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Karnataka Bank Limited Third Quarter Ended December 31, 2015

Conference Call Transcript

Event: Karnataka Bank Limited Third Quarter Ended December 31, 2015 Conference Call

Event Date/Time: January 18, 2016 at 4:00 PM

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Karnataka Bank Limited Third Quarter Ended December 31, 2015

CORPORATE PARTICIPANTS

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Managing Director and Chief Executive Officer - Karnataka Bank Limited

Mahabaleshwara Bhat

Chief General Manager, – Karnataka Bank Limited

CONFERENCE CALL PARTICIPANTS

Kedar Wagle

Maybank Asset Management – Singapore

Jai Mundra

B&K Securities Limited - Mumbai

Ganesh Shetty

Individual Investor

Nitin Gandhi

KIFS Securities Private Limited

Sudhakar Prabhu

Span Capital – Mumbai

PRESENTATION

Palak – Moderator

Good evening, ladies and gentlemen, I am Palak, the moderator for this conference. Welcome to the conference call of Karnataka Bank on Financial Year 2016 Q3 results. Mr. P. Jayarama Bhat, Managing Director & CEO of the Bank will be your call leader. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for all the participants in the conference. Now I hand over the floor to Mr. Bhat. Thank you and over to you Sir!

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Good evening. Thanks for participating in this concall of our third quarter results. We have already put the analysis of the result in our website. I think all of you would have gone through the same. To put the things in nutshell, the net profit has slipped slightly from ₹106.94 Crores to ₹96.91 Crores, a decrease of around 9.38% and the net interest income was almost flat. It has just increased from ₹302 Crores to ₹304.93 Crores.

Net interest margin has also come down from 2.41 per cent to 2.20 per cent. For the nine months period, net profit has come down by 2.68 per cent from ₹317.03 Crores to ₹308.50 Crores. Net interest income has gone up from ₹877.52 Crores to ₹943.14 Crores increase of 7.48 per cent and if you take net interest margin, it had just come down by 4 basis point from 2.38 per cent to 2.34 per cent.

Coming to the asset quality, there was an increase in the gross NPA from ₹1054.17 Crores to ₹1186.55 Crores, percentage wise it has gone up from 3.44% to 3.56% year-on-year, net NPA has gone up from ₹727 crore to ₹790 crore, percentage wise it is flat at 2.41%. We have already given details of slippages in our analysis. The slippages amounted to ₹379.78 Crores compared to the last year slippage of ₹282.98 Crores.

Recovery was also robust, it was ₹236.90 Crores this quarter compared to ₹289.69 Crores last year. Recovery in the written off accounts was around ₹12 Crores. If you take the nine months period, the recovery

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from written off accounts was ₹18.65 Crores, reduction or recovery was to the extent of ₹551.5 Crores compared to ₹560.69 Crores last year.

Coming to the CAR i.e. capital adequacy ratio, it stands at 11.91 per cent as against 11.99 per cent last year and this is as per Basel-II and as per Basel-III it is 11.67 versus 11.79 last year.

Notable feature is increase in CASA percentage. CASA percentage has gone up from 23.97 per cent to 25.23 per cent. At the year end, it was around 24.94 per cent now this 25.23 per cent. ROA stands at for nine months period at 0.76 per cent as against 0.86 per cent for the last year's nine month's period and standalone ROA stands at 0.70 per cent ROE stands at 10.62 per cent as against 12.90 per cent. The deposits growth was YOY 10.86%. Advances growth at 8.54%. These are some of the highlights and I am ready to take any questions.

Palak – Moderator

We will now begin the question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Participants who wish to ask questions, may please press “*1” on their touchtone enabled telephone keypad. On pressing “*” “1” participants will get a chance to present their question on a first-in-line basis. To ask the question, participants may please press “*” “1” now. The first question comes from Mr. Kedar Wagle from Maybank Asset Management. Mr. Wagle, you may please ask the question now.

