Good Afternoon and a warm welcome to all the participants to the J&K Bank March'2025 Earnings Call.

Before we start with the results, I would like to introduce my fellow colleagues from Bank's senior management who are accompanying me on this call:

Executive Director, Mr. Sudhir Gupta

Corporate Credit Head, Mr. Ashutosh Sareen

Treasury Head, Mr. Rakesh Koul

Finance Head, Mr. Sushil Kumar Gupta

Government Banking and Subsidiary Management Head, Mr. Rais Maqbool

Impaired Assets Portfolio Management Head, Mr. Rajesh Malla Tikoo

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.2082 crores for FY 2024-25. 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 YoY 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 FY 2023-24, the surge in net profit is an astounding 37%. The Bank has almost touched the milestone of Rs.3000 crores annual operating profit, same being recorded at Rs.2930 crores and recording a 28.7% YoY 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 recorded at Rs.585 crores, up 10% QoQ.

With respect to our market guidance for FY 2025, 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 a double-digit growth in both Deposits (10.2%) and Advances (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 loan growth of 11% for FY 2025, while deposits grew by 10.3%. However, the Bank has recorded a strong Q4 performance with net advances growing at 8.6% QoQ, aided by a boost in our Corporate Book, which we had indicated in our last call.

Loan growth has been much higher in ROI at 23% vis-à-vis 5% in JKL. However, there is no major change in the regional loan book composition with J&K at 65%, Ladakh at 2% and ROI at almost 33%. Our biggest sector Personal Finance, contributing 38% of our Loan Book, has grown at 10% YoY, 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 ROI they have grown by 16% with car loans also growing by 21.5%, thereby diversifying our retail loan book geographically. The Retail – Corporate split also continues to be around 2:1.

The numbers for deposits are a reflection of systemic factors like intensive competition from small finance banks/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 FY 2025. As per RBI data, 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% YoY and Current Deposits have grown by 9.6% YoY whereas Saving Deposits have remained almost flat. CASA Deposits have seen some traction in Q4 recording a growth of 2.9% QoQ.

Speaking of the income statement now, the Bank has recorded an increase of 11.3% in Net Interest Income for FY 2025, with both interest earned and interest expended increasing by almost 12%. Other Income has witnessed a substantial jump of around 38%, in FY 2025 crossing the 1000 crore mark, mainly on the back of total TWO recovery of around Rs.390 crores during the year, compared to Rs.134 crores in FY 2024. The TWO recoveries have been boosted by RBI's revised norms for Government Guaranteed Security Receipts, allowing upfront reversal of excess provisions in case 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 last financial year. This has panned out in alignment to our guidance with moderation of employee costs.

Withstanding the continuing pricing pressures on liability side, with a Cost of Deposits of 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.

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 in our Cost to Income Ratio, recorded at 57.73% for the FY. This marks a structural shift in our cost efficiency, made possible by our continuing digital transformation over the recent years, which has helped the Bank cross the mark of over 90% digital transactions in FY 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 – GNPA at 3.37%, NNPA of 0.79% and PCR of above 90%. Excluding the Technical Write-Off of around Rs.325 crores in Q4, GNPA would have been 3.67%. There has been a slight slowdown in recoveries, which can be attributed to the slowdown in 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 of 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'm pleased to share that Board has approved a dividend of 215% for FY 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.

Market Guidance for FY 2025-26

- Credit growth - 12%
- Deposit growth - 10%
- CASA - 48%
- NIM - 3.70% to 3.80%
- RoA – Maintain at current levels
- RoE - 16% to 17%
- GNPA – Below 3%

The business growth might appear a bit moderate but it takes into consideration the recent downward revision in India's economic growth forecast for FY2026 and is in alignment with the broad growth predictions for India's Banking sector in FY2026. 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 a patient hearing and your support, which we expect to continue.

We can start with the questions now.

Concluding remarks after Q&A session

Thank you Anushka and thank you to all the participants for joining in today. For any further questions or queries, you can contact our Investor Relations desk.

I wish you all the best.