



“J&K Bank

Audio/Video call

March 17, 2023



**MANAGEMENT:**

**MR. BALDEV PRAKASH – MD & CEO – J&K BANK  
ALONG WITH THE MANAGEMENT TEAM**

**MODERATOR:**

**Milan Wadkar**

**Milan Wadkar:**

Good evening, everyone. On behalf of Nuvama Wealth and Investment Limited, we welcome everyone to the management Call of Jammu and Kashmir Bank. This call is a part of our management Connect series with a clients from the management we have with us today, Mr. Baldev Prakash who is the MD & CEO

Mr. Ashutosh Sareen, , Credit Vertical Head.

Mr. Syed Shujaat Hussain, Impaired Asset Management Head.

Mr. Pratik Punjabi, Chief Financial Officer (CFO).

Mr. Altaf Kira. Chief Risk Officer (CRO)..

and Mr. Mohammad Ishaq Bhat, Investor Relations

We now request the management to give a brief presentation about the bank and then we can open the forum for a Q&A. Kindly note during the presentation, all the participants would be on the mute mode. Over to you, Mr. Prakash.

**Baldev Prakash:**

Thank you, Milan. Thank you so much and most welcome all the clients and Nuvama Wealth Management group.

This is one of the oldest private sector bank, which was founded in 1938. The government of JNK and Ladakh, both union territories. They share the holding of 68 zero, 3% in the bank. The bank is a listed company listed on Bombay Tax Stock Exchange and National Stock Exchange. We have 989 bank branches as of now. Supported by 1436 ATM's and 25 extension counters. We have plenty of presence. In 17 States and four union territories. The largest presence. Jammu and Kashmir Union territory. With the network of 825 branches, 1286 ATM's with a market share of 61% in advances and 63% in deposits and 39% in the branch branches. We have total business of 1.95 lakhs crores. With the deposits of 1.18 lakh roads and advances of around 78,000 crores, that is net advances. Net profit of 311.59 crores in Q3 and 721 crores for nine months period of 2223.

The capital adequacy ratio of the bank is at 13.82%, which is excluding of nine months profit. If we add that nine month profit, it will be around 14.86%. The gross NP of the bank is at 7.25% as on 31st December, which has come down to around 6.5% as on date the net NPA. Is at 2.08%. Both these figures are lowest in the last seven years. The NBA coverage ratio is 84.83%. The Casa ratio of the bank is at 53.71%, which is among the best in the industry. If we consider retail deposits and Casa deposits, which is 85% of the total deposits of the bank. The cost of deposits is at 3.71% the cost of funds is at 3.83%, which is among the lowest in the industry. Credit deposit ratio of the bank is at 65.83%. We have a workforce of 12,800 employees. And average



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business per employee stands at around 14.82 crores. We are the sponsor of one of the regional rural banks which is called J&K Grameen Bank. And a holding company of JKB Financial Services Limited.

We have corporate agency arrangements. With PNB, MetLife or Life Insurance, Bajaj Alliance, and if Co Tokyo for general insurance. We have recently added. Tie ups with LIC and. Bajaj life for life insurance will be effective from first April 23. The bank has been categorized as a private sector bank by Reserve Bank of India, though with the majority shareholding of the two Union territory governments. That is 63.26% and Ladakh is 4.77%. But we are the only bank in the country having a Union territory oblique state government holding. We are the unique blend of commercial banking. Development, financial institution and financial service provider. We dominate the banking landscape of the geography.

Of J&K and Ladakh with 60% market share in J&K and 50% market share in Ladakh. We are designated as RBI agent for carrying our government banking business for both the unit territories of J&K&UTJ&KUT and the dark UT. We are designated as a lead bank in 12 districts of JNT UT. Out of 20. GNK, UT LBC convener, the only private sector bank which have this honors. Of a convener of a UPL BC or state SLBC. We have a captive clientele base which is government employees and pensioners of JNK and Ladakh, contributing to a large chunk of personal loan book with almost 0 delinquencies. Facilitating through which are facilitated through digital offerings like STP, phone, Pilon, etcetera. We act as. Effective organ of two UT governments for implementation of various flagship developmental programs.

Thank you so much. This was the brief about the bank. Now I would request our CFO, Mr. Pratik Punjabi to brief 2, two to three minutes about the bank in Excel. Financial parameters of the bank. Over to you, Pratik.

**Pratik D Punjabi:**

Thank you, Sir, and good evening, gentlemen. On this call I'm here to present a little financial insights about the bank. This year, the bank has had a terrific year so far, with the performance rising every particular quarter. Other Sir has already mentioned nine month net profit was close to 721 crores, which is more than approximately 50% of the last full years profit. This is largely riding on the quality asset quality that we have improved from around 9 ish percent to 7.25% in terms of gross NPA and a little close to 2% around our net NPA. The liquidity of the bank stands very strong today with the liquidity ratios of LCR hovering around 170%. The cost to income ratio when compared to March 22 is already down to in December 22 from 76% down to 65.52%. The quarter three cost to income ratio. Is even down than that? What it means is that when we go get into the quarter four and when we report our 12 month figures, this averages will further come down. It will come to our benefit. We are one of the few banks in India which have registered a NIM growth of over 4%. Our quarter to NIM stood at 4.04% and our quarter three name stood at 4.10% and we continue to maintain that we will be above 4% even for quarter 4. This has also helped us to augment our capital adequacy position. We came out with a very successful Tier 2 bond issue in the month of December and improved our capital base by over

1021 crores. This issue was successful especially in a very choppy bond market because of the constant interest rate revisioning. We expect when we plow back our internal accruals and southern certain other activities, the capital adequacy will cross well over 15% by 31st of March. What is also important to note here is that the credit costs of the bank are continuously reducing. Practically, we had nil in quarter two and we in fact had small write backs in quarter three. We expect to continue unlocking value on this particular front as we continue to reduce our gross NPA. Finally, the core strength of the bank emanates from a strong deposit base of 118,000 crores. A big portion of it is coming from Casa. 75% of our deposits are retail. So we are very, very healthily poised for growth at city ratio of close to 65%..

