"Jammu & Kashmir Bank Limited
Q1 FY27 Earnings Conference Call"
July 29, 2026

Emkay
Your success is our success
CIN- L67120MH1995PLC084899

CHORUS CALL

MANAGEMENT: **MR. AMITAVA CHATTERJEE – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – JAMMU & KASHMIR BANK LIMITED**
MR. SUDHIR GUPTA – EXECUTIVE DIRECTOR – JAMMU & KASHMIR BANK LIMITED
MR. IMTIYAZ AHMAD BHAT – CHIEF GENERAL MANAGER – JAMMU & KASHMIR BANK LIMITED
MR. SUNIT KUMAR – CHIEF GENERAL MANAGER – JAMMU & KASHMIR BANK LIMITED
MR. ASHUTOSH SAREEN – CHIEF GENERAL MANAGER – JAMMU & KASHMIR BANK LIMITED
MR. RAJESH MALLA TIKOO – CHIEF GENERAL MANAGER – JAMMU & KASHMIR BANK LIMITED
MR. PEER MASOOD AHMAD – DEPOSIT LIABILITY MANAGEMENT HEAD – JAMMU & KASHMIR BANK LIMITED
MR. SANJAY GUPTA – RAM BANKING HEAD – JAMMU & KASHMIR BANK LIMITED

MR. SURESH KUMAR CHOUDHARY – CORPORATE BANKING HEAD – JAMMU & KASHMIR BANK LIMITED
MR. IRFAN ANJUM – IMPAIRED ASSETS PORTFOLIO MANAGEMENT HEAD – JAMMU & KASHMIR BANK LIMITED
MR. KETAN KUMAR JOSHI – CHIEF FINANCIAL OFFICER – JAMMU & KASHMIR BANK LIMITED
MR. ALTAF HUSSAIN KIRA – CHIEF RISK OFFICER – JAMMU & KASHMIR BANK LIMITED
MR. AJAY KOHLI – TREASURY HEAD – JAMMU & KASHMIR BANK LIMITED

MODERATOR: **MR. AVINASH SINGH – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Jammu and Kashmir Bank Q1 FY27 Conference Call hosted by Emkay Global Financial Services Limited. As a reminder, all participants 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Avinash Singh from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Avinash Singh: Thank you, Sumit. Good afternoon, everyone. On behalf of Emkay Global, I welcome Mr. Amitava Chatterjee, Managing Director and CEO and his management team, and thank them for giving us this opportunity to host their quarter 1 FY27 Earnings Call.

I shall now hand over the call to Mr. Chatterjee for his opening remarks. Over to you, sir.

Amitava Chatterjee: Thank you, Avinash. Very, very good afternoon and a warm welcome to all the investors, analysts and other stakeholders joining us today for the J&K Bank June 2026 Earnings Call. Before starting with the numbers, let me introduce my fellow colleagues from the bank's senior management who are accompanying me on this call.

Executive Director, Mr. Sudhir Gupta, Chief General Managers, Mr. Imtiyaz Ahmad Bhat, Mr. Ashutosh Sareen, Mr. Rajesh Malla Tikoo, and Mr. Sunit Kumar, Deposit Liability Management Head, Mr. Peer Masood Ahmad; RAM Banking Head, Mr. Sanjay Gupta; Corporate Banking Head, Mr. Suresh Kumar Choudhary; Impaired Assets Portfolio Management Head, Mr. Irfan Anjum; Chief Financial Officer, Mr. Ketan Kumar Joshi; Chief Risk Officer, Mr. Altaf Hussain Kira; and our Treasury Head, Mr. Ajay Kohli.

The first quarter of this new financial year unfolded against a backdrop of elevated global uncertainty with the global economy navigating through a turbulent phase. While the global economy was continuing to grapple with heightened uncertainties emanating from fragile geopolitics and supply chain pressures, tensions have intensified towards the close of the quarter and in the weeks thereafter due to the breakdown of diplomatic efforts to de-escalate tensions in the Middle East. The International Monetary Fund, in its July 2026 World Economic Outlook update, has revised down its global growth forecast for 2026 by 10 bps compared to its earlier April projections, while also trimming India's GDP growth forecast for FY 2026 by 10 bps to 6.4%, reflecting the adverse impact of the geopolitical tensions.

Notwithstanding the uncertain external economic environment and the fact that traditionally, the first quarter is considered to be a seasonally softer period for the banking industry, the Bank has delivered a healthy growth across both deposits and advances, outpacing the system growth with a Y-o-Y growth of 16.75% and 25.44% in deposits and advances, respectively. Even on a sequential basis, the Bank has registered a healthy growth of over 4% in deposits as well as advances.This marks the first time in the last 6 years that the Bank has been able to post a sequential deposit growth in the first quarter. During this quarter, the bank also crossed the INR3 trillion business figure, marking a defining milestone in its 88-year-old journey. While it took the Bank a decade to reach a business of INR2 trillion from INR1 trillion, the journey from INR2 trillion to INR3 trillion has been completed in just over 3 years' time, reaffirming the bank's successful transformation over the past few years.

