



Karur Vysya Bank Limited (Karur)

Independent Equity Research

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Equentis Wealth Advisory Services Ltd

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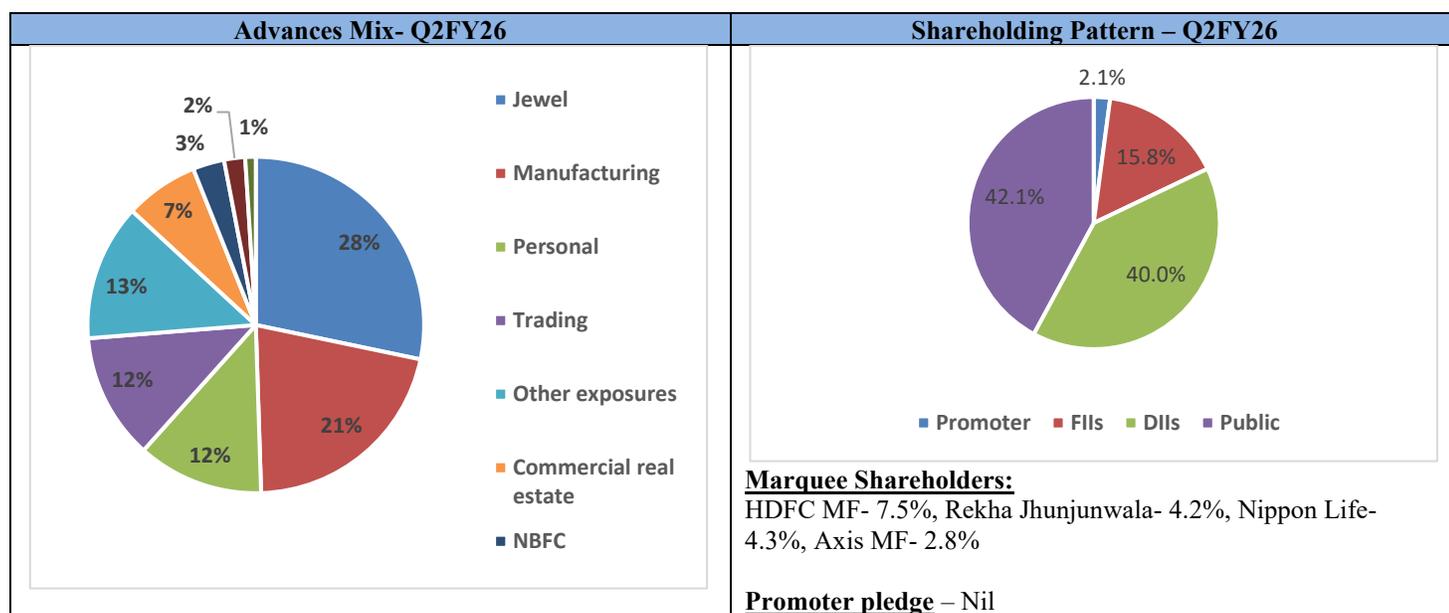
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I. COMPANY BACKGROUND

- **About company-** Karur Vysya Bank (KVB) is one of the oldest private sector banks. It is a regionally concentrated bank based in Tamil Nadu. It has a network of 895 branches, of which ~794 are in southern India, in Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Kerala and Pondicherry UT. In Tamil Nadu, the bank has 496 branches. Demographically, its branches are majorly present in semi-urban regions, followed by 25% branches in metros, 20% in urban and 15% in rural areas.

The bank has a loan book of Rs. 927 bn, 9500+ employees and serves ~8mn+ customers.

- **Advances Mix and Shareholding Pattern-**



II. TIMELINE AND MILESTONES

1916-1980	1981-2010	2011-2025
1916 - Commenced commercial operations in Karur, marking the bank's inception.	1995- Became the first Indian bank to issue bonus shares; initiated total branch automation.	2013- Introduced mobile banking services, accelerating digital adoption.
1952 - Attained <i>Scheduled Bank</i> status, enabling larger-scale operations.	2001- Installed the first ATM in Karur, beginning digital consumer banking.	2019- Pioneered Video KYC and fully digital savings account opening first movers in digital onboarding.
1964 - Expanded through the takeover of four smaller banks, accelerating footprint growth.	2005- Rolled out Core Banking Solutions across 250 branches, enhancing operating efficiency.	2024- Crossed ₹1.5 lakh crore in business, doubling size vs. 2014–2024; corporate office awarded IGBC Platinum certification.
1980 - First branches opened in major metros in Bombay, Calcutta, and Kerala strengthening geographic diversification.	2009- Launched the <i>Golden Vision</i> transformation journey; achieved Rs. 25,000cr in business.	2025- Named <i>Best Small Indian Bank</i> by Business Today for two consecutive years.