**Baldev Prakash:** Thank you. Thank you.

**Pratik D Punjabi:** Thank you. I I will hand it over to my colleague. That's you that.

**Baldev Prakash:** Mr. Keira, who is our Chief Risk Officer, I would request Mr. Altaf Kira to touch the risk areas. How we are addressing those in the bank. Thank you. Thank you. Thank you, Pratik.

**Altaf Kira:** Thank you, Sir. And a very good afternoon to all of you, Sir. And I'll just like to emphasize that the bank has had leader focused attention and emphasis on the total balance sheet risk management. When we talk about the total balance sheet risk management, we mean both on the liability side as well as the asset side. If we look at the liability side we have had.

The emphasis on the strengthening of our capital base, we have strengthened our capital base. We have in fact we will be having a capital B CD1, that's the core equity capital of more than 11% around .25. Can we still above than that. So that means we'll be having a capital buffer of more than 300 basis points, our 300 basis points our and above the minimum regulatory requirement, that's one. The second part is regarding the capital part. We have led emphasis on the.

Focus on the top rated companies top rated assets acquiring to operated assets. That means that's why our if we if you look at our.

This density that has improvised from 63% in 2020 to around 53% in the during this year. So what that conveys is that on the capital front and on the on the risk with side, we are evenly poised now looking at the looking at the interest rate risk and liquidity risk. If we look at the balance sheet overall balance sheet, the liability side as well as asset side, the modify weighted average modified duration of our assets.

Is the 1.99 and on the the liability side it is 1.9 and so that leaves us very little modified duration gap. In fact there is nothing and looking at the bucket wise liabilities and the assets our on our liability side as service agent that 85% of our are killed percent, 50% are the are the wholesale deposits. So these retail deposits are in the bucket of one to three years around 35% concentration is there and similarly with respect to loans.

Working capital loans, the tune of which constitute more than 3536% of the portfolio and they also call 1 to 3 buckets. So that gives us quite a good balance and to manage the interest rate risk. That's how the bank has been managing its interest rate risk that is 1. Similarly, the same holds true for the the investment portfolio book or the bank when we come to the liquidity Risk Part Bank has very is flush with liquid funds. We have a liquidity of more than 12,000 cores as on date.

12,472 to be exact and this is also corroborated by the fact that the short term liquidity which we measure in terms of liquidity coverage ratio which is at around 180% and as of now and the long term liquidity of our one year which we major in terms of net stable funding ratio that's around 170%.

So, so that leave that that, that, that, that you can get the impression that the respect to liquidity and interest rate risk that the economy is facing outside India, we don't face such kind of a challenge now coming to the concentration risk. Now if we look at the concentration portfolio, we major concentration at the bank in terms of geographical concentration, in terms of sectoral concentration and industry concentration. Now with the sector, geographic and concentration.

These three regions, they Jammu, Kashmir and Ladakh, isn't there quite distinct both geographically as well as demographically as well, topographically. And in terms of business, whether it is with respect to the primary sector or the secondary sector or a territory sector all or they are distinct in their own sense. For example, if we look at the Jammu region, Jammu is very strong in the secondary sector. That's industries while as the Kashmir region is very strong in the horticultural segment, that is the primary sector as well as in the services sector.

This comes through tourism and if we look at the if, when we measure this HNI through HNI, we try to measure this concentration risk, we follow in low to medium concentration risk zone. And so it's also if we look at the top borrowers and top group borrowers, they're also we are equally poised and then also it it we in terms of industry the industry limits that we have and in terms of.

One more thing, if we look at the product wise concentration, the government employees, that constitutes a very long, very big bulk of around more than 20,000 crores of book in the retail segment. So that is totally it does not carry any risk and that is totally diversified. That has been very remunerative for the bank, both in terms of risk return, trade off. We have very low risk in that and we get very good return for that. And so overall balance sheet management that has been quite tremendous for the bank during the last more than two years now.

**Baldev Prakash:**

Thank you, Altaf. Thank you. Now I'll request Mr. Ashutosh Sareen, who is created of the bank, to take us through about the credit growth and the credit management.

**Ashutosh Sareen:**

Thank you, Sir. Good, good evening all the streams part participants. I'm Ashish sareen. I'm adding the credit vertical of the bank. So first I will take you through the initiatives which we have taken during the current financial year. So we started the the year with the creation of large credit units. We call it them.

How do you use? This is akin to AMS management teams, which is the practice prevalent in most of the banks. So what was happening that the the credit?

Uh. Previously was. It was spread across all the locations in different branches. And so I thought was put into it that we have to for better and effective monitoring. And besides the other objective of addressing the banking needs of our high net worth customers, so the the Lu structure was formulated so. So that was the initiative which we have taken in these current financial year and then.

