BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**BUY**
**TP: Rs 251 | ⮝ 18%**

**KARUR VYSYA BANK** | Banking | 23 September 2025

# Outperforming peers with robust AQ and return ratios

- **AQ metrics remain pristine with low stress pipeline and nominal exposure at impact (EAI), due to high U.S. tariffs imposition**
- **KVB's return ratios to stay better vs peers, supported by higher than system loan growth, recovery from TWO accounts and low credit costs**
- **Initiate coverage on KVB with a BUY and TP of Rs 251 (1.5x Jun'27E ABV)**

**Niraj Jalan | Vijiya Rao**
**Research Analyst**
research@bobcaps.in

**AQ metrics remain pristine with low stress pipeline and nominal EAI:** KVB's GNPA improved to 0.66% (Q1FY26) from a high of 7.8% (FY21) and was better than peers. Previously, AQ was adversely impacted, mainly due to weak GNPA ratio in the corporate segment (17.1% in FY21), impacted by consortium-based lending. However, the bank's focus on a) sole banking arrangements b) strategy to reduce corporate exposure (14% as of Jun'25 from 37% as of Mar'15) c) lending to better credit profile corporates (BB and below exposures fall to 31% in Q1FY26 vs 55% in FY21) d) low share of unsecured (2.1% of net loans in FY25), resulted in the lowest slippages among peers (<90bps in FY23-25). Further, KVB's stressed assets as % of CET I improved to 8.9% (Q1FY26) vs high of 50.3% (FY21), indicating receding AQ stress. KVB's EAI related to the imposition of U.S. tariffs was low at 1.2% of gross loans (Jun'25). Of which, borrower companies with U.S. export >60% of annual turnover was nominal at 0.56% of gross loans. We expect bank's AQ to fare better vs peers, given the low-stress pipeline and nominal EAI related to US exports.

**Return ratios to stay better vs peers:** KVB's return ratios remain best among peers with RoA/RoE of 1.7%/17.7% in FY25. We expect the bank's NIMs to face pressure in FY26 amid rate cut cycle, which is likely to be partially offset by recovery from TWO accounts (RTWO) (Rs 7.3bn or ~23% of PPoP in FY25). We expect RTWO to persist and account for 0.3-0.4% of RoA in the next couple of years, given KVB's high share of TWO balance (Rs 45.6bn as of Mar'25) and relatively low recovery rate (~15% of opening TWO in FY25) vs peers. Also, credit cost (0.8% in FY25) is likely to remain benign due to its low stress pipeline. Hence, KVB's return profile is expected to outperform peers in the medium term.

**Initiate with a BUY and TP of Rs 251**: KVB's adequate capital position (CET I of 16.3% as of Jun'25), higher than system credit growth, pristine AQ resulted in the bank consistently outperforming peers in terms of return profile. We expect the bank to deliver healthy return ratios with RoA/ RoE of 1.7%/ 16.2% by FY28E. Initiate coverage with a BUY and TP of Rs 251 (1.5x Jun'27E ABV) vs currently trading at 1.3x Jun'27E ABV.

| | |
|---|---|
| Ticker/Price | KVB IN/Rs 213 |
| Market cap | US$ 2.3bn |
| Free float | 98% |
| 3M ADV | US$ 5.3mn |
| 52wk high/low | Rs 230/Rs 154 |
| Promoter/FPI/DII | 2%/15%/39% |

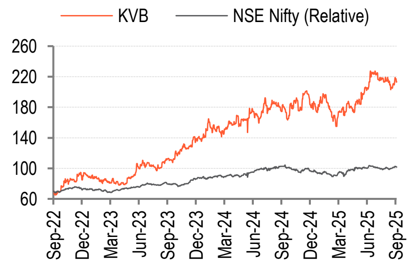
Source: NSE | Price as of 23 Sep 2025

## Key financials

| Y/E 31 Mar | FY25A | FY26E | FY27E |
|---|---|---|---|
| NII (Rs mn) | 42,599 | 45,328 | 52,207 |
| NII growth (%) | 11.6 | 6.4 | 15.2 |
| Adj. net profit (Rs mn) | 19,416 | 20,507 | 23,769 |
| EPS (Rs) | 20.1 | 21.2 | 24.6 |
| Consensus EPS (Rs) | 20.1 | 21.1 | 24.3 |
| P/E (x) | 10.6 | 10.1 | 8.7 |
| P/BV (x) | 1.7 | 1.5 | 1.3 |
| ROA (%) | 1.7 | 1.6 | 1.6 |
| ROE (%) | 17.7 | 16.0 | 16.1 |

