"Jammu and Kashmir Bank Limited Q3 FY25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY25 Earnings Conference Call of Jammu Kashmir Bank Limited.

As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

We have with us from the management, Mr. Amitava Chatterjee – Managing Director and Chief Executive Officer. I now hand the conference over to Mr. Chatterjee. Thank you and over to you, sir.

Amitava Chatterjee: Thank you very much. Good evening and very warm welcome to all the participants to the J&K Bank December 2024 Earning Call. This is my first interaction with you all in my new role as MD and CEO of this Bank since taking over on 30th of December 2024.

At the outset, I would like to briefly introduce myself. My name is Amitava Chatterjee and in my last professional capacity, I was discharging my duties as Deputy Managing Director, Commercial Clients Group of State Bank of India. I have had a career spanning over 3 decades with SBI where I joined as a probationary officer in 1990 and held key leadership roles across diverse geographical locations and strategic functions including leading SBI’s operations as CGM Circle Head in New Delhi as well as Jaipur. I have also served as the MD and CEO of SBI Capital Markets.

Accompanying me on this call are my fellow colleagues from the Bank’s Senior Management, Executive Director - Mr. Sudhir Gupta; Corporate Credit Head – Mr. Ashutosh Sareen; Retail Credit and Liability Head – Mr. Narjay Gupta; Impaired Assets Portfolio Management Head – Mr. Rajesh Malla Tikoo; Finance Head – Mr. Sushil Kumar Gupta; Chief Risk Officer - Mr. Altaf Hussain Kira and DGM Treasury – Mr. Ajay Kohli.

Whilst this Bank has a rich legacy of over 8 decades and is a household name in this part of the country that is UTs of J&K and Ladakh, the Bank has frequently been in news in the recent past for all the good reasons with the remarkable turnaround of the Bank appreciated by one and all, including the Honorable Prime Minister. As I venture into this new role, I am fully cognizant of the responsibility on my shoulders to sustain the good work done under the leadership of my predecessor, Mr. Baldev Prakash, and build upon it further to take the Bank to even greater heights in the years ahead.

My foremost and immediate focus is on fulfilling the commitments made by the Bank with respect to market guidance for FY 25 which we maintain unchanged, though we acknowledge that achieving the set guidance on a few parameters would be a little challenging, especially given the economic slowdown being witnessed that is credit growth of 15%, deposit growth of 12%, CASA of 50%, NIM 3.75%-3.85%, return on assets 1.25%-1.30%, return on equity 17%-

18% and GNPA at 3.5%. The reassessment and consequent realignment of the Bank's strategies if needed will be taken up at the beginning of the next financial year only.

From an economic outlook perspective, the global economy is projected to remain resilient as it has been in 2024 despite several headwinds with IMF retaining its stable yet underwhelming growth forecast for 24 and 25 unchanged at 3.2% amidst waning inflation. Domestically, there has been a slowdown in the growth momentum with growth in real GDP in quarter 2 at 5.4%, which is the lowest in seven quarters. This decline in growth is mainly on account of substantial deceleration in industrial growth from 7.4% in quarter 1 to 2.1% in quarter 2. Another reason for the moderation in growth is the exhaustion of the pent-up demand accumulated during the pandemic. As a result of this slowdown, RBI has reduced its growth projection for Financial Year '24-25 from 7.2%-6.6%. However, high frequency indicators in quarter 3 indicate that the slowdown has bottomed out and Indian economy is recovering from the slowdown in momentum, aided by strong festive demand and pick up in rural activities with real GDP growth for quarter 3 and quarter 4 projected at 6.8% and 7.2% respectively. Despite this downward revision, India's medium-term prospects remain healthy with India set to become the world's third largest economy by 2030-2031 and forecast to grow at an annual rate of 6.7%. Thus, Indian economy is said to maintain its position as a major driver of global growth at a time when the overall world economy is projected to remain relatively stagnant.