As part of efforts for diversification of the business portfolio, the Bank continues to make progress towards its objective of enhancing the share of business from Rest of India division, with Rest of India division now contributing around 26% of the business as on 30th of June 2026 compared to less than 20% a year ago. This is a reflection of a steady execution of our calibrated expansion strategy beyond our core geography and is helping create a more balanced and diversified balance sheet. We would also like to emphasize on the fact that this diversification has been achieved without compromising on our market leadership in our home territories of J&K and Ladakh. The Bank continues to maintain its dominant position in J&K and Ladakh with a commanding market share of 61.13% of banking business as on 31st March 2026 and has recorded an improvement in deposit market share in 19 out of 22 districts in J&K and Ladakh during FY 2025-26. Both these combined, position the Bank for a diversified and sustainable long-term growth.

During the first quarter, corporate credit growth has outpaced the growth in retail credit which has been the broad industry trend, as higher bond yields have pushed companies back to the banking system. Also, in our case, this is partly on account of a tactical response to the prevailing market opportunities and economic conditions, wherein we exhibited a conscious preference for selective lending to well-rated corporates with the sound fundamentals. However, that said, the strategic positioning of the bank as a retail-focused bank remains unchanged with retail, agriculture and MSME loans constituting around two-thirds of our loan book.

The Bank's retail advances have also registered a double-digit Y-o-Y growth. Within RAM, Bank has registered a Y-o-Y growth of around 18% in agriculture advances. Our personal loan segment in ROI also continues to grow at a decent rate, recording a Y-o-Y growth of over 12%. Amongst personal loans, car loans has been the best performing segment across all divisions with a Y-o-Y growth of over 20% at the bank level and over 30% in the ROI division. Housing and education loans in ROI division have also recorded a double-digit Y-o-Y growth.

On the liability side, our deposit franchise has remained resilient despite an intensely competitive environment with both Jammu Kashmir Ladakh and Rest of India division recording a double-digit Y-o-Y growth. The growth in term deposits has outpaced the growth in CASA deposits, growing by over 24% Y-o-Y with CASA deposits growing by around 7.5%. This is an industry-wide phenomenon driven by the evolving customer preferences for relatively higher-yielding deposit products and increasing financialization of savings, which is substantiated from the increase in share of term deposits in the total deposits across all Scheduled Commercial Banks from 58% in fiscal 2019 to 61% in fiscal 2026 and from increase in share of equities and mutual funds in savings in financial assets from 27% in financial year 2019-20 to 46% in financial year '24-'25. The Bank has recorded a CASA ratio of 42.06% on 30th June 2026, as CASA deposits have declined sequentially. However, this decline in CASA deposits during the first quarter needs to be viewed as a trend witnessed in the bank over a decade barring in the June 2020 quarter, a period impacted by the COVID-19 pandemic.

Now turning to our financial performance, the Bank has recorded an operating profit of INR703 crores for the quarter, registering a 5% Y-o-Y growth. While the Bank has witnessed an increase in net interest income on both Y-o-Y as well as sequential basis, the other income for the quarter has been relatively subdued on account of lower recoveries from technically written-off accounts. However, as these recoveries are inherently timing dependent and tend to fluctuate across quarters, this is just transitory in nature and we expect such recoveries to continue contributing substantially to other income in the near to medium term, considering the pool of written-off accounts. The operating expenditure also continues to remain well contained. On account of a higher standard asset provisioning for the current quarter, necessitated by a healthy growth in advances as compared to a degrowth of around 3% in the corresponding period last year resulting in reversal of standard asset provision, the net profit for the quarter has been recorded at INR424 crores, which is below the number for the corresponding year last year.

Pursuant to a year of aggressive rate cuts, nearly two-thirds of all bank credit in India now carries an interest rate below 9% compared to around 44% a year earlier, as per RBI data. This has resulted in shrinking of yield on advances across the industry and we have also witnessed the same on a Y-o-Y basis, with yield on advances for this quarter being 8.56% against 9.35% for the corresponding period last year. Though on a sequential basis, the yields have improved marginally from 8.51% in the previous quarter.

Simultaneously, amidst the continued intense competition for deposits and the Bank's focus on maintaining a stable funding base amid strong credit demand, the transmission of the rate cuts has been limited on the deposit side. As a result, the cost of deposits has only moderated by 9 bps from 4.83% a year ago to 4.74% for this quarter. Resultantly, the NIM for the quarter has witnessed a compression, being recorded at 3.28%.

Despite an operating environment marked by heightened macroeconomic uncertainty, our gross slippages were below 0.5% for the quarter and SMA numbers continue to moderate, which reflects the resilience of our portfolio, the quality of lending as well as the disciplined underwriting standards. As we pursue growth across both our core markets and rest of India, our focus remains on quality over quantity, which is evident from the continuing improvement in asset quality with GNPA and NNPA as on 30/6/2026 being recorded at 2.37% and 0.60%, respectively. PCR also continues to remain at a healthy level of above 90.5%.

The Bank continues to build upon its capital buffers, recording a Capital Adequacy Ratio of 16.67% as on 30th June 2026, with CET1 at 13.91%.

