

JnK Bank Management Briefing Conference Call
June 10, 2019 ; 10:00 HRS (IST)

- **Operator:**

- Ladies and Gentlemen, good day and welcome to the Management Briefing of J&K Bank on the steps for improving the profitability of the Bank. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Pratish Bhumb from Prabhudas Lilladher Pvt. Ltd. Thank you and over to you sir.

- **Mr. Pratish Bham - Prabhudas Lilladher Pvt. Ltd.:**

- Hello everyone. On behalf of Prabhudas Lilladher Pvt. Ltd. I welcome you all to the investor / analyst briefing by management of J&K Bank. I thank the management of J&K Bank for taking out time for today's concall. We have the management team and Mr. A. K. Mehta who is the Financial Commissioner J&K Government and a Government Nominee Director on the Board. Without further ado, I would to hand this over to the management for their comments.

- **Operator:**

- Over to all members of the management.

- **Management - J&K Bank Ltd:**

- Hello.

- **Operator:**

- Yes sir, you may please proceed.

- **Management - J&K Bank Ltd:**

- In fact our Chairman would like to brief the investors / analysts. And our Principal Secretary Finance i.e. the Promoter Director would like to brief the investors in the beginning. So Dr. Arun Kumar Mehta can start with his briefing of the investors.

- **Mr. Arun Kumar Mehta – J&K Bank Ltd:**

– Okay. So I'm A. K. Mehta. I'm Promoter Director, Financial Commissioner cum Finance Secretary in the Government of J&K. I would like to brief all the investors about some of the recent steps we have taken. The whole objective of taking these steps is to improve the profitability of the Bank, and some of the key steps that we have taken include the following.

– Firstly, we have decided to split the post of Chairman and Managing Director. This would help us comply with the RBI and the SEBI guidelines.

– No. 2, we have been very keen on improving the transparency levels in the Bank. The idea being that, if there are any issues, those need to be clearly recognized and addressed in a timely fashion. So we have decided that we will implement RTI provisions in the Bank so that transparency improves.

– Third, we have also decided to implement the CVC guidelines for the banking sector. We believe that this will help bring in accountability and it will definitely improve the overall functioning of the Bank.

– At the fourth level, we have decided that there will be key performance indicators at all levels so that everyone knows what is expected of him, and then they can be evaluated and the evaluation communicated in time so that the Bank moves in a direction which is what the investors would desire. At the fourth level, we have decided to strengthen the accountability mechanism. Now towards that, we have already decided to appoint a compliance officer and that was one of the decisions we recently took. Another very important step we have taken, is that we have decided that in terms of delegation of power in the new structure, we would follow the best practices in the corporate sector. This balance of delegation of power between the Chairman, the Managing Director and the Board will ensure that the functioning of the Bank is absolutely in sync with what the investors would desire, and everybody can feel proud of the Bank that they would be associated with.

– At another level, we have decided to strengthen the preventive vigilance mechanism in the Bank so that we don't address an issue after an event has happened. In fact, we would like to see a situation in which we address issue real time.

– Another very important step we intend taking is, to improve the information system. We have a robust information system mechanism, but we want to improve it further and definitely bring it on par with the best practices in the sector.

– And issue that we have been concerned about is, on the oversight of the Bank on behalf of the board of directors. We definitely think that the oversight of the directors on the Bank would further be strengthened. They have been doing a good job. The board of directors have been very closely associated with the functioning of the bank. But in line with what I said earlier, we would like a situation where there are checks and balances which are in line with the best

practices which further strengthen the oversight of the Bank. One of the objectives we have is to reduce the aggregate risk and we will be definitely progressing in that direction. We would also like to see further improvement in succession planning. And lastly and overall, we would like to see that this Bank is rated higher on the RBI rating.

– So that is my initial brief. Let me assure all the investors that whatever steps we are taking, is basically in order to make this Bank even better. The Bank is doing well, we would like it to do better. And we would like to be one of the shining examples of how a bank should be run.

– That's my initial brief. If there are any questions later, then we would be very happy to address them. Thank you.

– **Operator:**

– Thank you. Can we begin with the question and answer session now?

