# "Karur Vysya Bank Limited

# Q1 FY 23-24 Earnings Conference Call"

# July 17, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY23-24 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, President and Chief Operating Officer, Mr. Ramshankar, CFO, Mr. Dolphy Jose, Group Head - Consumer Banking and Mr. Srinivas Rao, Company Secretary and Compliance Officer.

As a reminder, all participant lines are in a 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 over the conference 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 question and answers. Over to you, Sir.

**Ramesh Babu:** So, good evening to all of you. On behalf of Karur Vysya Bank, I welcome you all to our bank's earning call for the quarter of financial year ’24.

I am pleased to mention that bank continues to demonstrate its consistent performance in terms of growth, profitability and asset quality for the first quarter ended 30th June 2023. You will be glad to note that our performance in terms of asset expansion, margin, ROA, delinquency are in-line with our guidance. I am sure you will not disagree if I say that the outcome is on account of our conscious efforts which we were explaining to you in our earlier calls.

All of you would have gone through our detailed presentation on our Q1 numbers. I would like to share, some of my thoughts on the performance of the bank during the quarter and our guidance for quarter 2.

Our total business grew by 4.88% during the quarter and reached a level of INR147,671 crores. Advances grew by 4.58% during the quarter and it is an inclusive growth across business segments led by commercial and agriculture clocking 5% each. Our continued focus on MSME in the metro and urban locations and gold jewel loans in rural and semi-urban locations supported the growth. Retail grew by 4% and the majority of the growth has come from mortgages, both residential as well as non-residential.

Our focused efforts on the distribution and benchmarking of our products to market supported operating teams to garner more business under these segments. Though, there were sizeable disbursements under corporate, as we consciously let off certain low-yielding borrower accounts, the growth looks to be lower at 2%. The overall growth is tad above on our annual guided growth of 14% and the trend would continue and we do not see any challenges.

Our deposit growth was at 5.32% during the quarter and term deposits and CASA deposits were grown at 6% and 4.32% respectively. Though accretion to some extent was aided by return of INR 2,000 notes, we are sanguine that the growth momentum would continue and support the asset expansion.

We had highlighted about our liabilities acquisition team. Out of the planned resource of 1,300, we have onboarded 425 resources during the end of first quarter, aggregating 905 resources. The outcome from the acquisition team would be visible from the second half of the year. So, in the con-call, our colleague, Mr. Dolphy Jose is there later, he'll be also explaining what are the things happening in that particular wing.

Net interest margin reduced by 18 basis points on sequential basis during the quarter at 4.19%. We had indicated in our last call about the expected compression in NIMs during the first two quarters and would be in the range of 4% in the next quarter 2. While cost of deposits has gone up by 35 basis points, yield on advances increased by 14 basis points during the quarter, resulting in a compression of 21 basis points.

Based on our historical pattern of renewal of deposits and fresh deposit accretion, we expect that there will be further increase in the cost of deposits to the extent of around 20 basis points in the second quarter, assuming no change in our deposit rates. Considering available market liquidity and fall in bulk deposit rates, we had reduced our interest rates on special deposits by 20 basis points in June 23.

Yield on investments has gone up by 8 basis points during the quarter and it is estimated to go up by 10 basis points in the next quarter.

We expect 10 basis points increase in the yield on advances during the second quarter because repricing of loans on account of MCLR will be there.

Considering all these factors and without taking into any policy rate changes, we expect to maintain NIM in the range of 4% for the second quarter.

We have achieved an ROA of 1.53% in this quarter. In spite of reduced margin, our business growth, fee income, lower credit cost and recoveries in written-off accounts continue to support us to keep our ROA at 1.5 levels.

Our cost-to-income ratio was at 47.29 for the current quarter, which is well within our guidance and sequentially higher over March quarter. This is due to lower recovery in technically written-off accounts and lower write-back of depreciation on the income side and increase in employee cost on account of one-time performance incentives which is annual payout of INR46 crores. Last year this was done in the month of July, that's why it has gone to the second quarter. This time it has come to the first quarter. Otherwise, this is an annual phenomenon. Our normalized employee cost would be in the range of INR300 crores per quarter. As guided earlier, the ratio would be in the range of 45% to 50% for the year 2024.

Our slippages continue to be under control and our gross slippages for the quarter is less than 1% which is as per our guidance. We continue to have negative net slippages taking into account recoveries from the written-off accounts this quarter also. So all of you would have seen that more than 7/8 quarters, our net slippages are negative.

Our SMA 30+ of entire loan book at the end of the quarter continues to be at less than 1%. Though it has increased sequentially compared to last quarter, we do not see any alarm as it tends to be elevated during the first quarter of the year. We are confident that we will continue to keep the ratio below 1% as guided in our earlier calls. Our efforts on recovery of technically written-off book is continuing to yield results as we have recovered a sum of INR58 crores during the quarter.

Due to lower slippages, recoveries and written-off, our gross NPAs have moved to below 2% and we expect that we will continue to maintain at below 2% levels. For the quarter under review, we have provided a sum of INR137 crores towards NPA migrations, standard assets and prudential provisions. We estimate that credit costs for the current year would be in the range of 75 basis points as guided.

We have also created a floating provision of INR25 crores as a prudent measure. Our net NPA has come down to 0.59% and we would continue to maintain our net NPA at less than 1% of our loan book. Our standard restructured loan book is further reduced to 1.33% of our loan book and we hold a provision of 24% on the standard restructured book.

Our CRAR continues to be robust at 17.67%, providing us a comfortable headroom for growth. Our liquidity is well managed and the CD ratio is at 83%.

During the quarter, we opened nine branches and opened one digital banking unit at Chennai, and another 38 branches will be opened during the current year.

Our new initiative of KVB Smart, under commercial banking business has started functioning from Coimbatore, Chennai, and Hyderabad locations during the quarter with a team size of eight RMs.

Our business performance highlights are given in our presentation, which you have seen.

We have been consistently improving our performance over a period of the last two years, and the trend is continued for the first quarter also.

Our team is mindful of the same to take it forward, and we have the confidence of taking it forward. Our endeavour would be to focus on sustaining ROA above 1.5% levels going forward. I am grateful to all our investors, analysts, and stakeholders for the confidence and continued support which we will reciprocate through our better performance in the days to come.

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

**Moderator:** Our first question comes from the line of Prabal Gandhi from Ambit Capital. Please go ahead.

**Prabal Gandhi:** Thank you, sir, and congratulations on the good quarter. So my first question is on growth. So can you update us on the performance of the non-branch channels? How are they doing?

