

“J&K Bank Q2 FY16 Earnings Conference Call”

November 17, 2015



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Moderator: Ladies and gentlemen, good morning and welcome to the J&K Bank Q2 FY16 results conference call hosted by Elara Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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. I would now like to hand the conference over to Mr. Rakesh Kumar. Thank you and over to you sir.

Rakesh Kumar: Welcome everyone to the J&K Bank Q2 FY16 Earning conference call. We have with us Bank Senior Management Mr. Mushtaq Ahmad – Chairman and CEO and Mr. Parvez Ahmed – Executive President of the Bank. We would like to request to the management to provide us brief presentation on the result and thereafter we can start the question & answer session. Thanks and over to you sir.

Mushtaq Ahmad: Thank you very much and good morning to everybody. Ladies and gentlemen, we have got our results approved in the Board of Directors meeting on the 13th of November and the brief highlights of the financials I will place before you.

The overall business somehow has remained static. Last September it was say 108,000 crores and we continue with that same 108,000 crores. I would not like to elaborate the reason for the situation in J&K State because of floods and all that. So it is almost static. Within the business advances have slightly increased by 2% but if you see this advances growth from June 15–September 15 for the quarter almost 6% growth has been there and at present and in deposits, growth overall it is stated but our savings bank have increased by around say more than 10% and that has boosted the CASA figure also and as far as total income is concerned almost marginally down by say 2% from 1,883 crores to 1,847 crores. Interest expanded on the deposits have gone down by 7.2% to 1% and that is because of quite efficient liability management and the total expenses of the bank have also gone down by say around 3% operating profit has almost remained static from last year, it was 432 crores, this time it is 437 crores. But net profit has gone up on a half year basis. Last year corresponding quarter compared to this year quarter it has gone up by around 14%, 13.53% precisely, coming up from 172 crores to around 196 crores and half year profit has gone up by 17%. But over and above we have restarted building our contingencies and we have placed around 52 crores in our contingencies instead of keep them in provision and after that as far as gross NPAs are concerned it has not been very good. Last year it was on 2,187 crores and now it is 3,082 crores. There has been a jump in that. But when you compare from quarter-on-quarter basis June 15 it was around 3,000 crores to 2,995 crores and this time it was 3,082 crores. Net NPA which was 1,108 crores last time, it has also marginally increased to 1,269 crores. But from June to September it has marginally come down. As far as gross NPA percentage is concerned last year it was 4.73%, this time it was 6.46% but from June it has come down from 6.63% to 6.46%. Similarly net NPAs ratio, last year it was 2.46%, this year this is 2.78%. But from June it has come down to 2.95% to 2.78%. NPA coverage ratio, it has improved a lot. Last year it was 55% and this time it is 62% and again when you come to this CASA now, last time the CASA ratio was 39.69%. It has increased by almost 4% that is 43.22% and this really has given a big boost to our net interest margins, a big spurt to it and CD ratio, last year it was 71.57%, it has increased to 73.22%. Yield on advances has come down from 11.91% that is from 12% to 11.29% but at the same time cost of deposits, it has gone down from 6.80% to 6.41%.

Then return on assets which had dipped dismally low, last year it was at 0.96%, it was improved to 1.10% and again in quarter, June it was 0.88%, it is now again 1.10% return on equity which in June was 10.26% it is up to 12.29% and net interest margin always I think there have been question on it last year it was 4.01%. It is almost same at 4.02% but from June 15, it has come up from 3.93% to 4.02%, so there is increase in that also. The total number of branch also we have added last year around 27 for this branch and also we have added around 80 ATMs. Total number of branch stand at 825 as on September and ATMs 922, cost to income ratio has gone upwards by almost I should say we did a 2.5% mainly on account of establishment expenses and some other expenditure also.

Then moment of NPA brief I would like to say that at the beginning of the quarter it was 2,994. There have been slippage to the extent of 202 crores and there have been upgradations recoveries and all that, 115 crores. So the gross NPA stand at 3,081.68 crores. Again, as far as this restructured book is concerned you know that it stands at 2,486 crores and there has not been

any major change in it. So these are the highlights and other issues come up, we can discuss during this question & answer session.

- Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Alok Kapadia from Antique Finance. Please go ahead.
- Alok Kapadia:** Just had a couple of questions on the performance. One is that we made contingency provisions of 52 crores in the current quarter. So are we likely to build this up over the next couple of quarters or do we have some number in mind?
- Mushtaq Ahmad:** I think whenever we are having profit, I think we need to just keep this contingency building up.
- Alok Kapadia:** But do you have some number in mind like 0.5% of advances or 1% of advances, are we looking at that kind of a number?
- Mushtaq Ahmad:** It is not related to advances. Generally I would say that you should always have a cushion. Last time we had a cushion and we used that cushion but again we want to rebuild it. Had there we not rebuild it, probably I would have been quite comfortable to show net profit of around say 20%-25% which is used to show very low profit at the same time build some dis-contingency.
- Alok Kapadia:** And this on a particular account which we have written off completely, the Calcutta based Basmati exporter, now we had some collateral of 150-175 crores that is what you had highlighted earlier. So any chance of recovery there?
- Mushtaq Ahmad:** Yes. Number one is that it is REI Agro and we had an exposure of around 674 crores, latest one and it is 100% provided for now. No liability on that account. One part that we are holding that security its valuation has been done and we do expect that we can just recover around say 125-150 crores and the steps, legal steps have already been initiated for that recovery. We expect that we will be in a position to just recover amount within that band
- Alok Kapadia:** Sir in next couple of quarters should we expect that to happen, that is 125-150 crores?
- Mushtaq Ahmad:** Well, again you cannot have said, we are sure that we should be in a position to do it but again this is subject to legal hitch and all that.
- Alok Kapadia:** The other thing is that we had a real estate account, Bombay based real estate developer which was non performing in our books but a standard across the other banks. So any update on that sir?
- Mushtaq Ahmad:** Yes, it continues to be this stressed account, it has been part of our NPAs but we expect recoveries in the current year. Already we have been able to recover around 100 crores in this account in the previous quarter and that was on investment side and we are company 100 crores left. We have very sanguine hope that we should be in a position to recover and upgrade this current year and it is not still, there could be huge recoveries.
- Alok Kapadia:** And sir just a couple of questions on generally the Iron and Steel or Iron and Steel exposure and our infra exposure. I think now our Iron and Steel exposure are roughly 2,500 crores. Sir, some kind of color sir on how much of it would be A rated and above, about 60%-70% would be A rated and above or
- Mushtaq Ahmad:** I think we have to just go back to our records and send you information separately.
- Alok Kapadia:** So would it be a top 5 borrowers in that?
- Mushtaq Ahmad:** In Steel?
- Alok Kapadia:** In Iron and Steel, correct sir.
- Mushtaq Ahmad:** Iron and steel we have got so many accounts but I think the details we need to be given.
- Alok Kapadia:** Sir the other thing is the power exposure of 3,300 crores. So is it to the SEBs in this 3,300 crores?
- Mushtaq Ahmad:** We have zero exposures to SEBs.
- Alok Kapadia:** Then sir again typically who would be the top 5 borrowers here sir in the power exposure.
- Mushtaq Ahmad:** Again, this is, I am not ready with. I cannot share with you.