Kedar Wagle - Maybank Asset Management – Singapore

Thank you so much for the call. I had a couple of questions. Can you give us some more colour on the slippages which segments that the slippages come from and may be a breakup by how many accounts are made up for the slippages and secondly can you give us an outlook for NPLs going forward specifically given RBI push for banks to recognize the 150 problem assets?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

As I have already informed that the slippages amounted to ₹379.78 Crores. In this, services sector is around 24.58% then industry around 8.28%. Agriculture about 3.20% and personal loan and other sectors at around 16% and rest others at 48%. These are the breakup of slippages. We have slippages in mainly about five to six accounts amounting to around ₹240 Crores, then rest are in the below ₹5 Crores accounts and some of the bigger accounts are in the border. It is a temporary aberration. We are confident that, out of these around ₹150 Crores can be recovered in this quarter. Your second question is on.

Kedar Wagle - Maybank Asset Management – Singapore

Outlook for NPL?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

For NPA, yes, you are asking about RBI's communication. As far as our bank is concerned we have not received any communication from Reserve Bank and as such we have nothing to do with that and going forward we are targeting recoveries. In fact in the third quarter, we went for asset sale to the extent of around ₹157 Crores in 28 accounts in the third quarter. In fact in the first quarter we went for asset sale of one account to the extent of ₹50 Crores. So these are as far as the asset sale is concerned. Otherwise we have robust recovery and in the fourth quarter we are anticipating good recovery as well as trying to restrain NPA

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slippages and we are having a target of reducing this gross NPA to a level of last year's year end almost below 3% and net NPA below around say 2% or to be exact around 1.8%.

Kedar Wagle - Maybank Asset Management – Singapore

Sir if you look at your loan book at this point you do not see any big problem asset, which could slip in the fourth quarter or beyond?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

No, as of now we do not. We expect one or two to the extent of around say around ₹60 Crores. Otherwise as of now we do not foresee any slippages hence forward.

Kedar Wagle - Maybank Asset Management – Singapore

Okay just one last follow-up for the ₹157 Crores sales to ARC. how much was the book value and how much was so ₹157 Crores was that the book value and how much was it sold for?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

The NPAs sold was ₹157.90 Crores. We also sold from technically written of accounts. In this live accounts of ₹157.90 Crores, face value was ₹75.65 Crores and book value was ₹55.69 Crores.

Kedar Wagle - Maybank Asset Management – Singapore

No the sale value was ₹157 Crores.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes, then you have to deduct the provisions out of that then consider the face value. Face value come to ₹75.65 Crores and book value is around ₹55.69 Crores thereby write off was around ₹13.69 Crores there.

Kedar Wagle - Maybank Asset Management – Singapore

Thank you.

Palak– Moderator

Thank you very much Mr. Wagle. The next question comes from Mr. Jai Mundra from BNK Securities Limited. Mr. Mundra you may please ask the question now.

Jai Mundra – B&K Securities Limited - Mumbai

Thanks for the opportunity. Just on this slippages. So you said around 48% is coming from rest segment. So rest is infra or is it mainly to do with priority sector or what is it includes.

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It includes, say part of it from SME sector and part of it from retail loan and generally it is in all general sectors and this bigger accounts mainly in the services sector, we have two NPA accounts, one in industrial sector and one I think it is in jewellery sector.

Jai Mundra – B&K Securities Limited - Mumbai

One is in jewelry sector that is in rest. Sir secondly on this clarification on this ARC sale, if we have sold let us say ₹158 Crores of assets of which the book value after deducting the provisions thereon was somewhere around ₹75 Crores. Is that the correct understanding? So we have already provided let us say more than ₹75 to ₹80 Crores on those accounts.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Jai Mundra – B&K Securities Limited - Mumbai

So these were Sir I mean NPA account only right. There was nothing standard that has both the accounts and secondly there was some account which were technically written off which were also sold. So what was the quantum of those loans?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We have recovered about say ₹5.8 Crores cash recovery.

Jai Mundra – B&K Securities Limited - Mumbai

Sir secondly though we have not got any communication from RBI on those 150 NPAs do you envisage any such account which have been floated by RBI and that is sitting in our book which we may not have recognized as NPA yet. Have you?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We do not envisage any accounts because I cannot guess any accounts. As of now we have not received any communication. So my statement is that we have not received any letters from RBI on account of that. We may not have because I do not have 150 NPAs list.

Jai Mundra – B&K Securities Limited - Mumbai

The reason why I am asking this question is, now suddenly we have seen spike in your slippages, which is let us say from ₹150 Crores last quarter it is now more than double ₹380 Crores. Is the spike due to the fact that we may have actually recognized some of those accounts, which could be there in the RBI list, or how does one we see this trend slippages doubling?