Source: Company, Bloomberg, BOBCAPS Research

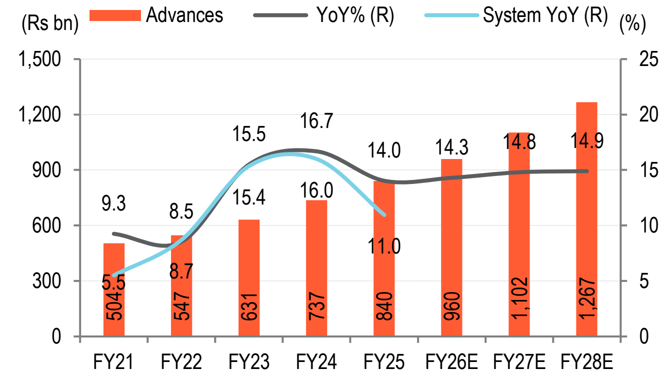
## Stock performance




Source: NSE

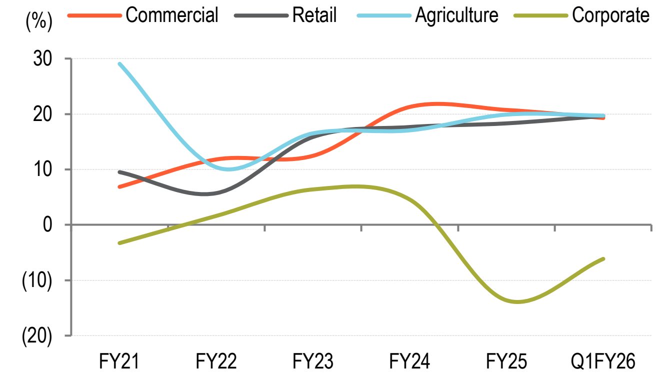
## Story in charts

**Fig 1 – KVB's advances growth expected to remain higher than system levels**



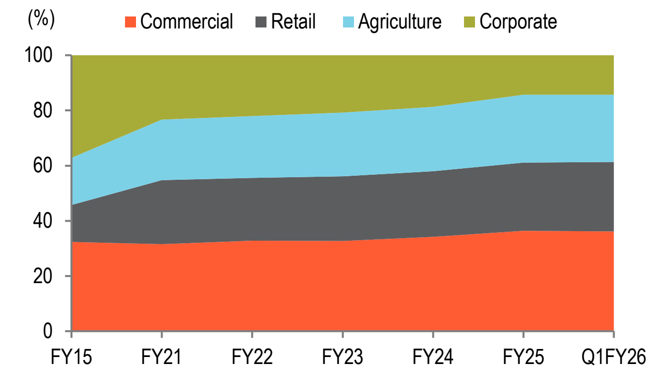

Source: Company, BOBCAPS Research

**Fig 2 – Loan growth to be led by higher YoY growth in RAM segments while corporate remains defocused…**



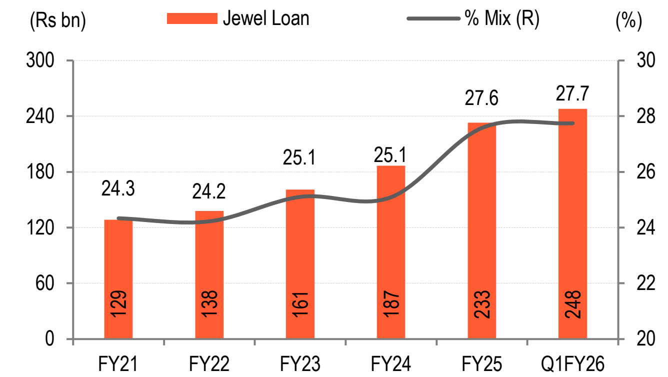

Source: Company, BOBCAPS Research

**Fig 3 – Resulting in rising share of better yielding RAM segments**



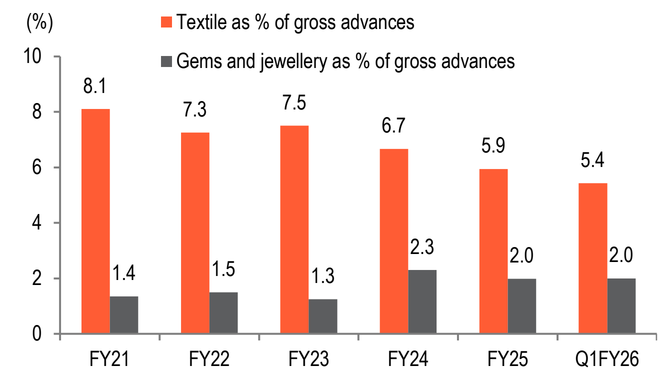

Source: Company, BOBCAPS Research

**Fig 4 – Jewel loans grew at a high pace with 20% CAGR in FY20-25 and remains the largest segment**



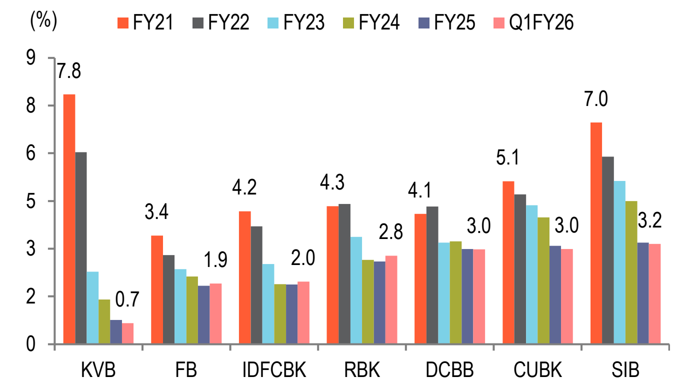

Source: Company, BOBCAPS Research

**Fig 5 – Fall in share of major sectors impacted due to high U.S. tariff imposition**




Source: Company, BOBCAPS Research

**Fig 6 – KVB's GNPA lowest among peers**



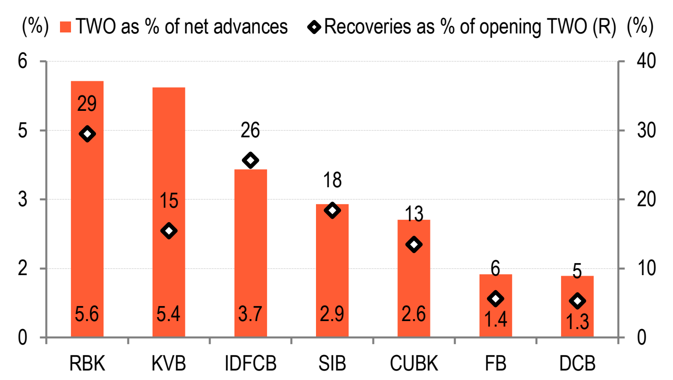

Source: Company, BOBCAPS Research

### Fig 7 – KVB's stress book remains relatively better vs peers, indicating lower stress pipeline

| Banks | KVB | | CUBK | | SIB | | RBL | | DCBB | | FB | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Stress Book (Rs bn)** | **FY21** | **Q1FY26** | **FY21** | **Q1FY26** | **FY21** | **Q1FY26** | **FY21** | **Q1FY26** | **FY21** | **Q1FY26** | **FY21** | **Q1FY26** |
| Std Restructured Assets | 9.6 | 5.1 | 18.5 | 5.8 | 12.8 | 2.8 | 5.8 | 2.0 | 11.1 | 8.9 | 16.2 | 13.3 |
| Net NPA | 17.2 | 1.7 | 10.8 | 6.3 | 27.3 | 5.9 | 12.4 | 4.3 | 5.9 | 6.3 | 15.7 | 11.6 |
| Net SR | 3.6 | 0.3 | NA | NA | 4.9 | 1.2 | - | NA | 3.9 | NA | 1.6 | - |
| SMA2 | 3.0 | 3.0 | 7.4 | 8.6 | NA | 4.2 | NA | 1.0 | NA | NA | NA | NA |
| Net NPI | 0.0 | - | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| **Total Stress (TS)** | **33.4** | **10.1** | **36.6** | **20.8** | **45.0** | **14.0** | **18.2** | **7.3** | **20.9** | **15.2** | **33.5** | **24.9** |
| **TS % CET 1** | **50.3** | **8.9** | **65.9** | **23.0** | **81.4** | **14.8** | **14.8** | **4.9** | **58.2** | **28.0** | **21.7** | **7.8** |
| **TS % of Net advances** | **6.6** | **1.1** | **10.1** | **3.9** | **7.8** | **1.6** | **3.1** | **0.8** | **8.1** | **3.0** | **2.5** | **1.0** |
| **TS % Standard advances** | **6.9** | **1.1** | **10.4** | **4.0** | **8.1** | **1.6** | **3.2** | **0.8** | **8.3** | **3.0** | **2.6** | **1.0** |

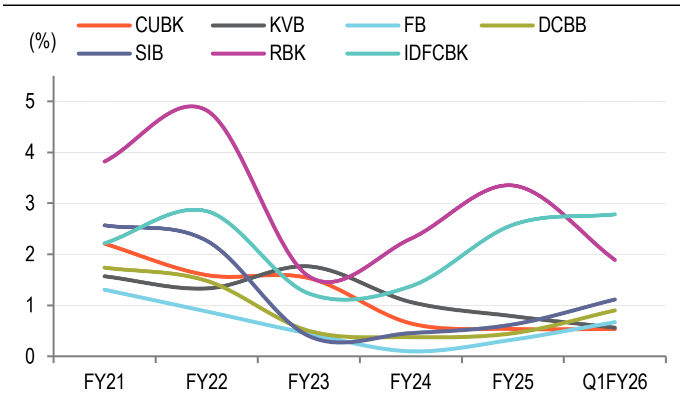
Source: Company, BOBCAPS Research

### Fig 8 – KVB's high share of TWO balance and relatively lower recovery rate ensures recovery to persist



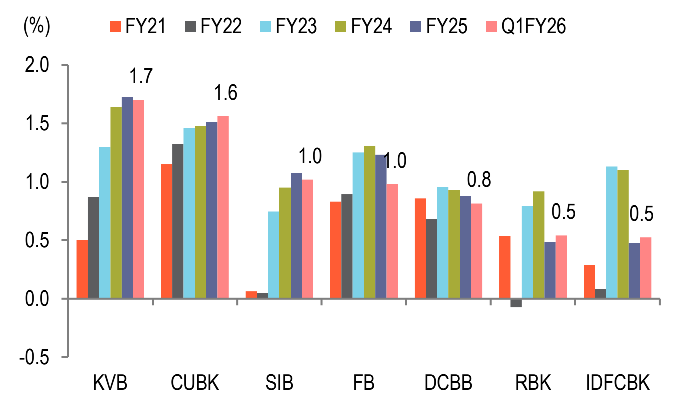

Source: Company, BOBCAPS Research

### Fig 9 – KVB's credit cost on an improving trend…



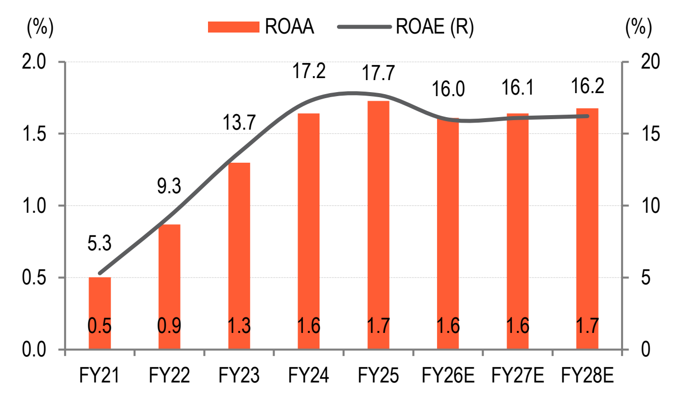

Source: Company, BOBCAPS Research

### Fig 10 – RoA improved significantly and was the best among peers




Source: Company, BOBCAPS Research

### Fig 11 – Return profile to outperform peers, mainly supported by persistent RTWO and benign CC

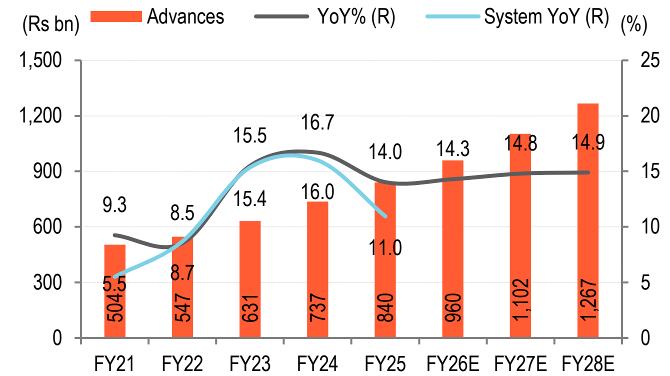



Source: Company, BOBCAPS Research

## Portfolio growth to remain above system, driven by focus on granular high-yielding RAM segments

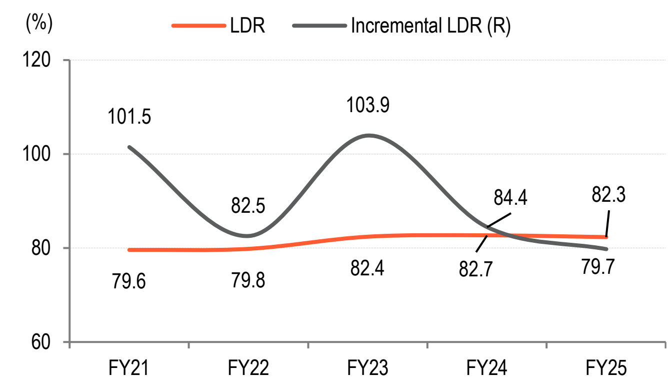
KVB's gross advances grew at 11.7% CAGR during FY20-25 to Rs 845bn, as of Mar'25. The bank witnessed net advances growth of 14% YoY in FY25, which was higher than the system levels (11% YoY). Going forward, we expect the bank to deliver net advances growth higher than system levels at a CAGR of ~15% during FY25-28. KVB's higher loan growth is expected to be supported by its comfortable credit deposit ratio (~82% as of Mar'25) and focus on growth in the higher-yielding RAM segments.

**Fig 12 – KVB's loan growth likely to remain higher than system levels…**




Source: Company, BOBCAPS Research

**Fig 13 – …supported by comfortable credit deposit ratio**

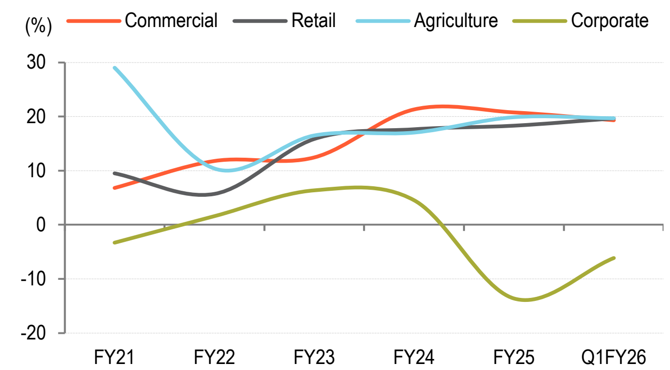



Source: Company, BOBCAPS Research

KVB's portfolio strategy is to ramp up the share of retail, agriculture and commercial (ticket size of <= Rs 250mn) segments or RAM advances. Focus on RAM advances resulted in granular portfolio and led to risk diversification and relatively better yielding book. While the bank de-grew its lower-yielding corporate portfolio (> Rs 250mn) which supported its net interest margins (NIMs) and thereby improve profitability.

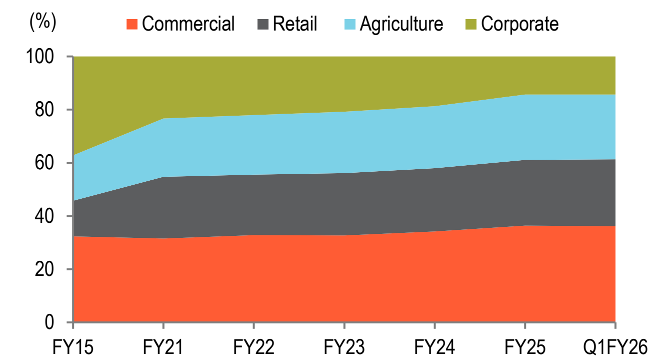
In line with its strategy, KVB saw high growth in the RAM segments (19%+ YoY), which was partially offset by degrowth in the corporate segment by 6% YoY, as of Jun'25. As a result, the share of RAM segments increased to 86% of gross advances as of Jun'25 vs 74% as of Mar'20. While the corporate segment witnessed a de-growth of 1.2% during FY20-25 and its share declined to 14% as of Jun'25 from 37% as of Mar'15.

**Fig 14 – Loan growth to be led by higher growth in RAM segments while corporate remains defocused…**




Source: Company, BOBCAPS Research

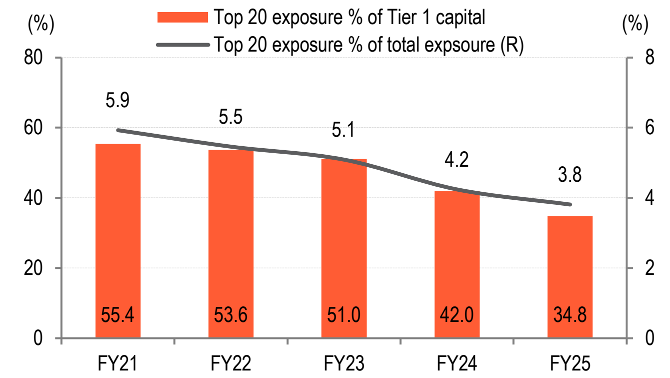
**Fig 15 – …Resulting in rising share of better yielding RAM segments**




Source: Company, BOBCAPS Research

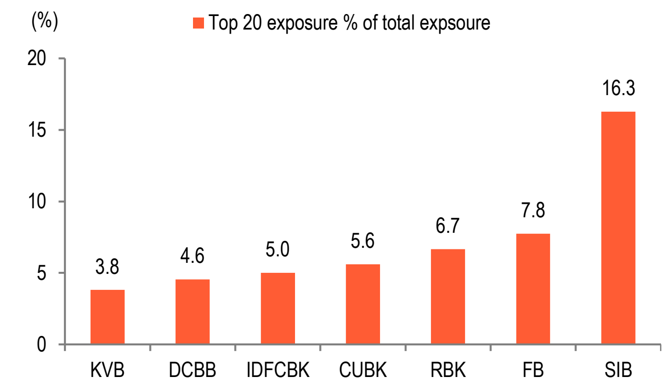
The bank's top 20 exposures, as % of total exposure, continues to decline to 3.8% in FY25 vs 5.9% in FY21 and remain better than peers, indicating granularity of the loan book. Also, the bank's top 20 exposure, as % of Tier I capital, declined to 34.8% in FY25 vs 55.4% in FY21.

