



**“Jammu & Kashmir Bank
Conference Call”**

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LIMITED**

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Moderator: Ladies and gentlemen good day and welcome to the Jammu and Kashmir Bank Q1 FY'15 earnings conference call, hosted by Reliance Securities Limited. As a remainder all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Jimit Doshi from Reliance Securities Limited. Thank you and over to you!

Jimit Doshi: Thank you Mohsin. On behalf of Reliance Securities, we welcome everyone to the J&K Bank post results conference call. We have with us today Mr. Mushtaq Ahmad, CEO and Chairman, Mr. Parvez Ahmed, Executive President Mr. A.H. Bandy Executive President and other senior management team. I would request management to start the call with the opening remarks post which we will open the floor to Q&A session, over to you Sir!

Mushtaq Ahmad: Thank you Mr. Doshi and all ladies and gentlemen and very good morning to all of you. I think we are meeting today via I think J&K Bank is going to present you the results quite unusual and not as per the lines we have been doing in number of quarters.

To start with I think the overall business of the bank, year-on-year business as compared to quarter one last to quarter one this year, the business has grown by 10.42% from say 97883 Crores to 108000 Crores and advances are grown by 13.11% from 39282 Crores to 44430 Crores and networth of the bank has increased by say 13% from 5172 Crores to 5853 Crores and again interest income has increased by 8.85% from 1624 Crores to 1768 Crores and then this non-interest income has increased by 42% from 92 Crores to 131 Crores.

Total income has increased by say 11% from 1716 Crores to 1900 Crores and this operating profit of the bank that has decreased by -7% and here I think a small clarification I need to give is that we had to take back that 40 Crores because of this slippage of 1100 Crores and quarterly interest on that would be 40 Crores, so with that I think it would all gone to Rs.487 Crores, which would show off some marginal improvement, but anyhow the net profit of the bank as compared to last year, last year we were at Rs.308 Crores and at this time it is Rs.130 Crores that is a dip of -57.77%.

As far as gross NPAs are concerned, gross NPA have increased by 183.72% from 665 Crores to 1888 Crores and net NPA has increased from 56 Crores to 968 Crores and then gross NPA this provision ratio is 1.67%, last year it was 1.67%, but now it is 4.16% that is the, net NPA has increased from 0.14% to 2.18%.

NPA coverage ratio is down from 94% to 55%, but again this 55% I should say is no violation and departure from the regulatory norms. CASA ratio of course last year it was 40.24 and this time it is 40.96 so these are almost 71 basis points increase. CD ratio again from 67% to almost 70% and then we have this return on assets is coming down from 1.89% to 0.72%. Return on equity from 24.54% to 8.99%, net interest margin here again has come down from 4.2% to 3.63%. This is all for this quarter and number of business units last time 691 and this time it is

795 and we have added 104 business unit during the reporting, this year and number of ATMs has increased by 166 from 659 to 825.

I think another important thing that we need to share is that the restructured book of the bank about 1576 Crores as on this March 2014, it was spread over 606 accounts, but it has come down to this 1390 Crores that means there is a reduction of around 200 Crores and even the number of accounts have come down from Rs.606 Crores to Rs.542 Crores.

I think these were the initial beginning remarks, but now I should also tell you something why this 58% dip in the net profit is that we had one this account REI Agro, which was under stress and we have been discussing this particular account quite frequently and this time we intentionally this account is segregated into two parts, one which is directly on the balance sheet of the company that amounts to have 290 Crores, so literally and as per this regulatory norms, I think we should have taken already 290 Crores to our this NPA because they had the fault already in that account and then there is another account, which is not on the balance sheet of the company that the JLG that is Joint Liability Group with farmers and all that and that falls due in the month of October, so if that would not be repaid in the month of October 2014 then that could have been downgraded to NPA category, but this time management of the bank and the Board also thought that since these are very linked accounts in case the performance in one account is not good though we could have deferred this downgrading of the other part to third quarter, but we took a very conscious decision, a considered decision by the management, by the Board that we should take total, this account total outstanding should be downgraded.

So as a result of that we have taken a hit of total 700 Crores one part. The other part there is one more account that HDIL where the total exposure under this credit route is 290 Crores and I must tell all my investors, stakeholders here that this account has not shown any default and there is a minor default of 2 Crores to 3 Crores I think in June, but the account has been downgraded simply because of certain operational observations made by the auditors and therefore our audit committee of Board, the board they took that downgrade this account, so this account has also been downgraded and it takes up to around 1000 Crores and after this 1000 Crores, I think there would be say 100 Crores more where there was stress, but number of accounts out of those have already been upgraded also, not much, but I think around Rs.20 to Rs.30 Crores that has been upgraded that would not make much difference here.

