"Jammu and Kashmir Bank Limited Q4 FY '25 Earnings Conference Call"

May 06, 2025

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Moderator: Ladies and gentlemen, good evening, and welcome to the Q4 and FY 2025 Conference Call of Jammu and Kashmir Bank 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.

We have with us from the Bank, Mr. Amitava Chatterjee – Managing Director and Chief Executive Officer, along with his Management Team.

I now hand the conference over to Mr. Chatterjee. Thank you, and over to you, sir.

Amitava Chatterjee: Good afternoon, and a very warm welcome to all the participants to the J&K Bank March 2025 Earnings Call.

So, before we start with the Results, I would just like to introduce my fellow colleagues from the Bank's senior management who are accompanying me on this call. We have an Executive Director – Mr. Sudhir Gupta, the Corporate Credit Head - Mr. Ashutosh Sareen, Treasury Head - Mr. Rakesh Koul, who has joined from Mumbai, Finance Head - Mr. Sushil Gupta, Government Banking and Subsidiary Management Head - Mr. Rais Maqbool, Impaired Assets Portfolio Management Head - Mr. Rajesh Malla Tickoo, Retail Credit and Liability Head - Mr. Narjay Gupta, and Chief Risk Officer - Mr. Altaf Hussain Kira.

We are pleased to share the Results of another landmark year with the Bank recording a hat-trick of delivering lifetime high annual profits, posting a net profit of Rs. 2,082 crores for the Financial Year '24-'25. This remarkable and consistent achievement stands as a testament to the strength of this Bank, our disciplined growth and consistent focus on creating sustainable value for all stakeholders.

The Y-o-Y growth for net profit stands at 17.8%. However, excluding the one-off item on account of reversal of excess gratuity provision amounting to Rs. 243 crores in the last quarter of 2023-24, the surge in net profit is an astounding 37%. The Bank has almost touched the milestone of Rs. 3,000 crores annual operating profit, same being recorded at Rs. 2,930 crores and recording a 28.7% Y-o-Y growth.

Even on a quarterly basis, the Bank has ended the year on a high with operating profit crossing Rs. 800 crores and net profit was recorded at Rs. 585 crores, up 10% Q-o-Q.

With respect to our market guidance for Financial Year '25, we are reasonably satisfied that we have delivered on almost all financial parameters, even surpassing our guidance on a few of them.

The Bank has registered double-digit growth in both deposits, that is 10.2%, and advances, that's 11.1%, though it has fallen short of our guidance especially for credit growth. But our growth is broadly in line with the overall banking industry as data released by RBI shows that scheduled commercial banks clocked a loan growth of 11% for the Financial Year 2025 while deposits grew by 10.3%. However, the Bank has recorded a strong Quarter 4 performance with net advances growing at 8.6% quarter-on-quarter, aided by a boost in our corporate book, which we had indicated in our last call.

Loan growth has been much higher in the rest of India at 23% vis-a-vis 5% in Jammu and Kashmir and Ladakh. However, there is no major change in the regional loan book composition with J&K at 65%, Ladakh at 2%, and the rest of India almost at 33%. Our biggest sector, that is the personal finance, contributing 38% of our loan book has grown at 10% Y-o-Y, with growth in ROI at 16.2%, again surpassing JKL at 9.3%. Within personal finance, housing loans have grown at 11.5%, whereas in rest of India, they have grown at 16% with car loans also growing at 21.5%, thereby diversifying our retail loan book geographically. The retail corporate split also continues to be around 2 is to 1.

The numbers for deposits are a reflection of systemic factors like intensive competition from small finance banks and FinTechs offering higher rates, increase in interest rate sensitivity of customers, and movement of funds to equity markets with Bank deposits reducing from 53% to 42% of household wealth between 2020 and 2024. And with the prevalent high interest rates combined with the expectations of pruning of deposit rates by banks post RBI policy rate cuts, CASA ratio across almost all banks has come down in Financial Year 2025. As per RBI data, the share of CASA deposits in total deposits has come down to 37.9% in December 2024 from 39.7% a year ago. Though we have also witnessed a reduction in CASA ratio, yet we remain amongst the best in the industry with 47.01% CASA ratio.

Within deposits, term deposits have grown by 18% Y-o-Y and current deposits have grown 9.6% Y-o-Y, whereas saving deposits have remained almost flat. CASA deposits have seen some traction in Quarter 4, recording a growth of 2.9% Q-on-Q.