With inflation gradually moving towards central Bank targets from multi-decadal highs, several central banks have embarked on policy pivots. However, the Monetary Policy Committee of RBI has kept the policy repo rate unchanged with neutral stance and focus on durable alignment of inflation with the target while supporting growth. During the quarter, RBI has in consistency with the neutral policy stance, reduced CRR by 50 bps in 2 equal tranches of 25 bps with effect from December 14 and December 28, 2024 to 4% to ease any potential liquidity stress in coming months due to tax outflows, increase in currency in circulation and volatility in capital flows with this step estimated to release a primary liquidity of about Rs. 1.16 lakh crore to the banking system.

Our home territory of J&K is not behind when it comes to economic development with state GDP doubling from Rs. 1.7 lakh crore in 2015-16 to Rs. 2.45 lakh crore in 23-24, despite facing challenges in the form of massive floods, political unrest and COVID-19 pandemic. And the GDP is estimated to double again in the next 5 years, with emphasis on the service sector, industries, horticulture and tourism according to the JK Economic Survey 2022-23. The year 2024 has been significant for J&K, marked by developments across political, economic and social spheres with important events like successful conduct of state elections with high voter turnout of around 64%, multiple visits by the honorable Prime Minister to the region, showcasing the government's commitment to the regions development and laying foundation for projects worth Rs. 41,700 crores with inauguration of institutions like AIIMS in the region.

With the beginning of 2025, Kashmir's long-awaited dream of rail connectivity will finally see the light of the day with the Srinagar-New Delhi rail link, a monumental infrastructure project spanning over 2 decades set to become a reality with its scheduled inauguration this month.

The new rail link promises to be a game changer for various stakeholders, including local businesses, students, tourists and non-local workers as it opens doors to enhanced connectivity and economic growth.

J&K Tourism Department has declared 2024 as one of the best tourist seasons in the Valley's history as the UT of J&K welcomed 2.35 crores tourists in 2024 with an extraordinary 300% increase in foreign tourist arrivals over the past 2.5 years. With the inauguration of the Z-Morh Tunnel, the popular tourist destination of Sonmarg would also open up for winter tourism. The railway connectivity and the plans to develop 4 new destinations, Kokernag, Doodhpathri, Bhaderwah and Baradari with world class tourist infrastructure as a joint venture between the World Bank, J&K government and the Centre, will further boost tourism in the UT, thereby contributing to the region's continued economic transformation as tourist industry stands as the second main industry in Kashmir after horticulture.

Shifting focus to the financial performance of the Bank for quarter 3 and 9 months of Financial Year '25, I am pleased to announce that the Bank has continued its recent history of consistently recording impressive profitability numbers again this quarter and is on course to post lifetime record annual profits for the third year in a row which is testimony to the remarkable turnaround of this Bank and its commitment to deliver on the promises made. Operating profit for this quarter is again almost touching Rs. 750 cores with net profit for the quarter recorded at Rs. 532 crores, witnessing a Y-o-Y growth of 33%.

The Bank has done reasonably well in the last two quarters in mobilizing deposits, registering a 9.7% growth Y-o-Y despite a degrowth in quarter 1 and considering that historically, deposit growth has been better in quarter 4, we expect to further improve upon this in the last quarter. However, there are challenges on the CASA front, which are persistent across the banking industry with share of term deposits in the total deposits rising to 61.4% in September 24 from 59.8% a year ago as per the RBI data. The reduction in CASA ratio owing to the accretion in term deposits at a much faster pace than CASA is attributable mainly to two reason viz.want for higher returns driven by high inflation and people parking their funds in high-interest rate deposits before impending rate cuts, with 84% of our term deposits in the 7%-8% interest rate bucket. In our case also, term deposits have grown at 15% Y-o-Y against a growth of only 4.4% in CASA deposits. Despite this, the Bank continues to maintain its position of having one of the best CASA ratios in the industry even in these challenging times at 48.17% with CASA in our home territories of Jammu Kashmir and Ladakh, which accounts for around 90% of our deposit base still holding strong at above 51%. Though in terms of CASA ratio, there is a reduction on Q-on-Q basis, in absolute terms the CASA deposits have increased by 1.25% quarter-on-quarter. With the release of government payments in Q4, payment realization in horticulture sector, strong winter tourism season and the probable continuation in the slowdown in equity markets, we expect augmentation of our CASA ratio in the last quarter.