So as a result of that the overall provision requirements of a bank that increased and that is why that we have made the additional provisions of this around 246 Crores, so this coverage ratio has come down to 55%, but again then we just calculated this against the regulatory requirement. When we are meeting this regulatory requirements and we were forced to maintain this provision as of now at say 53%, but still we are at 55% and going forward I should say that as of now we have taken the total steam of stress out of the system and I think going forward our quarter should show profit of 15% to 20% about as we have been showing, but at the end of the year again we should give you same type of profit and one more important thing that I would need to share with you that we have already decided that we will be taking an exit from the MetLife where we have 5% stake, overall this legal process, other formalities are completed as to an

extent and something, there are some formalities are still underway, once we complete that and we go for due diligence, this market, the price factors and all this, I think that should fetch a very good amount to us and I am sure that we will be ending our year with the unusual growth and profit and business and also I should say that when you are judging performance of the bank you have to just see on a bit medium term to slightly longer term rather than be disappointed with the results of one quarter that is all I have to say and now I would just invite questions.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Jigar Walia from OHM Group. Please go ahead.

Jigar Walia: Good morning to the management team Sir. Mustaq Sir, firstly we appreciate your conservatism in terms of accounting for these NPAs ahead of time and then clearly it sends out the right signal that to the other customers also in terms of really defaulting to the bank. My first question broadly is after these two accounts, is there any change in terms of strategy for outside J&K Bank loans in terms of the private sector ending that we have been doing?

Mushtaq Ahmad: I think, as far as, REI Agro is concerned I should just say that if you see history of this company it has been a star trading house of the country and this status has been allotted to this company by Ministry of Commerce Government of India, but over a period of time I think they went into rough weathers and all that, so a first class, I think the top basmati rice exporter I think he lends himself in trouble for various reasons we will do this part, but I say that I have always been mentioning that when we go outside J&K State we always look for say top rated Government of India undertaking and top rated houses, business houses like Tatas and Reliance and also very good real estates like Prestige, Raheja in Bombay and all that. That would continue, but the same time I think we need that the overall cap I think. We have to revisit that cap also and I think we would continue with that strategy and the cap and say some of the companies has to be reduced, but we will keep on outside and our focus outside, the main attraction outside would be safety and security of my funds, it is not that outside J&K Bank we are discouraged with one or two account, not at all, but yes, of course we must focus on this Government of India undertaking top rate fundamentally very strong this business houses outside J&K State.

Jigar Walia: Sir, my next question pertains to floating provisions, just to understand we have Rs.52 Crores floating provisions impact and we have, it is not reduced from either the gross NPA or the net NPA number and the utilization would be only towards that tier 2 capital, am I right Sir?

Mushtaq Ahmad: Right.

Jigar Walia: Can you also quantify do we have any contingency reserve, I think we also had some contingency reserves earlier?

Mushtaq Ahmad: Not as of now we have consumed it.

Jigar Walia: Contingency reserves have consumed.

Mushtaq Ahmad: Yes, we have consumed it. But as far as provisions are concerned I should say that there is no violation as far as regulatory requirements are concerned and regulatory norms are concerned.

- Jigar Walia:** Clearly and on this Rs.1000 Crores we would have provided 15% right now?
- Mushtaq Ahmad:** Rs.1000 Crores, no. As far as that REI Agro is concerned, a part of it has to be provided at 25% and rest I think 15% and other account it would be 15%.
- Jigar Walia:** So the Rs.290 Crores would be, we would have provided 15%, the other maybe we would have provided 5%.
- Mushtaq Ahmad:** 25%.
- Jigar Walia:** So partly 25%, partly 15%.
- Mushtaq Ahmad:** Partly 15% yes.
- Jigar Walia:** In that case for the rest of the accounts, our provision coverage ratio would be if we exclude these two accounts it would be upwards of 90% plus.
- Mushtaq Ahmad:** No, I think it should be beyond 75%.
- Jigar Walia:** Is it fair to assume that REI is being considered under CDR and is more likely to be shifted to restructured and as far as HDIL is concerned if you can give some light in terms of recovery and since it is just Rs.2, Rs.3 Crores thing probably, no it can be regularized very easily?
- Mushtaq Ahmad:** Yes exactly. I think very important question, a very relevant question and I think that should become the focal question also. As far as REI is concerned basically it is a consortium of 21 other banks and as far as my knowledge goes out of 21 all the four banks had declared NPA and their total exposure was Rs.650 Crores and rest 17 banks including J&K Bank they had just treated as standard asset and the total exposure in the company has been Rs.7000 Crores and I should say that four banks with Rs.650 Crores they had declared that as NPA and around Rs.400 Crores banks with total exposure and around 16 to 17 banks they treated as NPA, but now J&K Bank has taken that all and now we have also declared it as this NPA, I do not whether other banks, but I sure still it continues to be a standard asset with around 12 to 13 banks. This account is already under the process for this restructuring, this joint lender forums they have already prepared that cap then this one of the consulting companies, they have already prepared their liability report and this has been submitted to the consortium leader and then cap, productive action plan as of already been prepared and it has been sent to the CDR and also one more requirement is there that the companies account have been sent to one of this forensic audit once that comes then after evaluation of this stock audit from the report and all that then the CDR will take a view and once it is restructured and then it will upgraded, it will be a standard asset, of course we have to provide for normal restructuring and then to that extent that Rs.700 Crores, gross NPA should come down to Rs.1200 Crores and there is another account where mere I think around say Rs.4 Crores to Rs.5 Crores while they have to repay and then that account again would be upgraded and I am sure once these two accounts are addressed and these are things are rectified in these two accounts. My NPA level would again be around 2%.
- Jigar Walia:** Great Sir.