**Fig 16 – De-focus on corporate segment led to improvement in granularity of loans…**




Source: Company, BOBCAPS Research

**Fig 17 – …Concentration of exposure the lowest among peers**

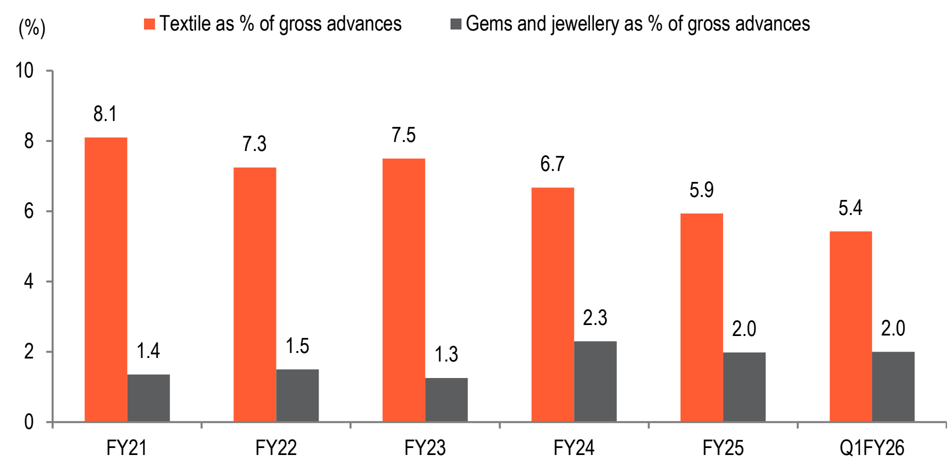



Source: Company, BOBCAPS Research

### U.S. tariffs imposition – KVB's exposure at impact remains low, but monitorable

KVB's total EAI related to imposition of high US tariffs was low at 1.2% of gross advances or Rs 10.7bn as of June 2025. These exposures include sectors such as Textile (0.86%), Seafood (0.07%), Granites (0.21%), Steel (0.03%), Chemical (0.01%), Wholesale and Retail Trades (0.01%) & Timber (0.01%). The bank's MSME exposure to U.S. exports was 0.56% of gross advances as of Jun'25, wherein the borrower's U.S. export is >60% of its annual turnover. We note that the sector to be largely impacted is textile, wherein the bank has adequate provisions and has reduced its share to 5.4% (Jun'25) from 8.1% in FY21. Whereas exposure to gems & jewellery was low at 2%, wherein the bank plans to prune down its exposure, given it's a low-margin business. Overall, we expect the impact to be marginal considering low EAI but remain monitorable.

**Fig 18 – Fall in share of major sectors which got impacted due to rise in US tariffs**

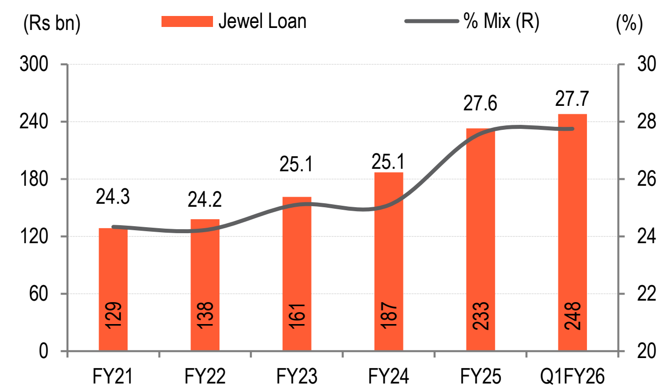



Source: Company, BOBCAPS Research

## Jewel – rising mix of better-yield jewel book (27.7% of gross loans) which attracts nil RWAs and supports capital profile

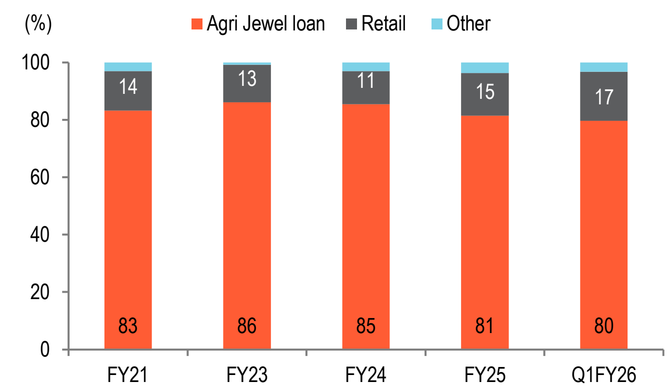
Within the RAM segments, focus was primarily on better-yield products like jewel loans. Jewel loans portfolio grew at a high pace with CAGR of 20% to Rs 233bn in FY20-25. Further, jewel loans were up by 24% YoY to Rs 248bn in Q1FY26. Jewel portfolio remained the largest segment and accounted for 27.7% of gross loans, as of Q1FY26 (24.3% in FY21). A large portion of the jewel loans (~80%) were Agri jewel loans, followed by Retail jewel loans (17%), and others (3%); as of Jun'25. Further, the loan to value (LTV) of agri jewel loan and non-agri jewel loan remains comfortable in the ranges of 63-66% and 56-58%, respectively in the last 3 years. KVB's comfortable LTV, along with rise in gold price, improves collateral value; thereby aiding asset quality.

**Fig 19 – Jewel loans grew at a high pace with 20% CAGR in FY20-25 and remains the largest segment**




Source: Company, BOBCAPS Research

**Fig 20 – Jewel loan mix % with high share of Agri jewel loans**




Source: Company, BOBCAPS Research

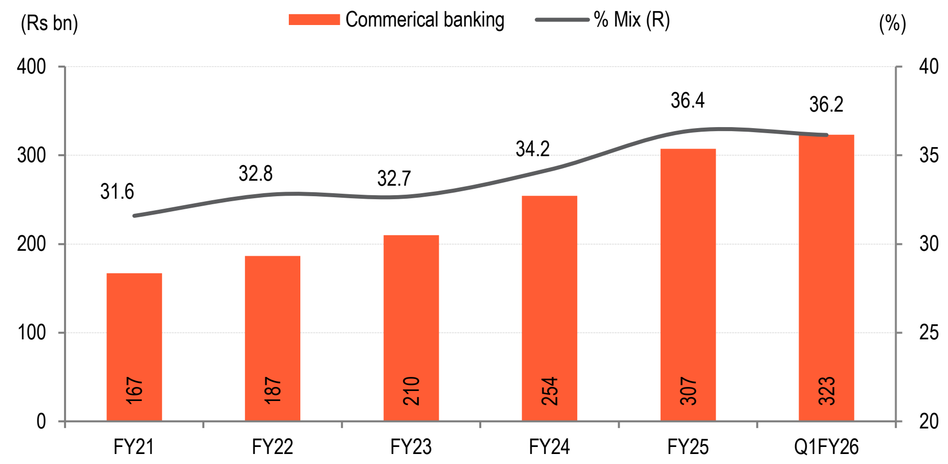
We note that jewel loans are of better yield with agri jewel loans yielding 10.25% and non-agri jewel loans at 11.4%. Management is gradually shifting its jewel portfolio to fixed rate vs MCLR-linked presently. This is expected to support NIMs amid rate cut cycle. Also, jewel loans attract nil risk weight, which supported the bank's comfortable CET I capital ratio at 16.3% as of Jun'25.

## Commercial Banking — rising share of better-yield portfolio with collateral coverage

KVB grew its commercial banking portfolio at a CAGR of 14.5% to Rs 307bn during FY20-25. Further, the segment witnessed a high growth 19.3% YoY to Rs 323bn in Q1FY26. As a result, its share increased to 36.2% of gross advances in Q1FY26 from 31.6% in FY21. KVB has identified 24 branches in high-potential geographic areas basis CIBIL data for targeted business expansion of this segment.

Average ticket size of the commercial banking segment was Rs 6.4mn with 68% of total loans being below Rs 50mn in Q1FY26. KVB's focus to grow this portfolio was due to its high yield and collateral coverage. We note that this segment will benefit from the recent GST cuts, which are expected to augment credit demand.

**Fig 21 – Commercial Banking mix rising**



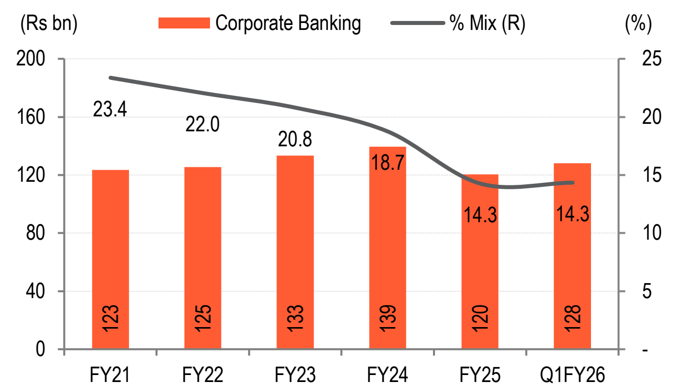

Source: Company, BOBCAPS Research

### Low-yielding Corporate segment to remain contained at ~15% of total portfolio with improvement in borrower's risk profile

Given KVB's focus on improving its return profile vs topline growth, the corporate segment declined to 14% in Q1FY26 compared to 23% in FY21. Corporate book witnessed degrowth of 14% YoY in FY25, mainly driven by the bank's conscious effort to reduce exposure in NBFC segment and precious metal division (PMD) business due to low margin. Within corporate segment, the bank will focus on CRE segment (7% of gross loans as of Jun'25) with a ticket size of up to Rs 750mn in FY26.

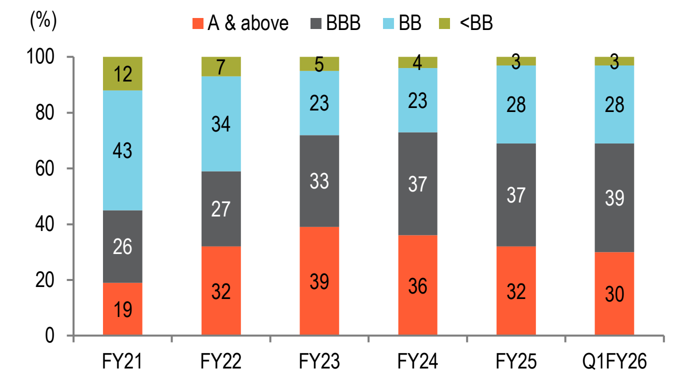
Average ticket size of corporate loans was ~Rs 370mn, as of Jun'25. Around 88% of the corporate advances were with ticket size <Rs 1.5bn. Further, credit quality of the corporate segment improved, with share of non-investment grade borrowers declining to 31% (Q1FY26) vs 55% (FY21).

