



“Jammu & Kashmir Bank Q3 FY 2015 Earnings
Conference Call”

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ANALYST: **MS. MAHRUKH ADAJANIA – DIRECTOR, EQUITY
RESEARCH - IDFC SECURITIES LIMITED**

MANAGEMENT: **MR. MUSHTAQ AHMED - CHAIRMAN AND CHIEF
EXECUTIVE OFFICER – J&K BANK
MR. PARVEZ AHMED – EXECUTIVE PRESIDENT– J&K
BANK**

Moderator: Ladies and gentlemen, good day and welcome to the J&K Bank Q3 FY 2015 Earnings Conference Call, hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen-only mode. 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Mahrukh Adajania. Thank you and over to you Madam!

Mahrukh Adajania: Good day everyone. On behalf of IDFC Securities, I welcome you all to the Q3 earnings call of J&K Bank. We have with us Mr. Mushtaq Ahmad – Chairman and CEO and Mr. Parvez Ahmed – Executive President of the Bank. I now hand over the call to Mr. Ahmad. Over to you Sir!

Mushtaq Ahmad: Good morning ladies and gentlemen. I would say really that I am feeling happy to be with you, but I am not that happy to present the figures that we have for the quarter and for the nine months because of certain reasons that I would like to explain in my address.

The net profit as you know of the Bank which was 932 Crores last year it is around 407 Crores now which is down by 56% and again net interest margin last year we had recorded at 4.18% and this time it is 3.77%. Again as far as return on asset is concerned, we are down again from 188 to 0.75 likewise. In certain other areas though the business per employee has increased a lot but the gross NPAs and net NPAs of the bank have increased to 5.81% and 3.22% from 1.65% and 0.22%.

The NPA coverage ratio of the Bank is now strictly as per the Regulatory Norms and that stays at 51%. Cost to income ratio this year has gone up from last year’s 37% to this year around 45%. So these are the major things, but again as far as the earnings are concerned, interest earned has remained almost flat. There has been say an increase of around say 6.55%, last year it was 4989 this time it is 5316 and interest expenditure last year it was 3000, it is 3300 Crores this year so net interest income on the whole almost flat but marginally down as compared to last year.

Operating income is up say by 1% already. Operating profit for the nine months is down from 1418 Crores to 1260 Crores that is a dip of 11%. Net profit of the Bank for the nine months has dipped by 56% from 931 as I already explained to you, net interest margin has been explained and other things have been explained but I need to repeat to you that you know the situation under which we had to go in the J&K State right from September, October, November because of huge devastation caused by the floods and entire operations of J&K State everything was quite out of gear, but here I think at the

cost of repetition I would say that it was J&K Bank in the entire industry that revived its operations within a period of four days and our ATMs had to take a lot of this damage. We have been very successfully able to just revive, reconstruct everything but it had taken a lot of time and it also caused a lot of pressure on the quality of the assets. We had to do a lot of restructuring and something more is left which we are going to address in the current market and also as far as quality of assets is concerned there was a downgrading of two major accounts in first quarter itself as and again we had to downgrade one account.

In Mumbai, this quarter itself because here was the stress but in any case this particular account is already under reference to CDR and we do hope that in the current quarter this account will be upgraded to standard category because this CDR package is going to take effect retrospectively and also as far as recovery efforts are concerned we are very, very much active on it. When I have an alliance that individual accounts, smaller account, SMEs accounts and all that I think the stress has been not to the extent that it cannot be thus revived or retrieved. We are on it and we do hope that this stress is not going to last for longer period. Of course you will have to bear with us for one or two more quarters and then again, I think all the ratios that you have been witnessing in respect of J&K Bank we will bring back those ratios present to you, but for sometime I think this situation is going to continue and I do hope with the efforts that our people are making as far as recoveries are concerned or improvement in the quality of assets is concerned, those will yield better results and after a stressful one or two quarters I think we should be in a position to move ahead.

As far as our results are concerned already we have published. It is already with you. I would not like to discuss other ratios but straightaway I will go to take question on the basis of your analysis on the basis of your take on J&K Bank. Thank you very much.

Moderator: Thank you Sir. 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: Sir just a couple of questions on asset quality. Sir one is that the slippages that we have seen a 500 Crores so is this linked to a particular Iron and Steel account or is it just one or two large accounts which have caused this high slippage?