- Moderator:** Thank you. We have the next question from the line of Praful Kumar from Birla Sun Life. Please go ahead.
- Praful Kumar:** Thanks for taking my question. Sir can you give us the breakup of provisions first?
- Mushtaq Ahmad:** That is the part of investor update. I think that would have been e-mail to you. Provision for tax I am telling you Rs.71 Crores. Provisions are bad and doubtful debts. It is Rs.234 Crores and then again provisions for non-performing investments it is Rs.12.75 Crores, total provision are 317.47 Crores as against Rs.173 Crores Q1 last year.
- Praful Kumar:** In terms of strategy now, you are still confident about 20% growth in terms of advances this year or given the pressure on asset quality, you would like consolidate this year in terms of?
- Mushtaq Ahmad:** I think there is no pressure. I think the pressure is of course there we have taken the pressure and going forward I think we should only see the light and I must still maintain that as far as credit growth is concerned within J&K State we have witnessed a credit growth of 24% to 25% I am very confident, doubly assure you that we will maintain that credit growth of 25% in J&K State where we have better margins and outside J&K State it will be 15% and this 15% will mainly go to the top rate, the Government of India undertaking and fundamentally very sound on business houses and it is in business houses.
- Praful Kumar:** Lastly Sir, on this MetLife that you have talked about we should assume that whatever profits come through this, you will use into shore up the PCR once again take it to 75 level at least?
- Mushtaq Ahmad:** Partly yes. Even without MetLife I think once we addressed these two accounts and these two accounts give me better, I think this automatically without any additional provisions also, I think the ratio is going to go up.
- Praful Kumar:** Great. Thank you Sir. All the best.
- Moderator:** Thank you. We have the next question from the line of Ashwini Agarwal from Baroda Pioneer Mutual Fund. Please go ahead.
- Ashwini Agarwal:** Good morning Sir. How much provision will be released if REI is restructured?
- Mushtaq Ahmad:** I should say that 25% we have provided to have Rs.100 Crores, almost we have provided for 400 and then another Rs.45 Crores we have provided for that rest of Rs.300 Crores that is 145 plus another I should say 45. I think it should be around Rs.200 Crores.
- Ashwini Agarwal:** Rs.200 Crores will be released. In various investor communication in the month of May and June, you had mentioned that HDIL was a standard account, it had just defaulted into one of the cheque of Rs.7 Crores, which was later cleared, then as in June 30, 2014 how does it become an NPA because till first week of June it was a standard account?
- Mushtaq Ahmad:** Yes, that is right. But it is not because of any default, but there are certain operational issues, which has been pointed out and we are addressing those. Once we address those this will be updated.

- Ashwini Agarwal:** But what are those operations issues can we know?
- Mushtaq Ahmad:** For example, how the funds have been utilized, all this and that, how did they route and certain other things, observations of auditors, they have done a lot, we are examining all those things and once we do that part, I think not major issues.
- Ashwini Agarwal:** Sir, again in the same investor communications you had admitted that REI had been admitted to CDR on June 17, 2014 and it was performing properly till the first week of April?
- Mushtaq Ahmad:** I should, not the first week of April. It was performing with J&K Bank fine till May 31, 2014.
- Ashwini Agarwal:** Till May 31, 2014 this was performing fine then how does it become an NPA June 30, 2014 just even the Rs.290 Crores part, if it was performing fine till May 31, 2014 and then how it does become NPA as of June 30, 2014?
- Mushtaq Ahmad:** I think whatever dues you have in the month of this April if something falls due in the month of April that will make you this overdue in the month of June only and if there were overdue say in the month of March those are cleared till May so it was performing up to May, see if there was something in April so that had to be taken care in June. If that has not paid in June then in June it will become NPA.
- Ashwini Agarwal:** June 30, 2014, but before June 30, 2014 it was admitted to CDR as a standard asset?
- Mushtaq Ahmad:** No exactly not. The last joint lender forum meet that was held, I think on May 24, 2014 or May 25, 2014 and then they had referred it to the CDR thereafter.
- Ashwini Agarwal:** The next question in spite of we add back Rs.40 Crores of interest write back, first we see your yield and funds improving just from 11.63% that is a calculated to 11.81 and your NIMs really do not match up to what it was last year, year-on-year basis and quarter-on-quarter basis, so what was the reason for decline in yields and in the first quarter, the cost of funds have been lower than the fourth quarter because liquidity was ample in this quarter. So what was the reason for increasing deposits, cost of deposits?
- Mushtaq Ahmad:** As far as the process are concerned, I think you had contracted some deposits in the last quarter and last quarter always is slightly expensive. So if you see the cost of deposits which have been contracted in this quarter of the year that has impact on the balance sheet of quarter one of next year. So this has happened. This has been historically true and as far as you are concerned about this yield on advances, yes there has been surprises, there has been some amount of competition and all that and we have addressed that part, but basically if you see that there have been some deposits as a result of that I think there has been slightly some mismatch.
- Ashwini Agarwal:** Sir what was the duration of the amount which you have raised in the fourth quarter at higher cost and what is the duration?
- Mushtaq Ahmad:** I would like to reply this question but I will have to check my results first. Yesterday only we compiled the results and I think today I was knowing that there would be concern in the minds of

my stakeholders, investors who have all along stood with me. In fact I wanted to address you people yesterday afternoon, but there were certain issues we had to address, so I think I will come back to you within a day, within couple of days.