III. KNOW YOUR MANAGEMENT TEAM

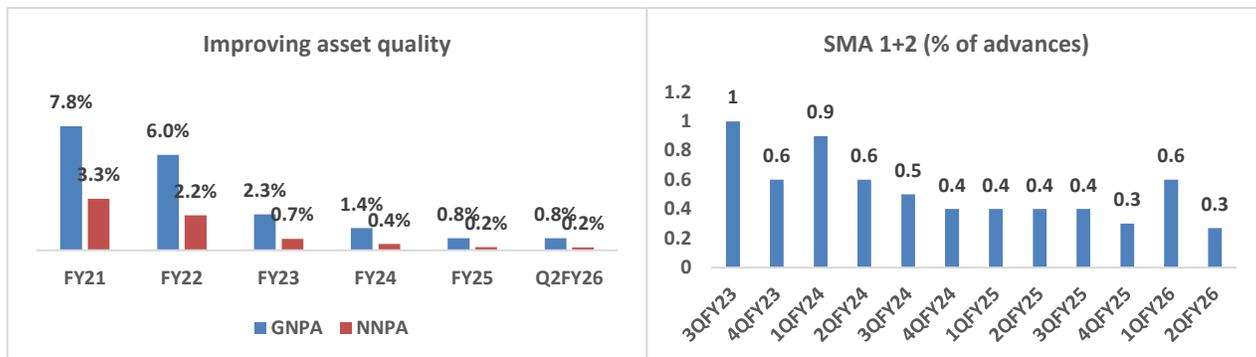
Name	Position Held	Comments	
Dr. Meena Hemchandra	Non-Executive Independent (Part-time) Chairperson	Dr Meena Hemchandra is a career central banker with over 35 years of experience in various departments of Reserve Bank of India. She was Executive Director of Reserve Bank of India in-charge of Supervision of Banks, Non-Banking Finance Companies and Cooperative Banks from June 2015 till her superannuation in November 2017. Her earlier experience includes treasury management, having headed the Department of External Investment and Operations (a department that manages the country's forex reserves) between 2005 and 2011. She also has expertise in foreign exchange regulations, having worked in the Foreign Exchange Department at various points in her career.	
Mr. B Ramesh Babu	MD & CEO	He is a Postgraduate in Commerce from Andhra University, Waltair and a Certified Associate of the Indian Institute of Bankers. Prior to joining the Bank as MD & CEO, he was Ex-Deputy Managing Director & Chief Operating Officer in State Bank of India and has experience of developing and overseeing the Retail Business and Banking Operations for more than 21,000 retail branches and 1,20,000 other touch points of the Bank (ATMs/ Customer Service Points) successfully. He has extensive experience in redressing pain-points in Customer Service-related areas and furthering Financial Inclusion by actively leveraging the services of Business Correspondents in SBI.	
Mr. R Ramkumar	Non-Executive Independent Director	He hails from the promoter's family. He has Completed Bachelor of Arts in Corporate Secretaryship (B.C.S.,) from Loyola College, Chennai and master's in business administration (M.B.A.,) in Human Resources. He has rich experience in the business of textiles and export of home textiles. He has widely travelled overseas for his export business and also has a business interest in certain finance firms. He has more than a decade of experience in Textile Business and has a business interest in certain finance firms. Presently he is a Director in Harikrishna Green Power Private Limited.	
Dr. Harshavardhan R	Non-Executive Independent Director	He was Senior Advisor to leading international management consulting firm Bain & Company and led its financial services practice in India. He joined Bain in 2010 after spending over 14 years with other international consulting firms including the Boston Consulting Group and Arthur Andersen. He has also worked in the Banking industry for about 2 years as an analyst and trader. He has worked primarily in the financial services - Banking - retail and corporate, private banking and wealth management, insurance, asset management and so on, where he has advised top management of companies in India, North America, Europe, Southeast Asia and Greater China, on issues of strategy, operations, organization, risk management, etc.	
Mr. Murali Ramaswami	Non-Executive Independent Director	Shri Murali Ramaswami is a seasoned banker having wide experience for more than Three decades. He started his career in Vijaya Bank in 1984 and retired as an Executive Director in Bank of Baroda in 2020. He was involved in various facets of Banking, essentially in Credit, Treasury, International Operations, Cash Management, Integration Management, Digital Banking and Information Technology Initiatives. He started his career in banking domain with Vijaya Bank, during the span of 30 years in Vijaya Bank, he rose to the position of Executive Director. In his career at Vijaya Bank, he held important positions in Credit, Operations and as CFO of the bank. He has also worked as an Executive Director in Bank of Baroda during the year 2019-2020.	

