



**“Jammu & Kashmir Bank Limited
Conference Call”**

July 11, 2023



**MANAGEMENT: MR. BALDEV PRAKASH – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – JAMMU & KASHMIR
BANK LIMITED**

ALONG WITH THE MANAGEMENT TEAM

**MODERATOR: MR. MILAN WADKAR -NUVAMA PROFESSIONAL
CLIENTS GROUP**



*J&K Bank
July 11, 2023*

Moderator:

So very good evening to everyone , you know, like to welcome all our clients to this virtual meeting with the management of Jammu and Kashmir Bank. The management is represented by Mr Baldev Prakash, MD and CEO, Mr Pratik, Punjabi CFO, Mr Ashutosh Sareen, Credit Head, Mr Shujaat Andrabi, Impaired Asset management head Mr Rakesh, call Treasury Head and Mr Altaf Kira Chief risk officer. So I'll just hand over to the management for a few opening remarks, following which we'll open the floor for a questions and answer session. **Over to you Sir.**

Baldev Prakash:

Thank you so much and welcome to all friends on the video call and my colleagues from corporate office Shinagawa, uh. BOARD ROOM ZO MUMBAI Thank you so much and welcome to all friends on the video call and my colleagues from corporate office Shinagawa, uh.

I would like to take you back to our guidance in the month of.

Go to 15% and name of 3.75% in the range of 3.75 to 3.9 Casa ratio from 55% cost to income ratio of 60%.

Return on assets 90 percent .90% Roe of 14 to 15% gross and PF 4 1/2% and net NPA of 1 1/2%.

So as of now, after completion of first quarter we it looks like that we are in line with our credit growth guidance.

Uh, we should be able to meet the guidance as far as deposit growth is concerned.

We have given a guidance of a 10% growth this quarter.

The IT has around 6 1/2% of.

Only way you Y basis this will be little little challenge, but we should be able to make up because generally in the third quarter onwards the economy and and the other things they yeah open up further improve and obviously that will support the mobilization of deposit also lending resources.

The bank has significant amount invested in short term investments like CD, S and Treasury bills and in the in addition to that, we had consistently made made investments in short term debt instruments mostly G6 during the low interest rate regime of the last two to two to three years which are getting redeemed now.

Thus, adequate supply of resources is available for the bank for funding the credit needs credit growth without much reliance on high cost bulk deposits.

Prints on the asset quality.

The trend in asset quality continues to be encouraging.

Last year we had faced elevated slippages mostly because of our.

Technological issues because the system was getting upgraded to Pinnacle 10, those now all the issues have been settled and from December onwards you will find that the slip is hardly any slippages are there and we are well on course to achieve the asset quality as per our guidance both for growth as well as net NPA.

NIM went to the release of non remunerative resources from recovery of non performing assets which will be getting employed in as earning assets and reinvestment of maturing lower yielding investment at better yields.

Telly, ensure that we maintain the healthy names going forward on the capital front, we had, we had a given a target of 15% capital adequacy ratio during the last year, which we achieved despite not reckoning the amount mobilized through ESPS of this year.

We are looking at a capital adequacy ratio of about 16%.

Major accretions shall be from internal approvals and any decision on fresh includes infusion by the board will be informed to all of you to the market as it is taken friends, we have ambitious plans for expansion also, particularly in the rest of the country areas.

So we are looking to expand our footprints.

Ohh and and active very strategic places.

The rest of country business model is being supported, supported with foregoing tires and Co lending opportunities, establishing direct selling agents and marketing setups, empanelment with the institutions and public sector undertakings, improving our capabilities in credit appraisal and underwriting and establishment of centralized processing centers.

So with these few words, I will conclude here and I welcome you for your questions.

Thank you.

Moderator:

Thank you, Sir.

We request the participants who wish to ask the question can raise their hands now or put the questions on the chat window.

The first question is from Sukriti. Please go ahead.

Sukriti: Well, my name is sukriti.I'm from Laburnum Capital, so I have a few questions for you.Firstly, so once the sort of credit deposit ratio normalizes, all the frontline banks are at 8590% and when GNP GDP comes down to target levels, what do you think are steady state names would look like?

Baldev Prakash: So so group please.You very much.So we have a credit deposit ratio of less than 70% as of now and yeah, so this is headroom is available for us to grow further.

Sukriti: Yeah.

Baldev Prakash: As far as create is concerned, then we are also I mean freeing our resources from the investment book also.So from that point of view, this year we should be looking for aggressive credit card.That's why this 15% of the target which we have taken should be able to we should be able to achieve that.The second question was relating to what's security. Sorry, named NIM.Yeah.So NIM NIM is basically I think it's we are driving it from our traditional strength of Casa still we are holding the Casa ratio of more than 53% and most of the resources, I mean the liabilities we are coming from our core territory that is Jank and Ladakh and which is holding up. So now who's on the see last year also and this year also the economy of our whole home territory, both economies are doing very well. Rather, this year it is likely to improve it further.

The the inflow of tourists is expected to be at a record level this year, so given that the economy, overall economy of the area is improving, so obviously that will also be supporting the bank deposits also.

So from that point of view, we are expected to maintain a Casa ratio, which is quite healthy and besides that the expansion plan which I covered during my opening remarks, particularly in the rest of country, that will also be supporting our, I mean liabilities franchise.

So from that point, from the front we we feel that the guidance which you have given of NIM, we should be able to maintain that despite there's a competition of deposits.