Mushtaq Ahmad: I would say that there is one major account but it is not related to Iron & Steel. It is relating to Shipping Industry and again that is under reference to CDR. Other accounts you know that we had some this transaction are going on for quite some time. It has amounted to higher amount but we have curtailed it to 60 Crores and we had also to

provide for this 60 and that is also added to NPAs. Other than that there are other smaller this SME accounts which have added to this situation.

Alok Kapadia: Sir this fraudulent, you know that letter of credit, was it linked to a particular company or was it so more...?

Mushtaq Ahmad: It in fact had different transactions relating to different companies.

Alok Kapadia: This was the company in J&K or was they outside J&K?

Mushtaq Ahmad: No they are Delhi based.

Alok Kapadia: Sir and the second question I had on the restructuring book that the restructuring has gone up also by 500 Crores so, is this all linked to the J&K State related to the floods?

Mushtaq Ahmad: I would say that majorly is coming from J&K State and that would be around 500 Crores but if you see the movement, particularly this restructuring you see at the beginning of the nine months the figure was 1576 Crores and we have additions of 639 Crores and again repayments, reductions adding to the extent of and upgradation to the extent of 411 Crores so it takes it to 1804 Crores total.

Alok Kapadia: So have we completed all the restructuring linked to J&K State?

Mushtaq Ahmad: We have been able to complete, but I think still we should leave some margin for 200 to 300 Crores. I would say we would not touch that figure but still I think on the safer side I would say that we should have another 200 to 300 Crores in the pipeline.

Alok Kapadia: Sir just one last question, we had some issues with the Bombay based Real Estate company, so are we facing any problems and is there any risk of that slipping into NPA?

Mushtaq Ahmad: It is already declared as NPA.

Alok Kapadia: Already it is declared as NPA. Thank you very much.

Moderator: Thank you. Next question is from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: Good morning Sir. Just want to understand why business growth has been hit hard particularly for non-J&K regions?

Mushtaq Ahmad: Yes, exactly I would say that because of this stress on the quarter in fact we did not go so aggressively for our business outside J&K State, people were quite managing these assets and all that but if you see within J&K State despite all the odds, the credit growth

has been to the extent of 18%, we were expecting that to grow beyond 25%, outside J&K State strategy has been there that always we should go to the best of public sector undertaking and the good corporate houses. That strategy continues and that is also repaying in the sense that we do not have any stress in respect of those accounts. But yes I would agree that as far as outside J&K State is concerned the figures as you see I think those figures are not that as much increasing, at the same time I would say that these have been huge pre-payments and also repayments.

- Kishan Gupta:** No but, I mean what is your target next year for advances growth target for next year?
- Mushtaq Ahmad:** As far as J&K is concerned, I have projected a minimum target of 25% but with the amount of this economic revival package that would be coming from the Central Government, I would like to maintain that target is for J&K State maybe it goes even beyond 25% but outside J&K State as always our business strategy has been that we should go for the best corporate whether it is Government of India, Navratan Public Sector undertaking and very good corporate houses so on that account I would say that the credit growth outside J&K State. Even if it is to say between 12% to 15% that would be very, very safe, I think would be in line with the industry of rating in outside J&K State but within J&K State I would say that it could be 25%.
- Kishan Gupta:** For next year saying right?
- Mushtaq Ahmad:** Yes, coming year.
- Kishan Gupta:** Under what conditions were the restructured accounts handled last quarter?
- Mushtaq Ahmad:** Condition in the sense?
- Kishan Gupta:** Was it interest reduction, extension of repayment period, what condition and under what condition?
- Mushtaq Ahmad:** I think as far as restructuring that package is concerned, already it has been as per strictly Reserve Bank of India package approved and there is the moratorium and depending upon the cash flows because people had to a) we had to some convert some loans while assets have been damaged into working capital term loans and then we had to give fresh loans also. So therefore depending upon that capacity we have fixed the moratorium which is up to two years but it is not strictly up to two years. In certain cases we have done less than one year, in certain cases one year and mostly one year and average I think it is like that.
- Kishan Gupta:** No interest reduction, you have not done interest reduction?

