

July 17, 2024

The Karur Vysya Bank Limited: Rating withdrawn for Basel III Tier II bonds

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II bonds	1,200.00	-	[ICRA]AA- (Stable); withdrawn
Certificates of deposit (CD)	3,000.00	3,000.00	[ICRA]A1+; outstanding
Total	4,200.00	3,000.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has withdrawn the rating assigned to the Basel III Tier II bonds programme of The Karur Vysya Bank (KVB) at the bank's request as no amount is outstanding against these instruments. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

ICRA does not have information to suggest that the credit risk has changed since the time the rating was last reviewed. The key rating drivers, key financial indicators, liquidity position, and rating sensitivities have not been captured. The previous detailed rating rationale is available at the following link: [Click here.](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology – Banks and Financial Institutions Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1916 by the local trader community, The Karur Vysya Bank (KVB) is one of the oldest private sector banks in the country. Based in South India, it was formed to provide financial support to traders and agriculturists in and around Karur, Tamil Nadu. As on March 31, 2024, it had a network of 838 branches with South India constituting more than 80% of the total branches. The bank's net advances stood at Rs. 73,667 crore as of March 31, 2024, with a presence in the corporate, commercial, retail and agriculture segments.

In FY2018, the bank embarked on a business model transformation to centralise its credit functions. In FY2020, it took a strategic initiative, KVB Neo, to enable business growth by leveraging technology and partnering with fintech companies. KVB reported a net profit of Rs. 1,605 crore in FY2024 on an asset base of Rs. 1,05,585 crore compared to Rs. 1,106 crore and Rs. 90,239 crore, respectively, in FY2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
			Jul 17, 2024	Nov 27, 2023	Nov 30, 2022	Jan 3, 2022	
1 Basel III Tier II bonds	Long term	-^	[ICRA]AA- (Stable); withdrawn	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	
2 Certificates of deposit (CD)	Short term	3,000.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

^Rating withdrawn on Rs. 1,200-crore Tier II bonds

Complexity level of the rated instruments

Instrument	Complexity Indicator
Basel III Tier II bonds	Highly Complex
Certificates of deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon/Interest Rate (%)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE036D08015	Basel III Tier II bonds	Mar 12, 2019	11.95%	Jun 12, 2029*	487.00	[ICRA]AA- (Stable); withdrawn
Unplaced	Basel III Tier II bonds	NA	NA	NA	713.00	[ICRA]AA- (Stable); withdrawn
Unplaced	Certificates of deposit [^]	NA	NA	7-365 days	3,000.00	[ICRA]A1+

Source: KVB; [^]CD outstanding as on July 8, 2024, was Nil; *Call option exercised and bonds redeemed on March 12, 2024

Annexure II: List of entities considered for consolidated analysis – Not applicable

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