

The Karur Vysya Bank Limited

December 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Fixed deposit	0.00	CARE AA; Stable	Reaffirmed
Fixed deposit	12,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the fixed deposit programme of The Karur Vysya Bank Limited (KVB) continues to factor in the bank's established track record of operations with stable resource profile and comfortable capitalisation levels supported by internal accruals. Ratings also favourably factor in the bank's diversified advances profile with a growing retail share and its comfortable liquidity profile. Ratings further factor in its healthy earnings profile and improvement in asset quality parameters of the bank supported by write-offs, recoveries, and adequate provisioning.

CARE Ratings Limited (CareEdge Ratings) takes note of the bank's stable resource profile with retail term deposits / total term deposits at ~73% as on March 31, 2025 (~80% as on March 31, 2024) and current account savings account (CASA) to total deposits ratio of 27.27% as on March 31, 2025 (PY: 30.39%).

However, ratings strengths are partially offset by moderate scale and regional concentration of advances. As on September 30, 2025, KVB operated across a network of 895 branches, and has a strong presence in South India, with Tamil Nadu comprising 41.80% of the portfolio.

Going forward, CareEdge Ratings expects some pressure on the bank's net interest margin (NIM) in line with the industry for FY26; due to faster transmission of the recent repo rate cuts in yield on advances than in cost of funds, which would impact profitability in FY26. Elevated stress in the unsecured loan segment and overleveraging by retail borrowers could affect the asset quality of Indian banks, including KVB, in the near-to-medium term.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant increase in scale of operations and geographical diversification of advances while maintaining stable asset quality and profitability.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Decline in capital adequacy ratio (CAR) with cushion over the minimum regulatory requirement falling below 3.5%.
- Decline in asset quality with net non-performing asset (NNPA) ratio above 3.0% on a sustained basis.
- Decline in profitability with return on total assets (ROTA) below 1% on a sustained basis.
- Decline in the ratio of retail term deposits to total term deposits on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the likely continuation of the steady growth in advances with comfortable capitalisation levels while maintaining healthy profitability levels.

Detailed description of key rating drivers:

Key strengths

Long operational track record

Established in 1916 in the town of Karur, Tamil Nadu, KVB is one of the established private sector banks. The bank has a proven track record of over 100 years with strong presence in south India, particularly in Tamil Nadu. As on September 30, 2025, KVB had a network comprising 895 branches and 2,225 ATMs and Cash Recyclers. The Board comprises 10 directors, including seven independent directors and three women directors. The Board of Directors of the bank is headed by Dr Meena Hemchandra (Non-

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Executive Independent [Part-time] Chairperson) and the bank operations are headed by B Ramesh Babu who is the Managing Director and Chief Executive Officer (MD and CEO) of the bank.

Comfortable capitalisation levels

The bank's capital adequacy has remained comfortable over 15% in the last five years, supported by internal accruals. The bank's capital adequacy ratio (CAR) and Tier-I CAR stood at 18.17% and 17.12%, respectively, as on March 31, 2025, compared to 16.67% and 15.46% as on March 31, 2024, which remains adequate over regulatory requirements. As on September 30, 2024, CAR and Tier-I CAR stood at 16.58% and 15.58%, respectively. CareEdge Ratings expects CAR levels to remain adequate for growth in the medium term supported by strong accruals and lower risk-weighted assets for certain asset classes.

Diversified advances profile

The bank has achieved significant progress in diversifying its loan portfolio with focus on commercial banking (exposure \leq ₹25 crore), retail and agriculture segments. Gross advances grew by 13.53% (year-on-year), supported by 20.80% growth in the commercial segment, followed by retail and agriculture with growth of 18.30% and 19.90%, respectively, and decline of 13.60% in the corporate segment. Share of the corporate segment has reduced gradually over the years and stood at ~14% as on March 31, 2025, while the commercial segment contributes 36.40% of the advances book, followed by retail and agriculture segments, which contribute ~24.70% and ~24.60%, respectively, as on March 31, 2025.