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Identified as NPA by us as per the IRAC norms.

Jai Mundra – B&K Securities Limited - Mumbai

That was from my side. I will come back in queue.

Palak - Moderator

Thank you Mr. Mundra. The next question comes from Mr. Ganesh Shetty, an Individual Investor. Mr. Shetty you may please ask the question now.

Ganesh Shetty - Individual Investor

Good evening. Pleasure talking to you Sir. This is regarding our vision 2020 plan. We have got very ambitious plan for 2020, but when I see that in the year 2015 when we had net NPAs around 1.9 and we were just hoping for it to be 1% after a year and it is about to be a two, three year and in fact NPA has gone up to 2.44. I am sure that the bank is working very hard to contain NPAs and increase the net profit, margins, NIM and all, but macroeconomic headwinds are so strong and every quarter we have got another different problems which anyways eat into our profits, eat into our NPAs and this has become a routine norm for the banks and how could we cope up with all these problems and in spite of all these problems, are you sure that we can achieve that vision 2020. Can you please explain Sir?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

You have gone through this vision 2020 and we have ambitious target no doubt. This 2015-2016 may be an exception, but we did not correct that. We took the base as March 2015 and worked on our vision 2020. We are inline with the last year's figures and definitely we are targeting the stress accounts, we have Credit Monitoring department and that department is working on tackling these stressed accounts like what we call it S2 and S3 accounts. These S3s are similar to the SMA-2 accounts, and we are avoiding the slippages. Once we do that, our target for NPAs will be within our hand and we can definitely target the vision 2020 figures no doubt and also we have tightened the norm at the time of credit appraisals. We have appointed the due diligence agency for background verification before their on boarding under schematic loans, housing loans, car loans and all such loans this also will prevent slippages to NPAs and by this, I think I am hopeful that we can have lesser level of gross NPAs and net NPAs as targeted.

Ganesh Shetty - Individual Investor

Thank you very much Sir for reassurance. My second question is regarding market cap of our company or bank, which is at multi year low and the retail investors it is really worrisome some of the time that company's wealth creation has gone down drastically over the year and at this point of time what I wish that is there any plan of the bank in the future in a near term that some investor friendly clients, actions like monetization of non-core businesses like we have some 15% stake in some pool and some other type of non-core businesses which we can cash in or any type of other investor friendly or investor interaction wherein company or the management can interact on a regular basis with top or large investors to explain them of our present situation, our present condition or present performers, so that we can get it assured and our company like market capitalization can be saved. Can you please explain I do not know whether the fact was this question at this junction, but as a retail investor I feel that company can give me some reassuring answer.

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Our capital adequacy ratio stands now at around 12% and if we add profit for nine months this would be 12.5%. As of now, we need not go for raising capital. You are talking about market capitalization. I am coming to that. Now, first of all we need not to go for capital raising at this juncture and as far as interaction with the investors are concerned, we are now doing this concall just for that purpose, so understand the investors understanding on our financials and immediately after results we published the analysis in our website and we give almost all information and we are very transparent in giving the information and we have not gone for road shows so far, because investors call me directly sometimes and I have clarified them all the doubts that they have and they have expressed confidence on us, the way in which we are working and you would have observed today in the market that when the sensex has come down, our share has gone up by about 4 to 5 per cent, so this is an indication that the investors or the shareholders have got confidence on our share, no doubt it has come down to a level of around ₹98.9, but I am sure that our share price will go up as per the expectation of our shareholders.

Ganesh Shetty - Individual Investor

Thank you very much for the reassurance Sir and all the best for your future plans. Thanks a lot.

Moderator

Thank you very much Mr. Shetty. The next question comes from Mr. Nitin Gandhi from KIFS Securities Private Limited. Mr. Gandhi you may please ask the question now.

Nitin Gandhi - KIFS Securities Private Limited

Thanks for giving me this opportunity to ask the question. As far as the vision 2020 is concerned, your deposit target growth implicitly works out to some around 17% and advances roughly 20.5% which are much aggressive targets, so can you share your strategy how you propose to do and which are the segment like SME or some other particular corporate book or what is your plan to grow deposit as well as advances such a great pace where the industry is more or less right now flattening and shrinking?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

My CGM will answer this question. Mr. Mahabaleshwar is online.

