we had a big problem with the corporate, so then the retail engine was not efficiently functioning at that time, so we parked the majority of our resources in the AAA, AA and all.

So later what we thought when we have strengthened our internal monitoring mechanism, relationship managers, service managers, credit analysts; with all these things, we thought now we are better placed to -- because we have further granularized the portfolio also, the same slide what you are quoting. Other side, if you look at it, the percentage of the above 150 also has come down to 220, 2.2 and the average ticket size is at INR36 crores, we thought we'll be able to take relatively better -- that is a risk where the pricing and yields are better.

So that is the reason we were selectively moved to a few of the BB rated accounts also overall, so that the margins can be maintained. But with all these things also, we can look at it, our risk-weighted asset movement, more or less, it is at 56, 54 that we're only running and all, it didn't cross the roof and all it has not gone to 65 and 70. So within the overall profile, what all is there, we are managing total risk -- and this is only a tactical shift what we have made to see that the yields improve and where we can manage the risk, those sort of exposures we have taken.

Rakesh Kumar: Very nice, sir. Just one question, if I could ask. This question is pertaining to the gold loan, jewel loan book. So in the non-agri segment, we approximately have INR900 crores in MSME if I'm correct. Can you kindly correct me if I'm wrong, sir. So how that book is growing sir, the non-agri jewel loan in the MSME segment?

B. Ramesh Babu: Let me be frank with you. That is not a focus area for us, because it is someone comes, an MSME customer who wants a gold loan. So we cannot deny that one. Our focus still continues on the core MSME only. If you open the tap on that count, so this growth in the MSME only will come over a period of time will forget the core original MSME. So that is the reason we may be focusing on the retail side and on the agriculture side, MSME is just like if someone requirement is there, he has come, being the banker, you need to honor, you've honored it.

Ramshankar: Just one correction I just wanted to make, one question was asked on the PCR, whether prudential provisions and floating provisions are considered? I had mentioned that prudential we have taken. I just want to correct myself. We don't take either of them. We don't take prudential provisions. We do not take floating provisions also. Only NPA provisions are considered for PCR. I just want to clarify.

Moderator: Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. B. Ramesh Babu, MD and CEO, for closing comments.

B. Ramesh Babu: So thank you all for the compliments what you have given, the encouraging words, it is the guidance and encouraging words that have brought us to this stage. We will try to meet your expectations. And once again, thanks for taking out time and showing interest in the investor call and asking these questions. So from the entire team KVB, seasons greetings to all of you and Happy Diwali in advance. Thank you all.

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