- Mushtaq Ahmad:** Interest reduction has been whatever we have converted and that has to be granted at a say base rate but for additional we have given there we have allowed only at the existing rate but for smaller loans there are having some concession.
- Kishan Gupta:** Last question on how much was outstanding to the shipping company you said, how much was the NPA amount?
- Mushtaq Ahmad:** 180 Crores.
- Kishan Gupta:** One more account you discussed which turned NPA last quarter?
- Mushtaq Ahmad:** I think I have discussed this last quarter I think otherwise that was some LC related that transaction in Delhi and then we have our some other accounts, SMEs and all that.
- Kishan Gupta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ashish Sharma from Enam Asset Management. Please go ahead.
- Ashish Sharma:** Sir just on the asset quality part, and you are mentioning that for next couple of quarters also you see these sort of a higher slippages and restructuring but for FY 2016 what will be the outlook Sir, and you had actually mentioned couple of quarters back that the two three accounts which we had taken sort of which had slipped into gross NPAs and restructuring will see some write back but we have not witnessed those write back so just wondering what happened to REI Agro account have we taken the complete hit or still anything is pending Sir?
- Mushtaq Ahmad:** First of all I would say when I have discussed I have seen that one or two quarters are going to be stressful not only simply on account of quality of assets and all that. I would say that we have been very, very much transparent and whatever we had in our books, we have already taken on record and it has been disclosed. The other part, I would say that there could be some stress in one or two more accounts but let me tell you 80% to 90% of the stress that it has already been taken care of. Now coming back to this REI Agro though we were supposed to provide to the extent of 15% or 25% as the case would have been, we have already provided to the extent of 232 Crores, I would say 230 to 240 Crores in that particular account and we are also going to push up for this provision in the current quarter also. We were in fact expecting that this case was under reference to CDR but because of certain things the overall consortium did not agree and they wanted this company to pump in more money in the form of capital which they could not do, so as a result of that and also on account of certain other apprehensions this CDR has not gone. So recovery action has been started, we are also starting the recovery action one part, the other part is that provision is geared to the

extent of 230-240 Crores, where we are also holding that asset which can give us between 275 and 300 Crores and then with that provision I think we will be in a position to sail through but that is going to take some time. Again there was another case where I had told that I was expecting that this IGIL could come back that Bombay Real Estate company. For a minor amount I think there were supposed to pay something like 18 to 19 Crores out of that unfortunately they could repay only 12 Crores so for that amount that again we could not upgrade that account but again our efforts are on to this upgrade this account and then we had also taken call on one of the accounts in Delhi, of higher we have even registered, received our recoveries up to the end of February 2015 but for certain other reasons I think technical reasons we have taken the call that it should be downgraded. We have done that. We have been very much conservative as far as these provisions are concerned or recognition of assets is concerned. Simply this is for the sake that we should be quite, this transparency must become quite visible and this stress should not be carried forward to the next quarter.

Ashish Sharma: Just on the REI Agro just to recap the total exposure we had, was around 700 Crores of which we have already taken provisioning of 230 Crores?

Mushtaq Ahmad: I think as of now this outstanding would be something like, yes 630 Crores or something like that and we are supposed to provide 25% for the unsecured portion that would come to 100 Crores and then 15% for this secured portion that would be 4500, 45 Crores provision is required against that I think we have provided 230 to 240 and we are also taking a call that in the current quarter also we should provide more so that the pressure on the coming quarters is lessened.

Ashish Sharma: Okay and on the J&K flood restructuring, how much you have already done restructuring just on the J&K floods and you mentioned earlier that you expect another 200-300 Crores?

Mushtaq Ahmad: You see already I think major portion we say that we have covered.

Ashish Sharma: What is the quantum Sir?

Mushtaq Ahmad: Quantum I think in J&K we can take up to 500 to 600 right now. That has been taken and I believe I would say that another 100 to 200 but on the safer side let it be 300.

Ashish Sharma: This restructuring is part of the number which is there, is the overall restructuring?

Mushtaq Ahmad: It is already there.

Ashish Sharma: It is part of that, Sir?

Mushtaq Ahmad: Yes, exactly.