In the period gone by, the Bank also achieved another milestone with the share price of the Bank touching an all-time high, on a split adjusted basis, of INR202 and INR201.75 on BSE and NSE respectively, on 10th July 2026 and the Bank's market capitalization crossing INR20,000 crores for the first time ever. The institutional shareholding in the Bank continues to increase with FIIs and domestic mutual funds, together holding 15.74% share as on 30th June 2026 compared to only 11.5% a year ago.

Before we open the session for questions, I would like to conclude by stating that this quarterly performance should be viewed in entirety, as another important milestone in our continuing growth journey rather than just through the prism of short-term profitability. The choices and decisions that we have made during this quarter have been conscious, strategic and forward-looking with sustaining business momentum and strengthening our liability franchise being the priorities, even in an environment characterized by elevated funding costs and margin pressures. And the results are visible in a business growth outpacing the system, reversal of a 5-year trend of deposit degrowth in the first quarter, regaining of deposit market share in Jammu and Kashmir and Ladakh, diversification of our business portfolio with enhanced share from Rest of India and controlled slippages. As we look ahead, we believe that the operating environment is going to improve with economic activity having already picked up in Jammu and Kashmir as tourism has returned to normal and we are hopeful that the geopolitical tensions will also ease. With an improved economic environment and the policy rate easing cycle over, combined with the initiatives that we have taken for expanding our retail franchise and enhancing our operational efficiency, we believe that these decisions will be progressively translate into improved profitability and long-term value creation for all our stakeholders.

We would like to keep the guidance for financial year 2026-27 unchanged for now and we will reassess the same only after the quarter 2 results. Credit growth, 12% deposit growth, 10%, CASA 45% NIM around 3.5%, ROA maintaining around 2026 levels, ROE around 16%, GNPA below 2.25%.

Thank you for your time today and for giving me a patient hearing. We can start with the questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harshil Kothari, an Individual Investor. Please go ahead.

Harshil Kothari: I would just like to understand that if I just go under the head of segment results, I can see that the retail banking profit has decreased from INR472 crores in the March quarter to INR196 crores. So can you just throw some light on that why that has happened?

Amitava Chatterjee: Your voice was not very clear. Can you repeat the question, please?

Harshil Kothari: Sure. Is it better now?

Amitava Chatterjee: It's better now.

Harshil Kothari: Okay. So if you just open the result PDF and there you will find in the segment result, the retail banking, there has been a decrease in profit from INR472 crores to INR196 crores in this quarter. So can you just shed some light why this sudden decrease in this profit segment -- this retail segment is showing so much pain?

Amitava Chatterjee: Segment profits?

Harshil Kothari: Yes. Segment result.

Management: Segment profit recovery technical written-off that was factored under retail recovery...

Amitava Chatterjee: Okay. Okay. For the last quarter, that is fourth quarter 2026. Are you referring to the fourth quarter 2026?

Harshil Kothari: Yes.

Amitava Chatterjee: Okay. So the recovery in the technically written off accounts was classified under the profits under retail segment. So that constituted for the heightened profit during the last quarter of financial year.

Harshil Kothari: Okay. So here, we are expecting going forward recoveries on a higher?

Amitava Chatterjee: What I mentioned in my opening statement is that these written-off recoveries are mostly time dependent. And there were certain good recoveries in the pipeline, which did not materialize in this quarter, which are likely to materialize in the next quarter -- I mean, in the coming quarter. So that is why this has not been reflected in this quarter's results. It will be reflected in the next quarter's results.

Moderator: The next question is from the line of Yuvraj Choudhary from Anand Rathi Financial Services Limited.

Yuvraj Choudhary: Congratulations on a good quarter. Sir, I have a couple of questions. So firstly, on the credit growth. So in the medium term, what kind of growth are we expecting? And if possible, if you can quantify how much would be from the home state and from outside J&K?

Amitava Chatterjee: In the medium term, you mean to say whether for this financial year or 1 quarter or 2 quarters, what do you exactly want to know?

Yuvraj Choudhary: If you can give us, say, color for what would we expect -- what kind of growth can we expect, say, for this financial year and maybe for the full year?

Amitava Chatterjee: For this financial year, overall credit growth, I expect, although the guidance given is around 12%, but the actual credit growth will not be less than, say, 18% to 20%, I expect.

With the growth coming from J&K will be somewhere around 12% to 13% and the growth coming from rest of India will be somewhere around 25%.

Yuvraj Choudhary: Sure, sir. Sir, and sir, if we look at the cost of funds this quarter, so on a Q-o-Q basis, we have seen a sharp increase from 4.47% to 4.74% level. So can you help us understand what would be a steady-state cost of deposits for us, say, for this year?

Amitava Chatterjee: See, the cost of deposits on Q-on-Q, why it is showing an increase, while actually it has not increased is because in the last quarter of last financial year, there was in the interest income, there was -- sorry -- interest expenses.

INR105 crores that was there as which came as one government scheme, Laadli Beti scheme. So if we exclude that, then the cost of deposits have actually improved sequentially.