Advances growth has been lagging with net advances, only growing at 7% Y-o-Y while on quarter-on-quarter basis there has hardly been any change. This slow growth in advances has not been broad based though with advances to personal, SME and agriculture sectors making up around 61% of the banks gross advances, growing at more than 10% Y-o-Y. The sectors which have been mainly contributing to this overall lag in growth of advances are trade and corporate, remaining almost stagnant or marginally below the numbers a year ago, with part of the reasons for the same being the caution exercised in certain sectors by design, owing to the caution sounded by various regulators and a conscious decision, for the time being, to focus on higher yielding retail loans in order to compensate the pressure on margins on account of higher cost of deposits due to change in mix which were mentioned in the previous earnings call as well. The Bank's decision is yielding intended results with consistent improvement in NIM for two quarters now, though in the current quarter, the improvement in NIM has been partially aided by a boost in yield on investments as well rising 7 bps quarter-on-quarter to 6.90 for quarter 3. With NIM for 9 months being recorded at 3.93%, comfortably above our guidance, we now intend to improve our focus on corporate loans in the last quarter for improving our advances growth with an aim to maintain a retail corporate split at around 2:1.

Within our biggest sector of personal finance Y-o-Y growth in rest of India at 17.8% has outpaced the growth in Jammu and Kashmir and Ladakh at 9.5% with housing loans being the best performing segment at Bank level with 13.1% Y-o-Y growth, whereas in rest of India both housing loans and car loans have grown rapidly at 18.4% and 22.4% Y-o-Y respectively which again shows that the Bank is successfully executing its plans for expanding in retail portfolio in the rest of India.

The income statement reflects positive throughout with net interest income for 9 months growing at 10.7% Y-o-Y and other income at 21.9% Y-o-Y while the operating costs continue to be under control growing marginally at 1.1% only with the biggest contributor, the employee cost declining by almost 2% Y-o-Y. Most notable within the income statement is a growth of 32%-33% Y-o-Y in both operating profit and net profit for the 9 months with operating profit for the period crossing Rs. 2,100 crores and net profit almost reaching Rs. 1,500 crores recorded at Rs. 1,498 crores exactly. The fact that this growth has been recorded over a year in which Bank has already posted record lifetime profits adds further weight to it.

In line with the expectations outlined by us in our earnings call a year ago, cost of deposits seemed to have peaked with high accretion in term deposits, especially in the high interest rate bucket of 7%-8% and is moderating now reducing by 4 bps quarter-on-quarter and recorded at 4.76% for quarter 3 and 4.74% for the 9 months. The annualized returns on assets and return on equity for 9 months have been recorded at 1.28% and 16.96% and are in line with our guidance for the fiscal. Cost to income ratio where the Bank was an outlier with the cost to income ratio of 77.18% for Financial Year ‘21-22 has been brought to a comparable level of below 60% being recorded at 57.80 for the 9 months, with further moderation expected going forward.

In terms of asset quality, though the recoveries have slowed down owing to the impact of slowdown in the domestic economy on borrower’s repayment capacities, fresh slippages continue to remain under control with gross slippage ratio for the 9 months for current financial year below 1% mark that is 0.97% annualized against 1.29% for the corresponding period last year. Gross NPA has witnessed an increase in quarter 3 with GNPA ratio being recorded at 4.08% as on 31st December 2024 and consequently net NPA also witnessing an increase and being recorded at 0.94%. However, the Bank expects substantial improvement in these parameters in quarter 4 as the Bank has launched a special one-time settlement scheme, Karz Se Mukti, which is valid till 31st of March 25. Such a scheme was being demanded by the Trade and Industry bodies in our core territories and hence the Bank expects good response and recovery under the same. Despite this increase in GNPA in the current quarter, the credit cost continues to be benign, and we expect it to remain like this for the current fiscal in line with our earlier guidance. The Bank continues to maintain a healthy PCR of around 90%.