**Ramesh Babu:** So non-branch channel when you are talking about on the liability side or asset side?

**Prabal Gandhi:** On the asset side, meaning Co-lending, NEO, KVB Smart.

**Ramesh Babu:** Yes, fine, absolutely. Now NEO is doing pretty well, actually if you can look at it, so last year they grew by around INR 2,000 crores and this year also more or less they are INR 1,800 last year and INR 150 crores something like that they have been growing and they are expanding to few more geographies also, so that way NEO wise it is not an issue. And earlier last year, I was mentioning that we made an experiment with NEO by creating a new home loan branch at Hyderabad.

And subsequently, similar branch, home loan dedicated branch was opened at Bangalore, now at Chennai, and later they'll be opening at Bombay. So these branches started booking business. That Hyderabad branch has already started working well and all more or less around INR200 crores already outstanding they have got in the last eight months. So other branches also they are in the pipeline, they'll work well. In addition to that, there are other products what all are there like LAP. So they are doing well with the new geographies adding. So NEO will be on track.

Now coming to the co-lending if you look at it, our co-lending arrangement is there with Chola and a few other players, which is in the pipeline. But the main flagship program is Chola, which is more or less around INR700 crores, INR750 crores is outstanding now. That's going on pretty well, not an issue at all. So other 2 to 3 smaller players also, we are working on that. Maybe in this quarter, we may be able to clinch few of them.

Now coming to the KVB Smart, so initially we are taking the people and as in my inaugural message I told, so we are working with Coimbatore, Chennai, and Hyderabad, these three centres. Already eight Relationship Managers and a few more credit people we have already taken them on board. Now these people, they need to get adjusted. So, we are reasonably confident with the new experience what we have. The KVB Smart initiative also will work well.

And another thing is we can create a linkage between the NEO as well as the KVB Smart because NEO handles the LAP and other products, and KVB Smart handles the working capital. If the same customers, if other side working capital, we can handle this, so that will be much -- a lot of synergy will be both of them. So that way all three what you mentioned, they are on track and doing well.

**Prabal Gandhi:** And these all three put together, how much they would be contributing in the loan book right now?

**Ramesh Babu:** Loan book if I can say, NEO will be around 450. No, no, this quarter. This quarter you are talking or total loan book you are telling.

**Prabal Gandhi:** Outstanding, outstanding on the loan book.

**Ramesh Babu:** So all three together co-lending is 750, NEO will be how much around? 4500, NEO this one and KVB Smart just started it in two digits.

**Prabal Gandhi:** Meaning all put together 5,500 correct?

**Ramesh Babu:** Around that area, correct. You are right.

**Prabal Gandhi:** And just one question here. So how are you controlling risk here? Because NEO, KVB Smart, and all these are done not from the branches. So there would be some element of risk involved here, right?

**Ramesh Babu:** No, no, I understand. These are actually the accounts are there in the branch, finally. So next thing is the documents are also coming to the branches only, they will be placed in the branch and we have a perfect system of these on-boarding and checks and balances, audit and external audit, internal audit, all these things are there. Not only that, our risk management department also continuously -- they review what is happening there. So that way, in all these cases, we have placed checks and balance.

Co-lending is concerned, it is absolutely within the central office we are doing. So KVB Smart just started, all the processes, what all need to be done, so we have formulated here. Based on that, we are going ahead. NEO is more or less stabilized that way and we are doing audits and all that way, audit reports. We are getting a better control on that.

**Natarajan:** Yes, Prabal in addition to that, as far as NEO is concerned, the credit policy for the NEO and the other branches are same, number one. And number two is they are also using the same loan organization system. Whatever the underwriting standards which we have defined for the digital lending, same thing is applicable. In that way, there is no difference either in the underwriting or in any of the other processes. Only sourcing is the differentiator.

**Prabal Gandhi:** Sir, in previous calls you also mentioned that your aim is to increase branch per loan, per month to two versus what it used to be a quarter. Now what is the -- your aim is to have branch per month but you know, number of two loans per branches per month versus it used to be a quarter ago, right? So what is the progress there?

**Ramesh Babu:** I am unable to recollect, when did I say that two branch, two loans per branch?

**Prabal Gandhi:** No, no, meaning every branch per quarter used to do two loans earlier. And your aim was to increase this to six per quarter?

**Natarajan:** No, no, see this is a general focus which we are providing to the branches for the overall improvement.

**Ramesh Babu:** But I cannot fairly recollect, Prabal, in any of the calls, I made this statement.

**Prabal Gandhi:** Okay, not a problem. On the margin side, so can you guide us to what is the pricing trend in the SME segment right now?

**Ramesh Babu:** SME segment, the majority is commercial, if you look at it. So it ranges between 9.5% to 10% average yield itself is between 9.5% and 10% we are getting it, commercial. So our retail is concerned, that's also around 9% odd and agriculture is also around 9% we are getting it. It is slightly lower in respect of corporate. That is the reason in the inaugural when I was mentioning that, so I clearly mentioned that consciously this quarter as well as last quarter, we allowed few of the big accounts are where the low yielding accounts are there, when the reset is due, we allowed them to prepay. Because by prepaying them, overall our margins have improved, otherwise, so it is not adding anything to the margins. So overall that way we are focusing on that. You would have seen that 9.69%, 14 basis points, we could improve the margin over last quarter.

**Prabal Gandhi:** Thank you. If I have more questions, I'll come back in the queue.

**Moderator:** Our next question comes from the line of Pranav Tendulkar with Rare Enterprises. Please go ahead.

**Pranav Tendulkar:** Hi, sir. Can you just highlight factors that will actually affect means of going forward, and what is the outlook for the year?

**Ramesh Babu:** Sorry, Pranav. You are not clear, Pranav. We are unable to hear you, understand the issue.

**Pranav Tendulkar:** I'm just asking what are the various factors that you can visualize that will affect NIM going forward and what will be the guidance for the year?

**Ramesh Babu:** Okay, okay, understood. Yes, factors in the sense that, you see, when we did a ballpark working on that, usual pattern of the deposit renewals, in which bucket they'll be coming and all based on our historic experience, when we worked on that, we found out saying that, so around 20 basis points, the cost of deposits may go up. Because one of our flagship products, which is a 444 Scheme for 444 days, where a lot of inflows are coming. So there, consciously, when this INR 2,000 note was going on at that time, when we saw an inflow, we had reduced the rate of interest by 20 basis points.

But despite that, I know there is a small dip in that bucket. But overall, the flow is still there. With these things, what we feel, the cost of deposits can go up by another 20 basis points. Likewise, when we look at our MCLR portfolio, so what all the portfolio which is coming up for repricing during this quarter, so there also we will be getting another 10 basis points. So that way the net, we can expect that. We may be 4 plus something like that for the next quarter.

Now coming to the third and fourth quarter, it would be too difficult to estimate at this stage. Maybe next quarter when we come for the call, we will be able to have a fair view of the third and fourth quarter. So, but our intention is to the extent possible, to maintain these yields. As I told you clearly, the low yielding by getting out of those cases also our yields are improving. Whichever way we need to protect our yields without losing on the quality. So, we are working on that. We will see next quarter four we will try to maintain and beyond that how best we can maintain we will let you know.