- Alok Kapadia:** And sir last question is that, sir have we participated in this 525 scheme or do we have any accounts where we could see some amount of refinancing under 525?
- Mushtaq Ahmad:** We are a part of a consortium. These accounts have been just brought under that particular package. We are also participating in that.
- Alok Kapadia:** And sir how much have we refinanced under 525?
- Mushtaq Ahmad:** It could be say 800-1000.
- Alok Kapadia:** So there is this one particular steel account which we have refinanced under 525 range.
- Mushtaq Ahmad:** That was there, yes.
- Alok Kapadia:** And sir there is nothing for in this SDR also sir, do we have accounts which we are participating. Have we participated or have we likely to participate? This strategy that we are structuring sir, are we looking at participating in that?
- Mushtaq Ahmad:** As of now we do not have any pending account with us, that I think this call has to be taken by the consortium.
- Moderator:** Thank you. The next question is from the line of Janvi Boradia of Motilal Oswal Asset Management. Please go ahead.
- Janvi Boradia:** I have three questions. One is on the corporate loan book, if we see there is a 7% growth on a quarter-on-quarter basis, if you could provide some color as to where the growth is coming from?
- Mushtaq Ahmad:** It is absolutely in top rated government of India Navratnas.
- Janvi Boradia:** And sir next question is on the pipeline of stressed assets. I mean if you could give some guidance as to if you see any big accounts slipping in the quarters coming ahead?
- Mushtaq Ahmad:** I would say that there is nothing specific to J&K Bank about again if I say that we are not worried, when you see the overall situation still I think we are not out of the woods the situation we have to be in a mood of caution for another minimum three quarters. So within that quarter unless and until there is 100% recovery or at least the recovery trend starts I think these apprehensions could be there.
- Janvi Boradia:** But no big accounts you foresee is likely to slip in the coming quarters?
- Mushtaq Ahmad:** I would not say as of now but since we are also part of the consortium and also part of the situation underlying. So therefore, saying that right now I would say no. But in the coming this month, coming period I think if consortium takes call on different note, we are a part of that.
- Janvi Boradia:** Okay. Sir on the Mumbai based realty account that we have been discussion, sir what is the outstanding amount now and what is the provisioning that we have on that?
- Mushtaq Ahmad:** Outstanding would be less than 300.
- Janvi Boradia:** And what is the provision that we carry on this?
- Mushtaq Ahmed:** Provisioning as per that regulatory requirements is substandard and it would be say around 15%.
- Janvi Boradia:** And sir any cases in the CDR pending in our case?
- Mushtaq Ahmad:** I don't precisely know anyone.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal of ENR Advisor. Please go ahead.
- Gaurav Agarwal:** You said there is some 800-1000 crores of loans has been refinanced under 525. So all these amounts have been refinanced in Q2 or some part were there in Q1 also?
- Mushtaq Ahmad:** I think details we will come forward.
- Gaurav Agarwal:** But based on this one account is it, or is there couple of accounts?
- Mushtaq Ahmad:** I think this would be 2-3 accounts.
- Gaurav Agarwal:** Sir, individual exposure to Amtek Auto in our investment book, like we have to HDIL 100k?
- Mushtaq Ahmad:** No.

- Gaurav Agarwal:** And sir what is the quantum of loans under SME 2 as on date?
- Mushtaq Ahmad:** I think 600 or 700 could be there.
- Gaurav Agarwal:** So that leads a very small amount, it is only 1% of the total loan, 700 cr?
- Mushtaq Ahmad:** Maybe, but again I need some precise figure.
- Gaurav Agarwal:** And sir lastly what is the loan growth guidance, will you give?
- Mushtaq Ahmad:** Yes, I think first of all thank you very much for putting a very important question for us. This year I should say that I was aiming at growing 25% in J&K stake but again the government of India package we were expecting somewhere in the first half second quarter it did not happen, but it has come out, you know that our infrastructure huge, I must say that more than 60,000 crores is going for infrastructure alone. So current year I would say that even if we are just say around 20% between 18%-20% growth in J&K State that could be quite fine. But I can assure you going forward 25% would be the minimum that we should expect from J&K State and outside J&K State I would say that we can grow by 15%, already we have some pending sanctions, pending disbursements and minimum that should give us around 15%, that would be a satisfactory level. But going forward I think for next year I would say. Yes, minimum 25% for J&K and from outside J&K should remain between 15%-20%.
- Gaurav Agarwal:** Even if I take 15% on outside J&K, so the base I am taking is March 16 ending.
- Mushtaq Ahmad:** March 16 if you are telling I think we would be in a position to show growth say around plus or minus 15%.
- Gaurav Agarwal:** Yes, so that is like 4000 crores of incremental loan on the current book?
- Mushtaq Ahmad:** Exactly we have done. If you see that we have increased overall portfolio June it was 43,000 crores. We are now 45,000 crores and expect 2,000 crores around disbursements and all that pending and then another minimum 2000-3000 crores we will be in a position to go to that.
- Gaurav Agarwal:** And sir lastly can you increase NPA restructured numbers for iron, steel, and power?
- Mushtaq Ahmad:** I will send you separately.
- Moderator:** Thank you. The next question is from the line of Kalpesh Mehta from Motilal Oswal. Please go ahead.
- Kalpesh Mehta:** Sir one question related to you margin, performance have been very strong so far. Also we have seen some asset reallocation from investment book to the loan book and now the CD ratio has reached to around 73%. So what is your outlook on that front, do you see that there could be some pressure on the margins as you go more outside J&K and there would be more of a consortium lending?
- Mushtaq Ahmad:** Yes of course, when you are going outside you are competing and your base rate has also gone down to 9.50%. So once we are increasing our loan book outside J&K state there is going to be pressure on margin but in any case for the current year I think we should be comfortable between 3.90%-4%.
- Kalpesh Mehta:** And sir for the next year would you like to see more of a volume growth or there could be some threat on the cost of margins?
- Mushtaq Ahmad:** No, but I think when the volumes also grow, yes pressure would be there but I think even this level quite higher in the competitive market.
- Kalpesh Mehta:** And after a long time we have seen some addition on the employee base in this quarter. So any specific reason regarding this?
- Mushtaq Ahmad:** The reason is that we had in fact what happened is that there was some contractual recruitments, recruitments on contractual basis. So they have been regularized. So they were around only for 2 years period once they completed we have provided successfully, so they are it is on that account.
- Kalpesh Mehta:** And sir just last question related to this contingency provision that we did around 50 crores, any specific numbers that you have in mind that you would like to ...?