As on September 30, 2025, the gross advances (including credit substitutes) stood at ₹93,804 crore. The commercial banking segment comprised 35.40%, followed by retail and agriculture at ~25% and ~24%, respectively, while the corporate banking segment constituted to ~15% of the advances portfolio. Within retail, major segments included housing loans (constituting ~34.50% of retail), mortgage loans (30.86%) and jewel loans (19.98%). Other retail segments included vehicle loans, consumer credit, individual loans and education loans. CareEdge Ratings anticipates the growth momentum to continue with predominant focus on commercial and retail segments.

Healthy profitability levels

The bank has shown consistent improvement in profitability in the last five years ending March 31, 2025, and positive momentum continues in H1FY26. In FY25, net interest margin (NIM) [net interest income as a percentage of average total assets] reduced to 3.79% compared to 3.89% in FY24 due to increased cost of deposits. Non-interest income stood at 1.63% in FY25 compared to 1.69% in FY24. Operating expenses stood at 2.56% in FY25 compared to 2.70% in FY24. Pre-provisioning operating profit (PPOP) improved to ₹3,212 crore in FY25 compared to ₹2,829 crore in FY24.

With improved asset quality, credit cost improved to 0.55% in FY25 compared to 0.74% in FY24. The bank reported profit after tax (PAT) of ₹1,942 crore on total income of ₹11,508 crore in FY25 compared to ₹1,605 crore on total income of ₹9,863 crore in FY24, resulting in improvement in return on total assets (ROTA) from 1.64% in FY24 to 1.73% in FY25.

In H1FY26, the bank's NIM improved to 3.86% due to increased yield on advances driven by higher disbursements in retail, agriculture and micro, small, and medium enterprises (RAM) segment. Operating expenses reduced further to 2.43%. PPOP improved to ₹1,823 crore in H1FY26 compared to ₹1,562 crore in H1FY25. The bank reported PAT of ₹1,095 crore on total income of ₹6,336 crore in H1FY26 compared to PAT of ₹932 crore on total income of ₹5,529 crore in H1FY25. CareEdge Ratings expects some pressure on the bank's net interest margin (NIM) in line with the industry trend; due to faster transmission of the recent repo rate cuts in yield on advances than in cost of funds, which would impact profitability in FY26.

Improved asset quality parameters

Asset quality has witnessed sustained improvement over the years supported by lower slippages and write-offs. Gross non-performing assets (GNPA) and NNPA improved and stood at 0.76% and 0.20%, respectively, as on March 31, 2025, compared to 1.40% and 0.40% as on March 31, 2024. The bank's slippages improved to 0.65% in FY25 (FY refers to April 01 to March 31) compared to 0.79% in FY24. Asset quality continues to remain stable in H1FY26 with GNPA and NNPA standing at 0.76% and 0.19%, respectively, as on September 30, 2025. Provisioning coverage ratio including technical written-off accounts (PCR-TWO) remained stable at 96.81% as on March 31, 2025, and 96.76% as on September 30, 2025 compared to 94.85% as on March 31, 2024.

Outstanding standard restructured advances declined from ₹715 crore as on March 31, 2024 (0.96% of gross advances) to ₹537 crore as on March 31, 2025 (0.64% of gross advances), and further to ₹468 crore as on September 30, 2025 (0.50% of gross advances). The bank's gross stressed assets (GNPA + standard restructured advances + security receipts) as a percentage of gross advances (including credit substitutes) improved from 2.87% as on March 31, 2024, to 1.69% as on March 31, 2025, and

further to 1.57% as on September 30, 2025. Slippage ratio has improved over the years from 0.90% in FY23 to 0.78% in FY24 to 0.65% in FY25 to 0.87% in H1FY26.

Considering the moderation in slippage ratio and adequate PCR, CareEdge Ratings anticipates the bank's asset quality to remain stable in the medium term.