Sukriti: Sorry, so the question was really if there will be an upside to the Nims current Nims because of the credit deposit increasing from 70%. And once your GNP comes down to the 4 1/2%, so your interest earning advances improve.

Umm have it?

Is there an upside to Nims because of these two specific reasons?

Baldev Prakash: Yes, of course.Both one is that the recovery in NBS obviously will be supporting the name because that will be improving the revenue stream of the bank and yes, the the credit which is I mean when the credit growth happens, the interest income will obviously improve and that will be supporting the name definitely.

Sukriti: OK.

And so for the rest of India business, I just want to understand this.

My impression was that for rest of India the growth will be in, umm, sort of high highly rated Tripoli corporates or PSU.

But it just seemed from your opening comments that you are also looking to grow in retail in outside GNK.

So which areas in retail are you?

Are you looking to expand?

Baldev Prakash:

Yeah.

So Sukriti last year we we as far as rest of country is concerned, last year if you see our book has grown mainly in the high rated corporates as well as the maharatnas and this the government corporate corporations that strategy has paid up well.

That's why we were able to improve the share of rest of India business in our overall loan book that will continue this year.

Also, besides that, we are expecting, yeah, we are.

I mean trying to get the retail business, particularly the home loan segment, because for that we have done a lot of homework and from I mean from the safety point of view also I think our teams marketing teams are now confident of doing this business.

Uh.

In in the rest of country, so both these besides these two as assets liabilities also will be the focus in rest of India this year.

Sukriti:

Do you have a target number for taking up the rest of India book??

Baldev Prakash:
34%.

Already we are 32% now So this year we are expecting to take it to

Sukriti:

Got it.

And so my last question is on the OpEx front.

I think you had given a this year guidance of 60, which itself is a a big jump down and over the medium term taking it down to 55 sort of percent.

What are the levers in place that could help us achieve this OpEx?

Because see the the question is coming from a place that deposits retail deposits are getting tougher and it is likely that we'll have to look at sort of the rest of India market for retail deposits.

0 know, now looking at expanding the retail outside JNK.

So all of this will come at some sort of incremental investments.

Umm, So what are the counter levers to bring down the cost to income to ultimately the 55% you had said?

Baldev Prakash:

Yeah.

So actually this year we are looking to be around 60% and for that I'll just narrate the steps which we have taken already.

One is that the for improving the income cross selling income, the new types have been made with two three major players, that is that will be supporting.

The other thing will be that the government income Government Commission income that lot of transactions are being now migrated to the digital and the numbers are expected to grow up.

So that is one and this technical write of accounts with a laugh last year also it has happened, but this year also we are we have a little ambitious target.

So that entirely all the money which will be recovering will be sorry just a moment.

So technical write off accounts will be supporting our bottom line.

And besides that, if you see last year our income, our this thing and the costs, the operating costs have remained almost flat.

So despite the fact that we have provided for the staff this thing and stuff, the salary which is expected to, I mean the I be a package is implemented from November 2022 onwards.

So despite the that also our all the costs remained almost the flat. So based on these strategies, I think we should be able to definitely keep it around 60 to 65 that we as per our guidance maybe going forward we will be able to reach 255%.

Sukriti:

Thought it got it.Thank you so much.

Baldev Prakash: Thank you.

Moderator: Thank you. The next question is from Ankit. Please go ahead.

Ankit: Hi, good evening Sir. This is Ankit from Oculus Capital. Night on the technology side that we have done so far and this is one thing, the other question would be, but what gives us the confidence of reaching a 4.5% gross empty in the coming year as in though we are not there in terms of the first hotel numbers, what gives us the confidence of 4.5% loss in period, OK, coming finished two things here.

Baldev Prakash: Umm, yeah. Yeah.
So I'll take up both the questions.

So first is technology.

The basic thing has been fixed as far as technology is concerned. Last year a our the platform of core banking was physical 7.

Now we are already successfully done it and we are working on financial 10 now.

Now the things he required the connectivity API connectivities for serving to our customers digitally.

That part is now going on.

Besides that, we have engaged with the reputed company with with the reputed IT company service provider and our loan management system, and the CPC's will be in place during this year.

That is the process which is going on now.

So from technology point of view, if you see that bank will be at least at PAR with all banks, the best banks in the country by end of this year, by March 2024, we'll find that the JK Bank will be one of the best.

I mean digitally enabled bank.

Ankit: So that is one as far as GNPA confidence is concerned.

That any.

I'm sorry, Sir.

Any expert that we have hired or this is internally accommodation or how is it they can shape?

I f you can just throw some light on that, Sir.

Baldev Prakash:

Pardon.

Can you?

Can you repeat Ankit?

Ankit:

Any external experts that we have hired or it is through internal setup or any new management team which has joined us for technological upgrade?

What has been there in terms of because there's a sea change in in technology that we're talking about right now?

Baldev Prakash:

Two no.

Yes, yes, yes.

So we have a hired the the, the, the the service provider you we call it new Gen name is new Gen Newsen Technologies Limited.

So they have already provided the technological solutions for various things.

So we are working with them, so those solutions will be coming up another already started coming up, maybe another 3-4, five months.

You'll see a lot of new initiatives on the digital fronts.

As far as the NP is concerned.

We ended up at 6.04% in the month of March.

Today we are less than 5.8% uh.