IV. COMPANY AND INDUSTRY OVERVIEW

Argument	Comment
<p>ROA and ROE trajectory shifts upwards</p>	<ul style="list-style-type: none"> The ROE trajectory has improved in Q2FY26 to 18.2% from a low of 3.3% in FY19. The expansion in NIMs followed by better asset quality has helped to improve the ROE in recent years. The ROA trajectory has also consistently improved in Q2FY26 to 1.8% from a low of 0.3% in FY19. Better yields and higher advances growth have helped to improve the ROA in recent years. <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>ROE trajectory</p> </div> <div style="text-align: center;"> <p>ROA trajectory</p> </div> </div>
<p>Advances growth is steady led by RAM segment</p>	<ul style="list-style-type: none"> Advances growth for Karur improved from ~11% in Q3FY23 to ~15% YoY in the past two quarters. It is able to grow its book faster than the industry credit growth rate of ~11%. The advances in the RAM segment have grown by ~20% in the last few quarters. This has led to pick up in the advance's growth. The corporate segment growth has seen a degrowth in the last few quarters, which the management highlighted has been done strategically to achieve better yields thereby focusing on improving profitability. <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Advances (In Rs.bn)</p> </div> <div style="text-align: center;"> <p>Segmental Advances growth</p> </div> </div>
<p>Steady NIMs due to healthy tandem between COD and Yields on Advances</p>	<ul style="list-style-type: none"> The reported NIMs of the bank have been steady in the range of 4.0% - 4.4% for the last two fiscal years. However, last two quarters witnessed a slight decline in the NIMs due to RBI repo rate cut. Though, the decline is very well curtailed by deposit repricing and focusing on high yielding products as per management commentary. The Yields on advances have broadly stayed in tandem with the Cost of deposits in the previous quarters but the yields witnessed a dip of 45 bps in the past two quarters. This was due to its floating loan book getting repriced due to the RBI's repo rate cut. <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Steady NIMs</p> </div> <div style="text-align: center;"> <p>Healthy Tandem b/w Yields on advances & Cost of Deposits</p> </div> </div>

- Asset quality has seen a drastic improvement over the years due to its underwriting and collection efficiency. Its GNPA and NNPA have improved from a high of 7.8% and 3.3% in FY21 to 0.8% and 0.2% in FY26, respectively.
- All-inclusive SMA 1+2 loans have been one of the lowest at <0.5% since the last few quarters.