**Pranav Tendulkar:** Okay, sir. Thank you.

**Moderator:** Our next question comes from the line of Sumit Bhalotia with Emkay Ventures. Please go ahead.

**Sumit Bhalotia:** Sir, congratulations for the excellent set of numbers. Despite of the sharp NIM compression, which was already guided, you've maintained very good ROAs. So, there were a few questions that I had. I think a few of them are already answered. But if you can give more insight on the consumer banking division that you're expanding and so you made a comment that he hiring that you have done benefit of that will be visible from second half.

So if you can quantify that, so one is on how -- what kind of benefit you are expecting in the second half on the deposit front that is one? Second is more insights on the overall consumer banking division and the hiring that you are doing, how that is going to benefit us? Say, over the next couple of years? And also, finally, on the cost of income, how do you see that panning out for this year and the next year?

**Ramesh Babu:** Thanks, Sumit. In fact, all along, I have been sharing what are the developments. Now, there's a reason this time we have included Mr. Dolphy Jose, our Head of Consumer Banking. So he'll brief what is happening there and what is the manpower, which are the segments they have started and all these things. The cost to income ratio is concerned. Our CFO will respond for second question. Dolphy, over to you for the first part. Please brief the audience on this, please?

**Dolphy Jose:** Yes, hi, Sumeet, this is Dolphy. I will first take you through our plans for the liabilities piece. So broadly we have classified our deposit mobilization into internal and external. Let me cover the internal part. Our largest franchisee of the bank, which is our branch network, will continue to acquire new with more focus on deepening and enhancing the customer RV and product per customer.

And our existing business banking verticals now have targeted deliveries to acquire and deepen current accounts. We also plan to increase low-cost results, light branch networks simultaneously to increase footprint, especially in the semi-urban and the rural geographies. Also apart from this, we are also opening digital banking units in tech parks and cyber cities.

External plans are the go-to-market plans. This would, the internal covers mostly deepening announcement and ETB customers. External is the go-to-market plans where we have formed a sales team where we have feet on street for household and general public account for CASA and TD acquisitions. We have a vertical called salary team which focuses on salaried customers catering to salaried accounts not specifically corporate, but mostly mid-sized corporates and large SMEs.

Then we have sub verticals for NR and Prestige accounts. We have separate verticals for government and institution business. These are primarily focused SA acquisition plans. The T & FX vertical focuses on trade and current account acquisition. We have an existing BC partnership with close to around 100 BC points, which we will take it to about 450 to 500 BC points, and our attempt is to have 90% plus active BC points. We are confident to grow our deposit rates consistently as per the deposit growth guidance of the bank.

On the retail asset side, as I mentioned earlier, branch banking continues to be our largest franchisee for sourcing retail assets. Apart from that, we have 2 sub-verticals. One would be a vertical which will be aggregator for fulfilment of leads generated by the branch channel that is called the branch channel sales team, and one separate vertical for open market to primarily source from DSAs and Building Connects. These are 2 other verticals which are started under the retails asset segment.

Apart from this, we also relaunching the credit card, co-branded approach. And we also intend to launch the open market gold loan where we would go-to-market with our sales team who would go to market and acquire gold loans. These are ballpark. These are our plans for both RL and RA.

**Ramesh Babu:** Yes. Sumit, coming to -- any questions on this before we move to the cost to income for that, Sumit?

**Sumit Bhalotia:** Sorry, just one thing on consumer banking. So I understand the division. But do we have internal targets of, say, what kind of growth you would be targeting for this retail segment? So as of now if I look at it, we are going pretty higher than the overall system credit growth for the last say, for a few years. Post this expansion that we're doing, what kind of growth we would be targeting vis-a-vis the industry once the team is fully in place and all these verticals are fully functional?

**Ramesh Babu:** Yes. Sumit, in fact, I'll just share my point on this. Now you see, initially, we have focused on the liability side, particularly for the CASA so that it's going to help us in the low yielding -- low-cost deposits, though initially, we may be investing in some sort of investment on that, but they will be mobilizing the assets as well as the cross-sell also. So it will take 1 year process for stabilizing because these people they have come from different banks, their working is different. They need to get stabilized and they need to see different products, they need to get there. So our focus currently is on the CASA.

Simultaneously, as Mr. Dolphy was mentioning, rest of them -- a few of them are in the pipeline, a few of them, these direct selling agents, and feet on street for the assets we started working. So it may take 3 to 6 months for stabilizing this entire thing for the working but earlier, if you can look at it, we were struggling at around 4%, 5%, 6% that way, 8% also in respect of the consumer banking asset side. So -- but if you can recollect, you'll see the numbers now, more or less, it has come up well. And this quarter also, quarter-on-quarter, it is around 4%. Even if you annualize, it comes to 16%, 18% minimum. So that way, we have more from 6%, 7% to 18% with the internal what all we have and some external what all we are taking and all. So that's where we will see overall once it stabilizes, how we can do it between 18% and 20%, we can see that.

Because one more point I need to tell, Sumit. The easier way for growing in the consumer segment is to go for the unsecured. Unsecured, if we go on doing and all, then comfortably, we can provide 25%. But if you can look at our portfolio, unsecured that slide also, if you see that INR600 crores what all is there and all majority is coming from the BNPL program, that's why we have regrouped it, we have put it there.

So -- and not only that, within the bank, whoever are there unsecured, we have given, and this is our portfolio. We do not want to grow aggressively under the unsecured that too under current state where many banks are growing with a much faster space. So that's why unsecured, we have kept it out. So we need to mellow down our expectations also on the growth around 18% to 20%. That's what we see.

**Sumit Bhalotia:** Understood, sir.

**Ramesh Babu:** Okay. Yes, because in regards to cost to income ratio -- on account of this initiative, our CFO will respond.

**Ramshankar:** Yes, absolutely. Ramshankar here. On the various initiatives already it was mentioned in our opening remarks by our MD. See, one is that RL sales acquisition, the other one is that KVB Smart and a little bit in RA. All this put together, we expect around 10 basis points increase on our cost to assets on an overall basis.

So this is 10 basis points actually, if you take in the cost-to-income ratio, if you look at it, maybe initially one or two quarters, it may go but however the productivity of these new channels will be -- there will be a time lag where we get the income from that. So till that point, there will be increase however, we hope that to be compensated as done in the last 2 quarters, we were recovering from written off accounts. So overall, as we guided, to be in the range between 45% to 50% levels.