- Mushtaq Ahmad:** I am not going, it will always be dependent that whenever we are showing better profit I think I must tell you that because we have seen very challenging and very tough times in the last year when you have to provide for around 700 crores for a single account. So that burden is over and if you see it you will see that there could be jump in the profit. But I would say rather than exciting this market only, it is better that you consolidate your balance sheet also in the baseline.
- Kalpesh Mehta:** And we are sufficiently capitalized right now at 11.4% tier I, any specific time period that you would be looking to raise capital because typically we kept our tier I ratio above 11%?
- Mushtaq Ahmad:** See my requirement, you will have to evaluate my requirement of the capital. My created dispensation is more on J&K State also because of margin and no emotional reason and we are around more than 50% of given advances are say in the priority sectors and the capital burning is very less. I would say that yes we should take steps right from today but I should be comfortable for next 2-3 years as far as capital is concerned.
- Kalpesh Mehta:** So would it be comfortable, your tier I ratio going down to below 10%?
- Mushtaq Ahmad:** No, I do see.
- Kalpesh Mehta:** From a regulatory requirement perspective obviously it is comfortable. But just from a management perspective...?
- Mushtaq Ahmad:** You will have to study the trend and J&K Bank it has never gone below that figure.
- Moderator:** Thank you. The next question is from the line of Rakesh Kumar. Please go ahead.
- Rakesh Kumar:** I had a question with respect to the margin, like you know in the banking system and our economy there is a likelihood that rates would be cut even for year and thereby 17 next year, so what is our understanding that if we have to cut the base rate in accordance with the base rate guideline, the draft guideline with came and so how much compression on the margin could come in the FY17 next year, what is our working on that?
- Mushtaq Ahmad:** First thing I would say that we should not say it on one side only, when there is cut, there is cut in the deposit rate also and there is cut in the advances rate also. So therefore I would say that the pressure is going to be there because you are in the market and once our focus would be on government of India undertakings, corporate houses and all that. So therefore naturally you cannot have higher margins there only most probably small marginal certain surplus your base rate and all that but still I would say that for the current year our NIM should remain between 3.90% to 4%. We are trying that has been in the vicinity of 4% but I agree with you. Going forward when there is further interest rate cut therefore we are putting some pressure on net interest margin but at the same time partly that would be taken care by the cut on the deposit rate of this interest.
- Rakesh Kumar:** Sir secondly on asset quality front, like what is the broader trend or broader understanding what we would have for the loans outside J&K State that is it going to get better from here, going to get worse from here or you know it is going to be kind of a status-quo situation, so just a broader understanding for all of us if you can provide?
- Mushtaq Ahmad:** I would not be too much optimistic or pessimistic about it. But going forward these should be marginal optimism rather than pessimism and I must say with full confidence the worst is behind.
- Moderator:** Thank you. The next question is from the line of Sonal Kohli from ENR Advisors. Please go ahead.
- Sonal Kohli:** I came little late in the call so would be repeating the question may already have been answered. Sir have provided for recovery of HDIL and what is the status?
- Mushtaq Ahmad:** HDIL yes, there has been recovery as far as investment book was concerned we have 100% recovered that, now there is less than 3000 crores would be outstanding in HDIL case, whatever regulatory requirement is there that has been provided for.
- Sonal Kohli:** So are we expecting this 300 crores to be recovered sir?
- Mushtaq Ahmad:** We do expect, as we were expecting investment book to be cleared in the previous quarter. We got it 100% and now our efforts are and we do expect that in the current year itself, I think we should be in a position to square up this account or have substantial recoveries in it.