- Ashish Sharma:** Sir on the growth aspect, in the J&K State, I mean the growth is predominantly happening in the agriculture segment, any risks to this portfolio given the election effect and also because of the calamity, do you see this book actually showing little bit of more going forward?
- Mushtaq Ahmad:** So you see what I say that, in average restructured I think we have taken sufficient precautions that this restructuring and all that but going forward I think there could be certain mortalities in this account but I would not see major because basically once crop, in agriculture crop I think it is destroyed for one year again you have to crop for the next year but basically if your entire orchard is just washed off, your trees get uprooted that is a different case, but that is not absolutely too much that is not to be worried on that account, that could have been very, very negligible and marginal portion of the overall recipes.
- Ashish Sharma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Praful Kumar from Birla Sunlife Insurance. Please go ahead.
- Praful Kumar:** Thanks for the opportunity. Sir in terms of this package of Central Government can you elaborate how much you will get as and what will that do to your, will you take that adjusted to the restructured book, how it will work in terms of the relief package if it comes?
- Mushtaq Ahmad:** First of all I would like to explain I think you have given me an opportunity to explain these restructuring assets. The first point is that we were expecting this restructured book initially to be between 3000 and 4000 Crores but finally when the figures were emerging more and more views are coming to our side and finally we had thought that at least 1500 to 2500 would be the restructured book but I must specially mention the role played by the insurance company and amongst insurance company specifically this Bajaj Allianz, who was very, very prompt and they have been able to settle claims to the extent of Rs.800 Crores. So this restructured book of J&K Bank right now would have been around 2600 Crores it is 13 Crores simply because that they were very, very prompt in settling these claims so that part has been very, very much there. Now coming back to your specific question about the Central package, the State government has compiled this package and it amounts to say 44000 Crores, this has to be examined and analysed by the Central government and again we expect that this money is going to the state and probably this will be coming only through the route of J&K Bank, how much it is going to come that is 30,000 Crores or 35,000 Crores and as far as infrastructure is concerned it would not come in one lump, once it is approved it would

come in installments, but as far as individuals are concerned it will be routed through their accounts and so far I think some individual account might have been benefited but the major portion of it, I should say that has not come and we are expecting and that really will provide a very strong opportunity for the banking industry particularly to take benefit and you know that in J&K State, J&K Bank is a major player and now that total loan book 67% is contributed by J&K Bank so naturally the main route for this particularly package money will be a J&K Bank as it can push up our flow and also an opportunity to spot the credit growth.

Praful Kumar: Secondly Sir, on this asset quality now the experience of the consortium lending I think has been tough given the fact that the economy also have gone through a lot of stress, so going forward now say in the next cycle in terms of business model are we looking to mainly focus on some niche areas may be J&K State plus may be SME retail or still venture into this corporate lending in terms for the growth?

Mushtaq Ahmad: I would like to slightly explain your question. First thing is that we have always, this J&K has been my priority as far as credit growth is concerned simply for the reasons for not any emotional or sentimental reasons, simply that the margin that we earn from J&K State are far, far higher in J&K State and if you see my figure say three years back we were somewhere around 40:60 but this time we are at 47:53 , 47 in J&K State and 53 in outside J&K State. It has happened because of this branch network has been increased in J&K State and margins have increased in J&K State. I would say that as far as business strategy in J&K State is concerned, there is no change. We would like to have focused deployment, focused attention on J&K State. But outside J&K State I would say that the stress we have not sailed strategically therefore we will be on the same strategy first, but our priority would be consortium lending of this Government of India Undertakings and good corporate houses. For example, if you take any Government of India Undertaking or for that matter top corporate house you cannot do exclusively outside consortium or multiple banking. So you will have to continue that strategy. Now the selection is Tier II or Tier III IS corporate. I think there we will have to be very much cautious and as far as SMEs are concerned again we have to be extra cautious because the risk area in these areas they are first hit whenever there is a downslide in the economy. On the whole, I would say that we have not sailed strategically, our strategy has succeeded because this exposure outside to bigger corporate that has still very standard, these are standard assets with the bank and **(indiscernible) 26.35** for the bank minor one or two for example even if you analyse that reasons for REI Agro or you analyze the reasons for this LTIL I think this has been for LTIL, I should say that there is no insufficiency as far as this collateral coverage is

concerned, REI I think it is a different story and one time star-studded house of the country if it goes into that situation, I think really there is something wrong definitely.

Praful Kumar: Sir the main also concern was that given the balance sheet side 700 Crores was the big numbers to lend to or may be a not top corporates that you deal with in your, that was one thing?

Mushtaq Ahmad: I think this decision we are arriving after this...

Praful Kumar: Yes, I agree Sir, so we all learn so that's the only thing I was coming to....

Mushtaq Ahmad: Exactly but going forward I think yes, exactly I think we have already taken the decision that in such cases the cap has to be reduced drastically.