We created the marketing teams and the DS structure was also strengthened because the focus of the bank has been on increasing the retail loan book. So if you will see that the the share of the wholesale loan book which hitherto used to be more than 50% at certain point of time, it has now come to 1/3 and the related retail loan book it has.

Gone up to 2/3 of that so.

Besides that, we were we have taken a major initiative of automation of our loan process. Also the loan appraisal and the account creations. So this will help us in having uniformity. Besides that, it will ultimately reduce in the tag and going forward this will be a platform where from where we can offer the digital app based lending so that.

Uh, we can spread our our footprints beyond our brick and mortar branches. So coming to the, the, the. Growth during the financial year, we have been, as I was saying, that we have been focusing on increasing the retail loan book. So the housing loan book as a case in hand, it has increased more than 21% during this during the period up to December 2022. So and we have a a vision of doubling our housing loan book in three years time. So besides that there has been double digit growth in our.

Other loan retail loans segments and on the top of it, the priority sector has also given us a double digit growth and the coming to the priority sector. This has been made possible by the two flagship problem programs of combat of Jammu and Kashmir which was launched a few months back. One was back to Village 4 and then my town, my pride two. So under those two programs the bank contributed. Ohh I would be very happy to narrate here that the 90% of the landing and the onboarding of MSME clients was done by the Jammu and Kashmir Bank and the portfolio was in excess of almost close to 1000 crores. So coming to the wholesale notebook, I I said that we have it has decreased to as a portion of the total loan book. But having said that.

Our focus is not on decreasing it. Our focus is on we have a very focused approach about it. We

are focusing on marathon and media navratan PSU's and besides that the AAA rated corporates so that at the Bloom Book. A increases at the same time the asset quality issues are they are they remain addressed also so. So now that the opportunities which we have in the coming period, so on one hand the you must be aware that the industrial JNK industrial policy was unveiled in 2021 for a period of 10 years with a plan out layoff 229 thousand, 400 crores. So a large number of big corporates from.

Ohh. If all of the country they are coming up that. I would be happy to announce that GSW Group is coming in a large way and then the the Satluj group. They are also expanding their footprints so that that gives us a that gives us a very good opportunity to expand our loan book. Besides that the the budget of the unit of Union of Unit area of Jammu and Kashmir was unveiled yesterday. So there is a planned outlay of.

But nose to 41,000 on the development expenditure out of which the infra itself is 16,000. Odd chromes. So that's a very good opportunity in handout with us to increase the loan book going forward. Thank you.

**Baldev Prakash:**

Yes, OK. Suja. So I'll request finally, Mr. Suja andrabi to have it to give a brief about the impaired asset management portfolio of the bank over to you, Suja.

**Shujaat Andrabi:**

Uh, thank you, Sir. Good evening, ladies and gentlemen. My name is Shujaat Andrabi. I'm vertical head for impaired assets. At the beginning of the year 2022. Uh, as you know, the the voice of major concern for the bank was the NPL level of NPS and the stress. Just as a quality as amazed and NPS but.

The at the beginning of the year 2022, we formulated a strategy that and it was a conscious decision that the asset quality cannot improve unless we have a multi pronged strategy for this and the management took some decisions and.

You have multi pronged, 360 degrees strategy was formulated where in the existing NPS where targeted as well as the stress asset portfolio SMA portfolio of the bank was also targeted and.

A up to June 2022 things since it was a course correction had to be undertaken so things didn't improve as you must have seen from the figures, our gross NPA level as on as on June 30th, 2022 attached it was more than 11,500 or 600 odd crores. But from Q2 of the financier 2023 things have started improving. So the strategy that we adopted for addressing the.

And peers, which was a more than 11,500 crores as on 30th of June was actions through surfaces and the surface yet then.

A to A to A to the arties, then other recovery actions and the and I act Section 138 of enact. Then we we we went for other actions and the results are before you. And as on June as as on

December 2022 our gross NPA level has we have succeeded in reducing our gross NPA level to 7.25 and presently we are well below 7%. I cannot tell you with.

So the that we are in our total NPA is now in four and at at 4 figure level we have we have we have we have addressed this issue but.

This to to work on the and Minister of NPS we have we have we have taken use of technology we have we have provided trackers and here we have.

And and Live Empire tracker, why didn't every account is available to the at the branch level and then actions are taken and actions are yielding results. Then on one one more thing that we did in for reducing our NPS is that since we identified accounts for sale to RC's. So during the current financial year we have so far done around we'll be doing around 500 crores of sale to RC's and another 200 crores I have been.

The assigned to Narsil. So we are working on all the possibilities and it's yielding results and I assure you.

That the guidance given by the management of gross NPA level of below 6% as on 31st of March 2023 will be achieved will be surpassed and a lot of value for the stakeholders will be unlocked during the next during the current financial year. On the SMA front that I should tell you, the asset quality has also improved a lot. They're also we have taken given our branches our operative levels.

Uh advantage. Through digital enablers, we have given them an assembly tracker, which is a real time tracker of SMB accounts in SMB, OSM1 and SM2 and other.

Uh, the issues which lead to impairment in loan assets. So that is also happened and you must have seen the figures or you must have known from the industry that our sleep pages where very high earlier but from Q2Q from Q3 the things have improved a lot and today the we are we are we are at par with our peers at one point of time our potential NPA was in double digits. But now we are below 6% even 5 below 5% today.