On the capital front, CRAR has been recorded at 15.09% and CET 1 at 11.67% without reckoning the 9 months net profit which has an incremental impact of 148 bps. With continuing healthy internal accruals, the Bank is well placed with adequate capital buffers. Further increase in foreign institutional investors and FPI shareholding of the Bank from 5.81% a year ago to 7.07% as on 31st December 24, despite the financial services sector experiencing the highest FPI outflow of Rs. 54,500 crores in 2024 is a strong validation of the bank’s growth story and long-term potential.

The platform for another record-breaking year is set and we expect a good ending to the current financial year, coinciding with a good beginning to my innings as leader of this resilient institution.

I thank you all for listening patiently and look forward to your support and trust going ahead for taking this Bank forward and delivering value to our customers and other stakeholders.

I will be glad to have your questions now. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

Ashwini Agarwal: The question I have is that on the cost side, it has been a very benign environment driven by some write backs on account of pension provisions as well as way below normalized credit cost. So, the question is that as we look forward to the next 2 or 3 years, what do you think would be a sustainable cost to income ratio on the operating side and what would be a sustainable credit cost number? And with that in mind, what do you think would be a reasonable long-term ROA and ROE target if I may ask?

Amitava Chatterjee: I believe that the credit cost because of whatever the Bank has done in the last 6-7 quarters I believe on both sides, reduction of NPAs as well as providing for the bad loans, the credit cost will continue to remain benign. I have no doubt in that. So, if you are looking at the cost to income ratio, yes, you are right that the cost side has almost bottomed out if I can say because the employee cost, which was a major part of the cost side has been now controlled because of what you said the division in the pension conditions and pension terms. I believe going forward the aim of the Bank is to increase the numerator that is the income side. There are several opportunities, I guess the opportunities related to the selling of third-party products will be more intensified to increase the augmentary income as well as I believe this Bank in the credit side has been somewhat lacking in the non-fund-based business area. So, this is also one area because we have taken exposures in various companies on our top-line improvement basis only, while we have not been able to capture their other businesses specially the non-fund-based business which is a very important source of other income. So, this effort will continue like you said for the next 2-3 years beginning now and also there are a few low-hanging fruits where we have chances of recovery in our technically written-off accounts. So, all these three things put together, I believe that the cost-to-income ratio will be as close to 50% as possible, my personal target would be to bring it below 50%. I cannot immediately give a timeline to it, but the timeline that you said 2-3 years, definitely, within that period, we will be able to bring it below 50%.

Ashwini Agarwal: And so, my conclusion from what you just said is that the increase in fee-based income will offset the normalization of credit costs with the ROA being possibly in the area what we are seeing now on a sustainable basis?

Amitava Chatterjee: Yes, that is true.

Moderator: Thank you. The next question is from the line of Hardik Shah from ICICI Securities. Please go ahead.

Hardik Shah: I just wanted to understand what exactly led the yield spike in the current quarter. And you are also mentioning that you will be focusing on wholesale opportunities as well, so where exactly do we see our margin settle now? How do we look at your margin trajectory?

Amitava Chatterjee: So, yes, this spike in the yield happened essentially because there was a MCLR upward revision last quarter, which took its effect this quarter. So, it was a minor thing, but it actually happened. So, we had improvement in the yield. And yes, definitely going forward, we would be looking at the opportunities that are available in the rest of India. See, the ticket size of the loans within Jammu Kashmir and Ladakh happens to be moderate. So, if we intend to improve the topline, we definitely have to look for big ticket size loans in the rest of India areas as well as participating in the developmental projects that are going to come up within this state. These two put together, we will definitely be required to go in for corporate advances. Yes, they would be challenging because of the competitive rates, but at the same time, if you look at our CASA, one of the best CASA ratios in the industry, so currently we can sustain being competitive for some time at least till we are in a position to again reassess ourselves going forward. So, at the moment, the Bank is capable of being competitive and growing the topline across the country.

Hardik Shah: Like, quantitative guidance on how much NIM compression would we expect?

Amitava Chatterjee: I intend to remain around 4%.

Hardik Shah: And another question is that you mentioned in your opening remarks, there is a settlement scheme, which you launched, right, so can you elaborate more on it and how will it impact our margins or asset quality?