I think around 5.75% or somewhere in that range and we will be ending up definitely at 4 1/2% as per our guidance.

The there are few steps which we have taken on this front.

One is that now there's no delay as far as recovery actions are concerned.

So those actions are being taken at all levels and then there are specialized teams have been formed for insuring, yeah, the recovery is happening in MSA, in SMB's as well as in agriculture also.

And the retail also so from all from all angles, I think we we are very confident that four points half percent should be possible even we can do better than that.

Ankit: So any light UPS that we incorporating in this program aspect for 4.5%?

Baldev Prakash: No. Write off has not. That will be over and above this.

Ankit: That would be over and above that and.

JK Bank Board Room CHQ So can I add something here Sir?

Baldev Prakash: Yes, yes, you share.

JK Bank Board Room CHQ So actually, uh yeah.

Like Mr Ankit was asking about, have we hired any services of any consultant regarding this technology upgrade and other things.

Ankit, you must be aware that the bank had previously engaged.

Deloitte Haskins for this purpose.

And they had given the complete project report.

They had given presentations to the bank.

They had done the holistic or they had taken a holistic overview of the total IT infra of the bank.

So they have given their the recommendations to the Board of directors to the bank management, etcetera.

So all these things actually had already been deliberated upon and decided upon, but then the some untoward incidents happened.

So that was shell.

So actually this is a part.

This is actually taking that forward.

The recommendations of delight and the people who were working with those projects at that time when the transformation project with the BPR projects, actually they have now been engaged for this like this B PR.

And this technological upgrade to the logical conclusion, because we had already had the recommendations of Deloitte on this all of these.

Baldev Prakash: Yes.

Ankit So when was this, if I may ask?

Baldev Prakash: Yes, yes.

Ankit When was it delayed? Recommendation give been given and.

JK Bank Board Room CHQ It was in 2019. 20 present 19 it was there to go in 2019.

Ankit OK. So anything that we have in Himachal Pradesh in terms of exposure.

JK Bank Board Room CHQ Pardon. You want to?

Baldev Prakash: Yes. He might talk with this, no?

Ankit It's. Recent floods happening?

Baldev Prakash: Really limited. Where in Himachal, Himachal, we have only few branches at Mandy and no Himachal.

Ankit Yes.

Baldev Prakash: We have branches, but mainly focus on retail, no corporate business, very limited exposure.

Ankit But in terms of the exposure in terms of percentage, can we have some information through, can you throw some light on there Sir, 100?

Baldev Prakash: You might tell me. You, you, Michael, I, I I don't think any any much exposure is there. We have very limited presence in Himachal, Shimla, similar and Manali and Kulu. I think major branches are in these centers only and those branches are focused on retail.

JK Bank Board Room CHQ I that I'm sharing silences Wendy two.

Baldev Prakash: Yes, 5 branches are there.

JK Bank Board Room CHQ Yes, yes.

Ankit OK, we've got this five branches.

Baldev Prakash: If you have any specific if, if you want to ask any specific, I mean account that we can discuss maybe offline.

Ankit OK, no, not OK, OK.

Baldev Prakash: This is about floods.Uh floods, sugar.Quick concern here.

Ankit OK.
So that's it from my side.
Thank you.
Thank you, Sir.

Baldev Prakash: Thank you, Ankit.

Moderator: Thank you. The next question is from Yash. Please go ahead, Sir.

Yash (Guest) Hello.

Hi, thanks for the opportunity.
So you kind of come on television and publicly guided for 4000 crores of profit in four years. Uh.

Baldev Prakash: Five years.

Yash (Guest) In five years, Sir actually wanted to understand.

Uh, what are the key assumptions that you are underwriting and it looks like a steep jump from the current profitability levels?

Baldev Prakash: Yeah.

So yes, if you see this year 1200 crores of profit is itself is a historical high and actually we were not expecting but it has we we had the confidence we will deliver it and the similarly given the the strength of the bank and the area where we are operating our core area, you see the phenomenal amount of growth in that area.

They and can Ladakh and overall supporting the economy of the state and obviously the bank.
So that is one I mean confidence, which we are getting another is that the the plans which we have growing in rest of India, rest of country, the branch is those will also be supporting in the another one year two

years time and the third is that now the bank is the technologically quite advanced bank from this year itself.

So from the cost to serve or the cost of acquisition of customer will come down and the the the already with the the accounts which are already NPA or the accounts which are already in technical right of accounts.

So that money we are recovering, we have already demonstrated it last year.

So that money will come in again, obviously impact positively our profitability.

So all these factors together, plus the increased motivational level of the staff, I'm sure we will be able to achieve the level which we have given 4000 crore in five years by 2028.

Yash (Guest) And and so this basically underwrites anywhere between 20 to probably 25% return on equity. Would that?

Is that something that you are also looking at and what would drive this high ROE you're not business?

Baldev Prakash: So are we. We are already at 15% now. Correct. You're already at 15%, but the without without any significant one offs. Yes.

Yash (Guest) Uh, if one were to use the current base of around 9000 crores of equity and user 20, this the the number that you are implying suggest at 22 odd percent return on equity over the next four years to kind of to kind of get to this level.

Baldev Prakash: Yes. Yes.

Yash (Guest) So just want to understand what are the drivers for improvement in ROE and how sustainable are these drivers?