**Fig 22 – Corporate Banking – falling share**




Source: Company, BOBCAPS Research

**Fig 23 – Corporate Banking — risk profile improving**




Source: Company, BOBCAPS Research

## Asset quality metrics remain better vs peers

KVB's asset quality improved in the last few years with GNPA ratio falling to 0.66% in Q1FY26 from a high of 7.8% in FY21. Asset quality was adversely impacted in the past, mainly due to weak GNPA ratio in the corporate segment (17.1% in FY21). Previously, KVB's consortium-based lending approach had resulted in high slippage in the corporate segment. However, corporate slippages have improved to 0.4% in FY25 vs 4.2% in FY21, given the bank's focus on a) sole banking arrangements b) conscious decision to reduce exposure to corporate segment (14% of gross loans in Q1FY26 vs 23% in FY21) c) lending to better credit profile corporates borrowers (BB and below rated exposures declined to 31% in Q1FY26 from 55% in FY21).

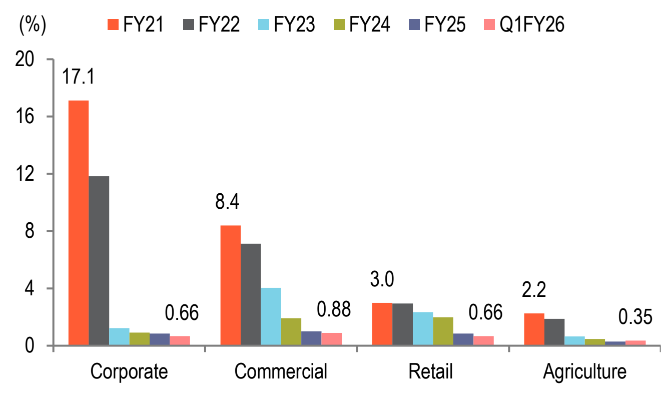
A decline in corporate slippages, improvement in other segments and a low share of unsecured book (2.1% of net advances in FY25), resulted in KVB reporting the lowest slippages among peers (<90bps during FY23-25). This, along with healthy recovery and upgrades (36% of opening GNPAs in FY25), has led to KVB outperforming its peers in terms of asset quality metrics. Asset quality remains better vs peers with GNPA ratio of 0.66% (-10bps QoQ) and NNPA ratio of 0.19% (-1bps QoQ) in Q1FY26.

**Fig 24 – AQ aided by lower slippage and higher reductions**

| GNPA Movement | FY22 | FY23 | FY24 | FY25 | Q1FY26 |
|---|---|---|---|---|---|
| Opening GNPA | 41,429 | 34,310 | 14,582 | 10,416 | 6,418 |
| Additions (Slippages) | 8,427 | 4,792 | 4,992 | 4,819 | 1,880 |
| Upgradation | 4,789 | 6,296 | 5,325 | 2,565 | 700* |
| Recoveries | 5,738 | 5,043 | 2,336 | 1,622 | NA |
| Write Off | 8,787 | 18,920 | 6,540 | 6,966 | 1,670 |
| Closing GNPA | 34,310 | 14,582 | 10,416 | 6,418 | 5,926 |
| GNPA (%) | 6.0 | 2.3 | 1.4 | 0.8 | 0.7 |
| NNPA (%) | 2.3 | 0.7 | 0.4 | 0.2 | 0.2 |
| Slippage ratio% | 1.7 | 0.9 | 0.8 | 0.7 | 1.0 |
| Recoveries & Upgrades (%) ^ | 25.4 | 33.0 | 52.5 | 40.2 | 10.9 |
| Write-offs (%) ^ | 21.2 | 55.1 | 44.9 | 66.9 | 26.0 |

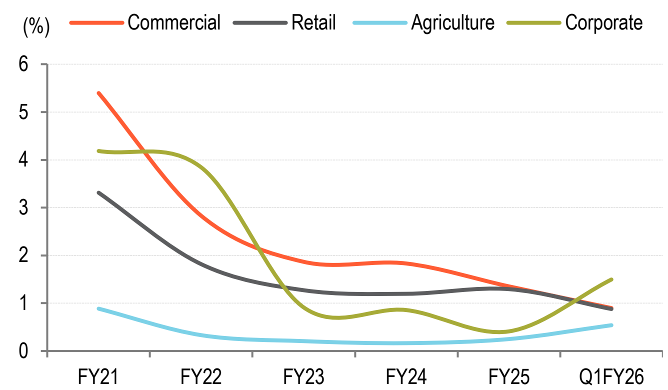
Source: Company, BOBCAPS Research | * Upgradation and recoveries clubbed together
^ Calculated on opening GNPA

**Fig 25 – GNPA ratio improved across segments**



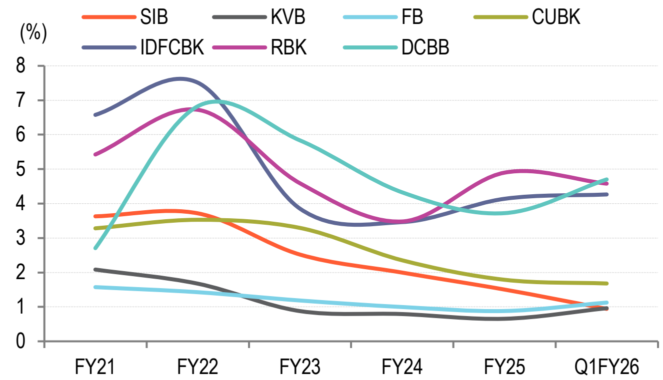

Source: Company, BOBCAPS Research

**Fig 26 – KVB's slippages improved across segments**



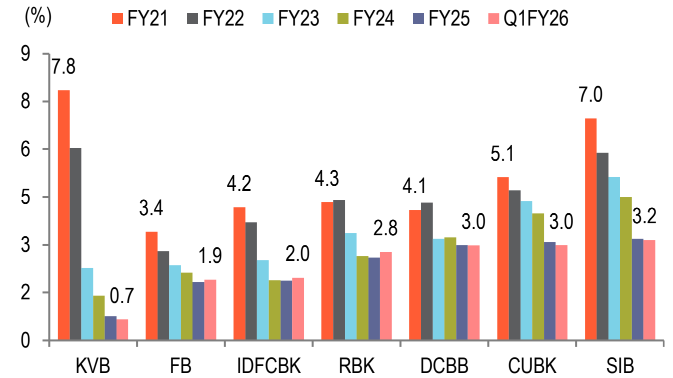

Source: Company, BOBCAPS Research

**Fig 27 – Slippage remains lower vs peers**



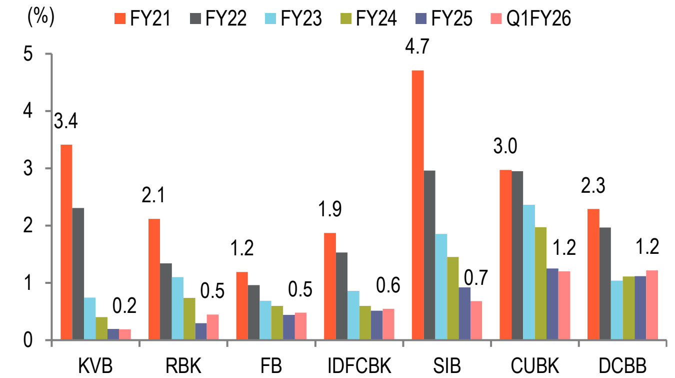

Source: Company, BOBCAPS Research

### Fig 28 – KVB's GNPA lowest among peers




Source: Company, BOBCAPS Research

### Fig 29 – NNPA remains the lowest vs peers




Source: Company, BOBCAPS Research

KVB's stressed assets[1], as a percentage of CET I capital, improved significantly to 8.9% in Q1FY26 vs a high of 50.3% in FY21. In absolute terms, the stress book declined to Rs 10bn (1.1% of standard advances) in Q1FY26 vs Rs 33bn (6.9%) in FY21, indicating receding asset quality stress and was relatively better vs peers.

KVB's standard restructured book improved to 0.6% of standard advances and is largely secured by collateral, along with a PCR of 42% in Q1FY26. The bank witnessed a marginal rise in the SMA 2 book to 0.3% of standard advances in Q1FY26 compared to 0.1% in Q4FY25, due to a couple of chunky accounts. Management expects the slippages to remain below 1%. Also, KVB's provision coverage ratio (including technical write-off) at 96.8% remains the best compared to peers, as of Q1FY26.

Asset quality largely hinges on the performance of its jewel portfolio (27.7% of gross loans), which is susceptible to regulatory updates and any downward movement in gold prices. However, jewel portfolio typically has low loss given default (LGD) and remains cushioned by comfortable LTV of agri jewel loan (63-66%) and non-agri jewel loan (56-58%) in the last 3 years. With low stress pipeline and nominal EAI due to imposition of U.S. tariffs, we expect bank's asset quality to fare better than peers.

### Fig 30 – KVB's stress book improved over the last few years…

| Particulars (Rs bn) | FY21 | FY22 | FY23 | FY24 | FY25 | Q1FY26 |
|---|---|---|---|---|---|---|
| Standard Restructured Assets | 9.6 | 16.3 | 9.8 | 7.2 | 5.4 | 5.1 |
| NNPA | 17.2 | 12.6 | 4.7 | 3.0 | 1.7 | 1.7 |
| Net Security receipts (Net SR) | 3.6 | 1.5 | - | - | - | 0.3 |
| SMA 2 | 3.0 | 1.7 | 1.1 | 1.0 | 0.6 | 3.0 |
| Net Non-Performing Investments (NPI) | 0.0 | 0.1 | 0.1 | 0.1 | - | - |
| **Total Stress (TS)** | **33.4** | **32.2** | **15.7** | **11.2** | **7.7** | **10.1** |
| **TS % CET 1** | **50.3** | **44.1** | **19.0** | **11.8** | **6.8** | **8.9** |
| **TS % of Net advances** | **6.6** | **5.9** | **2.5** | **1.5** | **0.9** | **1.1** |
| **TS % Standard advances** | **7.0** | **6.1** | **2.5** | **1.5** | **0.9** | **1.1** |

Source: Company, BOBCAPS Research

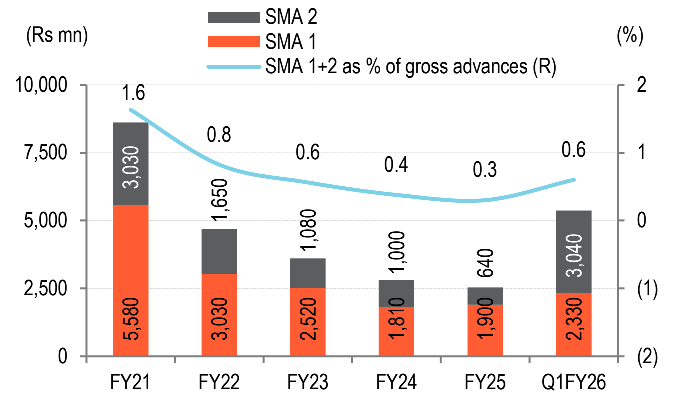
[1] *Stressed assets include standard restructured assets, net NPA, SMA2, net security receipts, net non-performing investments.*