Amitava Chatterjee: See, this onetime settlement scheme is a compromise settlement scheme which is non-discretionary scheme, which has been launched. It has wide coverage almost the total number of borrowers that can be covered is almost 27,600 with total amount of almost say Rs. 1,300-Rs. 1,400 crores. So, we have made this scheme quite lucrative now. There were certain requirements, adjustments to be made. We have made it and I believe with the people working in the ground there will be substantial recovery coming in, which will be on both counts on reduction of NPA as well as improvement of our profit through recoveries in the technically written-off accounts. So, I firmly believe that this scheme, which is valid up to 31st of March, is going to be a very good instrument to improve our both profitability as well as NPA position for the last quarter.

Hardik Shah: And just one last data keeping question, what is your written-off pool currently?

Amitava Chatterjee: Total written-off pool would be around Rs. 4,600 crores which mostly the accounts are in NCLT or under some settlement or some very old ones which are very difficult to recover maybe, but the total pool would be around Rs. 4,600 crores.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, just I have one query, in terms of growth, how do we want to recalibrate the growth, in 9 months we are at about 7%, right. And I think earlier we were looking at 15%. So, what sort of this year growth we are looking at?

Amitava Chatterjee: See, there is a reason why this Bank has had muted growth for the 9 months. If you look at there have been 2 elections and then the last third quarter, there was an impact of severe winter. So, I would not read much into the muted growth that has happened. It doesn't mean that we will not be able to grow in the fourth quarter. Just to mention a small number, there is a pipeline of loans sanctioned yet to be disbursed of close to Rs. 12,000 crores, so that another pipeline of loans under process, another Rs. 5,000 crores. So, I believe that we can actually make the fourth quarter count. So, I cannot say that 100%, the 15% benchmark of the guidance will be achieved or not currently sitting here today, but in all probability, we will be very close to that.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead Corporation. Please go ahead.

Sonaal Kohli: Sir, firstly on the NIM side, you said that 4% kind of margin is sustainable? Did I hear you correctly?

Amitava Chatterjee: You heard it correctly. The confidence comes from the fact that we have the 62% market share in the areas of Jammu Kashmir and Ladakh where we have a 50% CASA ratio, 51% in fact. So, that gives me the confidence going forward if we can maintain the CASA ratio. I do not see any reason why we cannot maintain a NIM of around 4%.

Sonaal Kohli: And sir, is it also because your LDR is one of the lowest perhaps in the country today and even if you go for corporate deposits, you still make more than your investment and that is also an additional rational or you think your margin is sustainable because you will have delta in your yield or in your mix if it is from investment to launch, even if some part of that is corporate, your overall area increases, are you counting on that as well?

Amitava Chatterjee: It will be a combination of all the factors.

Sonaal Kohli: Sir, do you have LDR target in mind or still too early for me to ask you these questions considering, it has been just one month?

Amitava Chatterjee: I think reaching around 70% would be good.

Sonaal Kohli: Sir, many other banks are between 75%-85%?

Amitava Chatterjee: Correct. There are banks which are more than 100%.

Sonaal Kohli: And the path, Bank also was looking at reaching 75% or 80% over a period of time, obviously not in one year, but over 2–3-year journey. Is there any reason to believe that there will be a change in strategy on that side or you are referring to the short-term target rather than a long-term target?

Amitava Chatterjee: No, not that. If you are asking me about the target spanning around 2 years from now, so definitely we will be targeting a CD ratio of close to 75%. But what I said was a medium term, maybe short-term target of reaching around 70%-71%. See, the Bank has had a history of high NPAs in the past. So, the most important factor that we look at is quality along with growth. So, we will continue the efforts of growth, but with quality. If that permits us and if the economic scenario is good enough that permits us, if we are able to take exposures in quality assets we do not mind improving or increasing our CD ratio.

Sonaal Kohli: And sir, two more follow up questions, two or three more. You mentioned about roughly 15% growth for the full year is a possibility, so if I take 15% number, for the full year, it implies that 12.5% growth Q-on-Q, am I getting the math, right? I mean, that is a pretty big jump. I understand there is a big corporate line, therefore you may be referring to, but I just wanted to reconfirm that.

Amitava Chatterjee: If I have to answer this little bit candidly, I would say my past experience tells me that it is not impossible.