- Sonal Kohli:** And sir recovery of investment of HDIL does it flow through the other income or how does this flow in the P&L?
- Mushtaq Ahmad:** Investment that is a part of this interest.
- Sonal Kohli:** And sir as far as Essar steel and Alok Industries are concerned, several banks have provided for it. Have you also provided for it and what do you expect for these two accounts in companies like Jaiprakash and (Inaudible) 30.23 going forward?
- Mushtaq Ahmad:** I would say that there are certain, it is not only rather (Inaudible) these two are three accounts, I would say that yes going forward there would be some stress. But as such Jaiprakash is no issue. This is already covered under that 525 and also the other account recovery would not be in a position, it is around the question, and how you take the call.
- Sonal Kohli:** And sir the two accounts I mentioned, some of the banks have already provided. Are you expecting over next few quarters any stress in these?
- Mushtaq Ahmad:** I am not aware of what you say therefore neither I would agree nor disagree.
- Moderator:** Thank you. The next question is from the line of Abhishek Kothari from Anand Rathi Securities. Please go ahead.
- Abhishek Kothari:** Sir what would be the quantum of amount coming out of restructured book in terms of moratorium lapse in this fiscal?
- Mushtaq Ahmad:** No, I think this restructured book we do expect that it should remain around that figure only.
- Abhishek Kothari:** No, I am asking moratorium period ending in this fiscal, so what would be the quantum coming out of restructured book due to 2 years moratorium lapse?
- Mushtaq Ahmad:** The package has been through in the last year and two years period should end by March '17.
- Abhishek Kothari:** No, we might have restructured something in '12-'13-'14, you know which may come in this fiscal or something?
- Mushtaq Ahmad:** I think this information I need to reanalyze and share with you.
- Abhishek Kothari:** Can I have some data questions like what is the RWA at the end of the quarter and duration of our investment book.
- Mushtaq Ahmad:** As far as the HTM is concerned it is 3.56 and AFS around 1% and total you can say 2.64%
- Abhishek Kothari:** And RWA, risk-weighted asset?
- Mushtaq Ahmad:** I need to send separately might be. I will be sending you.
- Abhishek Kothari:** This slippage of 202 crores that we had during the quarter any large accounts, any couple of accounts contributing a large sum in it?
- Mushtaq Ahmad:** No, I think not big accounts but it is a composition of medium accounts.
- Abhishek Kothari:** So top 5 accounts would be how much in the 202 crores?
- Mushtaq Ahmad:** Top 5?
- Abhishek Kothari:** Something just to get an idea.
- Mushtaq Ahmad:** The top 2, should be I think around 40-50 crores.
- Moderator:** Thank you. The next question is from the line of Sai Kiran from Argonaut. Please go ahead.
- Sai Kiran:** Can you just help us understand what is happening in the J&K especially on the economy with the new government coming into the play, lot of sound bite in the media about the economy package and everything. So what are you observing on the ground? Have you seen any kind of infrastructure projects coming up or how is the government spending?
- Mushtaq Ahmad:** I think you would be quite aware that fortunately for J&K State recently the Prime Minister of India he has announced a package of 80,000 crores and over and above that they have also just granted a sanctions of 30,000 crores for that Udhampur Roadway Express. So overall within that 80,000 crores package, those 30,000 I am sure that on the infrastructure itself we will be more

than 60,000 crores and that is going to push demands, that is going to push circulation of money in different sectors and that will have definitely that is going to have cascading past due impact on all the sectors of economy and I am sure next year would be very brighter year for J&K State. The economy is going to show better result and last year there was floods and it had impact even on this year, I think this would disappear in the next year and we are going to look for very good economic brightness in the coming days