Praful Kumar: In terms of this quarter our slippage was 575 one account we understand 180 Crores, can you just give us some colour on the rest of the numbers because if I exclude that then again also it is a very high numbers for J&K Bank given that you know the rest of your assets are still good so what was, if you can give some more colour on this 575 one account we understand is 180 Crores, what are the rest in terms of any sectors?

Mushtaq Ahmad: I think 170 Crores then again I have already explained to you that transaction, fraudulent transaction relating to LCs in Delhi that amounts 60 Crores and again one account in Delhi which still has repaid up to the month of February a term loan installments or the interest but for different reasons it has to be downgraded because the money has not been generated to the operations and all that.

Praful Kumar: How big is that?

Mushtaq Ahmad: 40 Crores is that one. 40 Crores plus 60 Crores 100 Crores that is on Bombay based shipping company again 100 days figure. It takes you to 300 Crores now. Again there have been some other SMEs which have been downgraded. There were some apparent weaknesses in that and on account of that we have done that part of that is I think it is not 500 Crores it is something like 460 Crores on the whole.

Praful Kumar: For the quarter addition I think are 576 Crores?

Mushtaq Ahmad: It should be I think this second quarter was around 22 Crores and this time we are 2665 so it should be around 460 or 470 Crores.

Praful Kumar: Your presentation says 576?

Mushtaq Ahmad: There would have been...

- Praful Kumar:** Correct, that is the gross number I am talking about. Now in terms of pipeline how does it look in terms of for the restructuring given the fact?
- Mushtaq Ahmad:** This quarter I think restructure could be there because I have already explained.
- Praful Kumar:** Correct, 300 Crore on account J&K, we understand apart from that?
- Mushtaq Ahmad:** Another normally because this is the last quarter where the small industries will have because from next year you have a different provisioning structure as per the regulator. We could expect one or two more accounts but then again we are exposed to Bhushan Steel, as our exposure is say 500 Crores and then overall exposure is around say 40,000 Crores or little more than that that is an account which is causing concern to the Bank. Other than that I do not think there would be anything already whatever schemes stress has been there we have taken care of that and addressed that.
- Praful Kumar:** Sir lastly on the political scenario of J&K, what is the sense in terms of formation of government or how are things shaping up there if you can, if you have any?
- Mushtaq Ahmad:** See I think that almost as we see the media, we talk to the people, government formation should be there within next 10 to 15 days' time and the two components of the government would be again PDP and BJP.
- Praful Kumar:** Thanks and all the best.
- Moderator:** Next question is from the line of Vallabh Kulkarni from Motilal Oswal. Please go ahead.
- Vallabh Kulkarni:** Sir most of my questions have been answered but on the growth front especially within J&K State as we know the last two quarters are agri and personal loan portfolio has been growing at a rapid pace so what portion of this incremental disbursement would be going for the accounts or the people affected by flood?
- Mushtaq Ahmad:** No major I think it has not gone to affected people as far as personal loans are concerned this is again I think so the 70% of it is to the salaried class.
- Vallabh Kulkarni:** So that remains for the incremental disbursement also?
- Mushtaq Ahmad:** We have not encouraged personal loans to the flood affected people.
- Vallabh Kulkarni:** Sir and I think you gave a very good understanding on the restructuring front on the slippages front over the last four quarters we have seen incremental slippages coming from the corporate advances especially the rest of India portfolio, so now do you feel because every quarter we are having at least one or two big accounts which are slipping

so what would be your guidance or are you seeing a major stress in any of the large accounts especially which are more than 100 Crores or so?

Mushtaq Ahmad: No I would say this thing that I would agree with you that yes, in first quarter there was a slippage of REIs and IGR and next quarter I don't think that there was huge any slippage on account of any corporate, bigger corporate and third quarter this time we have that shipping company and again I have already explained that there is stress on account of Bhushan Steel whether how, because we have also an exposure of 500 to that. Other than that I would say that nothing while you can say that there is visible stress on that and restructuring of course that is an area of concern and this quarter I would say that on account of J&K you can have around 200 to 300 Crores. But rest again I think usually I think you should keep margin for around 200 Crores. Yes as far as you are concerned that there has been slippage but my friend please, see the overall condition in the industry in India we were expecting revival in the economy right from first of October or the second or third quarter itself or even the fourth quarter, but I think that is also going to take a bit longer time so therefore being part of the overall economy we have to take the brunt as it is prevailing in the country as such.