Sonaal Kohli: And sir, in the previous call and we have been investing in the Bank for almost 10 years, the management had alluded to lot of gains on the income side from gradually initiated which will come over maybe over next 2 years and the treasury training, etc., had started and the income from that is pretty low we were told and what are efforts were made last year and also, there are a lot of senior employees who are expected to add over next 1-2 years and we were told that there would be an employee for savings on that account. Is that story intact or is there anything to expect?

Amitava Chatterjee: If we look at the numbers, the employee costs, these 9 months had actually decelerated, it has gone down by 2%. So, that story holds. Going forward, it is further going to come down because what you said, a lot of employees are going to retire and we have not had much of a recruitment for the past few years, so that definitely is going to bring down the cost. We are more looking at increasing the efficiency of our employees going forward, so that the reduction in the numbers because of retirement does not affect our performance. So, that is one and of course, what you mentioned is correct. That is also in my mind. The income from treasury, in the last quarter itself, it has improved. The non-SLR portfolio of the Bank has earned more than the SLR portfolio. The yield has been better, so these are good signs going forward and of course, going forward, my attention would be quite a bit on this front to make the treasury more profitable for the Bank.

Sonaal Kohli: The last two questions, your income from technically written-off accounts was Rs. 146 crores in 9 months, what was that number for Q3 if you can share and likely for FY25 and what is likely to be the tax rate for '25 and '26?

Amitava Chatterjee: Q3, it was moderate, around Rs. 25 crores only. Q4, I am expecting close to Rs. 100-Rs. 150 crores. And going forward, we are now limited to the very few low-hanging fruits. So, I will not say that it has been exhausted, but around Rs. 25-Rs. 30 crores per quarter is what I expect each quarter going forward in the next financial year.

Sonaal Kohli: Sir, your likely tax rate for 2025 and 2026 for the first 9 months, the income tax rate for the Bank was 29%?

Amitava Chatterjee: I will share this number offline with you.

Sonaal Kohli: And sir, lastly your OPEX, if I understood from you is going to grow at a muted rate and much lower than your loan growth for next 1-2 years. Have I understood it correctly?

Amitava Chatterjee: Yes.

Moderator: Thank you. The next question is from the line of Dikshi from Invest Savvy PMS. Please go ahead.

Dikshi: So, my question is related to the loan book of the other sectors, so we have the exposure in personal finance is around 40% and rest in other sectors, right. As you started mentioning the loan to break-up from last quarter, so 60% is in the other sectors, your trade, manufacturing, financial market, right?

Amitava Chatterjee: Correct.

Dikshi: What about the loan growth in these sectors and why the GNPA is rising from last quarter as we get the only data from last quarter?

Amitava Chatterjee: I wouldn't say that the GNPA has been rising on other sectors all of a sudden. Yes, you are right in saying that other than the personal finance, agriculture and MSME, most of the other sector loans are in the rest of India. So, there has been a slight spike. These were the accounts which were in stress for some time, but the healthy sign is for the quarter we had an upgradation of around Rs. 60, Rs. 67, Rs. 68 cores and also there are concerns in these sectors and also if you ask me, we will not shy away from taking exposures in the other sectors as well while our focus will remain on the personal finance, agriculture, MSME going forward, which is within the state and maybe in other sectors, as I mentioned earlier, in quality advances, in the other sectors, the rest of India.

Dikshi: So, in the rest of India, when you are saying the other sectors exposure in the rest of the India, so can you just give the breakup of exposure of other sectors in rest of India and Jammu and Kashmir?

Amitava Chatterjee: See, if I have to mention, manufacturing has a 7% exposure, infrastructure has 8.40% and real estate has 1.27 and others around 1%.

Dikshi: It is total exposure; I am just saying regional wise breakup?

Amitava Chatterjee: If you ask me of the total exposure in corporate advances in rest of India is around Rs. 20,000 crores only. That is 28% of the total advanced loan book. So, it is less than 30%.

Dikshi: Corporate finance.

Amitava Chatterjee: The rest of India mostly is corporate finance. Of course, rest of India has done well in-home loans and auto loans also, but the portfolio size is not too big at the moment.