Baldev Prakash: Yeah, I mean this will be supported by the revenue overall revenue streams, particularly the the money which is which is being, I mean a right back of provisions. So that will be the major thing which we are expecting because the last year also this has supported us and this year also I'm sure that this ROE this will be supporting uh, the overall I mean ROA, ROA and as well as ROE.

Yash (Guest) Understood.

JK Bank Board Room CHQ Sir, with your permission, if I may add a few things here, just to give that answer though, the one word answer to the question is how we will achieve this is through the leverage now 9000 crores of equity will not remain 9000 forever.

Baldev Prakash: Yes, yes.

- Jai (Guest)** The fundamentals of. The device.
- JK Bank Board Room CHQ Now if you see what was the position in FY20 22, the total business of the bank was 1,92,000 crores.
- Jai (Guest)** Yeah.
- JK Bank Board Room CHQ What happened in FY20?
- 23 The total business of the bank went up to more than two, like 12,000 Crores now just between that shift, the profit more than doubled.
- Now, what is what?
- Now what happens is that we have already announced that we will be targeting close to four lakh crore rupees of business in the next, you know five period.
- Jai (Guest)** I don't know.
- JK Bank Board Room CHQ So if you take the starting point also as FY23 and I'm so much restraint right now because I will just two weeks away from my results.
- Jai (Guest)** Two, it's not. Yeah. Yeah, they are. They the sandwich in three. Or.
- JK Bank Board Room CHQ Sorry, there's there was a lot of background noise, so I had to stop.
- Baldev Prakash:** Yes, but think, yeah, yeah, you complete the point.
- JK Bank Board Room CHQ Yeah, so, so we just two or weeks away from our you know quarterly results.
- You will observe that we are already on the trajectory of our targeted growth, our targeted profit.
- There are plans that the management is working on to improve upon the capital base to improve upon the leverage, but obviously these plans are required to be approved by the board and only then we can talk about it later.
- So a perspective or a time frame of about 5 periods, it is a simple mathematical ohh calculation that will tell you that 4000 crore is not too difficult for us.
- Yash (Guest)** Understood. I'll come back in the queue.

- JK Bank Board Room CHQ I will.
- Yash (Guest) Thank you.
- Baldev Prakash:** Thank you. Yes.
- Moderator:** Thank you. Our next question is from Asha Raval. The question is most of the NPR from manufacturing real estate and infra sector as in March So what kind of recovery we can expect from these sector in FY24?
- Baldev Prakash** Yeah So there can you respond to this?
- JK Bank Board Room CHQ So. So yes, Sir. Sir, we are targeting all the all the.
- Baldev Prakash** This is our head of head of MSME, our NPA vertical. Yeah.
- JK Bank Board Room CHQ Computer assets impaired assets that the company has been forthcoming from all the sectors as we have seen witnessed in the last financial year.
- So big small ticket size loans, all sectors across all geographies, but mostly in the rest of India because the big ticket size and and peas are there.
- So this year also we are targeting the whole of Kashmir division. We have 5 zones here, so we are targeting each and every account small big account.
- So we are expecting a turn around in Kashmir division as well as the rest of India.
- I got this will continue and it will be across all the sectors, whether it's infrastructure, whether it's real estate, whether it is MSME, whether it is any other sectors.
- Baldev Prakash** So I mean as per as OP, the actions are already on for all type of accounts including the bigger one and the results of those actions we have already seen and demonstrated last year and this year also we are **expected to get the recoveries in these accounts. Sure.**
- Moderator** Sir, thank you.The next question is from Video Agarwal.What percentage of your loan origin is from purely online, and what is it currently and where do you see this going in the next 2-3 years?
- Baldev Prakash** Yes. Or how much is our SP around 30,000 crore Ashutosh?
- JK Bank Board Room CHQ Really.
- Baldev Prakash** Can you just help me?

JK Bank Board Room CHQ Yes. Uh, yes, Sir. Sir, I will answer you

Baldev Prakash So around 30, around 30% is through SP now, correct?

JK Bank Board Room CHQ Yes, Sir. Sir, presently we are offering online loans to only to our MOU clients which are government employees. We have entered a umm you with the government of Jammu and Kashmir and Gomat of Ladakh also so their employees. They are offered online loans on the we have developed.

Baldev Prakash What is the loan book?

JK Bank Board Room CHQ The loan book is loan book is loan book is around.

Baldev Prakash What? What is the loan book size of both?

JK Bank Board Room CHQ Including personal loans and other loans which are given to the employees, it's around 30,000, Sir.

Baldev Prakash So out of 92,030 thousand crore is now offered through STP within 1015 seconds.

JK Bank Board Room CHQ Yes, yes, Sir.

Baldev Prakash So roughly 30% loans are now done online.

Moderator: Share, Sir.Thank you.Our next question is from Mr Ashish.Please go ahead, Sir.

Ashish Goel Good evening, Sir.Uh, we you know, your bank has been doing exceptionally well and we've been seeing the benefits of, you know, the Jammu and Kashmir economy doing well in terms of.

Baldev Prakash What do you mean please?

Ashish Goel To talk firstly, can you hear me?

Baldev Prakash I see. In between, we lost your voice.

JK Bank Board Room CHQ Yes.

Baldev Prakash But now we are able to hear you.

Ashish Goel OK, OK.So my question is that you know what was the kind of recovery or write backs that you had last year and how do you see it going forward?So plus, once the you know how long, what is the kind of pool which you have where you expect to write back to come from the what like notional kind of amount?