Moderator: The next question is from the line of Ashwani Agarwalla from Edelweiss Mutual Fund.

Ashwani Agarwalla: I got a couple of questions. What was the reason our margins dropped sharply in this quarter, both from the yield side and from cost of the fund side? And what -- how do we see the margins going forward?

Amitava Chatterjee: See, if I have to answer this question, you have to understand a little bit of the backdrop on which this conscious and strategic decision was taken this quarter. This is related to what the business limitations we had in the geography of Jammu and Kashmir last year. Since we had not -- we did not have a conducive business environment because of all that had happened.

So we had to depend on the credit opportunities that were available in rest of India. And that mostly came as opportunities from good corporates. So obviously, the good corporates are competitive in nature. So we -- to ensure that the growth momentum of the bank is continued, we did lend to all these good corporates, but at certain, I mean, competitive rates. For that, we had to raise deposits. And you know the position in the industry at the moment is raising deposits are not that conducive at the moment.

So we had to raise some deposits at certainly -- a certain bit of high costs. So this is a decision which was taken for this quarter to ensure that the growth momentum was kept up. So the correction, if I may use this word, the correction has already been initiated and the retail growth, as I mentioned in my opening statement, retail growth in Jammu and Kashmir has started.

And in fact, if I look at the actual retail growth in volumes compared to first quarter of last year, the retail growth has doubled this year first quarter. So ultimately, the decision to continue with the business growth However, focusing on the retail simultaneously has yielded results.

Although for this quarter, it might look a bit -- I can say it is an aberration for 1 quarter only because that is the reason I said that if at all I have to revise my guidance, it will only be after second quarter because I'm expecting second quarter all the numbers to normalize to the levels we are expecting and we have been expecting so far.

Ashwani Agarwalla: Okay. And what is the reason your other income was down in second quarter and first quarter?

Amitava Chatterjee: Other income, see, last year, first quarter, we had close to INR70 crores, INR80 crores of recoveries in TWO, written-off accounts, which is not there this year. Also there was a subdued income from the treasury.

So both put together, the other income was slightly lower than last year, which, again, with whatever we have in the pipeline and expecting, this is likely to substantially improve in this quarter.

Ashwani Agarwalla: So what is the expected recovery from the written-off accounts this year? And what was that number last year?

Amitava Chatterjee: See, expected recovery is almost INR250 crores. Last year also, it was INR250 crores around. So it will be upward than INR250 crores, but I mean, at times, you are not very sure with the timing, whether it comes within that quarter or not. So our expectation is around INR250 crores. It can be somewhere around INR300 crores...

Ashwani Agarwalla: Okay. And this -- the recovery from written-off accounts, it will continue next year also? Or this is the last year till?

Amitava Chatterjee: No, I expect to be -- I expect the written off recovery to continue for at least 1 more year. That is '27, '28 as well.

Ashwani Agarwalla: Okay. And your opex ratio has come down. So what is the actual opex amount of growth we can see for the next 2 years?

Amitava Chatterjee: See, it will be -- at worst, it will be flat. It will continue to improve. It has been improving for, I think, last 6, 7 quarters. So it is likely to continue to improve.

The only factor which I believe will -- why I said it at worst, it will be flat is if we are able to recruit people, which we are thinking of recruiting because of enhanced business needs. So once that recruitment takes place, might be -- we will be coming to a flat level, but it will not increase. So if you are asking what will be the increase, there won't be any increase.

Ashwani Agarwalla: Okay. And sir, your provisions were also higher in this quarter. What was the reason for that?

Amitava Chatterjee: Provisions are -- in fact, I'm happy that the provisions are higher. In fact, bad debt provisions have come down. If you look at the provisions, the bifurcation, the standard asset provisions have gone up because of the increase in business. So in a way, it is a good thing to have.

Ashwani Agarwalla: Okay. And how does ECL impact your net worth? And what will be the increase in the flow credit cost?

Amitava Chatterjee: See, credit cost, as I've already mentioned, and it continues to be very low. Even this quarter, our credit cost is very low, 0.1% only. So credit cost isn't going to impact at the moment.

Once the ECL model is finalized, I will be in a better position to say. But what we are doing is we may be -- this year itself, we may be going to the market to raise funds capital. So I think we are, at the moment, sufficiently well placed to manage the ECL impact.

Ashwani Agarwalla: Have you seen...

Moderator: Sorry, Ashwani Agarwalla, please rejoin the queue for more questions. The next question is from the line of Umang Shah from Kotak Mutual Fund.

Umang Shah: Sir, you have reiterated your margin guidance at about 3.5%. For this quarter, we are at about 3-quarter odd. If you could explain what will drive the margin expansion in the remaining 3 years -- 3 quarters for us to catch up to 3.5% margins for this year?

Amitava Chatterjee: See, I mentioned that this quarter's numbers are an aberration because we consciously took a decision to continue with our credit growth and the business growth. In an organization, if you lose the momentum, you take some time to regain. So we did not want to lose the momentum because what I had mentioned last year, the retail growth had not happened in Jammu and Kashmir.