Dikshi: And GNPA in that book?

Amitava Chatterjee: GNPA, which book are you talking about?

Dikshi: Corporate finance which you are seeing 20% rest of the India?

Amitava Chatterjee: That is around, I think 5% odd, around 5.35%.

Dikshi: What are the steps you are taking for the quality of this loan book? I am just concerned about the rest of the loan book except personal finance in Jammu Kashmir and rest of the India, what are the specifics because these is basically 60% of the portfolio and if you just average out the GNPA it will be more than 5%, right?

Amitava Chatterjee: Yes. Not 40%, it is 30%.

Dikshi: 60% I am saying, other sectors except personal finance?

Amitava Chatterjee: No, other than personal finance also, I will just try to give you a breakup of the scenario. Other than the corporate advances in rest of India, there are sectors in J&K where we have given loans and in general, the NPA percentage in all these sectors is quite low. So, you are right in saying that the NPA in the rest of India loan book apart from the retail loan book is slightly higher than our average NPA in percentage terms. So, if you ask me the steps that are being taken, yes, we are, basically 2 steps, one to have very sound underwriting practices and second, being selective on the rating of the accounts that we take exposure in. We will be very careful in which accounts we take exposure in while going for this corporate advances in the rest of India, so both put together, I think it will work.

Dikshi: So, is this understanding it correct, your major portion of provision coverage is inclined toward this rest of the portfolio, rest of the sectors?

Amitava Chatterjee: Not essentially. See, our provisioning covers the entire loan book, entire non-standard assets as well as standard assets as per regulatory norms and in non-standard assets, we have an additional 10% provision done beyond the regulatory requirement. So, I believe that we have sufficient buffer while making provisions and we have continued to be around 90% in our PCR.

Dikshi: Can you just give the breakup of NNPA in personal finance and the rest of the sectors because I think the major portion of your 60% of your portfolio?

Amitava Chatterjee: NNPA breakup, I think we will share it with you offline. The exact numbers, I don't have at the moment, but NNPA is below 1%, so in the non-personal segment, I believe it will be equally shared between the personal segment and the non-personal segment. I don't mean the personal segment, the retail segment, personal, it will be very low.

Dikshi: It will be very low because GNPA is 0.84%, so NNPA will be close to 0%. You don't need to see if the capital for the per se, but last question regarding Jammu and Kashmir, you have more branches in Kashmir, right, in Kashmir region?

Amitava Chatterjee: Yes.

Dikshi: So, what is the reason, not in Jammu because only two, I think localities you have branches in Jammu?

Amitava Chatterjee: No, we are across the entire geography of Jammu and Kashmir. I think we have around 837 branches spread across these two geographies, 360 branches in Jammu and 477 branches in Kashmir.

Moderator: Thank you. The next question is from the line of Roshan Gulecha from Inven Capital Fund. Please go ahead.

Roshan Gulecha: I just wanted to know, in the last August 2024, there was Rs. 8,000 budget allocated to Jammu & Kashmir Bank from the government, so has the money come and it has been allotted or any update on that?

Amitava Chatterjee: I don't know if you are talking about the pension repayment that has already happened.

Roshan Gulecha: That has come and done, right?

Amitava Chatterjee: Yes, and if you look at our investment portfolio, it has almost gone up by that amount.

Roshan Gulecha: Because you had written it as a provision before and that has come and it will include the balance sheet, right?

Moderator: Thank you. The next follow up question is from the line of Dikshi from Invest Savvy PMS. Please go ahead.

Dikshi: Question on again the other sector, the loan book growth, what is the loan book growth of these sectors, as you highlighted this from last quarter only, so I just wanted to know the trend?

Amitava Chatterjee: I will give you the entire breakup. Y-o-Y, we have grown 10.42% in agriculture; trade, we have been flat; personal segment, we have grown by 10.29%; SME, we have grown by 10.36%; corporate has been flat and others has been 7.3%, so total around 6%-7% mark that we have mentioned.

Dikshi: I am just wanting to know, is there any concentration in personal finance loan book only because last quarter, we have seen?