**Ramesh Babu:** So Sumit, in fact, this is a -- as I always say, cholesterol -- good cholesterol, bad cholesterol. This is good cholesterol, which we need to spend this capital investment for future. So that is the reason, though there can be a lag between what we are spending and what we are going to get. So that lag is quite useful because subsequently, what we are going to get is perennial. So with that intention, we need to take the plunge and we took it.

**Moderator:** Thank you. Our next question comes from the line of Yuvraj Chaudhury with Anand Rathi. Please go ahead.

**Yuvraj Chaudhury:** Congratulations on a good quarter. Sir, could you throw some color on how the demand scenario in Tamil Nadu for various industries, specifically, if you talk about textile industry?

**Ramesh Babu:** Yes. I'll tell you. Agreed. In fact, textile is one of our main space. And so we have -- so now if you look at it last 1, 1.5 years, textile is undergoing some sort of a pain because both cotton prices may be going up and yarn. All these issues and Europe issue, U.S. issue, China issue with all these things, the level of production in many of the plants has come down. So then because the demand is not there. But clearly, the apparel industry also if you see in Tirupur, so their order book was more or less come to a more or less minimal last year.

But when we are interacting with the players now, so the question is China started importing the yarn once again because our yarn is one of the cheapest and the quality is good. So that way, some sort of a demand started because for a few months, many months in China, there was a total lockdown and the activity was not there. So this is one way yarn when it has come back. Many of the spinning mills, which are good and all they're able to slowly get back. I'm not saying full-fledged or full scale, they'll be able to do it.

Now coming to the other side, apparel industry and other things, if you look at it, so because the shelf in Europe as well as U.S., our clients are concerned, majority of the exports are going to U.S. So when we interact with the teams and all, what we understand is slowly the demand from the U.S. started coming up. And this apparel also started getting the orders now.

The good thing if you look at it, so though this process is going on for the last 1.5 years, none of our clients actually, so we are able to face the stress because there are 2 reasons. One is they may be literally conservative initially itself unlike many of them when the lot of expansion was going on, these people they didn't go for such sort of an expansion. And even if our clients have gone for expansion, they have gone for solar, which substitutes the EV power what all is there, which has saved them. So that's where the term loan component and the interest component burden is not there for them.

And second thing, because the orders are not there, many of them, the working capital limits have come down drastically, and the utilization levels. So despite that, we are able to show a growth of 17%. Though the working capital utilization is not there. So we are happy literally though the working capital utilization is low because when the orders are not there, working capital utilization is full, we'll be terrified.

So that way, the quality of the clients, what we have for the textile, though the portfolio is high, till date 1.5 years, we didn't have any problem that way and all. So we feel that while interacting with them, so maybe another 6 months, this problem will be over, and they'll be able to back to normalcy because the cotton prices are stabilizing now, though on one side, people say, cotton production has come down and import duty, all these things are there. But whatever it is, price is getting stabilized at INR 50,000, INR 55,000.

So that gives some such as a confidence to the people because earlier people are thinking prices may come down further. That is the reason they were not buying the cotton and stocking it. Now that the stabilization is happening now, people started venturing buying the cotton that the utilization levels will go up. With this, the production also will start. Otherwise, what all orders are there on a just-in-time basis, they are buying the cotton and all, they are producing and they are exporting or selling. So that trend is going to change shortly. So this is broadly about the textile.

**Moderator:** Thank you. Our next question comes from the line of Renish with ICICI Bank.

**Renish:** Just one question on the gold loan portfolio. It's 25% of our book. So if you can just throw some light in terms of what is the tenure? What is the yield? And if you can share what kind of ROA you will be making on the gold business?

**Ramesh Babu:** Renish, in fact, if you can look at it, so 1.5 years back when I was asked what will be the gold loan portfolio of the total portfolio, I was indicating it can go up to 30%, but still we are maintaining at 25%, okay? Because other side also book is going up.

Second thing I'll tell you. So there are a few advantages what we are getting. And I will talk about the yield also. But before that, I want to talk about what the advantages, what we have. On one side, if you look at it so absolutely totally backed by security. And second thing, if you look at our presentation, the LTV is 68%, leaving 32% for any unforeseen eventuality. So that's where the chances of losing money is remote and next thing is there is no capital adequacy and charge required on this. So there is no capital cost on this.

And next thing is because majority of the portfolio is for the agriculture, it is covering from the priority sector. And that way, wherever shortage is there for other banks, if I can sell the priority sector certificate, we will be able to get the PSLC commission also on this. So these are the various advantages while going for the gold loan.

Now coming to the tenure, if you look at it, majority of the gold loans are for 1 year -- 1 year or 2 years maximum, and it depends, it is linked to the cropping pattern. So for the crop, what we are giving. It will be synchronized to that. And along with that, we will see some sort of time also for the repayment.

The pricing range is between 8.75% to 9%, that's how we will be getting it. So that way, it is no risk, no capital with 68% with priority sector and 8.75% to 9% we feel is a good yield. That is the reason we have gone into that.

**Renish:** Got it. And so let's say the ROA in this business would be at around the blended level of 1.5% or it should be higher than that because I believe that there will be no credit cost of that?

**Ramesh Babu:** It is slightly relatively higher than that because if -- a pure ROA, if you look at it, it will be 1.5-plus. But if I take into account the capital cost, what I'm saving and the PSLC benefit what I'm going to get in times of sale. If I add it, it will be adding as a ticker for that.

**Renish:** Got it, sir. And do you -- let's say, since given these loans are shorter tenure loans and once -- I'm saying the gold loans are, let's say, they're shorter tenure loans and hence, the -- when the unwinding happens, do you foresee any these to the growth assumptions?

**Ramesh Babu:** No. That is the reason if you look at it, the potential what all is there, our branches. So simple reason because there are many competitors are there. Despite that, if you look at its last Y-o-Y growth, it is around INR 2,500 crores growth has come. Maybe something to be aided by the pricing -- gold price has gone up. Otherwise, also a number of loans and this is going up because our people, they are good in giving a good turnaround time and the service. So that is really helping us to have a better this thing.

Maybe over a period of time, it may happen that way. That is the reason what we are doing currently is we started slowly diversifying into other activities. So what we did in our presentation we have shown, so other types of loans, which are more or less with tie-ups and all. So we started growing more or less INR 100 crores, INR 150 crores we have grown. In this quarter, INR 100 crores, it has come up, we will grow further. Likewise, to some extent that MFI loans also what we thought on a smaller scale we started, around INR 55 crores something is outstanding now. And there also the checks and balances we are growing.

Likewise if you are focusing on the food processing where there's a lot of scope is available. That -- and to some extent, the poultry and dairy, these sort of things that too with the tie up. So these are the areas we are looking at it. Once we diversify and go into that one, then to some extent, our dependence on this gold loan should come down over a period of time. That is our plan of action.