So what we have done this year, first of all, I just mentioned the retail -- in fact, both retail and agri, both put together, there has been almost 20% to 30% improvement over last year's growth. Currently, we are going at a very good pace in retail growth since the business has picked up in Jammu and Kashmir. And I'm talking about the retail growth in Jammu and Kashmir only at the moment.

With increased focus and more staff put into the Rest of India branches, we have posted 100-odd people, and we are recruiting around 300 people in rest of India to augment our Rest of India business. So the rest of India retail at the moment, going at an improvement of 30% is likely to improve to around 100% because the base is low. So both put together, I believe the composition of advances growth, retail and corporate will match up.

That is -- last year, it was more tilted towards corporate growth. This year, it will match up. And I expect the retail growth to be slightly more than the corporate growth by the end of this year. This is one. Second, -- we have actually gone all out and we are -- I already mentioned that we have managed to regain our deposit market share in 19 of the 22 districts in this geography. So this is a continuous effort that we are, I mean, making to get back the CASA that we once used to have in Jammu and Kashmir.

So both put together, the cost of deposits is likely to come down and the yield from the retail advances are definitely going to be at least 200 basis points more than the yields that we have had in the corporate loan book. So both put together, I'm not talking about the end of the year. I believe we will be around 3.5% very soon, if not by the end of this quarter, maybe by the end of the third quarter, definitely.

Umang Shah: Sir, while I appreciate that, I'm slightly at a loss in terms of how should we think about the strategy of the bank, right? I mean, see, we have been guiding for about 12% growth. We delivered 25%, which we really appreciate. For FY27, again, we are guiding for 12% technically, but you seem to be reasonably confident of delivering about 18%, 20% growth.

However, what I'm unable to understand is that if this cost -- if this growth is coming at the cost of profitability and stretching the balance sheet on the liability side, I mean, how advisable would it be to grow at such a pace, I mean, given that the ROA contraction that we have seen is fairly sharp in this quarter.

So if you could just help me understand that, I mean, you did mention that it was an opportunistic choice, but I'm -- but a 5% sequential growth in the loan book in 1 quarter can shave off about 20 basis points of margins. Then I'm just trying to understand the rationale behind this sort of opportunistic choice?

Amitava Chatterjee: I mentioned that this was an opportunistic choice for this quarter. I didn't say that we will continue to do this. And the reason why I said it will be around 18% to 20% around the growth, while we have already grown at more than 25% -- so definitely, the growth related to competitive pricing, which I can also mention as the corporate loan growth in rest of India, we intend to reduce it, the proportion -- reduce that proportion to a more realistic level, which was a little bit too high in the last financial year and in the first quarter of this year.

Now that the retail growth has started picking up. In fact, I expect almost 55% to 60% growth of advances coming this year from retail itself. So obviously, when I said that the -- it was an opportunistic choice for the last year and this -- for first quarter of this year, I meant that the opportunity that was there to take share in good quality advances, improve our book, fundamentally be in good shape. So that we have already achieved.

Now the focus is totally on retail. And whatever growth that is going to come, essentially, we'll try to come -- we will try to get it from retail only. So that is the aim. And since the retail growth in Jammu and Kashmir has already -- I mean, it has picked up pace, and it is growing faster than what it had grown -- much faster than what it had grown. In fact, it is at a double the rate that it grew last year.

So obviously, the -- once we are able to improve upon the retail loan book growth in rest of India, we are definitely in line to improve the NIMs. I'm absolutely certain about that.

Umang Shah: Sir, for the full year, what are the ROAs that we are looking to deliver for FY27?

Amitava Chatterjee: ROA will be 1.25% plus. In fact, it should be somewhere around what it was last year.

Umang Shah: But again, will this be very lumpy or episodic in the fourth quarter? Or we have ended first quarter at 90 basis points.

Amitava Chatterjee: Umang, next quarter, you just wait. I mean, if you have that patience, you wait and see the ROA next quarter.

Umang Shah: Sir, on ECL impact, how should we look at that? I mean what -- I mean, last time you had quantified about INR1,600 crores, INR1,700 crores of ECL impact and also INR1,250 crores of fundraise. Any updates on that? Any change in terms of your assumptions on ECL impact on the net worth? And where are we exactly in terms of our capital raising process?

Amitava Chatterjee: Umang, I think it is a little bit premature for me to say about the change that there is going to be a change in the -- as far as -- as far as the ECL impact is concerned, I don't see much of a change as to the numbers you have mentioned. It should be. I mean, according to me, it should be slightly lesser than that.

Umang Shah: Sure. And in terms of the capital raise?

Amitava Chatterjee: Capital raise, INR1,250 crores is already done that is approved and that is going to come, but we are thinking in terms of revising the quantum. I'm not in a position to divulge more because we are still waiting for the approvals.

Umang Shah: Okay. Understood. And all right. Revising the quantum, meaning a fresh approval would be required, right? I'm assuming because you already have approval up to INR1,250 crores, which means that you would be revising the quantum upwards?

Amitava Chatterjee: Obviously.

Umang Shah: And the government will participate or retain their shareholding at the current level? Should I assume that or not really?

Amitava Chatterjee: They might dilute.