So things have improved a lot and we are on course to achieve excellence in management, offers stress as a portfolio in the days ahead. Sir. Thank you Sir.

**Baldev Prakash :**  
**Milan Wadkar:**

Thank you for the thank you so much. So over to your Milan, I think we can start with Q&A. Sure. Thank you. So first of all, I'd like to thank the entire team for your detailed presentation. That would answer much of the queries. But now like to throw open the forum for Q&A. So participants who wish to ask the question can now raise their hands or put a message on the chat window.



- Sumit Bagaria:** Hi, thank you for the detailed or thank you for the detailed explanation of everything. So I had a question with regard to the personal finance portion of the loan book. There are book is concentrated was housing and and consumption.
- Baldev Prakash:** Personal finance is 31,268 crore as on 31st December, will which consist of housing of around 10,000 crore and consumption loan of around 15,016 thousand crores. Yeah. So then this consumption loan and this personal finance, they are basically to the government employees, government employees of the state Government of Union territory of J&K as well as Ladakh. And of course, housing loan is housing loan is to the all all all customers, but mainly the personal loans, personal finance which is a consume construction loans, they are mainly concentrated towards the government employees.
- Sumit Bagaria:** OK. Thank you, Sir. My next question was with regard to other income. Now if you look at the breakup of other income, there is a huge proportion of miscellaneous income. So if you could throw some light on what is.
- Baldev Prakash:** Yes. Can I request Pratik to please explain about the other income?
- Pratik D Punjabi:** Yes. Yeah. So, uh, good evening. Ohh, I'd predict and the Chief Financial Officer so. The other income consists of various uh activities that we are part of. For example, we are RBI, designated government banking business unit. So we have a Commission on government banking business coming in. We have insurance Commission coming in exchange income bank guarantees. Commission from our business done with subsidiary. Profit and loss on revaluation and sale of investments card business. Documentary charges, test reimbursements and other things.
- Baldev Prakash:** And just to supplement Sumi I'm very happy to tell you that during this year, many banks have booked and team losses because of the increased increasing interest rate scenario. I'm happy to tell you that our bank has booked profit in Treasury also, which is a part of other income.
- Pratik D Punjabi:** Yes.
- Sumit Bagaria:** So in the last quarter, your other income was around 2:42 crores. So in this 240 crores, what was the amount of recovery from written off accounts or recoveries?
- Pratik D Punjabi:** 110
- Sumit Bagaria:** 110
- Pratik D Punjabi:** 110 group
- Sumit Bagaria:** OK, so so do we expect this amount to be at this level going ahead?
- Baldev Prakash:** We have.
- Sumit Bagaria:** Very

- Pratik D Punjabi:** No, the these are very unique cases. I mean this is not a routine business for us to 1st write off and then recover. So what what message we wanted to send across the industry is that even when we write off, we don't leave that account. There is an aggressive follow procedure. They are monitored in a very different way within a specialized cell within our Shujaat, Sir. And we have staged this recovery. Yes, there will, we will continue witness recoveries Within quarter four nd even in the near future.
- Baldev Prakash:** Yeah. And the summit, just to supplement what Pratik was saying, we have a total technical write of portfolio of around 4500 crores. And these these loans are quite old, say, 2015, 16178. These are the old loans where the various actions are going on for quite a long time. And this year a lot of actions have rectified. We could we could book this income and this will continue this year also. I mean 2324 will also be the continuing because all it lot of time has already gone for these loans
- .Sumit Bagaria:** Good. How much amount of recovery are we expecting out of this 4500 crores?
- Baldev Prakash:** For this year or we are talking about the 2324?
- Sumit Bagaria:** So for so for the near term so, so so for suppose till FY24?
- Pratik D Punjabi:** With the people.
- Baldev Prakash:** Maybe we will be. Yeah.
- Pratik D Punjabi:** But but technically by 100.Wait, wait, wait. It will be in the range of 500 crores.
- Sumit Bagaria:** Ok
- Baldev Prakash:** No. Yeah, out of TW.
- Sumit Bagaria:** Yes
- Baldev Prakash:** It should be on the conservative basis. 500 crores should be there.
- Pratik D Punjabi:** That it goes on the conservative base, yes, there is.
- Sumit Bagaria:** And, Sir, how much recovery out of except TW? Are we expecting in FY24?
- Pratik D Punjabi:** I don't.
- Sumit Bagaria:** Like from NCL.

**Pratik D Punjabi:** 1500 crores, 1500.

**Sumit Bagaria:** Ok. That just to get, uh, get your perspective on asset quality of yeah, we are constantly reducing our GNP, which is a very good thing. But when we look at slippages and recoveries number, we see that slippages are increasing very much. So out of the reduction that we see in our GNP, what proportion of it actually slips and what proportion do we recover?

**Baldev Prakash:** Yeah. Yes, Sunil, actually, we, we shifted from our port this thing technical, our core banking, Pinnacle 7 to Pinnacle 10 and second quarter on 30th of June. So from June to December, around 5-6 months, we had some issues relating to the technology upgradation. And during that period the slippages were on the higher side elevated. But if you see from December onwards, which we fixed.

In the month of December, and if you see from January onwards, you will find that slippages are hardly anything in the month of January, we had the slippage of around 450 crores. February. I think it's it, it is even less than that. So the slippage are.