Stable resource profile

The bank's resource profile primarily comprises deposits, which accounted for 86.54% of total liabilities as on March 31, 2025. Reliance on external borrowings is limited to borrowings from Reserve Bank of India (RBI) and other financial institutions.

Total deposits grew by 14.50% in FY25 and stood at ₹102,078 crore as on March 31, 2025, compared to ₹89,113 crore as on March 31, 2024. In H1FY26, deposits grew by 15.30% and stood at ₹1,10,492 crore as on September 30, 2025. The bank has a granular deposit profile, with retail term deposits comprising 72.60% of total term deposits as on March 31, 2025 and 72.70% as on September 30, 2025. The proportion of low-cost current account savings account (CASA) deposits moderated to 27.27% as on March 31, 2025, compared to 30.39% as on March 31, 2024 and 27.65% as on September 30, 2025.

However, CareEdge Ratings notes that CASA in absolute terms has remained stable, and term deposits (including certificate of deposits) have grown by 19.70% in FY25. The bank's credit-deposit (CD) (Net advances/total deposits) ratio stood at 82.29% as on March 31, 2025, compared to 82.67% as on March 31, 2024, and stood at 83.43% as on September 30, 2025.

Key weakness

Moderate scale and regional concentration of operations

KVB is one of the medium-sized banks in India with deposits of ₹110,492 crore and gross advances of ₹92,724 crore as on September 30, 2025. The bank's total business stood at ₹203,216 crore as on September 30, 2025. The bank's operations are mainly concentrated in south India, especially in Tamil Nadu. As on March 31, 2025, Tamil Nadu accounted for 42.80% of the total advances (41.82% as on September 30, 2025), whereas south India accounted for 76.74% of the advances (75.84% as on September 30, 2025). The bank has its presence in 22 states across 895 branches as on September 30, 2025. CareEdge Ratings expects advances to remain concentrated in the medium term.

Liquidity: Adequate

Per the bank's structural liquidity statement as on September 30, 2025, the bank had no negative cumulative mismatches up to one year. KVB's liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remained comfortable at 134.66% and 136.62%, respectively, as on September 30, 2025, against minimum regulatory requirement of 100%. In addition, the bank consistently maintains excess statutory liquidity ratio (SLR) investments, which provide a cushion to its liquidity profile. KVB had excess SLR investments of ₹5,708.97 crore as on September 30, 2025, aggregating 5.22% of net demand term liabilities (NDTL). The bank has access to systemic liquidity by way of RBI's LAF and MSF schemes.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks

While KVB's business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect KVB's regulatory compliance and reputation and hence remain a key monitorable.

KVB's Board comprises 10 Directors, with seven Independent Directors and also includes three female Directors.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Bank](#)

[Financial Ratios – Financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Private sector bank

Established in 1916 in Karur, Tamil Nadu, KVB has strong presence in south India, particularly Tamil Nadu. As on September 30, 2025, the bank has network of 895 branches and 2,225 ATMs and cash recyclers spread across the country. The bank's total business stood at ₹203,216 crore as on September 30, 2025, with deposits of ₹110,492 crore and gross advances of ₹92,724 crore.

Standalone Financials:

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	September 30, 2025 (UA)
Total income	9,863	11,508	6,336
PAT	1,605	1,942	1,095
Total assets	105,585	119,367	130,099
Net interest margin (%)	3.89	3.79	3.86
Gross NPA (%)	1.40	0.76	0.76
Net NPA (%)	0.40	0.20	0.19
Capital adequacy ratio (%)	16.67	18.17	16.58

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fixed Deposit	-	-	-	-	12000.00	CARE A1+
Fixed Deposit	-	-	-	-	0.00	CARE AA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fixed Deposit	ST	12000.00	CARE A1+	-	1)CARE A1+ (04-Nov-24)	-	-
2	Fixed Deposit	LT	0.00	CARE AA; Stable	-	1)CARE AA; Stable (04-Nov-24)	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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