Ashwini Agarwal: Sir, what will be the provision write back if HDIL is regularized? If HDIL is regularized, what will be the provision write back?

Mushtaq Ahmad: I say that, as far as HDIL is concerned we have substandard I think that would be around 15% of that should be Rs.45 Crores and REI Agro I think that is going to be...

Ashwini Agarwal: Rs.200 Crores.

Mushtaq Ahmad: Around like.

Ashwini Agarwal: Great Sir. Thanks a lot. Sir I hope whatever was said in the newspaper does not become true.

Mushtaq Ahmad: Which one?

Ashwini Agarwal: Whatever was said in the newspaper two months back in Jammu & Kashmir does not become true?

Mushtaq Ahmad: I would request all of you to please go through, those newspapers they said that we have stress assets of Rs.2500 Crores. I came out shared with you that these stress on REI Agro and number of other account and it should not be more than Rs.1000 to Rs.1100 Crores. Am I right?

Ashwini Agarwal: Yes Sir.

Mushtaq Ahmad: Today these stressful accounts are 1100 Crores so we have been very much transparent and I think yes, I am even, our auditors were under pressure from the media you might have read on the paper that they are doing this, they are doing that, but once the results were adopted everybody were surprised.

Ashwini Agarwal: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Sanjay Parekh from the Reliance Mutual Fund. Please go ahead.

Sanjay Parekh: Sir, in terms of the non-J&K exposure, the approach that we would now have considering that we had a very good track record over years, almost like any other private bank and like these two or three lumpy accounts if frankly is spoiling all ratios, so at the cost of growth would we change our strategy for a consortium lending non-J&K exposure?

Mushtaq Ahmad: I think I have already replied this question, but for your information I would say that I have still maintaining that outside growth would be 15% and my focus in such as would remain on Government of India undertaking and fundamentally very strong business houses. I am not going to change that strategy, but yes I think we need to be more cautious as far as market intelligence is concerned and due diligence is concerned.

- Sanjay Parekh:** That helps a lot Sir. Clearly the intentions are very, very good and it is demonstrated in the past, but on the non-J&K side do you think sir that internal evaluation in terms of our team, our people who would really be able to evaluate in terms of even the threshold or credit rating of those non-J&K exposure that can be further tightened, so that we do not, I mean you are doing it, but I am saying if you can be more explicit of what would go ahead on the non-J&K exposure to reduce and mitigate risk like REI Agro, which was already less quality account. If we can do that then we can actually get the character of that private banks sort of ratings back, so if you can help us to understand what we are doing, it will help us?
- Mushtaq Ahmad:** First that I would say as far as quality of staff is concerned or appraisal is concerned, I do not have any doubt about it. Yes we want to be, now that we are, we must learn lesson for our mistakes, but I should say that when some accidents happen, it can happen that because of one parties back-driven, but could be that four or five is coming in a very wrong direction something and that should not cause a question on the driving capacity and expertise of a particular driver. I would say that as far as my HR is concerned and other people are concerned who have been, it is because of them that we have registered very good growth, but at the same time yes there has been a mistake, all of us I think will have to just introspect it and by our mistake we will have to plug that.
- Sanjay Parekh:** Sir the last question is can we say that next year that is 2015-2016 and 2016-2017 in the next two years will go back to our old high quality ratios of higher ROA, ROE, less gross NPA and net NPA?
- Mushtaq Ahmad:** I do not say that, you should say that for 2015-2016, 2016-2017 you should have touched it 2014-2015 itself by the end of the year.
- Sanjay Parekh:** That is very good Sir. Thank you very much and best wishes.
- Moderator:** Thank you. We have the next question from the line of Ashish Sharma from Enam AMC. Please go ahead.
- Ashish Sharma:** Just on the NPA part, just wanted to clarify this thing, you mentioned that the provisions you are providing on REI Agro account when it sort of move to restructure the provision, there would be sort of write back?
- Mushtaq Ahmad:** Right now you have provided REI as an NPA account that is Rs.400 Crores has been provided at the rate of 25%. Another 300 Crores has been provided at 15%, so while you go back to that restructured category once then your coming out of NP, but under restructure you have to provide DIP. The DIP would be say something like 130 Crores to 140 Crores and other than that what will happen and you have also to do some 5% provision you have to provide for restructured book, so that should take you to something like say 170 Crores but already we are above that so therefore there should be some surplus available from that provision.
- Ashish Sharma:** So that write back is not 200 Crores that this is going to check you mentioned I think earlier that it was 200 Crores, the write back is not 200 Crores?