**Pratik D Punjabi:** Is that less than 200 crores? It's pleasant. Probably it was less than two.

**Baldev Prakash:** The severity is 200 crores, yes. And this month also the slippages are hardly less than 100 crore. So these things are, I mean the higher slippages is that past now going forward, we are taking control of all these slippages and going forward we we presume that our potential NPA as well as these slippages will be reducing.

**Sumit Bagaria:** So they took. Your credit cost to be at similar level going ahead. So which?

**Baldev Prakash:** Credit cost.

**Sumit Bagaria:** Yes

**Pratik D Punjabi:** No, it will actually. It it will actually come down. The credit cost will it has already coming down. If you look at my first quarter the provision was 137 crores. If you look at my second quarter, it was even less in in fact in my third quarter I had provision only with with respect to standard asset provision. So we are actually unwinding. We are unwinding from the release of NPS Water four, we are quite helpful. It will be even better. We might have a situation of write back.

**Sumit Bagaria:** So how much provision we are carrying on standard asset? No, I mean to say apart from GNPA.

**Baldev Prakash:** Yeah.

- Pratik D Punjabi:** So the repeat that is in line with the. We lined with the regulatory requirements around 600 crores.
- Sumit Bagaria:** So including restructuring book and everything. Answer including the structure.
- JK Bank Board Room CHQ:** A little excluding that excluding excluding, excluding only standard, only pure pure standard assets.
- Sumit Bagaria:** And set including a restructuring and COVID provision and everything, Sir.
- JK Bank Board Room CHQ:** This that's probably for separately, we haven't see we have a section loan book of around 3000 crores.
- Sumit Bagaria:** OK.
- JK Bank Board Room CHQ:** As on December and out of which. A we have NP of around 1500 crores roughly 50% and against that and we are we are having a provision of against this this provision against NPN restriction will loan book is around 78% and then we are holding another around 200 crores for the standard portfolio of that step should book.
- Sumit Bagaria:** OK, OK. So we are planning to diversify our book outside Jammu and Kashmir. So Sir, what is the strategy behind it? Are we planning to open branches in other States and in which in which region are we planning to expand our loan book?
- Baldev Prakash:** Yeah. Summit. There will be 2 prong strategy for this. One will be that now since we are having the latest technology platform, so we want to have growth via digital tie ups also like in winter types, good fintech types when proper regulatory manner of course that is 1. The other is that brick and mortar, yes we want to expand and this year we want to.
- You see that those centers which are big centers, urban centers where we do not have the presence at least some of them are covered, we are not going very aggressive towards the expansion and but this year definitely we will start some expansion maybe around 2025 branches during this 2324 at major centers in the rest of India.
- Sumit Bagaria:** So by the way. No, no user margin. Yes.
- Milan Wadkar:** Mr. Bagaria, we request you to come back in queue.
- Sumit Bagaria:** OK. So one last question, if you could, if you go along.
- Baldev Prakash:** Yes

**Milan Wadkar:** Yes, Mr. Bulgaria.

**Sumit Bagaria:** OK, sure. Thank you. We all join the queue. Then just one question on yields and margin. So our borrowings are negligible when compared to deposits because of which are positive deposits is at a very, is at a very low level, which is 3.7 compared to what our yields. So going forward, do we expect this course to increase based on our deposit rates? Are we expecting this to be this to two major increase in the coming months?

**Baldev Prakash:** The cost of deposits you are saying?

**Sumit Bagaria:** Yes, yes.

**Baldev Prakash:** So party, can you take it this?

**JK Bank Board Room CHQ:** Yes, yes, yes, Sir. So, as you mentioned in the beginning of this call that we are very, very strongly positioned on liquidity, which is coming out of the two areas. One is a very, very high LCR close to 180%, very, very high NSFR another close to 180% plus we have a very, very strong CD ratio. So what it means is that up to 10,000 crore rupees of advances growth. We can do it based on our existing deposit base. What it means is that it will only help our limb and it will not really affect our cough. Secondly, in our current treasury, treasury is the net lender in the financial market. Treasury is not borrowing in the financial market and that is exactly the reason of our high liquidity. So for at least near term, we do not see this cost going up significantly. We will be changing the rate incrementally, the deposit rates. Based on how RBI changes the rates and to remain competitive in the market, but as such, we are not desperate or very, very aggressive to raise deposits. We are very healthily poised.

**Baldev Prakash:** Perfect.

**JK Bank Board Room CHQ:** And just to add to that, if you look at the combination of the rate sensitive assets and the rate sensitive liabilities of the bank that is evenly poised, so it won't have much of an impact going forward if interest rates also change.

**Sumit Bagaria:** OK. Thank you so much. Thank you. That's also for the upcoming quarter.

**Baldev Prakash:** Thank you. Thank you so much.

**Milan Wadkar:** Yeah. Next question is from Mr. Piyush Chadda. Kindly go ahead Sir.

**Peeyoosh Chadda** Hi, can you hear me?

**Baldev Prakash:** Yes

**Milan Wadkar:** Yes, Mr. Chadda, go ahead.

**Peeyoosh Chadda:** A long time ago we used to have a very good liability franchise within the state of Kashmir. But uh, most of the deployment of funds used to be outside the state of Kashmir as consortia partners with lots of other banks. Is that still the basic asset gathering method or we now largely gathering assets on our own strength?