Mahabaleshwara Bhat - Chief General Manager, IT – Karnataka Bank Limited

Good afternoon Mr. Gandhi. As far as our vision 2020 is concerned, I am happy to note that you have already have all those figures. The business- turnover wise, we have projected to take it to a level of ₹180000 Crores that is as of March 2015 is considered as base figure. We had business turnover of ₹77689 Crores and projection is ₹180000 Crores and average growth of around 18% and of course this consists of deposits of ₹100000 crores and advances of ₹80000 Crores and in the deposits, the growth rate is around 17% and in the advances, the growth rate projected is 19%. The reason for having projected that is you must be aware that our CD ratio is quite low at around 68.86% as of March 2015 and going forward, since we are entering into low SLR era, which should be, where it is capped at 21.5%. We thought it, we should take it to a level of 80% and going forward our RIDF investment will also come down and that is an indication which you have seen in the current quarter also. Now, the basic question that you have raised is what is your strategy to achieve this thing, in the center of all these strategy is the change management, change in the people's perception,

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change in the process, change in the mindset of our staff members, HR transformation, all these things have been thoroughly discussed in our vision document, so the staff will be the change agents and the branch will be the business generation center that is one of the shifts that we have proposed in the vision 2020 and also we will be focusing more on the digital banking, because the entire Indian banking is entering into a cashless banking and branchless banking and we would like to be the pioneers in implementing that, so we firmly have the belief that digital banking will change the banking landscape in future, because you may be aware that when the core banking solution was being introduced in the banking sector, Karnataka Bank was one of the pioneers in implementing Finacle, so we have the natural advantage and we will be focusing more on that digital banking and in the meantime the credit delivery system has to be strengthened, so there will be further strengthening of our due diligence process, debt improvement and we will be focusing more on pool of credit officers all these things and to cater to the requirement of our customers, there will be launching of more and more new products. So in a nutshell there will be efficiency enhancement in all spheres of banking besides strengthening our collection mechanism and the other income is one more area which we will be focusing in vision 2020 period also equally focusing on the bancassurance and parabanking channels and of course you are very well aware that NPA management should continue to engage our attention, not only the NPA management the SR management that is Security Receipts management, recovery in written off account management, all these things will continue to engage our attention and as a result, we are hoping of developing a strong brand in Karnataka Bank that is a brand building and positioning and simultaneously the HRMS implementation is also going on and we will also be taking best advantage of CSR initiatives for the social good. So these are all something that we have strategized in our vision 2020. Thank you.

Nitin Gandhi - KIFS Securities Private Limited.

Can you share what is the corporate and what is the non-corporate that is retail as on this point of time and how is it point to shape in next five years by 2020? What percentage changes likely to come in that?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

As far as retail and corporate credit is concerned, as of March 2015, we were at 51% and 49%, so 51% retail and 49% is our large advances and by Vision 2020 that is by March 2020, we have planned to take the retail to 55% and corporate to 45%. Again in the corporate, we have two categories, that are, a mid corporate and large advances. Mid corporate is ₹5 Crores to ₹15 Crores and the large is above ₹15 Crores. So prior to the vision 2020, mid corporate was 10% and large was 39% that is above 15 crore, I said totally 49%. We will be focusing equally more on the mid corporate, so the mid corporate which is presently at 10%, we have planned to take it to a level of 15% whereas the large advances that means above ₹15 Crores, we will be bringing it down to 30%. So, in nutshell, the focus will be on the retail that is up to ₹5 Crores and again the mid corporate that is up to ₹15 Crores.

Nitin Gandhi - KIFS Securities Private Limited.

Is there any plan to give some ₹3 Crores up to ₹5 Crores or up to ₹10 Crores, branch can manage, so it is a centralized loan disbursement and processing that gives you central vigilance takes care of the documentation and awareness and risk profile, so autonomous authorities to brand which does the faster processing? Is it the way you are likely to go?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We are not planning to do that and it is also not necessary to do that, because we have got a strong IT system where we can track the loan applications and sanctions, we can give quick sanctions even if we do not give powers to the branches. We do not have plans in the near future. Going forward let us see, but as of

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now we do not have plans to give this powers for say ₹2 Crores, ₹3 Crores and all that. That will be as it is what we are doing now the same procedure will continue.