Speaking of the income statement now, the Bank has recorded an increase of 11.3% in net interest income for the Financial Year 2025, with both interest earned, and interest expended increasing by almost 12%. Other income has witnessed a substantial jump of around 38% in Financial Year 2025, crossing Rs. 1,000 crore mark, mainly on the back of total TWO recovery of around Rs. 390 crores during the year, compared to Rs. 134 crores in Financial Year 2024. The TWO recoveries have been boosted by RBI's revised norms for government-guaranteed security receipts, allowing an upfront reversal of excess provision in cases of bad loans transferred to NARCL funded by issue of sovereign-backed SRs. Operating expenses have remained almost flat after considering the impact of one-off reversal of Rs. 243 crores in the last financial year. This has panned out in alignment to our guidance with the moderation of employee costs.

Withstanding the continuing pricing pressures on liability side, with the cost of deposits at 4.75%, the Bank has been able to maintain its margins with NIM of 3.92 for the financial year, which is well above our guidance and perhaps the only Bank to maintain the NIMs of 2024.

Similarly, on the back of another record-breaking year, Bank has been able to deliver on its guidance with return on assets of 1.32% and return on equity of 17.37%. Another significant achievement of this fiscal has been the substantial moderation of our cost-to-income ratio, recorded at 57.73% for the financial year. This marks a structural shift in our cost efficiency made possible by our continuing digital transformation over the recent years which has helped Bank cross the mark of over 90% digital transactions in Financial Year 2025. This continued trend of moderation in our CIR reflects our commitment to long-term operational leverage.

We continue to remain focused on our asset quality as is evident from our numbers, which are in line with our guidance, in fact better than that. GNPA at 3.37%, NNPA of 0.79% and provision coverage ratio of above 90%. Excluding the technical write-off of around Rs. 325 crores in Quarter 4, GNPA would have been only 3.67%. There has been a slight slowdown in recoveries which can be attributed to the slowdown in the domestic economy on the back of global trade tensions. However, with a strong credit discipline, we have been able to keep our slippages under check with a gross slippage ratio under 1%. - 0.92%. This has enabled us to avoid any credit cost for this fiscal as well which reflects our commitment to maintaining a superior asset quality as we grow responsibly.

The record internal accruals have boosted our capital adequacy to 16.29% with CET-1 at 12.95%. Though at present the Bank is placed comfortably, however, the Bank may consider raising both debt and equity capital in this fiscal for funding its growth. Also, I am pleased to share that Board has approved a dividend of 215% for the Financial Year 2025, marking our third consecutive year of rewarding our shareholders and showing our gratitude for their confidence in us.

The Bank continues to be fundamentally strong and evolve consistently towards enhanced efficiency and deeper digital integration with a sharp customer focus. The strong foundations that have been built are now translating into consistent performances and we are well poised to sustain this momentum in the days to come.

Now, for March 2025-26 market guidance, we expect the credit growth to be at 12%, deposit growth to be at 10%. We want to improve the CASA to at least 48%. NIM, we will be satisfied with 3.70 to 3.80. ROA, we will try to maintain the ROA at the moment. Return on equity expected in between 16% to 17%, and GNPA below 3%.

The business growth might appear a bit moderate, but it takes into consideration the recent downward division in India's economic growth forecast for '26 and is in alignment with the broad growth predictions for Indian banking sector in 2026. Also, given that it is my first full year in charge at this Bank, we will be making certain changes and addressing any procedural gaps which usually follow a leadership transition to help us drive forward in the coming years.

Before we start with the questions, I would like to take a moment to extend our condolences to all the families who have suffered loss of lives in the recent tragic terror incident at Pahalgam. While this is a moment of grief, we have been receiving concerns from some investors over this incident. So, I want to assure you all that we do not anticipate any material impact on our business or financial performance as our credit exposure to the tourism sector in Kashmir Division, is not even 1% of our overall credit portfolio.

Thank you for your patient hearing and your support, which we expect to continue. We can start with the questions now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Arjun Pathak, an individual investor. Please proceed.

Arjun Pathak: Yes. Good afternoon, sir. Congratulations for a good set of numbers. I heard that you said that you might be planning to raise debt and equity this year. I just wanted to ask, what equity is the Bank looking for towards the government or like what we have been doing in the recent time, like QIP or something like that?

Amitava Chatterjee: See, we haven't yet finally decided on that. I said that we may be raising, it depends on the requirement of the credit growth that we may be expecting. At the moment, I said that we are comfortably placed with the CRAR. Going forward, if the credit growth demands a raise, we will look at all the options.

Arjun Pathak: Okay, understood. And for the other income in this quarter, which was significantly higher than the other, I just wanted to ask what was the TWO amount from that.