**Baldev Prakash:** Yeah. Thank you, Mr. Chadda, thank you for being online. So actually the broadly the concept is same only as I have covered in my opening remarks. Uh, I'll almost 75%. 75% of the deposit share is. Rather, 80% of the deposit series from the state of J&K only. Yes, we are financing to rest of India but that is not in in the in the companies which are below the AAA or the government companies like Maharatna, navratna etcetera. So that is a concept decision because the earlier those finances which we have done. Ohh. Have turned bad and a lot of them have turned bad and that is what the rest of India, our portfolio of NPA was high. So the learning from that was that we are going quite cautiously as far as the assets in rest of India is concerned. Yes. And in in the state of J&K in the unit territory of JNK and Ladakh, we continue to be the dominant players both in deposits as well as in advances.

**Peeyoosh Chadda:** Great. Thank you. I'm done.

**Milan Wadkar:** Our next question is Mr. from Mr. Ashish.

**Ashish:** Yeah

**Milan Wadkar:** please go ahead.

**Ashish:** Yeah, thank you for arranging this call and taking the time to explain about the. Operations of the bank. Clearly, the bank seems to be in the right place. I had a few queries, one on the government holding being at 16%. So he. There's a lot of background noise coming, is it?

**Baldev Prakash:** Yeah, Ishaq. Is that.

**Milan Wadkar:** Can we have the Cho office CHQ Office on Mute?

**Baldev Prakash:** In fact, yeah, please unmute. Yes.

**Milan Wadkar:** Yeah, Mr. sash.

**Ashish:** Sorry, thank you. So Yeah. So one is there was talk that there could be a requirement to reduce the holding of the government. From current levels, could you elaborate on what's going on on that bit?

**Baldev Prakash:** Yeah. Thank you, Mr. Ashish, about the holding. Yes, 68% is both for JNK as well as Union territory of radar.

**Ashish:** Yes

**Baldev Prakash:** And given the recent guidelines of Reserve Bank of India. That is within the discussions of RBI, but as of now, the government has not indicated to reduce the share. But as you know, we have been we are raising the equity and from the market. So the share may come down gradually but immediately we have not heard anything from any of the government to reduce it, reduce their shareholding.

**Ashish:** OK. Which brings me to the next question this with your article, your capital adequacy ratio, looking to touch 15%. Under 300 basis gap in the other ratios etcetera. Uh, is there a very aggressive plan to ramp up? Because otherwise why would you need extra equity?

**Baldev Prakash:** Not aggressive, but we want to be above 15% going forward this year. Also we will be ending above 15% and that adds to the comfort of regulators and we we want to be around 15% plus every year, maybe fifteen 1617%. And for that I think we have will be the Internet. Yeah, rules will be there every year, which will be added to the capital adequacy as well as we also plan to have the Tier 2 every year. This year we had a 1021 crore in the same range. We want to continue that every year. So with that we we are hopeful we will be maintaining it and the comfortable zone of 15 to 18% somewhere.

**JK Bank Board Room CHQ:** Big.

**Baldev Prakash:** Yes.

**Ashish:** So we're actually do the our last question that you know with having a very high LCR and a very high capital adequacy ratio beyond the point becomes suboptimal because if you're keeping too much an LCR, then you'll drop because short 10 hour may not be as human relative. So is there a plan to optimize that at some point or because there is a cost to having a very high LCR?

**Baldev Prakash:** Yes, so.

**Ashish:** Or a very high capital adequacy.

**Baldev Prakash:** So correct. So if you see other CR is hovering around 85% and once as our Mr. Sujal Andrabi is heading our impaired assets portfolio as you indicated, we had a lot of recovery out of the

portfolio which was old amps. So those accounts were basically provided 100%. So once that 100% portfolio will be recovered. So the new portfolio of NPS will not be having. And that coverage of that much of coverage, some of the accounts will continue having 100%, but most of them which are new will not have. So keeping in view that I think we expect it to be around 80 to 90% somewhere in this range. Am I clear?

**JK Bank Board Room CHQ:**

Just. Yeah, just to add, in fact, if you look at our liquidity coverage ratio, the bank has taken a conscious strategy. In fact, we have a 60 buffer of 3% of NTLM that the bank has internally set up and that puts us this in a comfortable liquidity position whenever we need liquidity, it's handy. That's one second part as Sir rightly said because of the recovery, this has improvised and going forward it hovers around 150 against the regulatory requirement of 100%. And if you also look at the long term liquidity, that is the which is measured by net stable funding ratio that also is around 150 hundred 60 and we believe that this amount of buffer is adequate for the bank to manage its security. That's one. And the second thing that you talked about that was the CD one, we said that the bank intends to maintain a buffer of 300 bps more than 300 bps our and about the regulatory minima. So in fact if you look at the industry average, that is considered. Very educate and appropriate fit. If you look at international experience, also the banks would has a capital adequacy CT1, particularly above 10.50. They survived many shocks and that is the promise that the MDC user has given. And then the the direction that has been given so that we are at an optimal level.

**Ashish:**

No thanks for that. You know, my only point is I have no doubt that you're adequately covered. I'm saying you are, at some point, you know, it might be much more than adequately hurt, so.

**Baldev Prakash:**

Idle yeah, should not be ideal. Yes, yes, yes. Correct. Appreciate me.

**Ashish:**

That's fine. Any guidance you can give on the growth going forward with all the economic activity which is planned by the government in the states of JNK and Latha?

**Baldev Prakash:**

Yes I suppose. Can you take this question Ashutosh, our create head.