Baldev Prakash Yeah.Yeah.So last year amount of recovery out of the old accounts?

- JK Bank Board Room CHQ It was around 1500.
- Baldev Prakash** Was around 7:17 or 1600 crores some somewhere.
- JK Bank Board Room CHQ Yes, yes.
- Baldev Prakash** And out of that, the profitability got impacted positively by around 400 crores, 350 to 400 crores.
- JK Bank Board Room CHQ This.
- Baldev Prakash** And this year also given the size of loan book, we are having similar amount of recovery. We are expecting around 1500 crore. We are expecting the recovery out of that loan book and the PNL will be impacted positively to around 350 to 400 crores this year also.
- Ashish Goel OK. And you know, after this year, is that similar kind of thing going to continue for the next year or then it starts tapering off?
- Baldev Prakash** May not be, may not be in that range, but definitely one thousand 1200 crores should be expecting next year also because we have this loan book size of around 5000 crore which will be happening over a period of time.
- Ashish Goel OK. OK. So then once this, you know kind of ohh benefit dies out a little or kind of is fully utilized then what is the next growth engine that you see to counter the reduction of this income?
- Baldev Prakash** So this income? Yeah. So this 350 to 400 crore over a period of time, it will reduce to say 200 crores or 150 crores or 100 crores. So obviously in the mean time, our overall loan book size will also go up. So net interest income will further increase. Ohh, over a period of time. Say after three 4-5 years, I think our other income or other income streams will be making up this whatever amount is there.
- Ashish Goel OK and. Just just one SEC. That's not artica. The other question I had was that you know your uh, it was pointed out that your deposit growth is going slightly slower because obviously you know your rates are very, very the rate at which you are generating funds is I think 3.8% if I'm not wrong, that was a blended rate which is much which is very, very low.
- Baldev Prakash** Yes.
- Ashish Goel Now if that is, you know at that rate, do you foresee Casa growing in line with the growth in the deposits or you will have to delve elsewhere as well?

- Baldev Prakash** Yes. So I think, yeah, I think some, some pressure will be there on deposit growth. It looks like from the competition which is growing, but the strength of bank our bank is that the Casa is coming from a territory which is actually predominantly. I mean, we have a presence of our bank only. So we are quite confident that the that that. Strength will continue. Besides that, whatever in particular in the cities, Kashmir city, maybe Srinagar and Jammu? Some computation which we are expecting that we will be making up by our rest of India deposit push.
- Ashish Goel** OK.
- Baldev Prakash** I hope I was able to.
- Ashish Goel** And lastly, you know this whole, yeah, I I can understand that. You know, at current levels there would be some bit of pressure So maybe if you grow faster than some impact will be there on the ends, but you're trying to manage optimize the two in terms of growth means the final bit is that you know the employee cost as a percentage being higher than industry.
- Baldev Prakash** Yes, yes, yes. Yes, yes.
- Ashish Goel** My calculation.
- Baldev Prakash** So so two things will be there Ashish. One will be to improve the income streams which we have already narrated We will be doing it and we have done it last year also and this year. Ohh we have I mean implemented the performance management system in the bank. That means actually 2.Components were there in the employees, one was the variable pay because variable pay was given to almost everybody who joined the bank before 2018. So that one that the retirements are also happening that that will be easing out our cost #1 #2 the performance management system will ensure that only the rightful people will get the variable pay.This will be happening this year onwards and the besides that income schemes will also be improved.
- Ashish Goel** Thank you, Sir.I'll get back in the queue here.
- Baldev Prakash** Thank you
- Moderator** Thank you. Our next question is from Ankit Bable. Please go ahead.
- Ankit Babel** Yeah. Good evening, Sir. So my first question is, is a can you please explain me the calculation behind this 15% Roe given the fact that your ROA would be at .9%?
- Baldev Prakash** Good.

- Ankit Babel** So are you going to leverage your balance sheet by like 1516 times or how this mathematics will go?
- Baldev Prakash** Yeah.Can I can I request our CFO to please respond, Mr Partik.
- JK Bank Board Room CHQ Yes, Sir. Yes, Sir.So, uh, so, uh, good evening. And uh, appreciate your question, but the balance sheet is already leveraged 1516 times the network of the bank is close to 8000 crores and the balance sheet size as in the reverse March 23 was 1,45,000 crores. So we already there. So these numbers are the real numbers.
- Ankit Babel** OK. So you believe that this will continue, I mean, you're going to leverage, keep the balance sheet leverage to that extent?
- JK Bank Board Room CHQ Yes, exactly like every other bank. We are required to do an internal capital adequacy assessment, which is I care and also like any other bank, they require to submit our four to five year growth plans to Reserve Bank of India. So based on that, we have a clear site of line that how much capital we will be raising in over next four to five years and what is the envisaged growth in the balance sheet. So we continue to maintain that balance. Where in we give returns to our shareholders. Through this kind of return on equity, and thereby we are able to resume, in fact, that is why this year we try to take this decision of declaring even that dividend or other proposing a dividend rather this is obviously subject to the approval at the AGM. But these are the positive steps that we have taken.
- Ankit Babel** OK, Sir, I'm pretty new to the.
- JK Bank Board Room CHQ OK.
- Ankit Babel** Company as an analyst. So I just wanted to know the broad breakup of your loan book. I mean, is it retail side, it is more corporate side and the growth which you are envisaging of 15% plus CAGR. So with segment will be the growth driver for the bank in the coming 2-3 years.
- Baldev Prakash** Yes, I suppose.
- JK Bank Board Room CHQ Yeah.
- Baldev Prakash** Can you come in please?
- JK Bank Board Room CHQ Yes, Sir. Set up as of 31st of March, the gross loan book of the bank was around 85,000 crores and if we break up the the different components of the the loan book. So the corporate loan book is around. 31% so that translates into roughly 27,028 thousand out crores and the rest all is. And rest all is retail.So and continuing with the.
- Baldev Prakash** No, just, just, just a moment. Just a moment, just a moment. Corporate book is around 28,000 crore then personal loan segment which consists