- Sai Kiran:** Sir what change you have seen with the new government coming into the play, both on the economy front as well as well as on the ground changes, what you have observed?
- Mushtaq Ahmad:** I would say that even the previous government was quite focused but unfortunately what happened because of floods and all that everybody got distracted, everybody was totally diverted and the new government which came into power this year, again they had to struggle a lot because it was total catastrophic situation in J&K state. But now I think efforts have started yielding results, tourism will be picking up, infrastructure is going to build up, and we do hope as I said that brighter future is ahead for us.
- Sai Kiran:** And also sir on the economy policy front, that is if state government had anything difference or what is so different with the earlier government?
- Mushtaq Ahmad:** So economy I think they have been pursuing the policy as envisaged in the budget and all that, but last year and this year I should say again totally it was diverted but let us say very positive impact in the coming days.
- Sai Kiran:** And as we speak have we seen any kind of incremental spending from the state government sir and public expenditure growth on the CAPEX and other stuff?
- Mushtaq Ahmad:** Within the plan they have been doing a large **(Inaudible) 37.04**, basic infrastructure like health, education, this has improved to a larger extent, again roads, buildings everything has improved to a very larger extent and the state government is quite focused on some of the fundamental sectors and now with the additional package and all that we do hope that things should improve more.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal of ENR Advisor. Please go ahead.
- Gaurav Agarwal:** Sir just two more things I need. Of this 1000 crores of 525 how much of it was previously restructured?
- Mushtaq Ahmad:** No, I think these are new entrants.
- Gaurav Agarwal:** This 100 crores of HDIL recovery which we did on the investment side, so this 14 crores also, reversal of diminution in investment provision, is it because of that?
- Mushtaq Ahmad:** Which one?
- Gaurav Agarwal:** This 14 crores of negative item in your provisions which is a reversal of provisions on investments?
- Mushtaq Ahmad:** 21.50 crores, that is upwards, that is on account of this IDR.
- Gaurav Agarwal:** So is it because of that only, right?
- Mushtaq Ahmad:** It is because of that but at the same time when you are evaluating these things you should also see that we have contingencies to the extent at 52 crores.
- Moderator:** Thank you. The next question is from the line of Sonal Kohli from ENR Advisors. Please go ahead.
- Sonal Kohli:** Sir just wanted to understand sir, what kind of impact did the Jammu & Kashmir had because of these floods and as far as the banking is concerned and do you expect any recoveries going forward on that side and how the agriculture got impacted?
- Mushtaq Ahmad:** The first thing I would say that since the loans were restructured therefore these are not bad, these are under moratorium and going forward I think we need to wait because still people are trying to struggle and they have been struggling to come out, to restart and everything. They have done a lot but at the same time much dependent upon the package which has just come, has been announced on 7th of November only, say 10-15 days back.