Amitava Chatterjee: I mentioned it, Rs. 390 crores.

Arjun Pathak: That's for the year. I was saying for this quarter.

Amitava Chatterjee: This quarter itself, I think it was Rs. 168 crores.

Arjun Pathak: Okay. That’s 240, like this quarter, we have recorded around Rs. 400 crores. So, can I get an idea about what does it include? Because if the Rs. 160 crore is TWO, then what's the Rs. 240 crore?

Amitava Chatterjee: I couldn't get you. Can you repeat your question, please?

Arjun Pathak: So, for the other income, we have recorded an income of Rs. 406 crore in this quarter. So, if you are saying the Rs. 160 odd is TWO, then what would the other portion be? We are significantly higher than the other numbers.

Amitava Chatterjee: I will give you. Commission exchange and brokerage constitutes Rs. 35 crores. Insurance commission constitutes crores 32 crores. And the rest of it is inclusive of the TWO. Rs. 370 crores.

Arjun Pathak: Okay. Got it. Thank you.

Amitava Chatterjee: Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please proceed.

Saket Kapoor: Yes, Namaskar, sir.

Amitava Chatterjee: Namaskar, Kapoor sir.

Saket Kapoor: Firstly, if you could give us some color on the current interest rate regime with the consecutive cut in the repo rate and an expected lower interest regime going ahead, how are the NIMs likely to be? I think so there is a regime change from higher interest rate scenario to now interest rate either staying lower or are going to be trending lower only for the near future? So, what steps do banks of our size will take to protect their NIMs? If you would give us some color on the same?

Amitava Chatterjee: Okay, there are couple of things that I want to tell you on this. Yes, you are very right. There has been a rate cut. There have been two rate cuts, in fact. And going forward, you are also very right that it is expected that there are going to be further rate cuts. So, as a whole, the banking industry is going to have a pressure on the NIMs, both on the deposit side as well as on the loan advances side.

Now, having said that, there is a distinct advantage that this Bank has, not only for its size. But if you see, it has one of the highest CASA ratios in the industry. So, I am not saying that we will be able to maintain the NIMs at 4%, around 4%, because it will be impractical to say so.

But I still believe, and since we have made some strategic plans through technology to improve our CASA, I believe that we will be able to maintain a good NIM. At the moment, the guidance I have given is around 3.7 to 3.8. It may be around that, maybe better. But I feel that we still have sufficient opportunity in this Bank to have better NIMs than many others in the industry.

Saket Kapoor: Sir, this 3.7, 8, which you have articulated for the current financial year, what are you factoring in in terms of the interest rate cut going? And sir, what portion of our loan book is floating?

Amitava Chatterjee: Okay, got your question. See, 52% of our loan book is at a floating rate and 48% is in the other category. So, having said that, again, we have the advantage of 38% of personal segment loans that I have already mentioned where the loans are towards the government employees under MoU with the Jammu and Kashmir government. So, in a way, that much of interest rate is almost protected. And coupled with that, I said we have a fair level of CASA deposits. And also in the last quarter, if you have noticed, I mentioned in the opening remarks that we have improved our CASA during the last quarter.

So, we are taking steps to maintain the NIMs. But again, I will not try to argue with anyone on this because there can be further rate cuts and to maintain a proper business balance, there might be a situation where we might have to reduce the interest rates on deposits as well as the loans and advances. That is why I said from 3.92, I have revised the guidance to 3.7 to 3.8. It will be around that this year that at least I can figure out.

Saket Kapoor: Sir, just to get some clarification, you mentioned about the government employees of the Kashmir will be having some advantage in the loans disbursed to them. Can you elaborate on the same? I missed your point on this.

Amitava Chatterjee: See, they are personal segment loans to the employees which is protected through salary. And you know, personal segment loans are at a relatively better, I mean, from the Bank's point of view, at a better rate than the other corporate loans which are slightly more competitive or maybe the loans in other segments or other products.

Along with that, we also have a fairly good portfolio in our MSME book in this geography . So that also earns better rates of interest than the other loan, other products. So, overall, I guess, 65% that I said, 65% of our loan book which is in Jammu and Kashmir, although we are recalibrating the interest rates to fight the competition, it will still be on an advantageous, I mean, we will keep the Bank on an advantageous position as far as the interest rates are concerned. That is what I wanted to explain.

Saket Kapoor: Sir, two, three more data points. If you could just give us what kind of growth are we accepting in the net interest margin and what is our guidance for the ROA and cost to income?