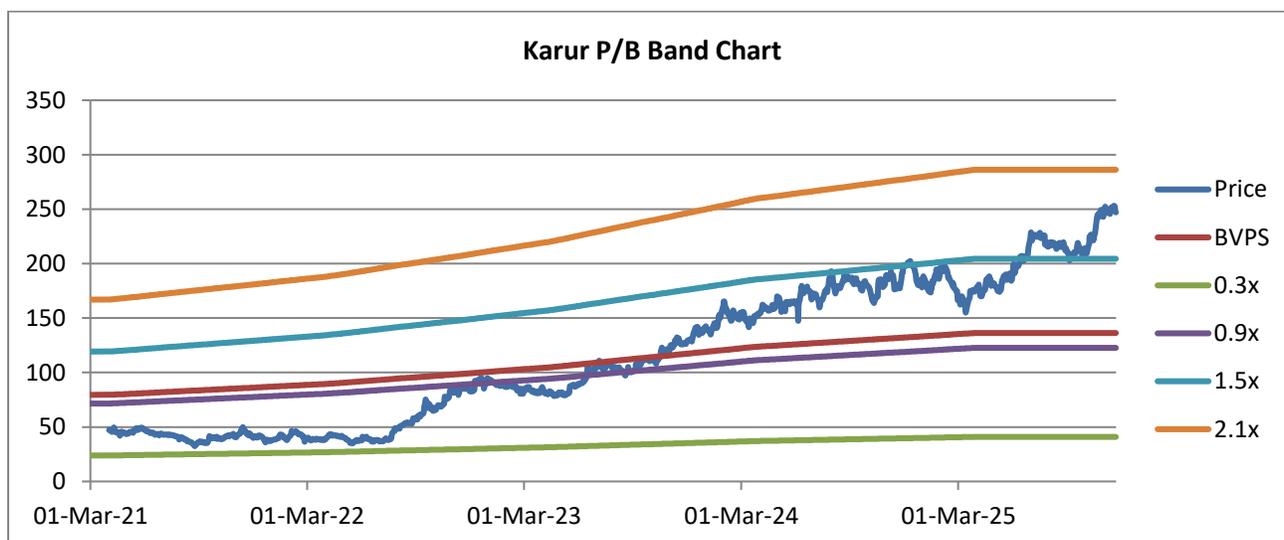
Improving asset quality



V. MANAGEMENT OUTLOOK

- Management reaffirmed its guidance for NIM to remain in the range of 3.7%–3.75% for FY26.
- Management maintaining its target of achieving Rs 600 crore in recoveries for the period of FY26.
- Credit growth is expected to exceed industry levels by more than 2%.
- RoA guided in the range of 1.55%-1.65% for FY26.
- According to management GNPA and NNPA anticipated to remain below 1.5% and 1%, respectively.
- Management targeting a slippage ratio level below 1% for FY26.

VI. VALUATION



VII. KEY MONITORABLES

- **Asset quality:** Asset quality has improved over the years. Management has guided GNPA and NNPA of 1.5% and 1% respectively. Slippage ratio saw an uptick in this quarter due to one lumpy account slipping this quarter.
- **NIM compression:** Any per management guidance on NIMs of 3.7-3.75%, it would be critical to maintain profitability.

VIII. FINANCIAL SUMMARY

Profit & Loss (Rs. Mn.)	FY22	FY23	FY24	FY25	CAGR 3 yr
					FY22-25
Net Interest Income (NII)	27,154	33,488	38,092	42,523	16%
YoY	15%	23%	14%	12%	
Pre-Provision Profits	16,302	24,758	28,291	32,123	25%
YoY %	26%	52%	14%	14%	
Provisions & Contingencies	6,993	10,389	7,290	6,216	-4%
PAT	6,733	11,061	16,048	19,416	42%
YoY %	95%	64%	45%	21%	
Balance Sheet (Rs. Mn.)	FY22	FY23	FY24	FY25	CAGR 3 yr
					FY22-25
Net Worth	76,282	86,161	1,00,723	1,19,617	16%
Total Deposits	6,84,860	7,66,376	8,91,127	10,20,780	14%
Total Advances	5,46,612	6,31,341	7,36,675	8,40,045	15%
Total Assets	8,00,713	9,01,794	10,55,852	11,93,674	14%
Key Financial Ratios	FY22	FY23	FY24	FY25	Avg. 3 yr
					FY23-25
NIM %	3.6%	4.1%	4.0%	3.9%	4.0%
Cost/Income	53.2%	45.1%	48.3%	47.2%	46.9%
Credit Cost %	0.9%	1.3%	0.8%	0.6%	0.9%
RoA %	0.9%	1.3%	1.6%	1.7%	1.6%
RoE %	9.2%	13.6%	17.2%	17.6%	16.1%
GNPA %	6.0%	2.3%	1.4%	0.8%	1.5%
NNPA %	2.2%	0.7%	0.4%	0.2%	0.4%
EPS-(Rs)	7.0	11.5	16.6	20.1	42%
BVPS-(Rs)	79.5	89.5	104.3	123.8	16%

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