- Sonal Kohli:** We have provided for 1000 crores in the restructuring, is that what you said if I heard you correctly?
- Mushtaq Ahmad:** Restructured under floods it was 674 or 675 crores.
- Sonal Kohli:** And sir these are moratorium till when?
- Mushtaq Ahmad:** Overall moratorium is around for two years.
- Sonal Kohli:** And this is largely for the agricultural crops?
- Mushtaq Ahmad:** This is all. It is not for agriculture crops but mainly for trade but yes part of it is agricultural as well.
- Sonal Kohli:** And sir I understand as the agriculture is concerned, one gets two seasons before recognizing something as a troubled asset, is that true? For Jammu & Kashmir what would be that kind of period?
- Mushtaq Ahmad:** It is same all across. I think that this repayment cycle, etc., under agriculture is different than the trading and all that.
- Sonal Kohli:** So it will be two years broadly.
- Mushtaq Ahmad:** For apple it can be only one year and for rest it could be even 6 months. I do not know whether there is anything like two years but yes moratorium would be like that.
- Sonal Kohli:** And sir what do you expect as far as the agriculture side is concerned, do we expect any stress on that side, or there was not much impact because of these floods.
- Mushtaq Ahmad:** No agriculture was definitely impacted, number one that you lost a crop and number two whatever you had in your CA stores that was also damaged. But from current year onwards I think situation should be totally different.
- Sonal Kohli:** So you do not expect much on that side at least with the agricultural season coming back?
- Mushtaq Ahmad:** Compared to trading I would say yes.
- Moderator:** Thank you. The next question is from the line of Alok Shah from Centrum Broking. Please go ahead.
- Alok Shah:** Couple of questions here. One is that when you talk about 15% growth in non-J&K balance sheet that we are talking about, we wanted a nature of growth that we are looking here?
- Mushtaq Ahmad:** We are focusing on Government of India undertakings and top corporate houses so that is it.
- Alok Shah:** So basically sticking ourselves to Government of India and Navratnas?
- Mushtaq Ahmad:** Yes, top corporate houses, in different sectors.
- Alok Shah:** But sir when we talk about a 25% growth in our non-J&K balance sheet...
- Mushtaq Ahmad:** I am talking of 15%.
- Alok Shah:** Sorry, 25% growth in the J&K balance sheet, would it not be really prudent to kind of really continue with the consolidation on the non-J&K state for other 3-6 months?
- Mushtaq Ahmad:** No, what has in fact been that we really want for some time more, it is not that we will totally close for other sectors. But for the sometime I would prefer **reliance 43.06** for the Government of India undertakings and we would take a call and that is clear about other than Government of India undertakings.
- Alok Shah:** Sir '17 probably something where we may look beyond the normal thing. Second how are we looking at deposit growth because this time around there has been a growth in the non-J&K deposit portfolio?
- Mushtaq Ahmad:** I would be satisfied with 10%-12% in rest of India deposit in the sense that if you see the cost of deposits it is between 7%-8% outside J&K State but within J&K State it is around 6%. So my preference is to mobilize deposits from J&K State.
- Alok Shah:** Okay, so it will be 11%-12% non-J&K and close to 15% odd J&K safe to presume?

- Mushtaq Ahmad:** J&K, growth should be more than 15%, it could be 17%-18% but outside J&K between 10%-12% is okay.
- Alok Shah:** You talked about having reduced your base rate to 9.5% that was in October?
- Mushtaq Ahmad:** Yes recently we reduced it to 9.5% and we are amongst the best 4.
- Alok Shah:** And just couple of data keeping points. This HDIL account, what would be amount of collateral?
- Mushtaq Ahmad:** Collateral is sufficient.
- Alok Shah:** You talked about 525 or 800-1000 odd crores, does Jaiprakash form part of this?
- Mushtaq Ahmad:** I think let us know discuss the individual accounts but overall it should be 2-3 accounts.
- Alok Shah:** I am asking if Jaiprakash part of that 525?
- Mushtaq Ahmad:** JP Infratech would be there.
- Alok Shah:** And last question on the slippages, what would be the run rate in coming quarters, would it be close to 2.5% or do we still see that sticking at around 3%?
- Mushtaq Ahmad:** Alok, I have not been able to catch you, you will have to slightly just increase the volume.
- Alok Shah:** Is it audible sir?
- Mushtaq Ahmad:** Yes, it is okay now.
- Alok Shah:** On the slippages, we saw this slippages of 200 odd crores, what could be the run rate in coming quarters, would it be around those levels of 2%-2.5% of loan or...?
- Mushtaq Ahmad:** These are number of accounts, these are not any bigger account. But I would say we have been discussing and we have questions on this issue also I would say that we are also the consortium part of the overall situation. If you ask me well there are certain accounts which could be under stress but the consortium has to take the call and defiantly with junior partners we don't have much say in that decisions.
- Moderator:** Thank you. The next question is from the line of Gaurav Khanna from ARM Research. Please go ahead.
- Gaurav Khanna:** Sir Can you throw some light on the sale of stake in MetLife Insurance?
- Mushtaq Ahmad:** Well, I think have already just expressed our stand on it. We want to exit. Evaluation and all that have been there and again one thing has come that regulation have been changed and now that control and management issues have risen and this main promoter MetLife, they will be addressing those issues and after we have clarity on those issues we will go ahead.
- Moderator:** Thank you. The next question from the line of Sonal Kohli from ENR Advisors. Please go ahead.
- Sonal Kohli:** Sir you mentioned in response to one of the participants that next year you would be growing your loan book more on the PSUs outside J&K State and perhaps post that you will start growing it with other companies as well. So I wanted to understand sir fundamentally would we still grow through the consortium route outside J&K or what is the strategy going forward you know, let us say...?
- Mushtaq Ahmad:** I would say when we are here for medium industries or medium enterprises bank would take a call to go individually or in multiple banking depending upon our credit appetite. But for this bigger accounts, Government of India undertaking big corporate houses, we have to join consortium and multiple banking.
- Sonal Kohli:** So sir broadly just to put thing in perspective, the larger part of loans would still happen through consortium because you would need a big network outside J&K to do the smaller companies?
- Mushtaq Ahmad:** It is not question of network, we have a very strong presence in all the financial towns of India. But the only thing would be that when you are going for such bigger strong Government of India undertakings or corporate houses, so their credit need has to be pooled and that is only through consortiums and multiple banking.