Amitava Chatterjee: I just mentioned, we are expecting credit growth of around 12%. We expect the ROA to be maintained at this level. The level that is 1.32%. And the cost-to-income ratio, I think we will be trying to get it lower than what it is now. Our target is to reach to around 50% in a couple of years, maybe in a year and a half. So, that is the guidance we have.

Saket Kapoor: And last point is loan towards the corporate sector. We have seen in some of the business summit, a corporate announcing large CAPEX. So, out of the CAPEX, the total cost was announced by then, what portion of that has been tied up or are we in consortium to the loans that would be disbursed to them? And taking into account the tragic incident, how do that part of the investment, what is the thought process? Whether the corporate, any update we have for them to go ahead on how are things going to look like? Anything that we have been in limbo going ahead since I think so a lot of business activities are about to commission, with the kind of CAPEX that are underway, I think?

Amitava Chatterjee: I guess you are referring to the CAPEX that could be happening in this geography, right?

Saket Kapoor: Yes, sir. The entire state of Jammu and Kashmir, sir.

Amitava Chatterjee: So, Jammu, Kashmir and Ladakh. See, there are a lot of developmental activities going on in this geography. And I believe the incident that happened in Pahalgam will have no impact on the CAPEX that is happening in this geography. In fact, I would like to believe that the government will be now more focused on executing all these, trying and getting all these projects executed. That will bring confidence back in the people and the citizens of this state.

And the second thing is being a major player in Jammu and Kashmir, it is almost imperative that we will be participating in almost all the projects but depending on our appetite and our capacity. So, there is almost an unwritten understanding with the government. I have already spoken to them. And I had mentioned this in my last call also that as a right, I would like to participate in all the viable projects that happen in this state.

If you are asking me about the CAPEX, I think the pipeline in the CAPEX where we are tied up, I guess it will be around Rs. 2,000 to Rs. 2,500 crores at the moment because many of the projects are yet to be commissioned. So, one of the projects, already we have given a sanction of Rs. 1,000 crores, which is likely to be disbursed anytime now. I mean, the disbursement is likely to start anytime now. And there is another project which we are on the process of sanctioning which is close to Rs. 500 crores.

So, I guess if we include these two, I think Rs. 2,500 to Rs. 3,000 crores of projects within this state of UT, this UT of Jammu and Kashmir and Ladakh, which we are already tied up. And there are a couple of others where we are seriously thinking of participating, but with a due diligence and understanding the viability of the project.

Saket Kapoor: Yes, sir. Thank you for all the elaborate answers. Just to conclude, sir, on the TWO part of the story, are we done with all the reversals? And going ahead, then how should this other income line item should look like on a quarterly basis, depending upon the granular details which you mentioned to the earlier participant? If you could just give some color and also on the employee cost, are we done with all the increase? Both ways, I think both are connected. So, give the color on the same.

Amitava Chatterjee: Thank you. In fact, I guess it was a full-fledged question, not a concluding one. The first part is, of course, we still have almost Rs. 3,000 crores worth of TWO in our books. And we are seriously working on those. And if you have an idea about our track record of the last 6-7 quarters, I think we will be continuing our efforts and getting good recoveries in those TWO. Rs. 250 crores expected in this FY. So, that is going to continue.

And the second is, since immediately we do not have any plans of recruitment, and there are some retirements lined up, and also the salary revision thing is over and out by now, so I do not see any increase in the employee cost going forward at least for a year or two. So, the pressure on the cost to income is definitely going to come down. But I want to, again, for information to everybody, we would be focusing more on the income part than on the cost part. At times, that makes more sense.

Saket Kapoor: Sir, so you mentioned that 250 worth of further reversals are expected for this financial year, and I got the number right or correct me.

Amitava Chatterjee: Financial year.

Saket Kapoor: For this financial year a further 250 would be the number. Out of the total 3,000 that you had, that you envisage.

Amitava Chatterjee: In fact, it can be more. It can be more. I mean, see, TWO is something which you are not sure even for the previous day.

Saket Kapoor: Right. And lastly, sir, on the valuation part, when we look at the equity market valuation of mid-size Bank in concentrated geography, what steps should be aligned to create value for your minority shareholders in terms of the current market cap or the enterprise value we may account so? So, what steps are to be taken by the management to improve the, to increase the valuation and thereby improve the valuation for your investors who have put the trust by participating or investing in the equity? If you could give your remark or your understanding on the same, when will the market start valuing the Bank adequately?

Amitava Chatterjee: I believe this is something I should not be directly commenting on, but I will give some remarks on this. You go by the track record of this Bank for the last, say, six or seven quarters, how it has performed, number one.

Number two, we have been strongly investing in technology with now almost 90% of our transactions happening through the digital mode.