Vallabh Kulkarni: Sir just wanted one clarification I know you have repeated this many times in today's call but just again a clarification, Sir how much restructuring related to flood is done currently?

Mushtaq Ahmad: I would say the safe figure would be that around 500 Crores would have been done and we are on the safer side another 300 remains to be done.

Vallabh Kulkarni: Thank you.

Moderator: Next question is from the line of Sumangalam Maloo from CNBC. Please go ahead. There seems to be no response. The next question is from the line of Sonal Gandhi from Cap Metrics. Please go ahead.

Sonal Gandhi: I just wanted some clarification, you said that about 45,000 Crores will come from the Central Government to the State of Jammu & Kashmir, am I right? And out of this about 30,000 to 35,000 Crores would come through J&K Bank?

Mushtaq Ahmad: No, I will say that 44000 I think that is the total package that the State Government has submitted and may be Central Government accepts for say 30,000 or 35000 but that would be routed through J&K Bank not in one go because it will be the major, it will be related to infrastructure development and in certain other cases where there have been individual losses and those have to be addressed by the Central Government they will

directly send those to the accounts and major of those accounts are maintained with J&K Bank.

Sonal Gandhi: Thank you.

Moderator: The next question is from the line of Jayprakash Toshiwal from India First Life. Please go ahead.

Jayprakash Toshiwal: My question has been answered. Thank you.

Moderator: The next question is from the line of Pritesh Bumb from Prabhudass Leeladhar. Please go ahead.

Pritesh Bumb: Sir I need the breakup of net interest margins for the quarter in J&K and outside J&K State?

Mushtaq Ahmad: That we will provide you. Margins as far as is concerned I think it is consolidated on the Bank as such, we do not go to the regions, but I would simply say that as far as margin broadly I would say that within J&K it is 6% plus minus small marginal plus minus and outside J&K it is sub 3.

Pritesh Bumb: So because last quarter you had given 6% and 2.7% so I just wanted to know?

Mushtaq Ahmad: I would say it is almost on the same pattern.

Pritesh Bumb: Sir second question is our savings deposits growth has been lagging in **(indiscernible)** **36.45** so what is the strategy on picking up our saving deposits?

Mushtaq Ahmad: No I would say that yes, there has not been much of growth as far as overall deposits are concerned but if you see the savings bank deposits those have been growing and my CASA has increased by 2% in last year-on-year basis. We were 39% and this time we are 41% and CASA of course it is a composition of demand deposits and savings bank deposits. I would also say that there has been decline as far as the term deposits are concerned. CASA of course demand I think that has increased, on the average I should say there has been increase of around 8% to 9% as far as average CASA is concerned.

Pritesh Bumb: Healthy growth last year about 15% to 20% in between that and now we have come down to about 7%.

Mushtaq Ahmad: I think you will also appreciate the situation through which we have passed as far as floods and other things are concerned.

Pritesh Bumb: So there is now lot of draw-down right from the savings deposits?

- Mushtaq Ahmad:** There would be some, but on the whole if you see year-on-year basis we have increased our savings bank deposits from 192 billion to 206 billion.
- Pritesh Bumb:** Thanks Sir.
- Moderator:** The next question is from the line of Yash Mehta from Equirus Securities. Please go ahead.
- Yash Mehta:** Sir if you could just elaborate on the slippage that took place because of the LCs counting that turned out to be safe and is there are kind of measures that could prevent that from happening in future?
- Mushtaq Ahmad:** First, I say that it is a total accumulated loss of 60 Crores which have been 100% provided for, there has been some delinquency which was perpetrating for quite sometime and it is only through strict provision and monitoring that we have been able to nab it and now that with this kind of things I think as far as the inspection is concerned, vigilance is concerned that those areas have been activated and made more responsible, accountable and vigilant.
- Yash Mehta:** Sir any actions on the employee side that those have been taken?
- Mushtaq Ahmad:** Already the branch has been placed under suspension and certain I think some disciplinary action we will take against them very shortly.
- Yash Mehta:** Sir this was at Delhi branch?
- Mushtaq Ahmad:** This is basically Delhi based.
- Yash Mehta:** Sir the restructured book addition if I go through the note in the result filing states that because of the flood there is a restructured book of 145 Crores so as per the RBI circular so have we reconciled with the overall restructure the addition because ?
- Mushtaq Ahmad:** I do not know where from this figure of 145 Crores has come, but I would say that as far as J&K Bank is concerned I think we have already taken on record something like 500 Crores and to be on the safer side I would say that the cases to the extent of another 300 Crores would be coming up.
- Yash Mehta:** Sir just a clarification that 12 Crore recovery that happened instead of 20 Crores which account was that you were talking about?
- Mushtaq Ahmad:** Which recovery?
- Yash Mehta:** You said that you will be able to recover 12 Crores which account was that?