### Fig 31 – …remains relatively better vs peers, indicating lower stress pipeline

| Banks | KVB | | CUBK | | SIB | | RBL | | DCBB | | FB | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Stress Book (Rs bn) | FY21 | Q1FY26 | FY21 | Q1FY26 | FY21 | Q1FY26 | FY21 | Q1FY26 | FY21 | Q1FY26 | FY21 | Q1FY26 |
| Std Restructured Assets | 9.6 | 5.1 | 18.5 | 5.8 | 12.8 | 2.8 | 5.8 | 2.0 | 11.1 | 8.9 | 16.2 | 13.3 |
| Net NPA | 17.2 | 1.7 | 10.8 | 6.3 | 27.3 | 5.9 | 12.4 | 4.3 | 5.9 | 6.3 | 15.7 | 11.6 |
| Net SR | 3.6 | 0.3 | NA | NA | 4.9 | 1.2 | - | NA | 3.9 | NA | 1.6 | - |
| SMA2 | 3.0 | 3.0 | 7.4 | 8.6 | NA | 4.2 | NA | 1.0 | NA | NA | NA | NA |
| Net NPI | 0.0 | - | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| **Total Stress (TS)** | **33.4** | **10.1** | **36.6** | **20.8** | **45.0** | **14.0** | **18.2** | **7.3** | **20.9** | **15.2** | **33.5** | **24.9** |
| **TS % CET 1** | **50.3** | **8.9** | **65.9** | **23.0** | **81.4** | **14.8** | **14.8** | **4.9** | **58.2** | **28.0** | **21.7** | **7.8** |
| **TS % of Net advances** | **6.6** | **1.1** | **10.1** | **3.9** | **7.8** | **1.6** | **3.1** | **0.8** | **8.1** | **3.0** | **2.5** | **1.0** |
| **TS % Standard advances** | **6.9** | **1.1** | **10.4** | **4.0** | **8.1** | **1.6** | **3.2** | **0.8** | **8.3** | **3.0** | **2.6** | **1.0** |

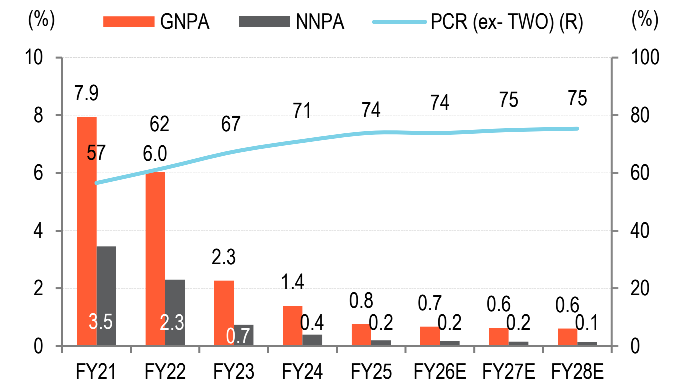
Source: Company, BOBCAPS Research

### Fig 32 – SMA book improved over the years with a marginal rise in Q1FY26, due to a couple of chunky accounts




Source: Company, BOBCAPS Research

### Fig 33 – Asset quality expected to fare better vs peers




Source: Company, BOBCAPS Research

## KVB's return ratios outperform peers

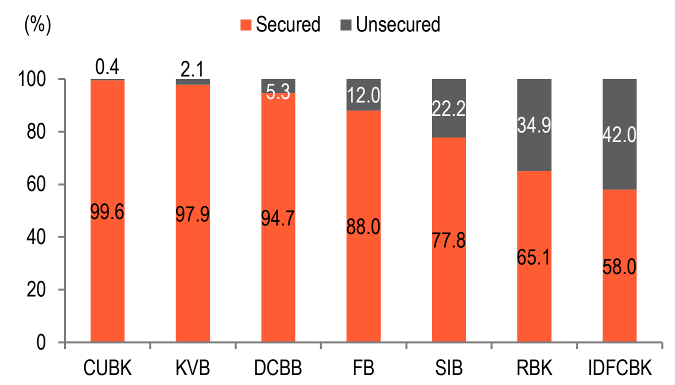
Despite a low share of unsecured loans (2.1% in FY25), KVB's NIMs remain better than regional peers at 4.1% in FY25. NIMs were largely supported by the bank's strategy to reduce exposure to the low-yielding corporate segment, coupled with relatively lower cost of deposits. KVB's savings rate is only 2.0% up to Rs 0.5mn bucket, which is lower than the leading private banks (ICICIBC and HDFCB) rates of 2.5% in a similar category. With RBI's reduction of repo rate by 100bps in CY2025 till date and KVB's high share of advances linked to EBLR (53% in Q1FY26), we expect margins (3.9% in Q1FY26) to face pressure and moderate to ~3.7% in FY26, given asset repricing and low share of CASA ratio (~28%).

We expect the margin pressure to be partially offset by sustained recovery from technical written-off accounts (TWO) and lower credit costs. KVB reported recovery from TWO account of Rs 7.3bn or ~23% of PPoP and ~15% of opening TWO in FY25. The bank reported outstanding TWO balance of Rs 45.6bn (Mar'25) or 5.4% of net advances vs 1.3-3.7% for peers, except RBK at 5.6%. Management expects recovery from TWO of Rs 6-6.5bn in FY26. We expect the recovery from TWO to persist and account for 0.3-0.4% of RoA in the next couple of years, given KVB's high share of TWO balance and relatively lower recovery rate vs peers.

KVB's deposit and advance per branch have improved to Rs 1,150mn and Rs 946mn in FY25 compared to Rs 811mn and Rs 646mn, respectively in FY21. Cost to income ratio improved to 47.2% (Q1FY26) from a high of 60.6% (FY21) and was the lowest among peers, also aided by its RTWO. This was driven by their strategy to scale operations through leveraging technology such as digital underwriting of loans, increasing automation, among others, which improved  efficiency. As a result, the bank reported high operating profit/ ATA vs peers at 2.8% (Q1FY26).

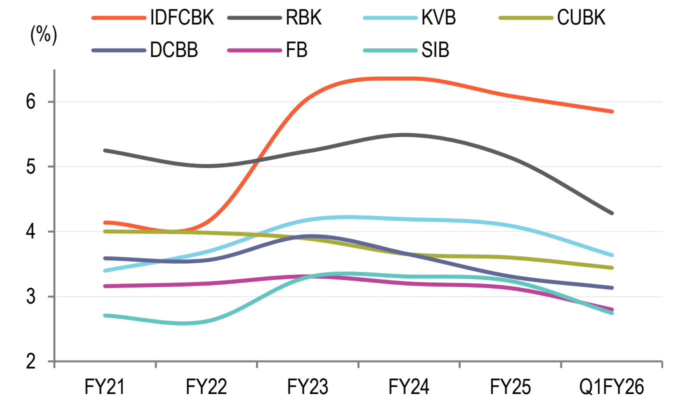
With improved asset quality metrics, credit costs declined to 0.8% in FY25 vs 1.6% in FY21. We expect KVB's credit costs to stay benign in the medium term, due to its low-stress pipeline. Overall, return ratios remain the best among peers with RoA and RoE of 1.7% and 17.7%, respectively in FY25 vs 0.5% and 5.3%, respectively in FY21. We expect the bank's return profile to stay healthy and outperform peers, mainly supported by RTWO and lower credit costs.