Number three, I can as a head of this organization can assure efficiency and good work by the Bank which is profitable as well as ethical. So, I guess these are the 3-4 things that I would suggest for any investor to consider before investing in this Bank. I am very sure, looking at the interest in the investors in the recent past and the past, I believe that they understand this fact.

Saket Kapoor: Right, sir, because you were looking for fundraising exercise also in your opening remarks. So, firstly, there should be demand or interest, firstly, from the investing community to participate. Yes.

Amitava Chatterjee: It will happen only at an opportune moment.

Saket Kapoor: Right, sir. But this is the ample opportunity for investors to have that value created going ahead for them to participate in the QIP. That was my only call.

Amitava Chatterjee: True, true, true. Correct.

Saket Kapoor: Thank you, sir, for all the elaborate answers, and I will join the queue, sir.

Moderator: We have the management line connected on the call. The next question is from the line of Pranay, an individual investor. Please proceed.

Pranay: Yes, good afternoon, sir.

Amitava Chatterjee: Yes, good afternoon, Pranay. Please go ahead.

Moderator: Hello. Yes, sir, it seems like the participant line has got disconnected.

Amitava Chatterjee: Yes, you can connect the next one.

Moderator: Yes, sir. I would like to remind the participants that you may press star and one to ask a question. Ladies and gentlemen, I would like to remind you that you may press star and one to ask a question. The next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Good afternoon, sir. Sir, I am, but trying to understand the Bank. Just wanted to understand, could you give color on the financial markets portion of the loan book? Prehistorically, in '21-'22, the segment faced strong asset quality issues, but we seem to have stabilized in '23-'24. Could you give color on the operations and some details about this book.

Amitava Chatterjee: Just the financial markets you want the numbers or what do you want to understand?

Chinmay Nema: Sir, I just wanted to understand what is it that we do in this portion of our lending and what do you expect in terms of credit quality from this book.

Amitava Chatterjee: The financial markets, I think, the exposure that we have is mostly towards NBFCs which was Rs. 10,867 crores in 2024, and it is now Rs. 11,749 crores in 2025. So, the exposure towards these NBFCs is what we have categorized as the financial markets.

Chinmay Nema: But sir, what is the outlook on the asset quality of this book?

Amitava Chatterjee: There is no stress, in fact, in this book. The old NPAs, I mean, the old NPAs, which are, that is only the exposure that we had earlier in ILFS. That is around 4%. Otherwise, there is no stress in this book. And that ILFS exposure is also slowly getting resolved. So, I expect almost good recovery or maybe the full recovery in that.

Chinmay Nema: Got it, sir. Would it be possible to provide breakdown of this book in terms of the credit rating, if you could share the percentage of the book above investment grade and so on?

Amitava Chatterjee: 92% of the book is above AA and above.

Chinmay Nema: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Pranay, an individual investor. Please proceed.

Pranay: Yes, sir. Thank you, sir. My line got disconnected earlier. Congratulations on a very good year of financial performance. And thank you for the opportunity to ask a question. Sir, as the provision coverage ratio, excluding TWO, is about 77% now and while our slippage ratios have come down, do we not anticipate an increment in our credit costs for this financial year and going forward, given that our credit costs have been negligible or zero in the past?

Amitava Chatterjee: If you consider 20 to 30 bps as an increase in credit cost, I would say that there will be an increase. But it is not likely to be more than 20 bps or 30 bps. So, no significant increase in the credit cost is expected by the Bank going forward.

Pranay: Okay. So, sir, just to round up our ROA expectations for the coming year, if we are guiding for a 1.3, 1.4% ROA in an environment where NIMs are going to be slightly under pressure, is it safe to assume that our primary levers for ROA to sustain would be other income recoveries from TWO and a gradual reduction in our operating expenses, sir?

Amitava Chatterjee: All put together, yes. All of them, I mean, there cannot be one single component. It has to be all the components put together. So, as I said earlier, we expect to continue our efforts on recovery in TWO. We are augmenting our operations in the Treasury by trying to book more Forex income. So, that will add to the income portfolio of the Bank.

We are also likely to have a fairly robust credit growth, which will definitely add to the interest income. So, all these things are put together and, as I said, we will be very miserly on the expenses. So, all these things put together, I guess the ROA should be maintained, if not improved.

Pranay: Okay. No, thank you for that, sir. And sir, just on the digital interventions that we have been talking about, given that we have so many households in the valley, which are our customers, so far what we have seen is that our mobile application reviews have been very low. There have been a lot of complaints with the user interface and other bottlenecks that customers are facing. So, if you could talk to us a little bit about the technology front, what are the checks that we are taking? Are we hiring some external consultants to upgrade our digital stack? And what are the other underwriting processes, whether it is giving people personal loans or other systems and how technology, what are the improvements we are doing on the technology front?