Umang Shah: Okay. Okay. Understood. Understood. Just a small suggestion, sir. I mean, as a patient investor, I mean, we have been watching the J&K Bank journey for quite a while now. But I mean, last guidance that we had in the month of May didn't really indicate anything of what has gotten delivered in the first quarter.

Now I appreciate you explaining that there has been some opportunistic choices made by the management, but I would really appreciate if the delivery is not so divergent or maybe if we could guide slightly more closer to what the delivery would be. That would be really appreciable, sir.

Amitava Chatterjee: Sure, Umang, Sure.

Moderator: The next question is from the line of Anand Dama from Nuvama.

Anand Dama: Sir, my question again is revolving around margins. So we have seen the presentation. The financial markets segment has seen a very sharp growth during the current quarter. Is basically more of a short-term credit? And in that case, should we expect that maybe next quarter, we might have a sequential degrowth in the overall loan book as some of the short-term credit moves out?

Amitava Chatterjee: Anand, for the last 12 months or so, we have stayed away from short-term lending. So most of the lending -- whatever maturity is happening is something which we had lent maybe some time back. But recent times, we have not been lending on short-term mostly. So the strategy of having a steady and a stable loan book is what we aim to have.

Anand Dama: Okay. Because we thought that this is more a short-term credit that the opportunity was there, we took it and then we've got to run it off so that basically our margins tend to improve. That is what the thought process.

Amitava Chatterjee: That -- I mean, what you are referring to is also likely to happen because there were some loans that were given some time back, which are maturing shortly this month and next month. So that will also shed some very low-yielding advances, and we can also look for some better yielding advances going forward.

Anand Dama: Sure. And sir, most of these loans that we have given to the financial market players are largely linked to MCLR?

Amitava Chatterjee: No, not linked to MCLR.

Anand Dama: Okay. So would be T-bill or...

Amitava Chatterjee: Not T-bill, mostly repo linked.

Anand Dama: Okay. Okay. And sir, on the deposit front, the surge that we have seen during the quarter, is it more because of the bulk deposits? And if it's yes, can this be replaced downwards next quarter?

Amitava Chatterjee: Yes, yes, yes. They were mostly because we wanted to take the opportunity, we raised some bulk deposits slightly higher cost, which will be shed in the coming months, starting this month itself.

Anand Dama: Sure. So then we have to build up the 3.5% margin. So partly, it could come from that whatever low-yielding credit and high credit deposits that we built in the second -- first quarter, possibly that might run off. And then add to that, you will have a retail growth coming in the Jammu and Kashmir, which obviously comes at a better yield, and that would drive our margins back to 3.5%, right? Is that the right way to look at it?

Amitava Chatterjee: I wanted to say. That's why I said I could not have explained it in a better way than what you did.

Anand Dama: Okay. Sure. Sir, we have also entered into a transaction to sell our stake into MetLife and so we will have a one-off gains coming through, whether that will be used to build up some kind of ECL buffer next quarter and not show very high profit number. Is that fair to understand?

Amitava Chatterjee: We'll take a call when we arrive at that position. At the moment, we are waiting for the -- for a few clearances to come across and then we will -- we have not yet decided how to go about it. Maybe we can take your idea as well.

Anand Dama: And sir, third, there were news of some floods in some pockets of J&K. Any impact in terms of collections or asset quality that you anticipate because of that?

Amitava Chatterjee: There were floods and flash floods keep on happening in this -- I mean, in any hilly terrain, but the impact has not been that much. So at the moment, nothing is visible, which I can say will impact collections. Collections have been proper. And if you look at the SMAs have also come down first quarter.

Moderator: The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah: Sir, just the question on bulk deposit again. So if you can just highlight out of this 58% term deposit, what is the proportion of the bulk deposits within this or maybe the delta which is there from 54% to 58% on a quarter-on-quarter basis. Is that largely the increase in the bulk deposit too?

Amitava Chatterjee: Just give me a moment. This quarter, the growth in bulk deposit is around INR6,700 crores.

Kunal Shah: INR6,700 crores is the increase in -- net increase in the bulk deposits.

Amitava Chatterjee: Right.

Kunal Shah: Okay. Perfect. And you are saying like the proportion of this will actually come down.

Amitava Chatterjee: It will come down in a month or 2.

Kunal Shah: Okay. In month itself, it will come down. Okay. And this entire decline, which is there in the savings, not sure if that got answered, but what has led to this kind of a decline in the savings deposit on a quarter-on-quarter basis and the proportion is also down to almost 33%. Otherwise, we have been managing it at 35% to 36%-odd for quite a few quarters, yes.

Amitava Chatterjee: Sequentially, you want to understand, right?

Kunal Shah: Yes. So what so maybe it won't be entirely seasonal is what I understand.

Amitava Chatterjee: Yes. Savings bank deposits, which we have lost have gone into our own 888 days deposit scheme. That is the term deposits. What had happened was during the last quarter of last financial year, the state government had released quite a substantial amount of terminal benefits of retired employees, which was pending for some time.