**Fig 34 – Despite low share of unsecured loans (FY25)…**



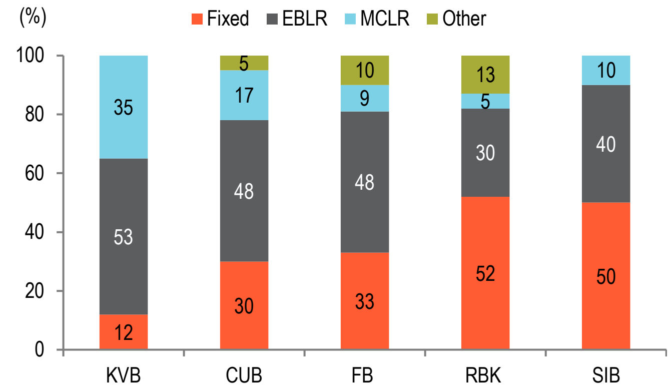

Source: Company, BOBCAPS Research

**Fig 35 – …KVB's NIMs better than regional players**



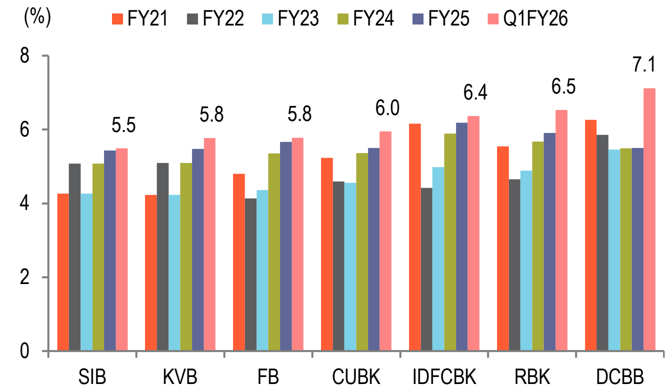

Source: Company, BOBCAPS Research

### Fig 36 – KVB's high share of EBLR loans (Q1FY26) to moderate NIMs…



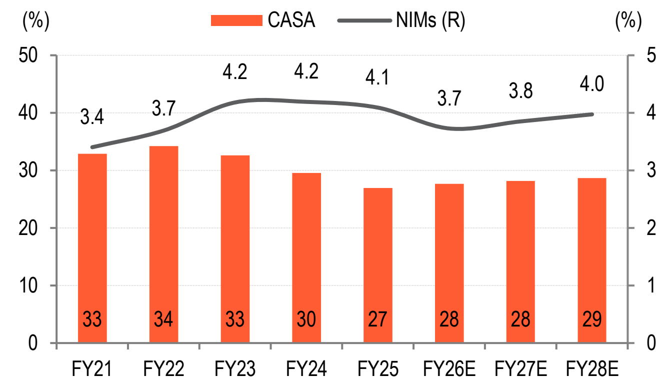

Source: Company, BOBCAPS Research

### Fig 37 – …partially offset by relatively lower cost of deposits



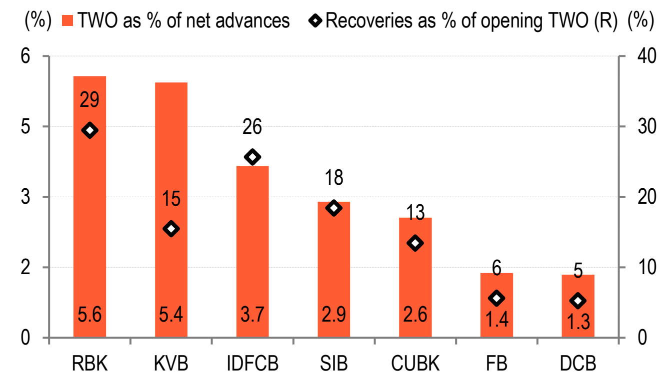

Source: Company, BOBCAPS Research

### Fig 38 – However, NIMs expected to moderate in FY26 given asset repricing



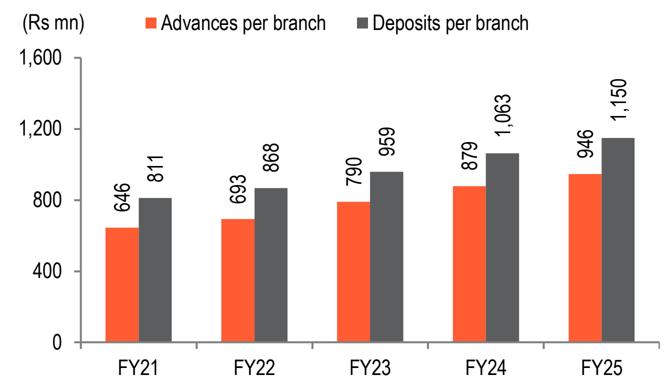

Source: Company, BOBCAPS Research

### Fig 39 – KVB's high share of TWO balance and relatively lower recovery rate ensures recovery to persist



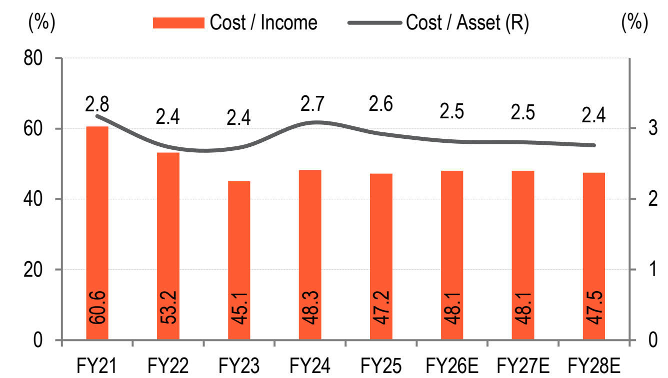

Source: Company, BOBCAPS Research

### Fig 40 – Deposits/ Advances per branch improved…



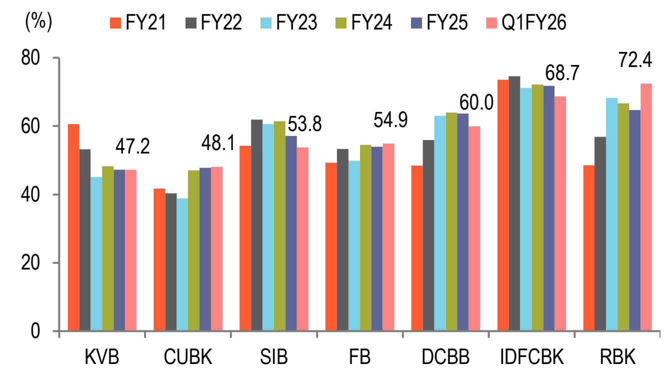

Source: Company, BOBCAPS Research

### Fig 41 – …resulting in low C/I ratio, which was also aided by RTWO



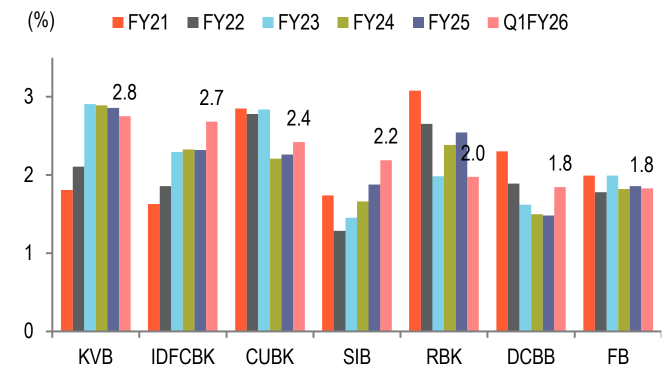

Source: Company, BOBCAPS Research

### Fig 42 – KVB's C/I ratio best vs peers…



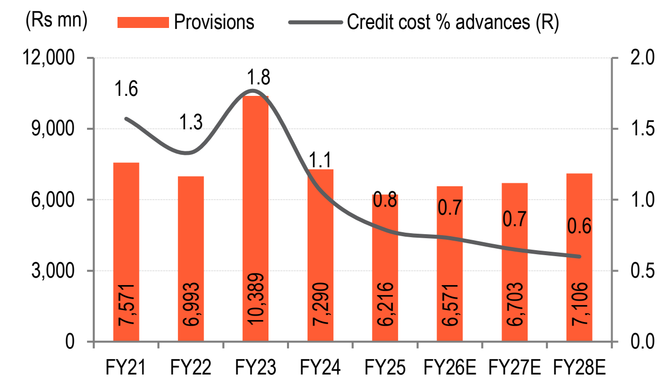

Source: Company, BOBCAPS Research

### Fig 43 – …leading to higher operating profit/ ATA vs peers



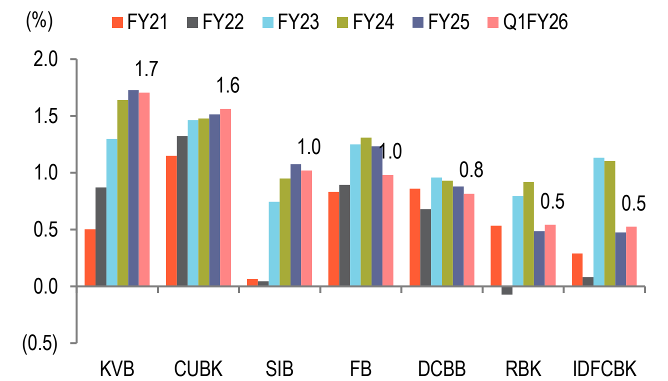

Source: Company, BOBCAPS Research

### Fig 44 – Credit cost to remain benign given the low-stress pipeline…



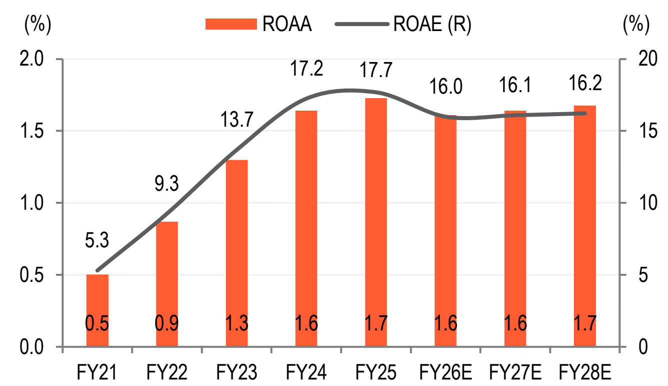

Source: Company, BOBCAPS Research

### Fig 45 – KVB's RoA improved significantly and was better than peers



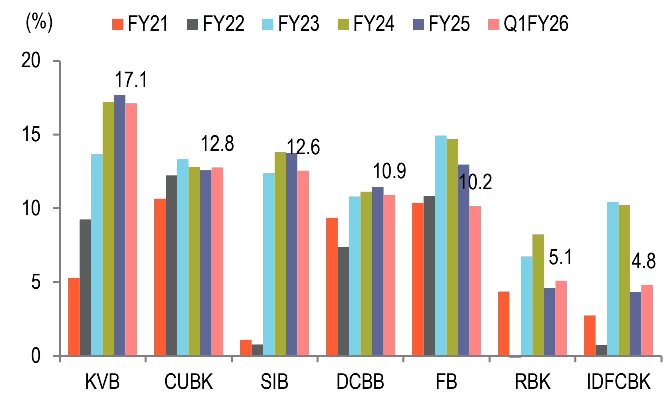

Source: Company, BOBCAPS Research

### Fig 46 – RTWO, coupled with low CC, to support return metrics




Source: Company, BOBCAPS Research

### Fig 47 – KVB delivers leading RoE vs peers

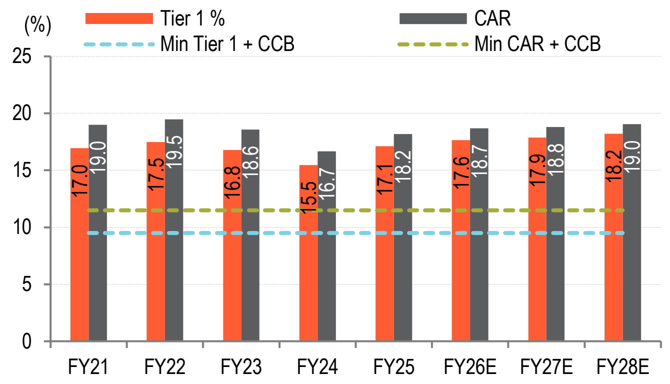



Source: Company, BOBCAPS Research

## Adequate capital profile aided by healthy return ratios and high share of jewel loans

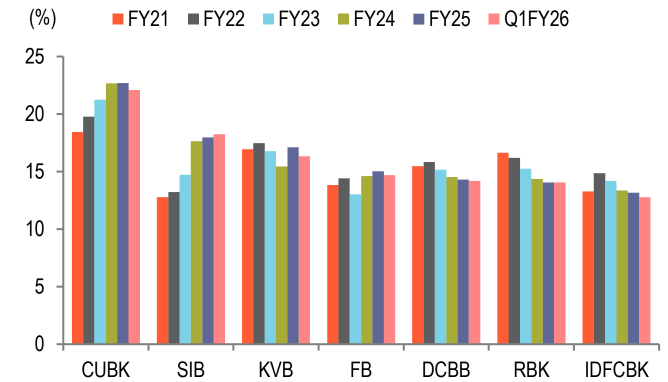
KVB's capital ratios remain adequate and improved with Tier I of 16.3% as of Jun'25 vs 15.6% as of Jun'24. Capital profile was supported by healthy return ratios (RoE of 16.8% in Q1FY26), coupled with its advance mix, wherein jewel loans accounted for 27.7% of gross advances as of Jun'25, which attracts nil risk weights. As a result, the bank's RWA to total assets was low at 56% in FY25. We expect the bank's return profile to stay healthy and support the capital ratios.

**Fig 48 – KVB's capital ratios have sufficient cushion vs minimum regulatory requirement**




Source: Company, BOBCAPS Research

**Fig 49 – KVB's Tier 1 ratio remains adequate**



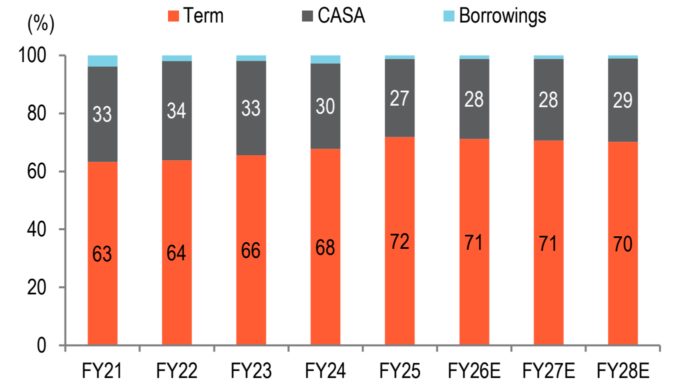

Source: Company, BOBCAPS Research

## Deposit profile — focus on improving CASA deposits

KVB's funding profile (total deposits + borrowings) remains largely dominated by deposits, which accounted for 98.8% of total funding in FY25. Deposits grew at a CAGR of 11.6% to Rs 1,021bn during FY20-25. Within deposits, share of low-cost CASA deposits moderated to 27.5% as of Jun'25 vs 34.2% as of Mar'21. KVB's CASA share remains relatively lower than peers. However, the bank plans to improve its share of CASA deposits through a dedicated CASA acquisition team targeting corporate salary accounts, TASC, institutional clients and government business segments. This team sourced 19,000+ CASA accounts amounting to Rs 4bn+ in FY25.