Amitava Chatterjee: Okay, to give you a perspective, we have been working on this for quite some time now. And I agree that there have been instances in the past when the availability of the mobile app was a problem. But two things. One, the app itself has been upgraded. I mean, it is very, very user-friendly. I can say this because I use the app.

The second part is we have been working in a very focused way to improve the availability and all the upgradations and installations associated with the systems related to this.

So, yes, there were problems. Some of the applications had reached the end of life state and all those things have been taken care of now. So, going forward, I do not foresee, I do not see outages coming as an interest on this.

The second thing, we are further investing in technology. We are, as you mentioned, we will be providing, as we already have one of the products which is available in the app, loan products which is available in the app and the loan gets disbursed in 10 seconds. So, we are now digitizing the loan journeys of all products, literally all products including agriculture so that there is minimum manual intervention, the efficiency is improved, the turnaround time is further improved.

So, these are the processes we are likely to complete within this quarter. So, I see that technology is really going to play a very important role in all aspects of improving efficiency, cost efficiency, and services of this Bank.

Pranay: Thank you for that, sir. So just the last thing, as you mentioned, a large part of our book are these personal loans that we give to government employees in the state. If you could just explain a little bit more on the MSME book that the Bank has, which also is substantial, which are exposures in whether it's manufacturing, retail, services, and so on. Could you just show, give us a better picture on what are these borrowers, what kind of work are they doing? Is most of our MSME book, I am assuming, in this state and not outside of J&K and Ladakh? If you could just talk to us a little bit more about that book, sir.

Amitava Chatterjee: Yes, credit to micro enterprises is around 16,000 crores, which is 15% of loan book of which manufacturing is 2% and service is 13%. Then, credit to small enterprises is around Rs. 3,200 crores, which is 3% of the loan book. Again, manufacturing is 1% and service is 2%. Total credit to micro and small enterprises, including these two segments, is 18%, which is Rs. 19,262 crores.

And then credit to medium enterprises is around Rs. 1,200 crores, which is again 1.1% of the loan book where manufacturing and services are also 0.5% and 0.6%.

Pranay: All right. Thank you, sir. Sir, just last thing, sir. When we are guiding for about 12% credit growth for this financial year, I am assuming we are anticipating a higher growth for the rest of India book. And if the rest of India book is primarily going to be large corporates, is that right, sir? Is that fair understanding?

Amitava Chatterjee: See, I wouldn't exactly say this. It will come from some large corporate accounts also, but that is not what we are aiming. We are now aiming at improving the retail loan book of rest of India. That is something which we are really looking at.

The corporate loan book growth will remain as a second line of defense for us. I know that there is sufficient appetite in the market. But we will always be very careful in assessing and taking exposures and we will try to avoid the high-risky ones. Yes, the contribution from…

Pranay: Sorry, sir, I wasn't able to hear you.

Amitava Chatterjee: Which portion could you not hear?

Pranay: No, sir, I heard the last question that there is a desire to have more retail exposure outside of the state. And then you are saying the contribution…

Amitava Chatterjee: See, we do have an aim to reduce the concentration risk and try and have a balanced growth from both the geographies, whether it is the rest of India or Jammu and Kashmir. While Jammu and Kashmir will continue to receive our attention as it has been through the decades, we will try to balance it out with a better growth from the rest of India and that too not essentially from the corporate loan book. Corporate loan book will be one of the components, but we are trying to improve our retail loan book in the rest of India more. Like housing loans and car loans, these are the two products I would like to improve and even last quarter we had had a fairly good growth in the rest of India in both these products.

Pranay: Okay. No, thank you for that, sir. And, sir, just last question. Just to clarify once again, we have no exposure to credit cards, microfinance, or personal loans outside of what we give to our government employees. Is that right, sir?

Amitava Chatterjee: No, credit card, there is no embargo.

Pranay: Sorry, sir, I am talking about exposure. Do we have any large credit cards book?

Amitava Chatterjee: No, we don't. We don't have. We don't have.

Pranay: And no microfinance book and no personal loan book outside of what we give to our government employees.

Amitava Chatterjee: No. Personal loan book, we do not have anything outside the government employees, and microfinance also. And there is hardly any microfinance institution in this state.

Pranay: Right, right. No, thank you so much, sir. Best of luck for the coming year. And I hope we all reach a stage of stabilization in the valley very soon. Thank you.