**Moderator:** Thank you. Our next question comes from the line of Madhuchanda with MC Pro. Please go ahead.

**Madhuchanda:** Hi. Good afternoon, sir. My question is on ROA. I mean, so far it has seen a steady uptick, thanks to the expansion in margin and lower credit cost. Now that we are hitting a point where margins are going to head south for sure, we have already seen that in the quarter and you're guiding to that and the credit cost remains extremely benign. What are the kicker for ROA expansion or should we expect ROA to stagnate from here on?

**Ramesh Babu:** Ma'am, in fact, agreed. So, margin expansion with all these things also still we are able to maintain. If you look at the credit cost, so it may look like this at today, but with a INR390 crores of net NPA on a INR 66,000 crores, INR 67,000 crores book. So even if tomorrow we need to provide a lot also, we will not be able to provide for that. So that way, naturally, what all we are earning will be flowing into the ROI only. So that is one.

And second thing is, if you can look at it, the initiative, what Mr. Dolphy Jose has mentioned about, the liabilities, CASA vertical, what we are starting. So with that, if the cost of funds comes down, naturally that will also help us to improve our margin. It will be margin-accurate if we are able to go for that.

And next thing is regarding the other products under the personal banking. So where currently our focus is all on the mortgages. Now we are trying to go for, to some extent, on the unsecured. For that, what our plan is, we have extensively gone for the BNPL with the Amazon program. In the process, lacs of customers we have acquired. So it is only a monoliner under that. The BNPL only we are giving them. So what we discussed with our partner and we started doing is, what are the possibilities are there for co-lending these people for the personal loans.

Because if a customer is there with us for two years and continuously has been servicing this Amazon loan continuously and other CIBIL scores if you look at it, so we'll have a fair view of this customer where we can go for that. Under that, the other partner, whoever is there, last six months to eight months, we started the program for co-lending, directly lending out the personal loans to them. And it started very well, and all the recovery and repayments are pretty good.

Now we are actively working with them, either for the co-lending or for the pool purchase of the personal loan portfolio, which will help us, which will add to the margins of the retail portfolio. Likewise, our agriculture also if you look at it, currently, we have been doing only the majority of these gold loans. Now when we are moving into other areas of the agriculture where the margins are relatively better and we have tied-up with one of the prime players in the MFI sector, a business correspondent who is well-versed with doing this one based out of Coimbatore, and he is there in the field for the last 11 years. And the MFI, when we started working there, there also the yields are relatively better.

So that way, we are looking at various options where we can go for that. As it is, you know very well, our commercial banking where the yields are 9.5 to 10 our focus area today also is commercial banking for that what we are doing we are trying to benchmark our products as well as the processes with the market and all if we can improve our commercial portfolio further that will help us in overall improving the yield. So next thing is we are focusing on the fee to assets.

Fee to assets currently, the non-fund based what all is there we are seriously working on that and how to improve that so that we will be able to get that. We have strengthened our cross-selling vertical. We have taken from the market a set of people and we have engaged many people. Now we are working on how to offer many more products to our customers, that way improving the cross-sell income. I can say that compared to last year, this year, our income under the cross-selling is more or less doubling.

So we have a lot of scope further. So that way every lever what all is available for us to improve the income side, both on the fee as well as the interest. We are working on that. With these things, our endeavour is to see that the 1.5 what we have reached, it has to be above that always and all. Whatever is possible, we will try to take it forward by pushing every lever.

**Madhuchanda:** Sir, you mentioned all the revenue income side, but you didn't mention anything on the cost side. So should we assume that this...

**Ramesh Babu:** Okay, I'll share that also. Ma'am, in fact, if you look at the cost side, there are two main aspects are there. One is establishment cost, second is other expenses. If I look at the other expenses, the earlier numbers are this. The progression is more or less the inflation link. What all inflation is there, more or less the same way it is moving, nothing much.

Coming to the establishment part, if you look at it, you must be knowing that last three, four years back, we started taking many people from the market. All of them are the CTC based, who are linked to the performance as well as the variable pay that way. So that way, so we have a better flexibility, better productivity. We may be paying something more, but we'll be able to get the better productivity.

If you can look at the slide of the presentation, what you have. So last year, 2020, it was three profit per employee. Now it is 17. More or less, the set of staff members in the bank, whoever are there, the same level of 8,000 number, ballpark here and there, we are maintaining that, whereas the profit per employee has moved from 3 to 17. So that way we are trying to control the cost. I agree, our cost to assets is around 2.5, 2.6 running. We will try to bring it down to 2.5. 2.5 currently is there. We are also planning to see which are the areas where we can bring it down. But let me be frank on one point.

Suppose if I am a miser in respect of incurring a cost, and tomorrow I may be missing an opportunity for getting a great business in that. That is the reason we have invested a lot on the liability verticals in the smart and other verticals also. It may look a cost now, but it is going to be a money spinner tomorrow. So that is the reason keeping all these things in mind, our focus is majority on how to earn more on the income side, rather than giving the total focus on the cost, though, we will focus on the ratio.

**Madhuchanda:** Thank you, sir. So, I mean, what is the three-year aspiration as far as ROA is concerned?

**Ramesh Babu:** Aspiration for the ROA or? I'm sorry, which one you are talking about? Aspiration for ROA?

**Madhuchanda:** I'm saying, yes, yes, in three years' time, three years down the line.

**Ramesh Babu:** Three years is a very long period, at least, now a days, three quarters if you look at it, the way things are going….

**Madhuchanda:** But you are planning for it, right?

**Ramesh Babu:** No, ma'am, in fact, having, I'll tell you, you must be tracking this also, three years back we were at 0.33, something like that. At that time we never imagined that our ROA will reach this sort of a number. We have reached this. One more point also for the benefit of the entire audience I'll share. We started looking at our last 13 years numbers, the annual growth. Barring two years where in 2011 and 2012, we were aggressively growing in the corporate, those years the annual growth was INR 12,000 crores, otherwise the rest of the year the total business growth was around INR 7,000 crores, INR 8,000 crores.

If you can look at our first quarter growth, annual growth for the eight years, nine years, what we were getting it, we are able to get it in one quarter this year. INR 6,786 crores is the growth in the first quarter. So with the tempo what we have brought, though ROA we will try for between 1.5, 1.75 whatever it is because we will not stop our efforts there. The growth in the business what we are bringing and that too the difference between the earlier portfolio and current portfolio is now it is a granular portfolio.

If you can look at it the corporate consciously we have brought it down, number of below 125 and majority of the portfolio is secured. If we look at the unsecured portfolio of the bank, it is 1.85% which is below 2%. With all these things, we feel so we will not be below 1.5 and whichever we will take it forward and all, our endeavour will be there to take it forward, ma'am.