- Mushtaq Ahmad:** 5 Crores?
- Yash Mehta:** No 12 Crores you were able to recover you said earlier from a certain accounts.
- Mushtaq Ahmad:** This was an account I think under this priority sector.
- Yash Mehta:** That is it from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Kalpesh Mehta from Motilal Oswal Securities. Please go ahead.
- Kalpesh Mehta:** Good afternoon Sir. Two questions, one first if you can spell out what are the conditions under which the J&K flood related restructuring took place? What is the moratorium period and what kind of concessions that we would have given to the borrowers?
- Mushtaq Ahmad:** You will have to go through that package. The package says first of all whatever assets whether current assets or fixed assets have been denied (ph) to that extent the outstanding have to be converted into working capital term loans and moratorium would be fixed because up to two years. It is not necessarily that you will provide moratorium of two years but depending up on the cash flows and all that you will have to fix that moratorium and that working capital term loans that would attract interest at base rate and then again for reconstruction or rebuilding that plant machinery additional term loan has to be given for current assets or even for that plant machinery or fixed assets but that would have this interest rate as per existing loan terms, there is no concession in that. Of course for the loans below 10 lakhs, there is some concession in the fresh term loans that is it.
- Kalpesh Mehta:** So Sir in this case when we are doing a two year giving two year moratorium.
- Mushtaq Ahmad:** It is not two years. It is up to two years we have on the average done for one year only.
- Kalpesh Mehta:** But up to one year and some FII some working capital term loan they are getting created there should be some NPV loss that we would have recorded in this accounts right?
- Mushtaq Ahmad:** No DIV is also there.
- Kalpesh Mehta:** So that DIV is a part of the NPA provisions that we have reported or it is the part of other program?
- Mushtaq Ahmad:** I think that is separately shown but already provided for.

- Kalpesh Mehta:** Secondly Sir out of a total restructured book of roughly 1800 Crores how much and what percentage of the book is going to come out of the moratorium period next year any ballpark number on that?
- Mushtaq Ahmad:** I think that has to be analysed, my dear.
- Kalpesh Mehta:** Sir again sorry to come back on this restructuring part but why there is a discrepancy between your 500 Crores number and the notes to accounts number of 150 Crores because there is a clear mention of that J&K flood related restructuring of around 150 Crores was that...?
- Mushtaq Ahmad:** It would be related to some particular period.
- Kalpesh Mehta:** So the 500 Crores number that you are mentioning is as on date or was it as of this December 31, 2014?
- Mushtaq Ahmad:** This would be as on date of this presentation.
- Kalpesh Mehta:** So notes to accounts is up to December 31, 2014 and the amount of 500 Crores you are saying that is as of the date of the presentation?
- Mushtaq Ahmad:** This is the position but we can still recheck but this is the fact.
- Kalpesh Mehta:** Sir the last one, any update on the MetLife's stake sale?
- Mushtaq Ahmad:** Well we are in the process and this process has reached advanced stage now.
- Kalpesh Mehta:** So any chance of booking it in the fourth quarter or it can be postponed to the next year now?
- Mushtaq Ahmad:** Seriously making efforts on that.
- Kalpesh Mehta:** Thanks a lot Sir.
- Moderator:** Thank you. Next question is from the line of Jigar Walia from OHM Group. Please go ahead.
- Jigar Walia:** Good afternoon to the management and thanks for the opportunity. Sir just wanted to understand these SME accounts, which you mentioned which are part of the gross NPL at this quarter, these pertain to within JK State or outside JK State?
- Mushtaq Ahmad:** It is not within J&K State. There could be one or two it all within J&K State but mainly outside J&K State.