Amitava Chatterjee: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Capital Investment Advisors. Please proceed.

Sonal Minhas: Sonal Minhas. Thanks for giving me time to ask my question. The first question is, with regard to, sir, SMA-1, I see a Y-o-Y growth in SMA-1 while the SMA-2 has gone down. If you could just throw some subjective feedback on it, that would be good to know.

Amitava Chatterjee: See, I would like to give you a broader perspective on the SMAs, You are right. SMA-2 has substantially gone down while SMA-1 has increased, but ultimately the correcting effort, the way we could have corrected this, see, most of it, more than 70% of it was technical in nature, the entire SMA book 0 and 1. You have rightly pointed out about SMA-2 going down and SMA-1 going up. So, largely the SMA portfolio of this Bank is technical in nature, and we have taken corrective steps in the first week of May. So, I would like you to stay till 30th of May to really understand what has happened.

Essentially, what was happening in this Bank was the loan installments were not aligned with the dates of salary payments of the employees. So, we have now aligned the installment date with the salary date. So going forward, you may see a substantial drop in the SMAs in the loan book of J&K Bank.

It was technical in nature. We had identified it, and we have made the corrections. The correction was made on the 3rd of May. So, 30th of May actually will be a date when you can actually notice what has happened, what correction has been done.

Sonal Minhas: Got it, sir. So, we should look at it maybe next quarter and then see again.

Amitava Chatterjee: Next quarter definitely. Even on 30th of May you will be able to see, in case if you are able to see the numbers.

Sonal Minhas: Sir, my second question is, with regard to the bifurcation of your advances into personal finance, infrastructure and the other heads, I wanted to understand, sir, which part of, so the first question is, is the personal finance book a mature book? Because the GNPA here is 0.81. So, wanted to understand, is it a mature work? Or do we see this maturing over the next two, three years and hence the GNPA going up or the provisioning going up in a commensurate manner and similar color for other segments which are significant as well?

Amitava Chatterjee: Personal finance, as I said, mostly relates to the loans given to the employees of the government, the UT government. So, the question that whether it is maturing is not exactly what I would term it as. Because they keep on taking loans, right? Once they repay one loan, they take another loan. Okay. So, it is a combination of loans which are getting matured on a regular basis and again getting disbursed.

So, if you would have noticed the GNPA in this segment, you would have noticed in the last few years there has not been any increase. It has remained same, and these are also the whatever NPA you see in this book is also related to people who have either lost their jobs or have lost their lives where it is going to take some time for the recovery to come. There is actually no NPA in this segment. Right? It is mostly based on an MoU that the Bank has with the government of UT. So, there is actually no risk in this segment at all.

Sonal Minhas: Okay. So, if you could just shed some color on, I am on your Slide number 23. There are these segments. Like, if you could just give some color on the top 4-5 segments here, infrastructure, trade, agri, manufacturing, and personal finance, like, which of these do you see growing significantly from there on? If you could just explain that a little bit more.

Amitava Chatterjee: See, I would like to give you a very good understanding about the last column which might be actually intriguing you. The GNPA that is mentioned against these segments, sectors, they are old NPAs. There is hardly any stress in the new loan accounts. There is absolutely hardly any stress. Okay.

So, these are NPAs where we have purposely not written them off, waiting for the recoveries. And in due course, maybe there will be a time when either we will recover them or we will have to write them off our balance sheet.

But going forward, I do not see, like, for example, if you look at real estate, it has a 14.33% NPA. This NPA relates to 2017-18. Okay. There is absolutely zero NPA in the real estate sector in our Bank at the moment. I mean, the loans which were given after that.

So, if you are asking me whether there is going to be increased stress, that can be answered from the very fact that the slippage ratio of the Bank is below 1%. It's only 92 bps. So, the loans that have been given post 2017-18 and the loans which are standing in our books now, the earning loans, the performing assets, they are not in any kind of stress.

Some accounts here and there will always be under problem. That is true for the entire banking sector. That is not specific to any Bank. So that, if we consider that, I must say that I do not foresee the NPAs going up in any of these segments.

Moderator: Okay. The next question is from the line of Saket Kapoor from Kapoor & Co. Please proceed.

Saket Kapoor: Yes, sir. Firstly sir, thank you for elaborating on all the questions from the participants and answering them and definitely giving us more clarity on how to look at the numbers also especially for the GNPA part just to the earlier participant. Sir, the Bank must be having a vision say five years down from here, what should be the loan book size, the business opportunity that they want to garner, how to grow the Bank. So, if you could just give us some more color on that same, on the long-term growth trajectory for the Bank, sir?