- Mushtaq Ahmad:** But I say on 400 Crores for example you have 100 Crores and 300 Crores you have it is 45 Crores, which is 1345 Crores and one part and another part is that when you are going there so 130 Crores I think most probably I think this is 140 to 150 Crores, 150 Crores I think would be required under restructured book also.
- Ashish Sharma:** Net-net nothing much change, there would not be in any right back of NPA provision?
- Mushtaq Ahmad:** That will not be required but then what is the level of this PCR that would go up because your NPA level comes down.
- Ashish Sharma:** Secondly Sir any exposure we have on the Bhushan Steel account?
- Mushtaq Ahmad:** Bhushan Steel account it is restructured account and we have lot in exposure of around 400 Crores and I think this is a total consortium of around 40000 Crores and set back of India they around just involving some strategies for just outside agency to monitor operations and all that as of now the account is very good. I do not think such a big company should become a lot of worry or anxiety for the system.
- Ashish Sharma:** Okay what will be exposure I mean the ballpark number?
- Mushtaq Ahmad:** I said around I think should be around 400 Crores.
- Ashish Sharma:** 400 Crores and Sir secondly I mean in FY'15 state of J&K will go into elections I mean any some sort of idea so how the agricultural group performs in a year when there is state elections?
- Mushtaq Ahmad:** I think whether you take this political scenario here and I think some of these newspapers and all are directly related to that part that situation I do not think that any government you see the past also the change if there has been change in the past year but the growth has not been impacted adversely at any cost of time and it should not in future as well.
- Ashish Sharma:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Kush Shah from Credit Suisse. Please go ahead.
- Kush Shah:** Sir thank you for taking my question. I had a good question on this MetLife. Can you provide us with any details on the valuation recall that last time we sold some 50 million shares at Rs.38?
- Mushtaq Ahmad:** Rs.36.5.
- Kush Shah:** Rs.36.5 sorry so other valuation I likely to be similar this time or any colour on the valuation side?
- Mushtaq Ahmad:** Not at all, no comparison at this time 49% I think the FDI cap has been raised, point #1 and #2 has been a lot of this value addition to this MetLife I think I would not be just guessing our prospecting what type of valuation I would be expecting but in no way that does not develop what you have done.

- Kush Shah:** That is helpful. Thank you.
- Moderator:** Thank you. We have the next question from the line of Pankaj Shah from Axis Securities. Please go ahead.
- Pankaj Shah:** Good morning Sir. Thank you for taking my questions, I just wanted to check Bhushan Steel exposure that we have it is a term loan or it is working capital loan that we provided?
- Mushtaq Ahmad:** I think mainly the term loan.
- Pankaj Shah:** Term loan, and what kind of security to be have for this?
- Mushtaq Ahmad:** Security it is a consortium.
- Pankaj Shah:** Secondly with regards to HDIL just wanted to check what is the total exposure that we have to HDIL and whether we have provided for the entire account or is it just part of it?
- Mushtaq Ahmad:** 290 Crores we have got under this credit route and another I think 70 Crores in that investment route, here we also provided as for the regulatory requirements.
- Pankaj Shah:** That is it. Thank you.
- Moderator:** Thank you. We have the next question from the line of Sanjay Parekh from the line of Reliance Mutual Fund. Please go ahead.
- Sanjay Parekh:** Sir what is the market share on CASA in J&K right now and also the market share on loans in J&K please?
- Mushtaq Ahmad:** Loans I think we are still keeping our market share I think it should be 67% and deposits should be around 62% that is still intact.
- Sanjay Parekh:** Sir I mean this is we talked about and you always said that despite presents of 48 banks?
- Mushtaq Ahmad:** 42.
- Sanjay Parekh:** You will be maintaining, the reduction in market share is small so do you see change in competitiveness because that the spreads and that part of the business is very high so do you see competition intensifying there?
- Mushtaq Ahmad:** I think then IDFC, ICICI for that matter other banks are opening branch as of doing they open one or two branch I think that become progressive but you have also to see that I have already added 104 branch in last one year so I am more aggressive on competition and I am going to be beneficial of this competition more as compare to any other player in the J&K State.
- Sanjay Parekh:** But the spread that we may say around 6% also can that reduce in J&K because of the competition?

- Mushtaq Ahmad:** No. Simply because you see that your graphical presence of J&K Bank network I am present even under banks and the banks we have now. These people, other people they are mainly coming into the saturated place like I said cities and towns. They do not dare to those areas where you have business potential and which are rural unbanked, it is already the J&K Bank and it is already J&K Bank existence that is visible there.
- Sanjay Parekh:** Sir this branches that you would open normally and I am not saying of the last 100 branches that you have opened but normally what is the payback in terms of how much time does it take to deposit threshold that you would need to payback the cost or recover the cost, how much time it takes in J&K Sir?
- Mushtaq Ahmad:** Alright I think roughly I would say maximum I think whatever branch we had opened last year out of around 170 branches. I would say out of 170 branch 142 branch sector the governments.
- Sanjay Parekh:** Thank you Sir. Thank you very much and best of luck.
- Moderator:** Thank you. We have the next question from the line of Yash Mehta from Equirus. Please go ahead.
- Yash Mehta:** I just wanted to know that you have been kind of our exposure is focussed on the listed companies and government exposure I would say J&K largely so apart from the top 10 government exposure, what kind of exposure would we have to smaller companies in terms of loan book overall?
- Mushtaq Ahmad:** You see I think my first priority would be that you should go to Government of India top rated accounts then these are fundamentally sound these companies and known companies like Tata, Reliance and other Birla and thereafter I would say where you go down I think again very good companies but smaller companies also if we have some other companies but sound companies and I also that we track record has been quite okay and they have been financially very safer and we have lenders and institution, yes we would encourage and participate and five types of system.
- Yash Mehta:** So out of that 21000 Crores corporate exposure that we have outside NPA, how much of it would be government companies and the top outside?
- Mushtaq Ahmad:** I would revert back to you. We are noted your question.
- Yash Mehta:** Sir the margins what kind of numbers for the end of with this year given 40 Crores reversal that we have had, considering that the margins are suppressed this quarter so overall for the year what kind of NIM?
- Mushtaq Ahmad:** You thought of net interest. Net interest margin this time I think it has come down from last year and it is 3.63 though I had just assured you people that it should remain 4% but because of certain I should say that this is sort of Tsunami because of that I think it has come down to 3.63% but let me assure you again you will see that in coming quarters it should be on the right side of 4%.