of the employees of Government of J&K and Ladakh is around 30,000 crore. Then we have around 10,000 crore which is agriculture.

JK Bank Board Room CHQ Yes, Sir. Yes.

Baldev Prakash Yeah. So the rest around 10 to 12,000 is MSN Ms you know.

JK Bank Board Room CHQ And among MSM is yes, Sir. Yes, Sir. So and the guidance which we have given is we will be now growing mostly in retail in the territory of Jammu and Kashmir and indeed there outside territory that is rest of India which which we call the corporate loan book will be focused as it is as was the case with in the last year on the AAA rated highly rated corporates besides PSU which are never returns and marathons and besides that we have a focus of expanding our loan book in rest of India in the retail side also. But that will be limited to majorly to housing loan portfolio.

Baldev Prakash Yes, ankit.

Ankit Babel OK. So yeah, that's helpful answer. My last question is sorry for the repetition, but some participant did ask you about that. How this 1011 hundred crores profit going to 4000 crores in next 5 years wherein you're a advances are only doubling but the profit is for grappling. So is it only because of the provisions write backs which you are expecting or you expect a increase in your ROA's or names or something like that which will uh drive this growth in profit net profits?

Baldev Prakash Yeah. So O party, can you take up this question?

JK Bank Board Room CHQ Yes, Sir. Surely, Sir. So there are lots of other opportunities, like for example only on this call we mentioned we are going to extensively grow our other income. another question which was cost to income ratio. So bank is going to be now focusing on our other income and not necessarily be riding on too much of asset dependence and things like that where I said total business is going to be doubling. It is a total business. So total business definition is total advances plus total deposits and we are going to grow our Treasury business also We are already in a strategic review of our Treasury business, how that can be grown. We are doing, we are already done tie ups for distribution of insurance products through different. LIC and other service providers So the IT is a very planned and is step up manner. So we have a specific plan for this financial year. We have a specific plan for the next financial year and thereby we could take one step at a time so that we do not end up making any error or do not end up burning any hole. It's a very calculated plan.

Baldev Prakash Yeah. Yeah. Thank you Thank you for Ankit Just to supplement what our Pratik has said. So if you see till now a lot of business is done manually by the bank. So a lot of push is there to digitize the business. The cost of serve will come down That is one another very important

factor is that even today, our NPA book is not up to the acceptable level. We are still holding more than 5% of GNPA more than 5.7% of GNPA, so this loan book, this NPA book is going to come drastically down. So all these factors will be supporting the bottom line only.

Ankit Babel OK, so so assuming that you achieve your guidance, so at that level of problem, absolute profitability, what will be your ROI is and Rs?

Baldev Prakash At that level our I I think we will be maintaining the similar levels.

JK Bank Board Room CHQ We should be similar.

Ankit Babel Familiar levels.

Baldev Prakash Yeah.

JK Bank Board Room CHQ No, no. The the array that we are and messaging for the 50th. That's in the business plan. That's almost 1 1/2% and all the way with some leveraging will be in the range of 18 to 19%.

Ankit Babel OK, OK. So some leveraging will come down and your arrows will improve and your targeting arrow is of around 1819% at the end of five years.

JK Bank Board Room CHQ Yes, yes, yes.

Baldev Prakash Yes, around 80%.

Ankit Babel OK, Sir. That's it. Thank you so much.

Baldev Prakash Thank you.

Moderator: Thank you. Our next question is from a follow up question from Ashish Goel. Please go ahead.

Ashish Goel Yeah. So just taking up from what Ankit was saying, if the projections are to grow profit by almost 27 to 30% to reach the target at the end of five years. Uh, are you envisaging a hockey stick kind of structure where initially it goes up slowly and then it accelerates or more like a steady kind of thing where near end is also beefed up because you have uh write backs and then later on also steady improvement because by the end of second year your loan book growth and all catches up?

Baldev Prakash So I mean it will be I think mixed of both only though as of now we will be almost growing in a stable manner because the lot of business is being done manually and we need to be calibrated. I mean, what type of business we are taking once the digitization is in place and the proper loan management system is in place this year, I think it will be

happening this year only. So next year our underwriting skill will definitely improve. A lot of HR interventions have been done this year. Those people will be trained and obviously we'll be able to take I'm in the business to the next level. So from next year onwards, we will be definitely pushing it little more harder. But this year, we want to be a little more stable. Uh taking care of the business in a manner that, I mean, we should not be able to do any wrong decisions.

Ashish Goel OK. No. So are you envisaging those slowdown of late? Because if we look look at the last four quarters, you've been growing literally 20% plus on profitably every quarter, which has been absolutely amazing for all investors that you know the profitability has gone from like each quarter even if you look at profit before tax, let's jumped up more than 20% or 25% every quarter. So are we looking at that slowing down a bit now or for some time it will continue?