**Moderator:** Thank you. Our next question comes from the line of Jai Mundra with ICICI Securities. Please go ahead.

**Ramesh Babu:** Hi, Jai.

**Jai Mundra:** Yes, hi, sir. Thanks for the opportunity, sir. I wanted to check on employee count. Last time we had said that, we want to step on employee, I mean, we were hiring a few employees after long. So how has been the employee count as of 1Q end? And is the majority of the hiring has already been done or it should continue for the next nine months as well?

**Natarajan:** Jai, actually the count as of 30, June is 7,900. But as far as the liability business is concerned, still we are in the job. And already our MD has indicated how many numbers we have done. For example, we have planned 1,300 resources, of which 905 resources have already been on-boarded. During this quarter, we have on-boarded 425.

**Jai Mundra:** Right. Okay. Right. Sure, sir. And on SA, savings account balances, right, so we are doing a lot of efforts on savings account on the institutional side, but the total SA growth has been very soft. So it is an industry wide phenomenon also that across banks the SA growth has been much muted. But any, I mean, two questions, a, how do you see SA growth panning out and b, do you envisage any tweak in the SA rate also to assure the savings account balances?

**Ramesh Babu:** Second question I'll respond and first question I'll give it to Dolphy, Jai. So, Jai, in fact, earlier also when we looked at it, the change or hike in the interest rate didn't materially brought many inflows into the book. But the downside is this rate would be going for the existing base also in that overall the cost is going up. The cost we are going to incur and the benefit we are going to get it is not commensurate. That is the reason we held it but whatever it is we will also look into that one because a set of people from the market, they are there continuously studying the pulse of the market, what we need to do. If at all that situation comes, we will gauge the cost benefit and we will do that.

Coming to the first question, Dolphy, will you take that question, please?

**Dolphy Jose:** Yes. Jai, Dolphy here. So, what I mentioned on the go-to-market plan from the sales team angle. See, these are all exclusive teams catering specifically to SA acquisition. When I say salary team, when I say prestige, institutional business like government business etc, all are specifically towards SA. Now, all these activities, I mean, as our President mentioned that, already about 900-odd people are on-boarded and they're active. All this is going to be incremental SA acquisition. So I agree that at industry level, SA has been muted. So being a part of industry, we also have to face that. But our go-to-market strategy is what we discussed, and that will definitely get an incremental SA.

**Ramesh Babu:** One more point also, Jai, if you can see that, so SA would have gone up, agree, but consciously our own staff also, they discussed with the customers, and wherever to some extent customers are risk averse, and where they are susceptible to move to other banks for a time deposit. So we ourselves, we converted them into time deposits so that we can retain the deposit with us and relationship with us. So that way to some extent the growth in the time deposit 20% we have come. It is something is organic, something is actually driven by our own teams. So we thought relationship and retaining is important and otherwise some other bank will take them out and all will not be missing that, we'll be missing that relationship. There is another reason also for reduction in the SA and growth in the time deposits.

**Dolphy Jose:** Also, can I just tell you something? For our SA customers specifically, we are coming with an array of products in the form of third-party products. For example, if we are going to aggressively start marketing SIPs, where we ensure that the SA balances are maintained if there's a cyclical SIP. So these are things which we are looking at and trying to ensure that the deepening on SA happens. And from bulk SA point of view, where we are looking at government business and institutional business, where we are looking at getting SA balances from autonomous concerns like, corporations and civil bodies and state bodies. That's the broad plan for SA bulk as well as retail and deep division.

**Jai Mundra:** Yes, so my limited point is, sir, these institutional balances, they're supposed to be interest sensitive, rate sensitive. So how do you intend to chase or attract those deposits when we are, let's say, not in the top quartile when it comes to offering the rates?

**Ramesh Babu:** Our rates are relatively better. In fact, they are quite competitive, Jai. But, Dolphy, you can respond on that, please.

**Dolphy Jose:** Yes. So when we say bulk, I mean, there is a segment where we can actually operate at slightly higher rates, where it does not retail, and still get a decent impact on our overall SA cost. So that's our plan. And so there are some slabs where, as a very example, INR100 crores and plus kind of slabs, where we can get into our SA distribution rate and we will probably proceed in that direction.

And on the retail side, if you look at the smaller SA accounts, again ranging from INR10 crores to INR25 crores, it's mostly, if it is institutions, especially government institutions, it is relationship and it is an RM driven business, where the relationship is quite intense and engaged. And there, we intend to integrate these departments, not departments, these autonomous concerns on a solution basis and offer solutions to make sure that the SA-balance will remain with us. That's the plan.

**Jai Mundra:** Right. Okay. And sir, on your term deposits, if you can briefly comment that, how much proportion of the term deposits would have re-priced. I hear you saying that, next quarter also cost of deposit is going to go up. But a rough calculation that, at least what proportion of the term deposit would have re-priced?

**Ramesh Babu:** I have seen the numbers, Jai. On an average around INR 2,000 crores. It is being re-priced. So that is the usual run rate for the term deposits to re-price.

**Jai Mundra:** Sorry, INR 2,000 crores, you said?

**Ramesh Babu:** Yes. So a few months INR 1,800 crores, few months INR 2,400 crores. That range they are getting re-priced. So this is the range of our people, they have taken into account also. They also seen earlier the re-pricing, what all is happening. They are going into which buckets. Luckily, now we have reduced the rate of interest also. So that lands there.

With all these things, now to be frank enough, last, in the month of this April, when we did some sort of a homework, how the prices will move. So what all we thought, this 30, 35, so we thought by July ending, it will come but it has come in June. So that way, what all we have planned more or less on track this moment of the cost is going on. So with that only, we thought that it may go up another 20 basis points that's what we thought.

**Jai Mundra:** Right, okay. Sure and lastly sir, you've created a INR25 crores floating provisions. Any thought process as to, of course, the credit cycle has been very good. But if any thought process on, is this some policy driven, you want to achieve a certain percentage of standard assets in terms of floating, or this is this could be one-off kind of a thing?

**Ramesh Babu:** No, I don't agree. This is policy driven. The Board has approved a policy also for this purpose. So we thought of going for this. Now Jai, you understand that, when good times are there, we need to have some sort of a buffer for any bad times somewhere comes, which we cannot visualize. That is the reason we thought that let us do this.

Now, if you look at it, on one side, RBI, they have released an approach paper for the expected credit loss, ECL was there. And now maybe one year or whatever it is, this may come up and all. So we do not know, unknowns are there, how it spans out and all, how much we may have to do it, all these things are not known.

So that is the reason, what we thought instead of having a sudden shock at that material time, so if we can start creating some sort of a buffer from this stage, at that time, we can utilize that by taking the approval from Reserve Bank of India, which will not alter the equilibrium, what we are continuing for the normal trend. So this is the basic intention. Otherwise also, if you can look at it, so this is not going to get wasted. It will be a part of the Tier 2 capital. So Tier 2 capital, when it is going there, it is indirectly supporting us for our growth also.