- Sonal Kohli:** And sir you mentioned that 525 for one of large groups based out of NCR region being part of 525, so basically 525 would have been done for all the banks and would that happen in this Q2 or would it have happened post Q2?
- Mushtaq Ahmad:** Whatever was there I think it is also again under consortium in multiple banking, it is not for any individual and we will see how things emerge now.
- Sonal Kohli:** It should happen for everybody post-Q2 or before Q2, that is what I wanted to ask you, post 30th September or before?
- Mushtaq Ahmad:** It has happened around that period.
- Sonal Kohli:** Post 30th September?
- Mushtaq Ahmad:** No, prior to that.
- Moderator:** Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.
- Jigar Valia:** Sir just one question. We were looking at a lot of flows to start from the government side in terms of relief funds to flow into the citizens and, etc., apart from the infra package which is announced. So have we already seen any traction in this account in this CASA or this will actually start now?
- Mushtaq Ahmad:** No, it has been announced on 7th November. Things will start now onwards.
- Jigar Valia:** And any color in terms of the economy at rural Jammu Kashmir and the interior region how have they been generally doing in terms of?
- Mushtaq Ahmad:** No there has been lot of J&K Government spending out of these funds. But now that the huge package has been announced by the Prime Minister of India that is around 80,000 crores plus another 30,000 crores, I think that should be really a booster for that.
- Moderator:** Thank you. The next question is from the line of Pritesh Bumb from Prabhudas Lilladher. Please go ahead.
- Pritesh Bumb:** I had a question on stake which we had in PNB MetLife, so what is the status on that because we were looking to sell the remaining stake also?
- Mushtaq Ahmad:** We are very much active in the process, but I just told you that there have been some issues under those regulations and all that. MetLife is also looking into that. All the companies are looking into that. We are seriously pursuing it.
- Pritesh Bumb:** So when can we have, is there a timeline in third quarter, fourth quarter or next year when we are like going to get out of this stake?
- Mushtaq Ahmad:** I have been trying my level best, even last year to get exit but we have certain issues, again main issue have come up. We are trying that at least we should be taking exit in the current financial year I am talking.
- Pritesh Bumb:** So up to March we could have something.
- Mushtaq Ahmad:** Yes.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Rakesh Kumar for closing comments.
- Rakesh Kumar:** Thanks a lot sir for taking your time out to enrich us on the various front of the result. And we would also like to thank all the participants also to take part into it. I would like to handover the call to the management to give the closing remark. Thank you and over to you sir.
- Mushtaq Ahmad:** Thank you very much. Thanks again it was really an opportunity for us to explain and again I am quite happy that this time at least I received congratulatory message, congratulatory remarks and do hope to interact again, interferes, interact and everything, very nice of you and thanks again for very active participations. Good questions. Thanks a lot.
- Moderator:** Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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