So that came into the savings accounts. And subsequently, in the first quarter, they got converted into term deposits. Most of it, the difference that you see, you will see that the similar kind of improvement or increase has happened in the term deposit portfolio.

Kunal Shah: Okay. And this would be at a higher rate?

Amitava Chatterjee: Obviously, higher than the savings bank rate.

Kunal Shah: Okay. Okay. So whatever is the rate which is published on the website, I think it's getting converted into that rate itself.

Amitava Chatterjee: Yes. Right.

Moderator: The next question is from the line of Parth from 360 ONE Capital.

Parth: Sir, my question was that going forward your plans to increase CASA ratio because this quarter, of course, you explained that we have seen a decline. So how are you planning to shore up that CASA ratio going into next quarter and beyond?

Amitava Chatterjee: See, we already have a very strong deposit franchise in this geography, Jammu Kashmir and Ladakh. The intensity with which we had been working on deposits has increased many fold.

We now have a totally a GM-headed vertical exclusively looking for improvement in CASA ratio. I mentioned in my opening remarks that we have a General Manager heading only a vertical which is looking for improvement in CASA. So there are several initiatives that we have taken.

Some very basic ones and some related to transaction banking. All put together, we want to increase our market share in deposits in this geography further. We have already improved it from last year, and that is a continuous process. It is going to improve. We are also historically, we had not concentrated on liabilities, especially retail liabilities from the rest of India branches.

Now rest of India branches are also focusing on getting savings deposits. Now in the last 1 month, I would say, just more than a month, we have had an MOU with the J&K Police, which will have the entire salary accounts of J&K Police being credited to our bank. We are in the process of renewing our MOU for next 5 years with J&K government.

We have been constantly entering into salary package MOUs with other corporates. This month itself, in the month of July, we have had 3 MOUs where the employees range from 500 to 1,500. So this is a strategy that we have adopted.

We have a very -- in fact, a very lucrative and very good salary package product with us. So that we are offering to small, mid and large corporates, which are there in this geography. And we are also exploring this. We have entered into salary account MOUs with certain schools in Bangalore as well.

So this is a continuous process through which we are increasing our CASA base. So I'm very hopeful that we will be able to improve the CASA by the end of third quarter this year substantially.

Parth: Sure. And my second question is, have we hiked our term deposit rates in any of the buckets in the last 1 or 2 months?

Amitava Chatterjee: We had increased by 5 basis points in our 888-day deposit schemes.

Moderator: The next question is from the line of Darshil from Crown Capital.

Amitava Chatterjee: Yes.

Darshil: So sir, I just wanted to ask like in terms of our credit growth. So as we'll be shifting more from the corporate growth, right? So what would it -- with increase of retail, what can we expect for the full year? Because the first year itself -- first quarter has been really great in terms of credit growth, right? So what would you expect, sir, in terms of credit growth?

Amitava Chatterjee: You want to know the quantum of credit growth from retail?

Darshil: No, in general, sir, like...

Amitava Chatterjee: I mentioned in the beginning, I think you have missed that. I expect the credit growth to be somewhere around 18% to 20%.

Darshil: Okay. Okay. Okay. Fair enough, sir. And sir, I just wanted to know like ROA, we are saying 1.25%. So we can see that from quarter 2 or like because how is the July month been? So will it be -- will the July month help us.

Amitava Chatterjee: It should be from quarter 2 itself.

Darshil: Okay. Okay. That's really great to hear, sir. And sir, any kind of negative shock that you see coming across like any risk that you see?

Amitava Chatterjee: Risk-wise, shock-wise, I'm not witnessing anything adverse in the bank at the moment. The only challenge, if I have to mention that, only challenge that the entire industry is facing is what we are also facing is that of deposit growth.

So fortunately, we have been able to counter that because we have a very strong deposit franchise in this geography. And I hope to continue with that. And with our renewed focus on retail deposits, I'm very sure we'll be able to ride over that challenge as well.

Darshil: Okay. Fair. Just the last question from my end, sir. Sir, Q4, our operating expenses were a bit lower and Q1 it increased. So Q1 can be the base run rate, sir, because there was a significant jump, I think, sir, in Q4 and Q1. So what has contributed.

Amitava Chatterjee: Q4, we had a reversal of employee terminal benefit that we had provided for in the entire year. There was a reversal. So this year, if I can safely say that the employee cost, what we have for Q1 will be probably the base for the entire year.

Moderator: The next question is from the line of Vineet Sharma from Param Capital.

Vineet Sharma: My question was also around the personnel cost movement. I think you just answered that.

Moderator: The next question is from the line of Yash from Integrity Ventures.

Yash: Just wanted to check on branch network expansion the company is looking for Jammu and Kashmir, the rest of India?

Amitava Chatterjee: See, Jammu and Kashmir, we tend to increase around 15 to 20 branches every year. But we intend to increase 50 to 70 branches in rest of India in the next 2 years.

Yash: And one more thing. I can see that total deposits are 83% from Jammu and Kashmir and while the advances are 62% in Jammu and Kashmir. So a significant chunk of deposits are raised from area, which is lent to rest of India. And also, as you mentioned in this quarter, you did some opportunistic lending. So I wanted to check is there any concentration in terms of corporate lending that you might have taken in this quarter?