Amitava Chatterjee: I am really surprised and very, very happy, Saket, we recently had a strategy meet in our Bank where we actually deliberated upon what we want to do 5 years ahead. So, we actually see the Bank at a very, very strong position 5 years from now. I don't think that this should be taken as guidance or anything. But we are looking at a profit level of Rs. 5,000 crores, maybe a business level of more than Rs. 5 lakh crores in 5 years' time.

So, if you are asking for a vision, that will be the vision because of the potential that the Bank has. The Bank has been doing exceedingly well in the last five, six quarters. It is geared up and the potential, as I said, because of its positioning and its location-wise advantage of being there in 20 states other than Jammu and Kashmir. So, potentially the Bank has tremendous prospect of growing across the country. So, from the business aspect, that is one.

However, we will be cautious not to take extra risks because we do not want to spoil the good work that has been done. And some process corrections will take place in the course of doing business so that we will make the Bank stronger at the foundation level as well as it will also give the opportunity to grow faster, stronger and better.

Saket Kapoor: Sir, when you are eyeing a business or growth advantage to the tune of Rs. 5 lakh crore, you must be having also the segments where you will be focusing and how will you reach that mark, say from one to two, two to three, and then going on. So, if some more color would have been given to us, we would have understood where are the geographies, where are the sectors or the regions where you are seeing that amount of growth to go 5x from here, that would be a very high compounding rate.

And sir, for the TWO part of the story, this is only pertaining to our Bank. So, if a slide or understanding could be given for investors' benefit in terms of how this has originated and how are we going to add back or write back the same going ahead, that would give more clarity to the investor, just explaining the slide on how TWO originated and what exactly are we doing in terms of this reversal, that would suffice a lot of questions and would give more clarity to us.

Amitava Chatterjee: Okay. The first part of your question, which direction a Bank will go? I mean, leave aside J&K Bank, any Bank will go, it largely depends on which direction the economy is going. If you look at the last few years, there has been serious investment on infrastructure by the government. So, all the sectors related to infrastructure have been doing well. So, most of the banks would have strengthened their position and the capabilities to participate in those projects and activities.

But if you ask me seriously, I would like to have an all-round growth for this Bank. It will remain retail focused because for obvious reasons, a Bank, I believe, is not meant to lend for long periods. The tenure of loans should not be very long because of the maturity periods of the deposits. So, the ALM mismatch is always there if a Bank lends too much on the long-term loan side.

So, obviously, it will continue to remain a retail focused Bank. But again, as I said, we will definitely develop our capabilities in all these sectors. And as and when the opportunity comes, depending on which direction the economy is progressing, we will be in a position to participate in those growth stories. So, it will essentially be an all-round effort on all the sectors. No specific sector I can mention, apart from the fact that it will still remain a retail-focused Bank.

The second part of the question, if you want a detailed analysis on the TWO book that the Bank has, we can provide that. But if you want me to answer that, then I would say that the composition of the TWO book was some time back large ticket size loans and small ticket size loans combined together almost of equal share.

Now we have been very focused in the recoveries and the large ticket size loans, the recovery has been pretty good. Now what we are left with mostly will be the small ticket size TWO loans. So, we will continue our efforts on those. If you would remember that we had a SOTS scheme that we introduced to the Bank in the last quarter, that has got a mixed response. We are expecting a fair bit of recovery through the OTS also. If need be, on the TWO front, we can also have, I am not ruling out another OTS coming sometime, whether this year or next year, I can't say. But the efforts on recovery on the TWO will continue. If you want a very detailed analysis on the TWO book, then I would request my GM, IAPM to provide it to you. I mean, you can send your mail. It will be mailed to you.

Saket Kapoor: Yes, sir. I will get back to the team on the same. And we hope that we get further understanding on how the process is likely to be in terms of the reversal which you have just spoken. But one small suggestion, if you could also hire an Investor Relation agency wherein the participation would also increase and there would be further understanding or decimation of information to the investor base creating, investor awareness for what the good work the Bank is doing and going ahead, what the plans are, that would be good if that can be taken on board and deliberated on, sir.

Amitava Chatterjee: Thank you. Thank you, Mr. Saket. We will definitely take your suggestion, and we will consider that.

Saket Kapoor: Thank you, sir, and all the best to the team.

Amitava Chatterjee: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Amitava Chatterjee for the closing remarks.

Amitava Chatterjee: Thank you, Anushka, for conducting this so nicely. And thank you all the participants for joining in today. For any further questions or queries, you can contact our Investor Relations desk. Thank you, and I wish all the very best to all of you. Thank you.

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