Nitin Gandhi - KIFS Securities Private Limited

How much is the processing time above ₹50 lakhs to five Crores as on this point of time.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It depends on the nature of the proposals in the case of schematic loan maximum may be around eight days and in the case of other loans, the business loans and all that it all depends on the how exactly we get the proposals with complete information. Once we get the complete information the turn around time will be around eight days.

Nitin Gandhi - KIFS Securities Private Limited

You propose to continue to work in this same fashion?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes in the same system. We continue to do that.

Nitin Gandhi - KIFS Securities Private Limited

Can I have email id of the gentlemen who discussed the business plan or shall I take from company secretary on email?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It is mahabaleshwar@ktkbank.com; he is Chief General Manager.

Nitin Gandhi - KIFS Securities Private Limited

Thank you Sir.

Palak – Moderator

Thank you very much Mr. Gandhi. The next question comes from Mr. Sudhakar Prabhu from Span Capital. Mr. Prabhu you may please ask the question now.

Sudhakar Prabhu - Span Capital – Mumbai

Good afternoon. I also had couple of question. So my first question is on the credit growth. Your credit growth for nine months has been around 9%. So are you happy with this growth or is it below your expectations.

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We are not at all happy with this growth but the market is such that we could not get a better growth and definitely going forward in this quarter we are getting good proposals, even in the first 15 days we could get credit growth of around ₹700 Crores. I think by March end we will be having around say 14% to 15% YOY growth.

Sudhakar Prabhu - Span Capital – Mumbai

Mr. Bhat the reason why I am asking this question is if I look at your credit book around 50% is retail and 50% is corporate advances. So I believe the 50% part of the book should have grown like we have seen lot of retail pickup and all. So it is to understand your point of view why this 50% of your book not growing?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

50% of the book is growing. In fact we have shown a growth rate of say around 15% in a SME sector YOY and this is a good growth even in the housing loan sector also we had shown a growth of around 18% then car loan and vehicle loans and all that and this retail sector is moving but there were recoveries in the corporate sector which has offset the growth and we are also careful as far as in the mid corporate also. With all these as the market is not conducive we could not get a good credit growth but going forward definitely we are tackling and we may increase our credit growth in this particular quarter. That we had reduced our base rate also in the month of October and is a very competitive one. We are at 10.25%. We were at 10.75% by almost June then we reduced in the month of June to 10.50% now we are at 10.25%. All these definitely will add to the credit growth.

Sudhakar Prabhu - Span Capital – Mumbai

Will this have an impact on your NIMs because your NIMs have been stable around 2.4% since you are saying that you have reduced a PLR twice? So how do you see the NIMs behaving in next six months?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Immediately it will have an impact. In fact in the whole of this quarter there was an impact. Impact in the sense NIM has gone down to 2.20 per cent in this particular quarter even though for nine months period it was 2.34 per cent but, when we have reduced the base rate, we have also reduced the interest rates on deposits. So re-pricing is taking place and once the re-pricing is over then the NIM will improve and if you had observed we had improved our CASA percentage considerably from 23.97 per cent to 25.23 per cent. This also will add to our NIM and NIM should grow now.

Sudhakar Prabhu - Span Capital – Mumbai

So NIM of 2.3 should be sustainable or you can improve on that also?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It is very much sustainable. We are hopeful of improving also upon this.

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Sudhakar Prabhu - Span Capital – Mumbai

What is your outstanding balance in RIDF accounts?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Our RIDF balance as on date is ₹1627.86 Crores compared to ₹1976.70 Crores year before and as of September it was ₹1704 Crores. So it is coming down gradually.

Sudhakar Prabhu - Span Capital – Mumbai

Right and my third and last question, is on your restructured account. Your restructured account as per your presentation is around ₹2300 Crores. Can I get the breakup of this? How much is power and how much is SEBs and various other sector?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

If you are asking Discom loan it is around ₹653.20 Crores out of that non-SLR bonds comes to ₹192 Crores. So ₹456.51 Crores is the discom loan and for others breakup you can write to us by an email and we will definitely answer.

Sudhakar Prabhu - Span Capital – Mumbai

I need a broad breakup. How much of this should be in metal and steel sector, which may be a concern for the bank or out of this let us assume out of this ₹2000 Crores is there any asset, which can slip into NPAs in the coming quarters. Any concern?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Actually this quarter we had restructured one account otherwise in this quarter there are only three borrower accounts with NPA around ₹17.33 Crores. So slippage of NPA to this sector in this quarter we have one account NPA to the extent of around ₹40 or ₹50 Crores.