Baldev Prakash We will be holding up, I think, definitely this year we will be definitely holding up next year. We will come up with another guidance.

Ashish Goel OK, so that's great. So thank you.

Moderator Thank you. Our next question is from Naitik Mehta. Please go ahead.

Naitik Mohata Uh, thank you for the opportunity, Sir. So my first question is, are you briefed upon it earlier also that we have some investments that are going to get redeemed this year? So could you quantify the amount of these investments and probably also the average rate at which they were invested in?

Baldev Prakash Will you be able to? Maybe Ishaq, do you have the figures?

JK Bank Board Room CHQ Rakesh has very much there. Our tragedy head. Yes, currently the currently 7000 crores.

Baldev Prakash Yeah, you have the frequency. I think I have the yes.

JK Bank Board Room CHQ Yes, Sir. 7000 crores are invested currently in this series and T-bills.

Baldev Prakash Let me respond. Let. Let me respond. Basically. So basically last year we have a redemption of around 16,000 crores out of that almost 8000 crores were of gsec and as CLS and reset thousand was from non server series and tables they were invested I think two or three years back at a rate of around 5.52 almost 6% and they got redeemed and we replaced it by having a securities which were having rate of almost 7% to 8% and this year also we have a solid reductions amounting to around 6000 crores and my non salad portfolio cities are are to the tune of 4000 crores. They will also come up redemptions and table are also coming up for redemption. Uh, they have been invested at a rate of around, I think as 6% to 7% and I have to interest them that the current rate

specially which are above always between almost 7% to 7.5%. So my rate of interest on the investment is going up. Last year we have on that my yield on investment of around 6.04 and this year it would be about 7 per. Yes, net it OK.

Naitik Mohata OK. Thank you. So that was helpful also, Sir, my second question is do we have any update regarding the PNB, MetLife, the stake sale that we are planning?

Baldev Prakash So nothing actually we I think the last meeting also I think last quarter maybe early meeting also we have told that this will be our last option. We will try and mobilize the capital by way of various other means, and in case we are not able to do that, then we will think of selling the MetLife stake.

Naitik Mohata OK, Sir. Thank you. Thank you so much.

Baldev Prakash Thank you.

Moderator: Thank you. We have a follow up question from Ankit. Please go ahead.

Baldev Prakash Yeah.

Moderator: We can move to the next question. Are you there? We have a question from Yash. Please go ahead.

Yash Thank you for the opportunity to ask a follow-up. Uh, just looking at the presentation that you had released a couple of quarters back, you have about 4250 crores of NCLT be a account exposure well, can you exhale me, explain the timelines here and let's say the haircut that you are expecting, so you have about two 2400 under resolution and 1800 under liquidation. So trying to understand the timelines and the haircut that would be applicable on these accounts.

Baldev Prakash Yes, very difficult question because the timelines, yes of course within say two years the two to three years but haircut offline it will be difficult for me O because it will be depending upon each account every account, yes so.

JK Bank Board Room CHQ The Solutionist resolution approved by the criteria we have a very small, small share in these NCLT cases because being we have junior members in the consortium or multiple banking arrangements. So, so the majority decision taken is binding on us. So haircut will be there, but we cannot quantify it. But Sir, resolutions are happening since last year 22, we have seen a number of resolutions happening 23 also we we should expect a handsome amount from.

Baldev Prakash Yeah, so 2324 resolutions will happen, but here cut very difficult to tell in advance.

JK Bank Board Room CHQ It's it's it is, yes.

Yash Understood that. And so the other thing is.

JK Bank Board Room CHQ But the but all the NCLT accounts are provided for to the extent of 100% Sir.

Yash OK. Yeah, that is right. That is right. So the other question is your hi, you're basically you're marked 850 crores identified for assignment to NARCL. So what is the update on that Sir? When would that transaction take place?

JK Bank Board Room CHQ Yes, yes, yes. Meetings are happening, happening and it's done at the highest level, the chairman of SBI is holding these meetings and we have few accounts at advanced stage. Due Diligences happening then uh bims have been shared with the banks. They're also, we are the junior partners that the lead bank has to take a call and we have 3/4 accounts which are currently being discussed there and hopefully by.

Baldev Prakash What? What is the approximate amount of those accounts which are under consideration?

JK Bank Board Room CHQ That it's around 600 to 700 crores.

Baldev Prakash So that is expected during this year.

Yash OK.

JK Bank Board Room CHQ Yes, Sir. After Q3, after Q3 in Q3, yes.

Yash Understood, understood, understood.
Baldev Prakash Yeah.

JK Bank Board Room CHQ It would.

Yash Thank you. And the other question, this is ifin exposure is almost thousand crores of GNPA.

JK Bank Board Room CHQ Thank you.

Yash So just how how should one think about Sir, be resolution there. Like I believe there is no hard asset, so you should largely see a big write off there. Isn't that true?

JK Bank Board Room CHQ In in so pardon in IFS.

Yash I I find I find I find yeah.

Baldev Prakash I levels.

JK Bank Board Room CHQ I I feel yes, I I feel yes, we have received a huge chunk of two 200 odd growth, 200 Plus throws last year don't need 40 crores we received last year. So we're expecting some recoveries also, but there will be some year good haircut. Yes, yes, that's also provided for to the extent of 100%, yes, that account is also provided.