**Ashutosh Sareen:**

Yes, yes. So. Just a moment. As I said in my. Remarks. There are two fronts. One is the the industrial policy, which was unveiled in 2021. So with their planned outlay of close to 29,000 crores, so large number of new industrial units are being set up both in Jammu part as well as in Kashmir part. So being the preferred banker for and the dominant part banker in the UT of Jammu and Kashmir. So that. Presents all say very handy opportunity to increase the loan book, but having said that we we as I have said that. Uh, uh. Even with the Greenfield project, we will be we are very choosy with that because. Ohh of what the previous experience we have had in the industrial policy of 2001 2011 there were many units which they came with the the the with the incentives in mind. But actually the the the units could not be established or they abandoned it midway. So having learned from that we we are. Are choosing we are extremely choosy with the set of sectors we are, we are we, we are going to expand our feet and as I was saying that the



the K Billa group, the Satluj textiles, they are already we are already bankrupt to them and they are going to expand in a big way with the news textile unit in Kathua part of the Jammu.

**Baldev Prakash:**

**Good**

**Ashutosh Sareen:**

Region and then GSW. Also they are setting up a a very large unit and besides that billary is also coming along in a long way in the assembly area of Jammu and Kashmir. So and very I'm very hardly to announce that all three of them are the bank they are choosing is Jammu and Kashmir Bank. Besides that the the budget which was unveiled.

Yesterday, so there is a a very large push on the infra sector, the outlay of close to 16,000 crores and the simultaneously the undergoing projection, the smart cities of Jammu and Kashmir or a similar also. So there is a plenty of opportunity of experience expanding our footprints in the MSME because the contractors, the commercial vehicle, the construction equipment.

**Baldev Prakash:**

Yes, yes. Yeah, so, so so.

**Ashutosh Sareen:**

To name a few and on the top of it, the tourism has been, I think one of the best revivals we have seen in I think in the human memory, the, the and it is continuing. The earlier it used to be a a tourism season, say when the the there were holidays with the then the there was tourism or then in the summer season but. Yes

**Baldev Prakash:**

Yeah, yeah, I suppose. I think you're. You're rightly said it. So the what? I've just want to conclude what Miss Raju's has said the industry policy of the Union Territory of J&K, which is supporting the investment will be helping obviously will be helping us because we are present there and we are part of that committee which has formulated by the government for selection of the industry. Yes, we will be quite selective keeping it with the last experience that is 1.

And another is this is the unprecedented inflow of tourists in the valley. So industrial policy will be helping this part of the of the state that is Jain Jammu and Kathua area and tourism will be helping the hospitality sectors of Kashmir division. So that way we are quite sanguine that the this will be supporting the credit growth of the bank.

**Ashish:**

Thank you, Sir.

**JK Bank Board Room CHQ:**

And Sir, it will have a cascading effect. The our existing borrowers who are related to tourism because majority of the population is directly or indirectly dependent on tourism. The borrower accounts which were earlier in the past years, they were under stress. They have also seen a lot of activity and and we have seen recoveries in these friends and even we have seen a lot of NP accounts have got adjusted because of prior post revival of tourism in.

The state of J&K during the last two years, Sir, and even the winter this year was record-breaking. We had 1,00,000 tourists in February in Kashmir which is a record of its own. Thanks.

**Baldev Prakash:** Yes, yes.

**Milan Wadkar:** Sure. Next question is from Mr. Tushar Sharda. Please go ahead, Sir.

**Tushar sarda:** Yes, thank you for the opportunity. My question was regarding your cost to asset ratio, which is probably at around 4% kind of thing. Most of banks are at two 2 1/2% and you're protected because your cost of deposit is also animes are fairly healthy. And specifically, within the cost of the employee cost seems to be much, much higher than what other banks of the size would have.

**Baldev Prakash:** Yes,

**Tushar sarda:** So if you your views on this and if any plan to moderate this cost.

**JK Bank Board Room CHQ:** Yeah.

**Baldev Prakash:** Yes, Sir. Yes. But please take this question.

**JK Bank Board Room CHQ:** So yes, see I take a point now. There are two aspects to this. You know we we have been focus our board, our MD Sir everybody's very, very focused on the cost to income ratio which will which will obviously reflect on the cost to asset ratio also in in two ways. We are looking at every line item of the cost and trying to figure out how best can we utilize what things can be done. There are some significant.

The policy changes we have already taken, which is the result.

That the cost to income ratio has been arrested dramatically and if you look at my cost to income ratio for purely quarter three and compare it with my nine month result, it is much better if you look at my queue 2 purely and compare it with my six month result, it is much better so that everything will be reflected here now cost to asset ratio what will happen is when we naturally expand our balance sheet automatically these will come and get arrested.

So overall, we are looking at every line item including the employee cost also. For example, when we expand our MD Sir mentioned about expansion, we are getting a entire survey done by one of the big fours in terms of our capacity planning and our succession planning and all our expulsion, we intend to source from in House, we are creating specialized units so that branches are then a focus centers of business disbursements.

And the processing is being centralized and in fact, even in the corporate banking, something what we called as large credit units or else use internally. This is also a very professional way of handling specialized corporate accounts. So we are completely what Nuru, you let me use a

better word. We are doing a business transformation. We're doing a business transformation to arrest this, but it will, but it is a large ship to manoeuvre and therefore this will take a little while. Let's say medium term to two CS sizable change.