- Jigar Walia:** Sir is it possible for you to just quantify the interest reversals that would have for the nine months or maybe quarter wise Q1, Q2 and Q3?
- Mushtaq Ahmad:** I have to revisit my records.
- Jigar Walia:** No issue Sir, and Sir generally if you can in the context of what has happened in this year like clearly being a whitewash here for us in terms of the plans for next year, in terms of branch or people and kind of a normal inflation that you would expect?
- Mushtaq Ahmad:** You want me to explain business plans?
- Jigar Walia:** Your plans for branch expansion, staff expansion, of course last year we had some cost to income has gone up also because of our platinum jubilee and issues on the business side but can we go back to our old cost to income ratio?
- Mushtaq Ahmad:** I think I have always been maintaining that we have seen the period where the cost to income ratio was 35%, 37%, yes I think after sometime we should be again within that band of something for 35% to 40%. This has been one time you have to provide for so many things and also I think this is a part. Under the CSR also you have to provide for certain things so it is because of that it has gone up, but on the whole, I think you will see that we will be in a position to check it and then employees when you see we are business per employee last year business per employee this year I think there is a very, very good growth also to an extent and as far as recruitment is concerned, yes we have plans to expand our network within J&K outside, J&K State and for that we need people and already my board has approved for new recruitment of staff.
- Jigar Walia:** Any number that you would like to provide right now or maybe in Q4 in terms of how many branches and number of staff expansion into it?
- Mushtaq Ahmad:** In the current year, I think I will be in a position to add another 30 branch, 20 to 30 branch before this March and at least for 15 to 20 branch we have already identified the staff and even the areas where we have to open the branch and I hope that another 10 we could add during the current year and next year again I would say that going forward we expected this year we could add say around 60 to 70 branches but unfortunately the situation was not favourable but next year everything going well we will be in a position to add another 70 branch and outside J&K state also we hope that we will be in a position to establish 5 to 10 branch on a cluster basis.
- Jigar Walia:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Mayank Upadhyay from DRA Invest. Please go ahead.

Mayank Upadhyay: Most of my questions have been answered but just one thing, can you please name the shipping company what you are saying Bombay based which has defaulted?

Mushtaq Ahmad: Is it necessary?

Mayank Upadhyay: If possible, is the company listed.

Mushtaq Ahmad: We will convey to you.

Mayank Upadhyay: Sure.

Moderator: Thank you. Next question is from the line of Yash Agarwal from Crest Capital. Please go ahead.

Yash Agarwal: I just have one question. Most of the other banks have been reporting healthy trading income because the yields have dropped a lot, any reason why our bank has not done well on this count?

Mushtaq Ahmad: I think your answer we shall be giving you a good answer in the current quarter.

Yash Agarwal: Hopefully. Thanks.

Moderator: Thank you. Next question is from the line of Vallabh Kulkarni from Motilal Oswal. Please go ahead.

Vallabh Kulkarni: All my questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Sanket Cheddha from SBI Caps. Please go ahead.

Sanket Cheddha: Sir I just wanted to understand one item which was there in press release. There was this item that as per the RBI circular banks were allowed to utilize 33% of floating provisions and out of which our bank has not utilized 53 Crores?

Mushtaq Ahmad: Yes exactly that is the floating provision which is still there in the books and we did not find any need to just appropriate it.

Sanket Cheddha: Thanks.

Moderator: Thank you. Next question is from the line of Vinay Arya from ENR Advisors. Please go ahead.

Vinay Arya: Sir just one question, out of the addition to restructuring book of 500 Crores due to floods how much would have occurred in agri, trade and SME segment as in that division?

- Mushtaq Ahmad:** I think this has to be just analyzed because sector wise we have not determined these figures. We can give you.
- Vinay Arya:** But would most of it been agri, is that interpretation right?
- Mushtaq Ahmad:** I should simply say negligible.
- Vinay Arya:** Agri will be negligible.
- Mushtaq Ahmad:** Yes exactly.
- Vinay Arya:** So most of it would be in trade and SME because you said that personal equipment will not see?
- Mushtaq Ahmad:** Trade and SMEs.
- Vinay Arya:** Yes, trade comes in and SMEs.
- Mushtaq Ahmad:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Mahrukh Adajania for her closing comments.
- Mahrukh Adajania:** Thank you so much, Mr. Mushtaq Ahmad and Mr. Parvez Ahmad. I also thank all the participants. Thank you.
- Mushtaq Ahmad:** Thanks a lot from our side. Always we have pleasure, happiness and sharing our views in testing times and good times, so thanks a lot again.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.