Yash (Guest) Understood. Understood. And so this talk of 4700 crores that you've said as the stock of technical write offs, how much should we expect it to be reversed this year and next year?

JK Bank Board Room CHQ Yes. Yes. Grandier we we are targeting 700 to 750 crores.

Baldev Prakash No, the AI think yes. Internally, we have targeted up to 750, but we are confident that we will be reaching to around 600 to 650.

JK Bank Board Room CHQ This.

Yash (Guest) OK, OK, Sir. In that case, the credit cost should be negligible, so the next two years right? Largely because you have about.

Baldev Prakash Yes, very, very true.

JK Bank Board Room CHQ Surely that's right? Surely sure.

Yash (Guest) Understood. And so this personal loans of 30,000 crores that we have given uh to employees and pensioners of the state government, how does this break up into product categories? How much would be home loans? How much would be unsecured?

Baldev Prakash So around 19,000 crore will be the personal loans, rest will be backed by some mortgage like Halsey loan etcetera. So this 19,000 crore will be, I mean you technically we call it unsecured but the money is coming from the salary my I mean the there is repayments are coming from the salaries.

Yash (Guest) Focus. And so one last question, what is the split of the booking floating, uh EBLR floating MCLR and fixed rate?

Baldev Prakash Uh, I don't have that data.

JK Bank Board Room CHQ Content.

Baldev Prakash You have this data asset.

JK Bank Board Room CHQ Content.JK Bank Board Room CHQ So yes, it is. Yes, Sir. We have it. Just just give me a minute, Sir. Uh, so you'll have So we are talking about the fixed and floating rate. So, uh, MCLR, we have a a total of 38,372 cores and then also external benchmark lending rate 25,261 crores as of now. Uh, and then Repo 8844 group and almost 9000 crores and not.

Baldev Prakash Don't you tell the approximate figures? Don't. Don't go up to that extent.

JK Bank Board Room CHQ Yes. Yeah, these are the IT was meant for, yes.

Baldev Prakash No approximately with RJ.

Yash (Guest) OK, OK, alright. No, Sir. Thank you very much. That's all from my side. Thank you.

Moderator: Thank you. So can we have the last question taken up before we conclude this call?

Baldev Prakash Yes.

Moderator: We have our last question from Mr Puneet. Please go ahead.

punit Yeah, I. We need this site. Thank you for the opportunity. Like I just wanted to, you know, like understand, is there any update on the rating upgradation that we were expecting to come?

Baldev Prakash We need to. Good question. We are also waiting for that. I think that is a work in process. Maybe we have to wait for some more time. We'll come up with the updates as soon as possible. We are confident for.

punit Also just. Yeah, yeah, carry on.

Baldev Prakash We are confident that the rating will be upgraded, but still this is the work in process.

punit You're just a follow-up question on that, Sir. Like once we get a rating upgradation, how do we see the cost of funds going down Sir? Like by what percentage can we expect the cost of funds to go from current levels?

Baldev Prakash So in case rating is upgraded by 1 Notch, that means from a + 2 AAA minus. Ohh, maybe I never live on it.

punit OK

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- Baldev Prakash** Developer AA minus that means. Maybe one maximum 1% of the cost, and if it is AA, AA seems to be a little difficult, but we are trying for that and then maybe 1 1/2%.
- punit Who are like the. Is this, you know like is this included in our guidance for 3.75% of name or it's excluding that?
- Baldev Prakash** But. We have not included it.
- punit OK.
- Baldev Prakash** No, no, I I think you are asking if I sleep in case my rating you're thinking overall cost of funds.
- JK Bank Board Room CHQ No, no, it's you, see actually the borrowing that we have, no, the borrow borrowing in our uh this on the liability side D liability side of the balance sheet it is only very lower side 1800.
- punit OK.
- JK Bank Board Room CHQ So it doesn't have much of an impact over there.
So where we have not factored this reduction in interest rate on the borrowings, if we envisage any borrowings like well we had, we maybe looking at raising up T2 or demption of TR 81 next year, but we have not factored that thing in the NIM calculation. We have taken the current borrowing cost, that is there still that we are paying on the current borrowing.
- Baldev Prakash** Yes.
- JK Bank Board Room CHQ So it being a small component in the balance sheet, it doesn't have much of an impact on the knee.
- punit OK. Thank you so.
- Moderator: That was the last question. We request the management of J&K Bank to put forth their concluding remarks, if any.
- Baldev Prakash** Thank you Milan. And and nuvama professionals for arranging this call. And very happy that a lot of interest is being shown in the bank and I'm assuring that the bank is on the very right track and this is the right time to invest in the bank. The bank has a very strong franchise in its home territories of Jank and Ladakh. These areas are now booming up. I'm. I'm in the growth rate, which is expected in Jammu and Kashmir and Ladakh, will be definitely more than the growth rate of the country and that will be obviously having a very positive impact on the bank So it's the right time that a decision to be made to invest in the growth story of Jammu and Kashmir Bank. Thank you so much.
- Moderator: Thank you very much, Sir.



*J&K Bank
July 11, 2023*

On behalf of Nuvama professional investor group, he thanked the management of Jammu and Kashmir Bank as well as the participants for joining on the call. We wish the management all the very best. Thank you and good day.

Baldev Prakash

Thank you. Thank you.