- Yash Mehta:** So should we year end something like 3.8% to 3.9% blended?
- Mushtaq Ahmad:** If you are too optimistic I should also just what I would do is that revive my commitments but yes I would say that between 3.8% and 4% would be very safe for us.
- Yash Mehta:** Sir just wanted to confirm few numbers because a lot of numbers we missed your provision for REI Agro is 145 Crores in total and for HDIL 45 Crores?
- Mushtaq Ahmad:** Yes it should be around 145 yes.
- Yash Mehta:** HDIL 45 Crores?
- Mushtaq Ahmad:** HDIL should be 45 or another 15 to 20 in that investment.
- Yash Mehta:** Thanks a lot.
- Moderator:** Thank you. We have next question from the line of Clayton Fernandes from Anand Rathi. Please go ahead.
- Clayton Fernandes:** Good morning Sir. There has been a good reduction Sir in your restructured book quarter-on-quarter. They are on 12% and is it because of some reclassification in the accounts which I have been restructured?
- Mushtaq Ahmad:** I should I have given you some update on that.
- Clayton Fernandes:** Sorry Sir kind of missed it again.
- Mushtaq Ahmad:** No I should say that last year we had as of March we had 1576 Crores in our restructured book which was spread over 606 accounts so now June it is 1390 Crores spread over 542 accounts so that there has been recovery upgradation and all that even is not already that amount wise is come down number account wise is also come down substantially.
- Clayton Fernandes:** Thank you Sir.
- Moderator:** Thank you. We have the next question is from the line of Jignesh Shial from IDBI. Please go ahead.
- Jignesh Shial:** Thanks for taking my question firstly what would be the quantum while deposit or the high value high cost deposits that would be having right now.
- Mushtaq Ahmad:** Pardon me you will have to repeat?
- Jignesh Shial:** The bulk deposits or the high cost deposits?
- Mushtaq Ahmad:** I will revert back to your question, we have noted.
- Jignesh Shial:** Secondly just clarifying so your REI Agro exposure had been 1100 Crores right?
- Mushtaq Ahmad:** No it has been 700 Crores only.

- Jignesh Shial:** 700 Crores so 290 Crores is direct and the rest is?
- Mushtaq Ahmad:** Directly and 400 Crores through GLG.
- Jignesh Shial:** Okay HDIL had been 290.
- Mushtaq Ahmad:** HDIL was 290 Crores and Investment Tube was around 270.
- Jignesh Shial:** Everything has been provided accordingly as per regular requirements or even little higher?
- Mushtaq Ahmad:** Regulatory requirement.
- Jignesh Shial:** That is it from my side.
- Moderator:** Thank you. We have the next question from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** Good morning Sir. Just on the question which was asked prior for this, there was 192 Crores reduction in the restructured book. Could you guess some clarify as to how much of it was upgradation and how much of it was possibly slippages?
- Mushtaq Ahmad:** I do not have movement with me.
- MB Mahesh:** It is fair to assume that there were no slippages from this book?
- Mushtaq Ahmad:** There has been some slippage in the sense that in June then the March we already NPA out of restructured book was 63 and then in June, there has been some slippage say 90 Crores.
- MB Mahesh:** So this is 90 Crores.
- Mushtaq Ahmad:** June NPA within restructured book is 153.54 Crores and in March it was 63.56 Crores so there has been slippage of say 90 Crores.
- MB Mahesh:** Sir just one clarification again if you look at the quarterly disclosure, the movement of the restructured books so the reduction of book 578 Crores where it is if you go to annual report, you do not see this number?
- Mushtaq Ahmad:** Pardon me.
- MB Mahesh:** If we look at the quarterly disclosure in the moment of restructured book you have an opening of 1490 Crores addition of 663 reduction of 578 Crores. This reduction of 578 Crores does not tally with annual report number because there is no reduction of such quantum, there is only one 256 Crores reduction, which is on account of satisfactory performance?
- Mushtaq Ahmad:** I think we will come back to you on this question.
- MB Mahesh:** The second question is the miscellaneous income of 57 Crores I am sorry if you have explained this earlier what does is pertain to?