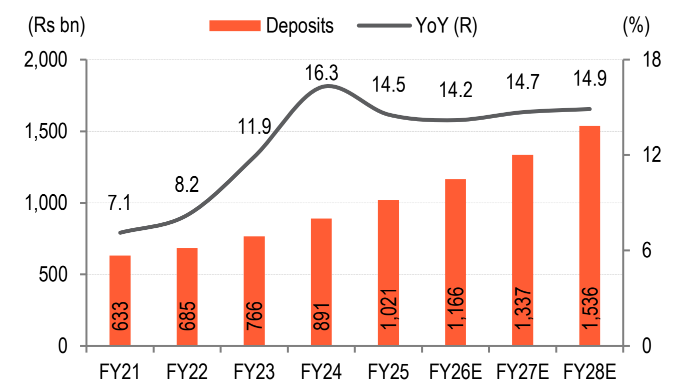
Nevertheless, cost of funds (5.8% in Q1FY26) remains relatively lower than peers. The lower cost of funds seems to be due to a) low share of borrowings (1.7% as of Jun'25), which is typically at a relatively higher cost b) lower cost of savings deposit at 2.0% up to Rs 0.5mn vs leading banks (ICICIBC and HDFCB) offering interest rate of 2.5% across buckets. Further, the share of ticket size of term deposits ≥Rs 50mn has increased to 21% of total term deposits in Q1FY26 vs 6% in FY21, indicating reduction in granularity of deposits. We expect cost of funds to decline in FY26 due to RBI's rate cut; but compared to peers, it will likely stay relatively higher.

## Fig 50 – Funding mix largely supported by deposits



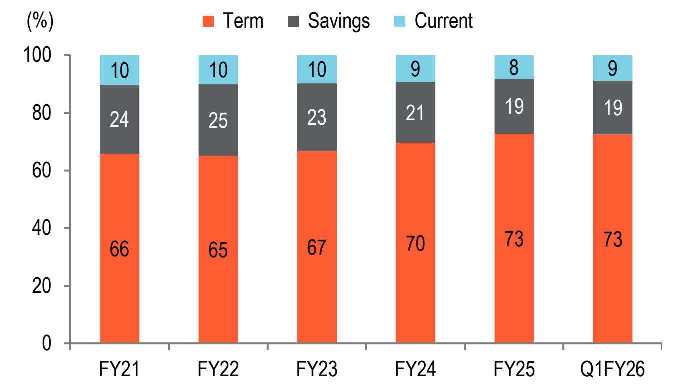

Source: Company, BOBCAPS Research

## Fig 51 – Deposits to report ~15% CAGR in FY25-28E



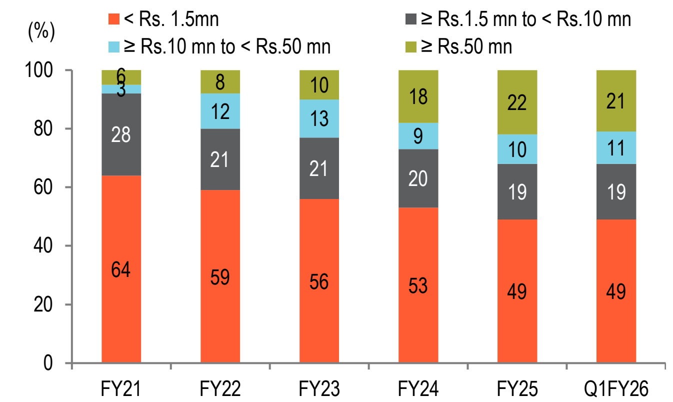

Source: Company, BOBCAPS Research

## Fig 52 – Deposit mix – rising share of term deposits



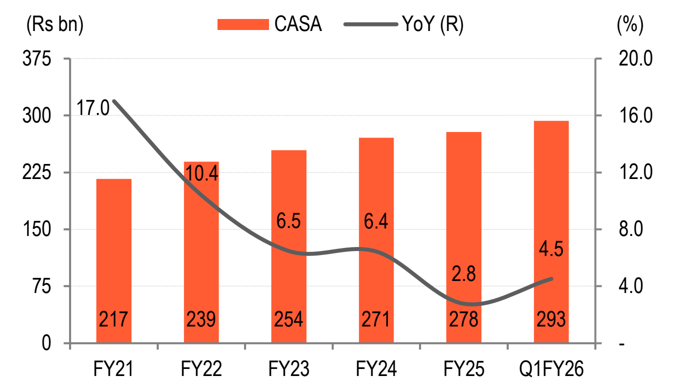

Source: Company, BOBCAPS Research

## Fig 53 – Term deposits – increase in share of ≥ Rs 50mn ticket size deposits



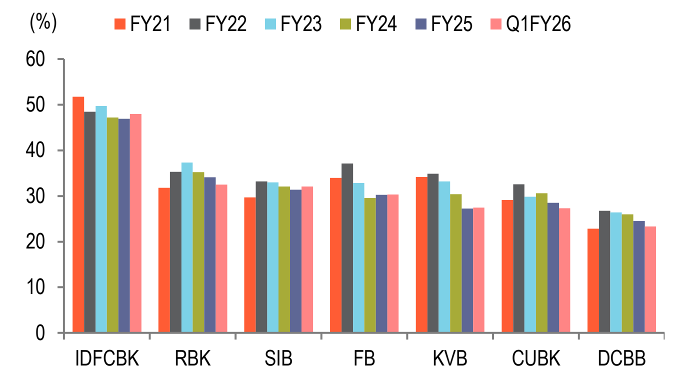

Source: Company, BOBCAPS Research

## Fig 54 – CASA deposits growing at a slower pace




Source: Company, BOBCAPS Research

## Fig 55 – KVB's CASA relatively lower than peers



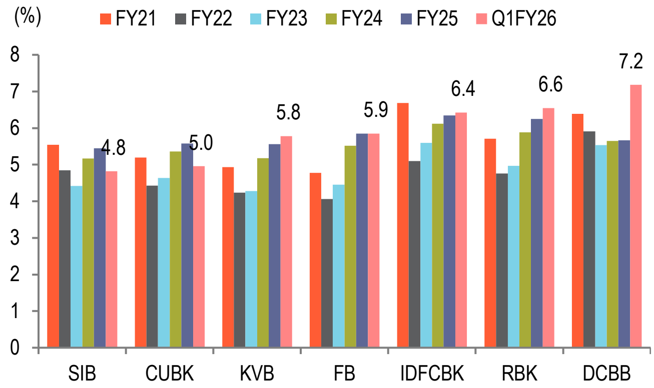

Source: Company, BOBCAPS Research

**Fig 56 – KVB offers lower interest rate on savings**

| Bank | Upto ₹0.10 Mn | ₹0.10 – ₹0.50 Mn | ₹0.50 – ₹1 Mn | ₹1 – ₹2.5 Mn | >₹2.5 Mn |
|---|---|---|---|---|---|
| **KVB** | **2.00** | **2.00** | **2.50** | **3.00** | **3.00-5.00** |
| SIB | 2.50 | 2.50 | 2.50 | 2.50 | 2.50-6.00 |
| CUBK | 2.75 | 2.75 | 2.75 | 3.00 | 3.00-4.50 |
| DCB | 1.50 | 2.25 | 3.75 | 5.75 | 6.90-7.20 |
| IDFC | 3.00 | 3.00 | 5.00 | 6.00 | 6.00-6.25 |
| HDFC | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| SBI | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |

Source: Company, BOBCAPS Research

**Fig 57 – Cost of funds remains relatively lower than peers**




Source: Company, BOBCAPS Research

## Company overview

KVB is a private sector bank and was incorporated in 1916. The bank was formed to extend financial support to the traders and agriculturists in and around Karur, Tamil Nadu. Headquartered in Karur, the bank operates pan India with a network of 888 branches and 2,226 ATMs & cash recyclers, as of June 30, 2025. However, KVB's branches are largely located in South India (>85%), as of June 2025.

## Management

KVB's board of directors consists of 10 directors, of which 7 are independent. A brief profile of the key management personnel is as below.

**Fig 58 – Management profile**

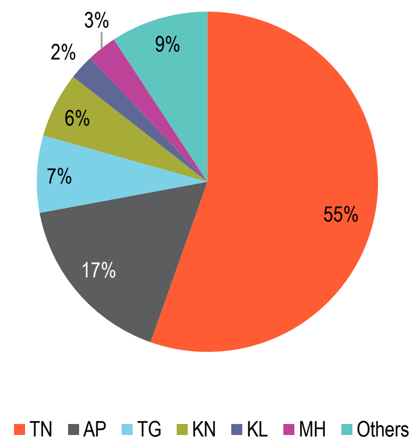
| Name | Position | Background & Experience |
|---|---|---|
| Shri B Ramesh Babu | MD & CEO | He is a veteran banker with 4 decades of experience in Retail Banking, Operations and Strategic Management, among others. He was Ex-Deputy MD & COO in SBI and managed the retail business and banking operations for over 21,000 retail branches and 1,20,000 other touch points of the bank. A Postgraduate in Commerce from Andhra University, he holds "Diploma in International Factoring" conducted by Factors Chain International, Netherlands. |
| Shri B Sankar | Executive Director | A seasoned banker with 35+ years of experience in Banking, he served as Deputy MD (stressed assets) and managed NPAs of ~Rs 820bn at SBI. He was CGM of SME - Corporate Center at SBI. He worked as Chief Operating Officer and managed operations for all 23,000 branches including customer service, ATMs (~65,200) and branch re-design, CRM, etc. He holds Master of Management Studies (Finance) from Banaras Hindu University and is a Certified Associate of the Indian Institute of Banking & Finance (CAIIB). |
| Shri Ramshankar R | CFO | He is a seasoned banking professional with over 2 decades of experience in Finance, Accounts, and Banking. He held key roles at ING Vysya Bank, ICICI Bank, and HDFC Bank before joining KVB in 2012. Over the years, he has managed SME to large corporate relationships and worked closely with the CFO in the Finance and Control Department. A Chartered Accountant, he holds IIBF's certificate in Resolution of Stressed Assets with a special emphasis on Insolvency & Bankruptcy Code for Bankers. |

Source: Company, BOBCAPS Research

## Key risks

- **Regional concentration & low visibility beyond South India:** More than 85% of branches were in South India with Tamil Nadu accounting for 55% of total branches, as of June 2025. This exposes the bank to regional concentration and vulnerable to any adverse changes in the local economic and political environment.