**Tushar sarda:** No, specifically your employee costs are three times the other cost. You know, for most banks, it's one is to one ratio. So have you done any assessment of what number of employees you have, where they are deployed and have you benchmarked it to other banks?

**Baldev Prakash:** Yes, Sir. Yes, Sir.

**Tushar sarda:** Ok

**JK Bank Board Room CHQ:** I just mentioned, in fact we we have hired one of the big fours to do that exactly that kind of an assessment that assessment is in its penultimate stages and they are about to issue their outcome of it and share the results of it. And we expect to see a lot of value coming out of that in reorganizing ourselves.

**Tushar sarda:** OH

**JK Bank Board Room CHQ:** That's why I use the word business.

**Tushar sarda:** Yes, Sir.

**Baldev Prakash:** So yeah, yeah, just just to supplement with Tushar, just give me one second. We were, yeah, we were having the cost to income ratio at around 7576% last year and we have brought it down to around 6463% and we are aiming it to be around 60, maybe around 60 to 61%. There are two ways to do it. Either you reduce the cost or you increase the income. And actually we are working on both these levers. Yes, as far as employee cost is concerned, there are some rigidities. I fully understand your point. There are some rigidities there. We are working on deployment of those talk. We have quite the the staff which are subordinate staff which were working in the branches, 2 people, three people. Those have been deployed in ATM ATM's. We were outsourcing the caretakers. Now the the outsource caretakers have been done away with our these people who were just doing the the manual work in the branches. Are replacing the Gator. These type of things. We are doing a lot of things are being done as our CFO. Mr. Pratik has done, we are specifically engaged one of the big four and that report will be ready by 31st March. We will be implementing that. There are lot of these steps we are taking and we are sending about this thing that our cost income ratio is among the outliers we will bring it down but it will take a few years time one or two years. Yes, Sir.

**Tushar sarda:** OK. Thank. Thank you. So my next question is you know, do you have any guidance or aspiration for ROA, Roe in the medium term in two to three years? What kind of ROA are we one should expect because Jammu Kashmir historically used to be the most profitable bank, you

know, till your corporate NPS brought it down? But do you think you can go back to your glory days?

**JK Bank Board Room CHQ:** Yes, Sir.

**Baldev Prakash:** Uh, yes, we aspire to go back, definitely to the glory days. And the signs are already now visible. So our ROI as of December was around 72.72. The expiration is to reach up to one. We are trying to do it probably this year is that we'll be reaching definitely about 90.9 and maybe next one quarter or two quarters should be there. And as far as a RO is concerned, I think we are at 12.85 as on last quarter and the this December quarter, the expiration is to reach to 15, may not be this year, but next year definitely. So.

**Tushar sarda:** So is it possible to go to 1.5 or 1.7 kind of levels in 2-3 years time?

**Baldev Prakash:** Not immediate.

**Tushar sarda:** In two to three years time.

**Baldev Prakash:** Not immediately, but. Yes, that that aspiration is there to reach up to 1.5 in three years. Well.

**Tushar sarda:** OK. Thank you. Thank you and all the best.

**Baldev Prakash:** Thank you, Sir.

**Milan Wadkar:** Our next question is from Mr. Ashwin Agarwal. He has a query, Sir.

**Milan Wadkar:** Are there any plans to raise new equity, if any? There were talks about some capital being raised in the first half of the New Year.

**Baldev Prakash:** Yes. We had actually plans last year we we had the plan to raise Tier 2 in the last quarter in the third quarter we raised that 1021 crores in the third quarter and the fourth quarter our plans were to raise tier one during this quarter means the quarter which is going on, we have we are likely to raise 300 plus crores during this quarter and in the next year. Yes we will.

Are you going to the board? But definitely will be raising Type 2 in the next next year. Tier one, we will. We will think depending upon the requirement we'll do it.

**Milan Wadkar:** Thank you, Sir.

Uh, Mr. Summit, do you have a follow up question?

Mr. Ashish, do you have a follow up question?

**Ashish:** Yes, just one question. Uh, that when you are saying? The. Uh, you are raising equity, is it? So is common stock also on the cards or not? Present share issuance is also there or basically tier one or Tier 2 capital? I think that was a question which.

**Baldev Prakash:** So this this year, this year we we have raised Taiwan through employee stock purchase scheme.

**Ashish:** Ok

**Baldev Prakash:** So that is the the the we have already done that around 300 plus stores. We have done that.

**Ashish:** Ok Thank you

**Milan Wadkar:** If there are no further questions, I'll request the management. To put their concluding remarks.

**Baldev Prakash:** Thank you, Milan, and it was a pleasure talking, interacting with all of you and as our team has already assured the the worst is over for the bank. We had difficult times in the post abrogation of 370 and before that also there was lot of disturbance in the our home territory. But now things are looking very bullish in the unitary of J&K as well as in Ladakh. And we bring the predominant player.

The bankers to the to the almost everybody in the state and the overall, the the economy of the state is going up and there's a lot of interest in the tourism sector, the hospitality sector, the services and the horticulture. So we being the predominant player there, definitely the maximum benefit or the business will will come to us and we are committed to welcome the new customers that new business and I would.

The request you to please be part of this success story which going to unfold in another 1-2 three years. Thank you so much.

**Milan Wadkar:** Thank you, Sir. On behalf of Nuvama professional investor group, we thank the management of J&K Bank as well as the participants for joining on the call. Wish you all the very best team. Thank you and good day. You may now disconnect your line.