Amitava Chatterjee: I don't know what you mean by concentration. But yes, the proportion of corporate advances with -- out of the total advances was slightly higher this quarter. But as I mentioned that we have been steadily now trying to get resources that is deposits from rest of India as well. So going forward, we want to balance it out. The composition of deposits, advances, the composition of business from rest of India and Jammu Kashmir, all we expect it to balance out in the next 2 to 3 years.

Yash: Okay. By concentration, I just meant is there a few corporates that are...

Amitava Chatterjee: It is diversified. It is diversified. It is totally diversified.

Moderator: The next question is from the line of Shruti from Narnolia Financial Service Limited.

Shruti: Am I audible?

Amitava Chatterjee: Yes, please go ahead.

Shruti: I wanted to ask due to stress in the IT sector employment in some of the financial companies, risk to housing loan and unsecured loans has been talked. So have you got any early trend of that or anything?

Amitava Chatterjee: Could you please repeat your question? I couldn't get it.

Shruti: Like due to the stress in the IT sector employment.

Amitava Chatterjee: Okay. You want to ask whether there is any stress in the housing loan segment.

Shruti: Yes, yes.

Amitava Chatterjee: So we have -- see, our housing loan segment is also well diversified with the contribution from rest of India as well as Jammu and Kashmir. So at the moment, I do not see any stress in the housing loan segment. And maybe that is the one reason could be that our exposure to the employees of the IT sector is quite low.

Moderator: The next question is from the line of Pankaj Kishnani from -- an Individual Investor.

Pankaj Kishnani: Congratulations on a strong set of numbers, sir. I can see that your SMA-0, 1, 2 has gone down if I compare it with the last year and so has the asset quality for standard advances, right?

We see the provisions for standard advances has been increased. And I heard in the earlier part of the sort of say, investor conference, you mentioned it's a reflection of strong credit growth. I just wanted to have a follow-up question on that. Is it also a reflection of you expanding aggressively in rest of India because your customer knowledge or customer understanding may not be as high as that you have in J&K?

Amitava Chatterjee: It's not so. See, you should understand that this bank has been operating in Jammu and Kashmir for 88 years. So I don't think any other bank or any other institution understands the pulse of Jammu and Kashmir better than J&K Bank.

What happened was last year, because of the circumstances, the situation in Jammu and Kashmir, the offtake -- the credit offtake was pretty low. So that resulted in the requirement of having more credit growth in rest of India, and we are fortunate that we are present across 22 states in the country. And as a bank, we would definitely want to be considered as one of the national banks.

So we do not want to confine ourselves as a regional bank. So obviously, whenever we see an opportunity in any segment in any part of the country, we will definitely want to utilize that opportunity. So it's not about understanding. It is more about the situation and the opportunities that were there.

Moderator: The next question is from the line of Saket, an Individual Investor.

Saket: My questions have been answered.

Moderator: The next question is from the line of Yogesh from Sequent Investments.

Yogesh: Yes. Sir, last quarter, I remember categorically asking that the employee cost had come to INR509 crores. And we had explained that some pension obligations are now shifted to NPS and also a lot of retirements have taken place. And you were expecting that to be the base. But now this quarter, again, our employee cost has gone to around INR650 crores. So can you explain?

Amitava Chatterjee: I mentioned just now that in the last quarter, we also had a reversal of some additional provisioning that we had made, excess provisioning. So that the -- when I said that the numbers are stabilized, I meant that the actual cost is what -- and in fact, it is steadily coming down because we have been having retirements in the bank, and we have not had recruitment for quite some time.

So the employee cost is not going up, as you see. This year, first quarter, we have again made the provisions for the people who are still out of the NPS regime, the people who joined before 2009, 2008. So that provisioning we do every year. So if you ask me, the employee cost for this quarter should be a base and it is likely to come down slightly from there till we have the next round of recruitment.

Yogesh: Okay. So this quarter, we have reported an employee cost of INR650 crores. So is there any -- can you give me a number that how much is the provisioning for the pension that has been done? So we know that what is the actual cost or something of that sir?

Amitava Chatterjee: How much?

Management: INR130 crores...

Amitava Chatterjee: INR130 crores...

Management: INR150 crores total gratuity pension and leave.

Amitava Chatterjee: Gratuity pension and leave put together, it's around INR150 crores.

Moderator: The next question is from the line of Vijay, Individual Investor.

Vijay: Sir, your net profit for the financial year 2025, 2026 was around INR2,367 crores. So what is your estimate for this current financial year, sir?

Amitava Chatterjee: You are asking me to predict a profit figure.

Vijay: Yes. Are you going to exceed it? Or are you going to maintain the same something?

Amitava Chatterjee: No, no, obviously, we are going to exceed it.

Moderator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Amitava Chatterjee: Thank you. Thank you. Thanks to all of you. Thanks for the questions. Thank you, Avinash and all the participants for joining in today. For any further questions or queries, you can contact our Investor Relations desk. Thank you.

Moderator: On behalf of Emkay Global Service Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.