Sudhakar Prabhu - Span Capital – Mumbai

But other than this do you foresee any other account, any large account slipping in the NPA?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

May not be.

Sudhakar Prabhu - Span Capital – Mumbai

Is it possible for you to give me how much should be metal and mining sector?

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Just send me an email I will definitely brief with you the breakup?

Sudhakar Prabhu - Span Capital – Mumbai

Thank you Sir and wish you all the best.

Palak – Moderator

Thank you very much Mr. Prabhu. The next question comes from Mr. Jai Mundra from B&K Securities Limited. Mr. Mundra you may please ask the question now.

Jai Mundra – B&K Securities Limited - Mumbai

Sir thanks again. Just wanted to know Sir what was the total slippages from restructured book Sir?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

I have just told in this quarter the slippages just three accounts ₹17.33 Crores.

Jai Mundra – B&K Securities Limited – Mumbai

What was it ₹40 or ₹50 Crores that were slipped?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

No this in this next quarter one account which will be slipping to NPA around ₹40 to ₹45 Crores.

Jai Mundra – B&K Securities Limited – Mumbai

Okay and Sir was there any 5/25 refinancing that we were part of in this quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

So far we do not have any 5/25 accounts.

Jai Mundra – B&K Securities Limited – Mumbai

Okay and Sir can I also know the outstanding ARC securities receipt and that we have or after this ARC sale what is the outstanding security receipt that we are sharing in our book?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

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We have SRs with the book value ₹285.37 Crores as of date.

Jai Mundra – B&K Securities Limited - Mumbai

Sir like you mentioned there is one account, which you mentioned, ₹40 to ₹50 Crores that could actually slip from restructured book in fourth quarter. Sir likewise if you foresee any let us say the SMA- 2 account which are kind of a critical persistent SMA-2 accounts. Is there any figure that you would likely quote on SMA -2 accounts what has been our SMA -2 as a percentage of total book?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Whatever is in the offing, I have just preempted your question that we have one account it is a power sector. It is a thermal power sector, which we had restructured and that is going to become NPA in this fourth quarter.

Jai Mundra – B&K Securities Limited – Mumbai

Can you also comment on the SMA -2 book on quarterly basis if you are seeing any rise or if you are seeing any rise in those accounts, which are continuous to be SMA -2?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

If you take sequential quarter the SMA -2 portfolio has risen by about ₹60 Crores that is all.

Jai Mundra – B&K Securities Limited – Mumbai

₹60 Crores and Sir as a percentage of loan that would be how much Sir four, five, six?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

The slippages to the SMA -2 ₹60 Crores versus say total loan book.

Jai Mundra – B&K Securities Limited – Mumbai

Sir total SMA -2 as a percentage of total loan book?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

I will come to that.

Jai Mundra – B&K Securities Limited – Mumbai

If you can comment on MCLR have you done any sort of working on how our base rate may change with effect from April 1, 2016 or any impact that you foresee this because of the MCLR?

Final Transcript

Karnataka Bank Limited Third Quarter Ended December 31, 2015

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

This MCLR regime is going to come from April and we are studying the whole circular. In fact IBA has conducted one more discussion recently and they have given lot of clarifications based on that we will work out on our present base rate and future instructions I think it is very progressive one and definitely we will be abiding by all this RBI's instructions and it may not have much impact.

Jai Mundra – B&K Securities Limited – Mumbai

Sir lastly just one data point what would be our outstanding restructured book standard only. So what you have given is I believe is standard plus non-standard. So what would be the standard restructured book?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Our total restructured book is ₹2334 Crores out of which NPA is ₹151.02 Crores.

Jai Mundra – B&K Securities Limited – Mumbai

Thank you.

Palak – Moderator

Thank you very much Mr. Mundra. At this moment, there are no further questions from participants. I now hand over the floor back to Mr. Bhat. Over to you Sir!

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

I think we have clarified some of the doubts and some of the points, which have been raised by our investors and shareholders. I really appreciate the interest, which you have shown in our stock and we hope to do well in the coming quarters and future years as per the vision 2020. Thank you very much for joining in the concall.

Palak – Moderator

Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.