Amitava Chatterjee: I just mentioned that there has been a 10% growth in the personal segment, there has been a 10% growth in the agriculture segment, there has been a 10% growth in the MSME segment as well. The flat ones were the corporate and the trade. These were flat. Otherwise, we had 10% growth in each of these segments. So, there is no concentration on anyone of these segments. We are growing evenly almost in all the segments.

Moderator: Thank you. The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research. Please go ahead.

Jayesh Shah: So, again, I don't want any numbers or targets, but qualitatively, what would you focus on doing different in J&K Bank over next 2 years? And what do you see the major challenges, again internal to achieve the objective or to get the J&K Bank to work at its own potential?

Amitava Chatterjee: I believe the challenges being faced are no different from the challenges that are being faced in the rest of the banking industry. So, as usual, we have challenges related to deposit growth. We will continue to have challenges related to the economic scenario. So, these are common factors which are common for all the banking, all the banks in the country. If you ask me, the Bank has been in a very steady and very good path for the last two years. You just consider the NPA percentage has come down from as high as 12% to 4% now gross NPAs. If you look at 2021, the Bank was in a loss of Rs. 1,100 crores. From there, we are currently at a target of almost reaching double that amount in profits. The capital CRAR at the moment, even without considering the accrual of the profits for the 9 months is more than 15%. So, a lot of good things have happened. I do not see any reason to drastically change the course. The course will remain the same, while we might add certain new aspects to improving the things which are already on course for improvement. Like I already mentioned during this call that we will be looking at newer avenues for other income, we will try to improve the cost-to-income ratio, so that it is at par with the industry, these two things, including bringing the NPAs further down will be a prime focus and of course with whatever I have learnt in my banking career so far, I would definitely want this Bank to grow. Considering the fact that it has been a Bank since 1938, I believe that it has not reached its true potential till now, so there will be possibilities and opportunities available. We will try to take them, but again, I will repeat that the growth will not come at the cost of quality. The growth will happen with quality, but I am very optimistic about the Bank going forward will be, if not in the top 5, at least in the top 7 private sector banks in the country.

Jayesh Shah: We do believe that treasury income and related areas offer low-hanging fruit, which hopefully we can see the results in the next 2 years given your efforts and focus.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, there was a notification regarding appointment of RBI Nominee Director on the board. So, wanted to clarify, is it a new appointment or there was a nominee on the Board and if not, then basically why there is an appointment of RBI nominee?

Amitava Chatterjee: This appointment is new, but there have been RBI nominees in the board of the Bank in the past as well. So, from time to time, RBI does nominate the directors on the board. So, this is existing, we did not have one, but in the recent past we had, so we are now again going to have another director nominee from RBI. It is a normal process. It is nothing related to anything that has happened or is happening in the Bank. It is a natural process.

Anand Dama: Sir, secondly, now that we have a new state government altogether. In the past, we have seen intervention from the state government. So, how are you seeing, are you sure that you not have spent too much time in the Bank, but any intervention that you see from the state government? And secondly, there was this capital infusion, which was supposed to happen from the Ladakh Government. Whether that has happened or any timeline that you see when it will get….

Amitava Chatterjee: Out of the 59% stake of the promoters, 4% is from Ladakh. So, that perhaps answers your one part of the question. The second is if you ask me, you have partially answered the question. I have been here only for the last 20-21 days, but the experience that I have had, I must share that there has been absolutely no interference or intervention by the promoters that is the state governments at all. The Bank has been functioning independently as a professional institution, committed to the stakeholders as any listed entity should be. So, at the moment, I can tell you only this much. Only time will tell if there is any difference, but at the moment there is absolutely no difference at all, even after the elected government is in place in the geography.

Anand Dama: But I think there was some talk about the government possibly increasing additional capital, so wanted an update on that, have you heard?

Amitava Chatterjee: There has not been any additional capital from any of the governments so far.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Amitava Chatterjee for closing comments.

Amitava Chatterjee: Thank you and thank you all for participating and joining in today. For any further questions or queries, you can contact our Investor Relations desk. Thank you once again. Thank you very much.

Moderator: On behalf of Jammu and Kashmir Bank Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.