- Mushtaq Ahmad:** This is I think writing back some provisions and all that.
- MB Mahesh:** In the non-interest line?
- Mushtaq Ahmad:** No I do not think that will be there but I think as far as again need to check because we have not.
- MB Mahesh:** Fair enough.
- Mushtaq Ahmad:** I think this but we will come back to you on this issue.
- MB Mahesh:** My last question is that there is very strong growth in agri book within the J&K just wanted to understand we are ready into election scenario now in another three to four months, just trying to understand why such a large expansion at this particular point in time?
- Mushtaq Ahmad:** So nothing to do with election or politics, basically I think we launched our April project that is going to very successfully, we launched another project so going very successful and then I think infrastructure is more and better tourism I think that is also spreading here and then even though the quantity of produce has increase and we have prices it is because then with launching of this project I think that we are revised the scheme and this is more and more this I think this credit outlay there so on the business of that we have gotten.
- MB Mahesh:** Sure and one last question and corresponding that there is slow down in retail loan growth within NPA so just trying to understand what happened there as well. That is down to about 12% to 13% this quarter, which is trying to understand is it anything to look into this number?
- Mushtaq Ahmad:** Normally I think if you see that you see overall historically I think this first quarter is always lazy quarter and particularly J&K State because you lot of proceeds for fruit and agriculture come you will have better deposit rather than loans and loans start picking up from this quarter but slowly and slowly.
- MB Mahesh:** Thanks a lot.
- Moderator:** Thank you. We have next question from the line of Abhishek Kothari from Networth Stock. Please go ahead.
- Abhishek Kothari:** Thanks for taking my question. Sir you spoke about loan growth being around 20% what kind of deposit growth are you targeting and thereby CASA ratio over there?
- Mushtaq Ahmad:** You see J&K state I expecting that CASA should grow between 17% and 18% and the CASA should remain 40% or bit above that, but outside J&K State, the deposit growth between 10% and 15% would be very, very much okay.
- Abhishek Kothari:** How much Sir?
- Mushtaq Ahmad:** I think that should be suitable for this size of balance sheet I have.
- Abhishek Kothari:** Sir I did not get your outside number. Could you please repeat it?

- Mushtaq Ahmad:** It could be okay if you have 12% growth of deposit outside J&K say 13% up to 15% that is okay because outside J&K state we do not encourage better deposit because of the CASA.
- Abhishek Kothari:** Okay and Sir there might CASA ratio outside J&K.
- Mushtaq Ahmad:** CASA ratio outside J&K is not much I think should remain say around 15% but basically CASA is coming from J&K state.
- Abhishek Kothari:** Okay and Sir going on your expansion plans?
- Mushtaq Ahmad:** We intend that within J&K state we should have around 60 to 70 more branches but outside J&K state he has between 15% and 20%.
- Abhishek Kothari:** So your cost to income should come down to 40% levels. Cost to income in the coming quarter should come down to 40% on below?
- Mushtaq Ahmad:** Yes I think this quarter I think could be at normally I think temporarily it would go. It should remain within the band of 35% to 38%.
- Abhishek Kothari:** Sir on your loan mix overall loan mix your book is tilted towards more of personal loan and agri loan so could you maintain this mix going ahead or like what sort of?
- Mushtaq Ahmad:** Why have you got the scope because in J&K state you have more and more of consumption loans because number of profiles within increasing and employees increasing for therefore so far as planning your this consumption loan is here and agri I already explained that well we have already identified around 285000, this farmer which had not been covered by the regular benefit system and J&K Bank has already crossed 100,000 we have to further bring 150000 family within that so we expected that agri loan would increase.
- Abhishek Kothari:** That is it my side. Thank you.
- Moderator:** Thank you. We have the next question from the line of Sonal Kohli from E&R Advisors. Please go ahead.
- Sonal Kohli:** Sir my question is relating to Bhushan Steel. Sir the total loan given to Bhushan Steel is 400 Crores or is it 550 Crores?
- Mushtaq Ahmad:** I think outstanding would be around 450 Crores and then limit sanction would be slightly high.
- Sonal Kohli:** Sir Bhushan Power what would be your exposure?
- Mushtaq Ahmad:** Bhushan Power I think would be same, but these are two different companies under two different management.
- Sonal Kohli:** This is not the same promoter group.
- Mushtaq Ahmad:** No, they are related but these are different.

- Sonal Kohli:** The ownership is same or the even ownership is different?
- Mushtaq Ahmad:** No, ownership is different.
- Sonal Kohli:** Sir just wanted to understand Sir many of the banking system has given about 40000 Crores to Bhushan Steel and when I look at the numbers of Bhushan Steel that is debt-to-equity ratio of Bhushan Steel is 4:1 so it will really be helpful for all of us to understand from a banking system perspective, what was the rationale for giving loan to company 4:1 debt-to-equity ratio?
- Mushtaq Ahmad:** I think the consortium leader would answer it better than J&K Bank.
- Sonal Kohli:** Sir when you will make last loan to this company?
- Mushtaq Ahmad:** When?
- Sonal Kohli:** When did we make last sanction to Bhushan Steel?
- Mushtaq Ahmad:** Bhushan Steel I think recently we are some that under joint lender forum I think two to three months back they have to put off some proposal in the consortium and on the basis of recommendations of the consortium I think we had also considered that proposal and our share would have been around 200 plus, I think 250 or 260 but out of that we have released I think some 70 to 80 Crores.
- Sonal Kohli:** Sir as of now this account is good for all the banks?
- Mushtaq Ahmad:** Yes for bank I mean J&K bank it is performing one.
- Sonal Kohli:** Would it be performing for other banks also Sir?
- Mushtaq Ahmad:** For other banks, I am not aware of those banks, but at the time of that proposal it was performing with all of them.
- Sonal Kohli:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Kajal Gandhi from ICICI Direct. Please go ahead.
- Kajal Gandhi:** Sir I wanted to know about your pipeline for restructured book?
- Mushtaq Ahmad:** Restructured is on the REI is under that restructuring and there is no other account.
- Kajal Gandhi:** No account. Sir can we get the number of the J&K State NPA?
- Mushtaq Ahmad:** I think this is normally in later to the proportion but now should outside J&K State should be higher with these two accounts I think outside J&K State is far higher.
- Kajal Gandhi:** Thank you.