**Jai Mundra:** Right. But, sir, if I look at your SMA 1 plus 2, right, they are very benign and it looks like they are the industry lowest. So when KVB has to shift from, let's say Indian GAAP to IRAC to Ind AS, the impact should not be material because you have the SMA 1, SMA 2 is actually few basis point only, less than 50-60 basis points…

**Ramesh Babu:** I completely agree with you, Jai. The question is, what you think is SMA 1, and I think the NPA is currently, and I may think the LGD, what all is there, on account of PD. But only these things will play around, and finally the ECL guidelines will come, or something else will come. We do not know at this stage. Once we have an absolute clarity, then absolutely, we may not even place it also. Till such time, we have a clarity, we thought of doing this one, so that we are reasonably assured of our position or the continuity in future. That's it.

**Jai Mundra:** Right. Understood. Sir, last data keeping question, sir, what is the recovery from TWO account in this quarter?

**Ramesh Babu:** INR58 crores, we have got it. So last year first quarter was not there. Now first quarter onwards we started getting it. INR58 crores, we have got it.

**Jai Mundra:** Sure. Thank you and...

**Ramesh Babu:** Last call, Kotak Mahesh was asking, saying that, whether we will be able to get that much of amount what we have got for the last year. So more or less, we are working on that, to far surpass last year recovery, what we have got on the recovery.

**Jai Mundra:** Right, see your PCR is 93%, 94%, right? On including TWO.

**Ramesh Babu:** Correct.

**Jai Mundra:** So ideally that should help. Great sir. Thank you so much and congratulations also on the reappointment.

**Ramesh Babu:** Oh, thank you, Jai. Thanks for the good wishes.

**Moderator:** Thank you. Our next question comes from the line of Akshay Gupta with Investec Capital. Please go ahead.

**Akshay Gupta:** Hi sir, thank you for taking my question, sir. So, sir, I have two questions regarding. So what's your NII growth guidance for FY '24? We've already given a guidance for advances and deposits. So what's your view on the NII growth?

**Ramesh Babu:** You are talking about net interest income?

**Akshay Gupta:** Yes, for FY '24 guidance?

**Ramesh Babu:** Agreed FY '24, Akshay I may not be able to give at this stage. You see, we are at 3.8 something like that, we were running. So, we at 3.84 currently for the quarter ending, if you look at it. So that way, overall ROA we are planning for 1.5. If suppose NII some issue is there we may be trying to make it up in the fee to assets or the cost or the credit cost, whichever way the overall math what all is there will work on that and we will be above 1.5, that is our intention. So, because, we do not know, how this cost of deposit pans out and the yield. Because yield, if you can see that, last year October, our MCLR has changed. And after that, so we started doing this, up to October, you will get the benefit.

And last MCLR change was in February. So up to next, this February we will be getting some sort of tickle, some sort of a growth in the interest income will be there. So what I have told earlier for the fee income, what we are working, that also should help us even if there is some amount of shortfall here and there, in the net interest income.

So we may be able to make it up in the fee to income. That way, overall, we will try to balance it. But I can say that, the ROA is a key factor where we are monitoring overall, how to deliver. Then internal what all is there, here and there. Some adjustments will be there, where we will be able to manage.

**Akshay Gupta:** Okay. And sir, one second question I have, like in the current quarter, why we have re-state historical balance sheet?

**Ramesh Babu:** What is historical balance sheet?

**Akshay Gupta:** Yes, my question.

**Ramshankar:** No, we have given in the second page about the interest accrued but not due. As per the RBI disclosure norms, we have reclassified it. It was done in March, so accordingly next one year, these adjustments will be there. Because we have to compare the figures also, we have to realign it. So that is why, there is realignment in the figures.

**Akshay Gupta:** Okay, thank you sir.

**Moderator:** Thank you. Our next question comes from the line of Rakesh Kumar with B&K Securities. Please go ahead.

**Rakesh Kumar:** Yes. Hi, sir. Very good set of numbers in this quarter. Quite a splendid performance. So just on the – like we had a quite good discussion on deposit side, but just to slightly understand it, the TD cost increase has been there in the system as far, and for us also. So like any specific reason that, TD cost upward revision on the calculated basis on a quarterly average balance is, that number has been slightly on a higher side. So how do we see it and going ahead?

**Ramshankar:** See, as you already mentioned, see the TD cost because of the special deposit scheme, which we had launched in February, March, had a result impact. Now, in fact, we have already taken steps to, with the surplus liquidity what we find in the system, we have reduced the special deposit rates by 20 basis points already in the -- for our existing products. So we do not think, we will have a major, even similar lines it will go on for the next two quarters or three quarters.

**Rakesh Kumar:** Okay. So out of the total TD, like as for the ALM that we have, like, what percentage would be remaining to re-price? I joined late, actually there was another call going on.

**Ramesh Babu:** So I'll tell you. In fact, I have to clarify. In fact, we have seen our data. So on an average, if you look at it, in the next quarter, around 25% or 23% of the TD will be maturing. I was telling at that time around INR 2,000 crores on an average. So it is ranging between INR 4,000 crores to INR 4,500 crores. And subsequently, third quarter onward, it is coming to INR 2,000 crores. So that way around 23% will be re-priced in the next quarter, September quarter. And after that, it will come down to around 12%, 13%.

**Natarajan:** Rakesh, one more point here. Initially when that deposit rates were hiked, there were lot of pre-closures were there. So what we are noticing is that almost it has all stopped now. So that is why we are indicating in the coming quarters, the increase will be slightly lower than whatever we have done in this quarter and the earlier quarter.

**Rakesh Kumar:** Okay. Got it, sir. And sir, the credit is movement like, so because right now there is no change taking place on the -- like on the EBLR side. So whatever change that we have on the MCLR side, so how do we manage the increase in the credit yield because TD cost is rising? So how do we manage that? So what are the tools that we have in mind for that?

**Ramesh Babu:** Yes, there are two to three ways which we can think of. One is, as we said, because our MCLR is around 47%, though 10% it has moved EBLR and this way. So that way, up to February, we'll be able to get some benefit on account of the MCLR pricing.

And second thing, I also told you about a few of the products which we are working on that. So where actually our yields may be relatively better. And third thing, the CASA vertical where we are working, that may overall reduce the cost of deposits. The TD may be there, the CASA portion, other side goes up, it may reduce.

And fourth thing what we are saying is we are critically looking at our portfolio, depending upon the rating of and other weaknesses what all are there, have we correctly priced it or not, if it needs to be re-priced, we are engaging with the borrowers to modify and revise the pricing so that the yields will improve. All these what all I have said, simultaneously we are working on that to see what best we can get out of the yields.