**Fig 59 – High geographical concentration (Q1FY26)**



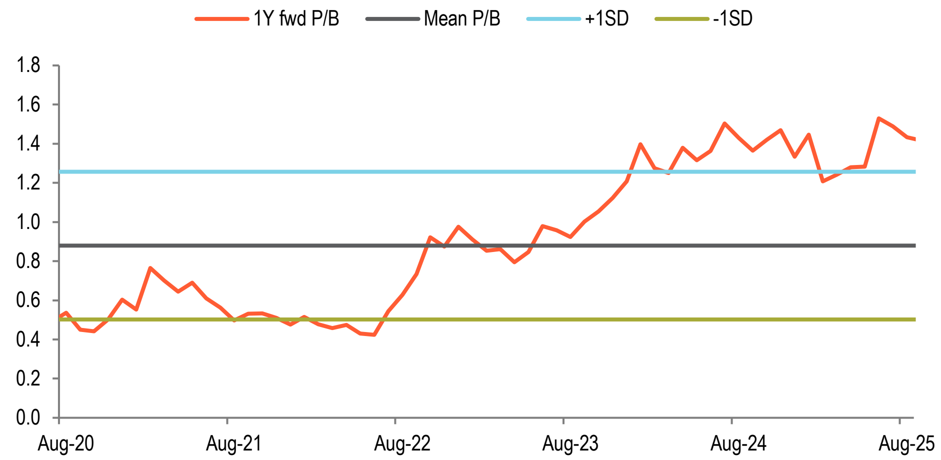

Source: Company, BOBCAPS Research

- **High share of jewel loans:** Jewel loans account for 27.7% of gross loans as of Jun'25. In case of any sharp correction in gold prices, it may lead to delinquency issues; however, it remains cushioned by comfortable LTV at present. Also, any regulatory changes pertaining to gold lending could impact the growth prospect of this segment.

## Valuation Methodology

KVB is currently trading at 1YF P/ABV of 1.4x. Adequate capital position (CET I of 16.3% as of Jun'25), higher than system credit growth, and pristine AQ resulted in consistent outperformance vs peers in terms of return profile. We expect the bank to deliver advances CAGR of ~15% over FY25-FY28E and report healthy return ratios with RoA/ RoE of 1.7%/ 16.2% by FY28E. We initiate coverage on KVB with a BUY and TP of Rs 251 (1.5x Jun'27E ABV) vs currently trading at 1.3x Jun'27E ABV.

**Fig 60 – KVB trades at 1YF P/ABV of 1.4x**




Source: Company, BOBCAPS Research

**Fig 61 – Key assumptions**

| Parameter | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Advances (Growth YoY %) | 16.7 | 14.0 | 14.3 | 14.8 | 14.9 |
| Net Interest Income (Growth YoY %) | 14.0 | 11.6 | 6.4 | 15.2 | 15.3 |
| PPoP (Growth YoY %) | 14.3 | 13.5 | 5.6 | 13.2 | 14.4 |
| PAT (Growth YoY %) | 45.1 | 21.0 | 5.6 | 15.9 | 16.2 |
| NIM (%) | 4.2 | 4.1 | 3.7 | 3.8 | 4.0 |
| GNPA (%) | 1.4 | 0.8 | 0.7 | 0.6 | 0.6 |
| CAR (%) | 16.7 | 18.2 | 18.7 | 18.8 | 19.0 |

Source: Company, BOBCAPS Research

**Fig 62 – Valuation summary**

| Gordon growth model | Assumptions |
|---|---|
| Cost of equity (%) | 11.5 |
| Blended ROE (%) | 13.7 |
| Initial high growth period (yrs) | 10.0 |
| Payout ratio of high-growth phase (%) | 15.0 |
| Long-term growth (%) | 3.4 |
| Long term dividend payout ratio (%) | 75.0 |
| Justified P/BV Multiple (x) | 1.5 |

Source: BOBCAPS Research

## Financials

**Income Statement**

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Net interest income** | **38,184** | **42,599** | **45,328** | **52,207** | **60,193** |
| NII growth (%) | 14.0 | 11.6 | 6.4 | 15.2 | 15.3 |
| Non-interest income | 16,495 | 18,296 | 20,009 | 21,713 | 23,566 |
| Total income | 54,679 | 60,895 | 65,337 | 73,920 | 83,759 |
| Operating expenses | 26,388 | 28,771 | 31,423 | 35,525 | 39,823 |
| PPOP | 28,291 | 32,123 | 33,914 | 38,395 | 43,937 |
| PPOP growth (%) | 14.3 | 13.5 | 5.6 | 13.2 | 14.4 |
| Provisions | 7,290 | 6,216 | 6,571 | 6,703 | 7,106 |
| PBT | 21,002 | 25,907 | 27,343 | 31,692 | 36,830 |
| Tax | 4,954 | 6,491 | 6,836 | 7,923 | 9,208 |
| **Reported net profit** | **16,048** | **19,416** | **20,507** | **23,769** | **27,623** |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **16,048** | **19,416** | **20,507** | **23,769** | **27,623** |

**Balance Sheet**

| Y/E 31 Mar (Rs mn) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Equity capital | 1,931 | 1,932 | 1,933 | 1,933 | 1,933 |
| Reserves & surplus | 98,470 | 1,17,363 | 1,35,409 | 1,56,326 | 1,80,634 |
| Net worth | 1,00,401 | 1,19,295 | 1,37,342 | 1,58,259 | 1,82,567 |
| Deposits | 8,91,127 | 10,20,780 | 11,65,731 | 13,37,093 | 15,36,320 |
| Borrowings | 24,784 | 12,170 | 14,239 | 15,663 | 17,385 |
| Other liab. & provisions | 38,221 | 41,429 | 37,896 | 28,784 | 19,912 |
| **Total liab. & equities** | **10,54,533** | **11,93,674** | **13,55,207** | **15,39,798** | **17,56,184** |
| Cash & bank balance | 56,586 | 78,067 | 85,274 | 92,604 | 1,03,443 |
| Investments | 2,23,435 | 2,38,313 | 2,69,976 | 3,02,661 | 3,41,509 |
| Advances | 7,36,675 | 8,40,045 | 9,60,172 | 11,02,277 | 12,66,517 |
| Fixed & Other assets | 37,837 | 37,249 | 39,786 | 42,256 | 44,716 |
| **Total assets** | **10,54,533** | **11,93,674** | **13,55,207** | **15,39,798** | **17,56,184** |
| Deposit growth (%) | 16.3 | 14.5 | 14.2 | 14.7 | 14.9 |
| Advances growth (%) | 16.7 | 14.0 | 14.3 | 14.8 | 14.9 |

**Per Share**

| Y/E 31 Mar (Rs) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| EPS | 16.6 | 20.1 | 21.2 | 24.6 | 28.6 |
| Dividend per share | 2.0 | 2.2 | 2.5 | 3.0 | 3.4 |
| Book value per share | 104.0 | 123.5 | 142.1 | 163.8 | 188.9 |

**Valuations Ratios**

| Y/E 31 Mar (x) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| P/E | 12.8 | 10.6 | 10.1 | 8.7 | 7.5 |
| P/BV | 2.1 | 1.7 | 1.5 | 1.3 | 1.1 |
| Dividend yield (%) | 0.9 | 1.0 | 1.2 | 1.4 | 1.6 |

**DuPont Analysis**

| Y/E 31 Mar (%) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Net interest income | 3.9 | 3.8 | 3.6 | 3.6 | 3.7 |
| Non-interest income | 1.7 | 1.6 | 1.6 | 1.5 | 1.4 |
| Operating expenses | 2.7 | 2.6 | 2.5 | 2.5 | 2.4 |
| Pre-provisioning profit | 2.9 | 2.9 | 2.7 | 2.7 | 2.7 |
| Provisions | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 |
| PBT | 2.1 | 2.3 | 2.1 | 2.2 | 2.2 |
| Tax | 0.5 | 0.6 | 0.5 | 0.5 | 0.6 |
| ROA | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 |
| Leverage (x) | 10.5 | 10.2 | 9.9 | 9.8 | 9.7 |
| ROE | 17.2 | 17.7 | 16.0 | 16.1 | 16.2 |

**Ratio Analysis**

| Y/E 31 Mar | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Net interest income | 14.0 | 11.6 | 6.4 | 15.2 | 15.3 |
| Pre-provisioning profit | 14.3 | 13.5 | 5.6 | 13.2 | 14.4 |
| EPS | 44.7 | 20.8 | 5.6 | 15.9 | 16.2 |
| **Profitability & Return ratios (%)** | | | | | |
| Net interest margin | 4.2 | 4.1 | 3.7 | 3.8 | 4.0 |
| Fees / Avg. assets | 22.0 | 21.5 | 22.3 | 22.9 | 23.5 |
| Cost-Income | 48.3 | 47.2 | 48.1 | 48.1 | 47.5 |
| ROE | 17.2 | 17.7 | 16.0 | 16.1 | 16.2 |
| ROA | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 |
| **Asset quality (%)** | | | | | |
| GNPA | 1.4 | 0.8 | 0.7 | 0.6 | 0.6 |
| NNPA | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 |
| Slippage ratio | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 |
| Credit cost | 1.1 | 0.8 | 0.7 | 0.7 | 0.6 |
| Provision coverage | 71.1 | 74.0 | 73.9 | 74.9 | 75.4 |
| **Ratios (%)** | | | | | |
| Credit-Deposit | 82.7 | 82.3 | 82.4 | 82.4 | 82.4 |
| Investment-Deposit | 25.1 | 23.3 | 23.2 | 22.6 | 22.2 |
| CAR | 16.7 | 18.2 | 18.7 | 18.8 | 19.0 |
| Tier-1 | 15.5 | 17.1 | 17.6 | 17.9 | 18.2 |

Source: Company, BOBCAPS Research

**NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.**

# Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

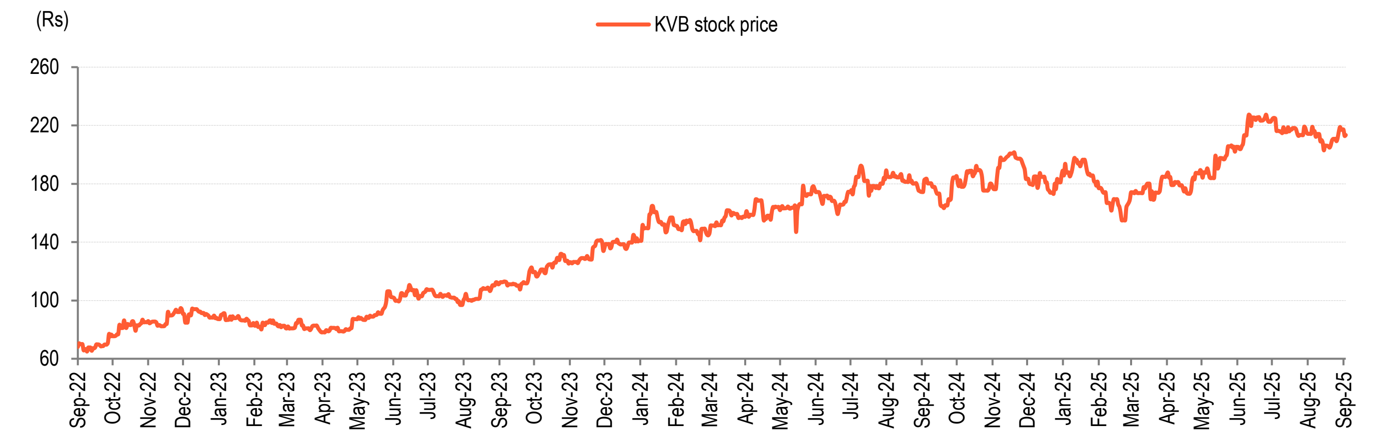
Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%
**HOLD** – Expected return from -6% to +15%
**SELL** – Expected return <-6%
**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): KARUR VYSYA BANK (KVB IN)**




B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

**Analyst certification**

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

**General disclaimers**

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS’s activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS’s clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

**Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

**Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

**Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) (“**MSL**”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as **“MAYBANK**”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

**No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

**Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.