- Moderator:** Thank you. We have the next question from the line of Vinay Arya from E&R Advisors. Please go ahead.
- Vinay Arya:** Sir what would be the sector wise breakup of our restructured book as of Q1 2015?
- Mushtaq Ahmad:** Under large industries, we consider it has 837 Crores, infrastructure is 459 Crores, SME is 34 Crores, MFI is zero, agriculture is 20.57, trade will be 1.06 Crores, others is 39.69 Crores and total 1390.42 spread over 537 accounts.
- Vinay Arya:** Do we have any exposure to the private sector in power project?
- Mushtaq Ahmad:** Sir we have the best one and there is no concern in that and no exposure to this State Electricity Boards.
- Vinay Arya:** So what would be kind of exposure to this private sector power project?
- Mushtaq Ahmad:** That we would like to send you. We have noted your questions and we will revert back on that.
- Vinay Arya:** Sir are they operational or nonoperational?
- Mushtaq Ahmad:** These are almost operational and some of them still I think they are under implementation. So I need to repeat one thing, I think when we had sanctioned these loans, and when we had participated in these loans but the power projects at that time we even found that there was some power projects while we have given sanction around 500 to 600 Crores but their financial closure was that delayed and we took a call we retrieved and cancelled those sanctions.
- Vinay Arya:** Thank you Sir.
- Moderator:** Thank you. We have the next question is from the line of Jigar Walia from OHM Group. Please go ahead.
- Jigar Walia:** Thanks for the followup. Sir just to understand within the miscellaneous income how much would be recovery from written off accounts and what would be the outstanding pool of written of accounts?
- Mushtaq Ahmad:** We will come back to you with details because we do not have data readily available right now.
- Jigar Walia:** Sir the provision for about 12 Crores plus in investments that would also pertain to the 15 Crores to HDIL right Sir?
- Mushtaq Ahmad:** Yes.
- Jigar Walia:** Sir HDIL surprisingly on has given BSE notice to the stock exchange that they are still standard account?
- Mushtaq Ahmad:** Yes I would say that in the sense there is no overdue of that, I already tried to explain that there is some operational issue and auditors have made some observations with regard to operations of account, issue on account of any default and all that.

- Jigar Walia:** Sir of the 6000 Crores of deposit increase in Q4 much of it would be that high cost deposit that you alluded too a lot of it would have run down already in Q1 now by the end of Q1 and there should be benefit of cost of funds going ahead?
- Mushtaq Ahmad:** Yes of course I think that is historically true and just sort of all the banks and J&K Bank as well.
- Jigar Walia:** Perfect. Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of an individual investor, Gaurang Ved. Please go ahead.
- Gaurang Ved:** Thanks for the opportunity. Sir we are very happy to know that you are ensuring investors that we will end the year with growth in net profit. My question pertains to last year when RBI reappointed you at that time you told that your endeavor will be next three to four years to take an net profit figure to around 1700 to around 1800 Crores, will you stick to that guidance of thing that looking at reason development we have to revise it or is it still possible?
- Mushtaq Ahmad:** I would simply say that this year I think slightly I will have to revise because of this first quarter but I would definitely show the growth because we are having some pitfall for us. There is also going to be some additional income, I would say that with grow of that I am very conservative you about 15% with growth outside J&K State 25% within J&K State, whatever I have stated over a period of next two years that absolutely not impossible.
- Gaurang Ved:** Great Sir. Wishing you all the very best. Thank you.
- Moderator:** Thank you. As there are no further questions and now I hand the floor back to the management for closing comments.
- Mushtaq Ahmad:** I should thank you and I am really happy that immediately after announcing the results I can understand that there have been some questions, some apprehensions, some reservations and somethings to be explored by my stakeholders, investors who have all along stood with J&K Bank and I really very sincerely express by thanks to them my gratitude to them, but one request to all of you is that please do not judge J&K Bank merely by performance of one quarter, there are three quarters and there are some years left and let me assure you that you will never get disappointed you will have no regret as far as you are in best with J&K Bank are concerned. With these remark I would again thank you on behalf of myself, my colleagues Mr. Parvez, Executive President and others.
- Jimit Doshi:** On behalf of Reliance Securities would like to thank the management of J&K Bank to take out time and address all enquiries and also would like to thank the participants for joining in the call.
- Moderator:** Thank you. On behalf of Reliance Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect the lines.