**Natarajan:** Rakesh, in addition to that, if you notice our yield on investments, continuously for the past six quarters or seven quarters it is increasing because when the yields were bottomed out we went for short data. Now we are converting everything into long-dated securities. So that is also giving us support. We have given the guidance of 10 more basis points increase in the coming quarters on the yield on investments.

**Moderator:** Thank you. Our next question comes from the line of Laxmi Narayanan with Tunga Investment. Please go ahead.

**Laxmi Narayanan:** Thank you for taking the question. Two questions I have. First, in terms of your attrition at clerical and above clerical, what is it approximately?

**Ramesh Babu:** I think, exact percentage I will not be able to tell you, but one thing I will tell you, compared to last year, last six months, eight months, the attrition has come down. The reason is simple. Last year, a few of the public sector banks, so they offered a local posting where the nearer to the native place, something like that. That is the reason some sort of attrition is there. But compared to that, the attrition levels have come down this year. I think, the exact number I may not be able to tell you, Mr. Laxmi Narayanan, now.

**Natarajan:** It is actually for a clerical, normally we don't get, and there is not much attrition. Only in the officer’s level, it is 5% to 7% is the average.

**Laxmi Narayanan:** The second question is regarding the commercial advances. I believe, you mentioned that everything is secured advances. Now, within commercial, what is the split between the micro, small, and medium? Because you have mentioned that 69% of your advances have less than INR5 crores.

So if you can just expand that a bit and say how much is the micro, how much is small and how much is medium? And what kind of stress level you are seeing, whether the stress is actually now, it's passing because we hear that there is still some stress in that MSME space. So if you can just elaborate it will be helpful.

**Ramesh Babu:** Before that, Laxmi Narayanan, I got the number of attrition rate. From April to June, it is 1.22%.

**Laxmi Narayanan:** Okay

**Ramesh Babu:** So, Ramshankar, anything you can tell about MSME? Otherwise, Laxmi Narayanan, in fact, we'll do one thing. Our CFO will engage with you, and he'll provide you separately.

**Natarajan:** We have provided our SME1 and SME2, 30-plus data. So including all sectors, it is less than 1%. So we don't see any...

**Laxmi Narayanan:** No. My question is slightly different, sir. It's about the micro enterprises, medium enterprises, and small enterprises. Do you see stress in that thing? And how do you split? Because you give a single number on commercial, just want to do a little bit granular, and do you find stress in the micro enterprises or small enterprises or medium enterprises?

**Ramesh Babu:** We'll keep in touch. So yes, please, we'll provide that. Thank you, thank you.

**Laxmi Narayanan:** Okay, sir, just one other question. Yes, so do you see any risk of balance transfer in or transfer out, do you see in your commercial book?

**Ramesh Babu:** It will be there in every vertical. Okay. Retail as well as commercial, balance transfers will be there. Likewise, we also have many inward balance transfers are also there for us.

**Laxmi Narayanan:** No, are you seeing a spike or I mean.

**Ramesh Babu:** No. Spike is not there I'll tell you. This was peak during COVID and post-COVID to some extent. At that time few banks what they were doing, they were either cutting the pricing what all is there, or they were reducing the collateral drastically or they were revising the value of the collateral what all is there and they were taking a giving a higher exposure. We didn't resort to all those things at that time. If anyone were coming and all if the risk reward pricing is not there for us we were leaving it.

Now the position has come under absolute control. If at all we are leaving the account something like that, and all, consciously instigated by us where the quality is not good, we are told. Otherwise, that earlier set of poaching, it has come down now and all. Absolutely, there is semblance in the market now.

**Laxmi Narayanan:** Thank you. One last question, sir, in terms of your advances, growth in a particular commercial retail. How much of your incremental advances are coming from existing borrowers and how much is coming from new borrowers? Is it like two-third, one-third, or is it like half, half?

**Ramesh Babu:** No, I'll tell you, ETB is concerned. Agreed, maybe around 60% is coming from NTB, I can say. The reason is, you see, if the capital expansion is not there and the utilizations are not there, and many times, even the textile, what we have, the utilizations are coming down day-by-day. So that way, the working capital limits are coming down, and the existing players are not using the customers, are not taking any fresh term loans also for the expansion. So that way, majority of the growth is coming, NTB is from the NTB only. And it is more or less 60% you can think of.

**Laxmi Narayanan:** Okay. Thank you so much.

**Ramesh Babu:** Thank you, **Moderator:** Thank you. Our next question comes from the line of Meet Jagane with Jagane Investments. Please go ahead.

**Meet Jagane:** Yes, hello, sir, first of all, very congratulations for the good set of number.

**Ramesh Babu:** Thank you, thank you very much.

**Meet Jagane:** I just want to understand on our co-lending model, like, if you can share some granular details like, what is the structure, what role we play and what role they play, it will be very helpful.

**Natarajan:** actually as far as the co-lending is concerned, currently our bank has a relationship with three NBFCs and number one is the Cholamadalam. For Cholamadalam we do co-lending business for the construction equipments and commercial vehicles. So this arrangement is there for the past two years and working well.

And number two is, there is another NBFC called Axio, where we are doing BNPL program for the Amazon checkout finance. That also we have been doing this business for the past 2.5 years and so far our performance is well. And third is the IIFL where we are doing for the gold loan business. We just started during the last quarter. It is progressing well. In addition to that, another couple of NBFCs where we are creating the technical support and all, probably in the next quarter, we will give some news about it.

**Meet Jagane:** So in this, they basically acquire the customer and give to us and we just lend them?

**Natarajan:** Yes, in this case, the co-lending model normally is 80-20 where 80 is a bank's book and 20 is with the NBFC. End-to-end work is done by the NBFC, starting from the sourcing, operations, collections, everything is done by them.

**Ramesh Babu:** But Mr. Meet, we need to understand one point. They cannot source something, they riff-raff what all going on the road and all, they cannot push it to us. Both the partners initially itself will sit together, they will finalize a criteria and parameters on which the borrower has to be sourced. If that borrower is meeting those standards, then only they can originate. Once it comes from their system, our system also does a checks and balances, looks at it. If it is meeting their criteria, then only it allows our system to enter into that one and to release our amount. If it is not fitting into those criteria, it will be rejected straight at that particular point of time. We will not even entertain that. This is one point.

And second thing is periodically, we will be checking the portfolio how it is running and all that also will have a check and balance on that.

**Meet Jagane:** Understood, got it. Thank you, thank you very much.

**Ramesh Babu:** Thank you very much. Thank you. Yes.

**Moderator:** Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. B Ramesh Babu, MD and CEO, for closing comments.

**Ramesh Babu:** So, I once again thank each one of you for your patience and the interest you have in Karur Vysya Bank and the questions what all you have are very informative. I once again thank and seek the support of every one of you for taking the bank forward. Thank you very much once again. And good day to all of you. Thank you.

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