– **Management - J&K Bank Ltd:**

– Actually there's a briefing by the Chairman also.

– **Operator:**

– Please go ahead.

– **Management - J&K Bank Ltd:**

– Yeah, exactly.

– **Mr. Rajesh Kumar Chhibber – Interim Chairman & MD, J&K Bank Ltd:**

– Thank you dear investors. A very warm welcome to all of you. First, let me introduce myself. I'm Rajesh Kumar Chhibber. As approved by Reserve Bank of India, I have assumed charge as interim Chairman cum MD of J&K Bank from today itself, initially for a period of 3 months. I am a career banker with experience of over 37 years in J&K Bank itself. I was last designated as the Executive President of the Bank last year. With me is the whole J&K bank top management including Executive President, Presidents and Vice President are sitting here in the board room. I take this opportunity of interacting with you to brief about the recent development that you might have come across via media regarding change of guard at the Bank, and also the news of raids by the anti-corruption bureau at the Bank's headquarters. I would also like to brief you about the steps taken by the Bank and the J&K Government who are the promoters of this precious bank, for overall improving the profitability of J&K Bank. Time permitting, we shall also take some questions at the end of this briefing.

- Some concern was being expressed in the media regarding governance function, and some reports of malpractice in recruitment. The state government accordingly took a call to investigate the whole matter so that the facts are brought out and corrective measures wherever required are taken in right earnest in the interest of the Bank itself.

- The board of the Bank met on 8th June 2019 and among others took a decision to propose splitting of the post of Chairman and M D to instill higher level of governance and transparency in the functioning of the bank propose

- The fundamentals of the Bank remain strong. Vibrant management and a dedicated workforce of the bank stand united in the relentless pursuit of the corporate goals of growth progress and prosperity of the bank. We enjoy the unbridled support of our promoter J&K Government which has initiated long term measures to improve the functioning of the bank both on operative and governance fronts. With the unflinching support of the state government brand equity of the bank in the home state is intact and the initiatives towards higher levels of corporate governance and transparency in functioning are going to further reinforce this brand equity. Dedication and loyalty of our workforce towards the bank is unmatched in the industry pan India.

- On behalf of myself and the management who are with me for the last so many years I assure you that the Bank is on course to realize the envisaged business and the profitability goals and that the Bank is going to be a great value proposition.

- The step we are taking The steps being taken towards improvement of profitability of the Bank are;

- Digital / IT Interventions: Bank would focus on robotic process automation (RPA) and shifting of transactions to digital platforms through enriched digital portfolio. This would help in reducing processing and servicing costs. It will also help augment fee based income through digital channels.

- Centralization of high impact processes: The centralization of resource intensive processes like loan appraising, account opening etc would help in optimizing the HR and freeing up resources for more productive activities.

- Increase in non-interest/fee-based income: We would work out an effective strategy and collaboration mechanism with our insurance partners to penetrate the huge untapped insurance business in J&K thereby increasing the earnings through this segment. Besides non-fund products would be given a major thrust for improving the fee based income.

- Treasury Income: Focus would be given towards increasing the trading income from treasury operations. The treasury would be transformed into a strong profit center.

- The NPA recovery would continue to unlock provisions and augment bottom line.

- The retail business both on asset and liability side would be prioritized to increase the net interest income and improve margins.

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- We look forward to your continued valuable feedback, suggestions and support. Thank you very much. Thank you. Now we would like to take some limited questions.

- **Moderator**
- Sure. Thank you very much. Ladies and gentlemen, we will now begin the question answer session. Anyone who wishes to ask a question may press star and one on their touch tone telephone. If you wish to remove yourself from the question queue you may press star and two, participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue is settled. We will take the first question from the line of Jahnvi Goradia from Motilal Oswal Securities Asset Management. Please go ahead.
- **Jahnvi Goradia, Motilal Oswal Securities Asset Management**
- Yeah. Hi, good morning, everyone. Sir just one question in terms of the moves on raids on bank's headquarters do you suspect any flaws or any furthermore NPAs or any impact on the financials of the bank?
- **Management - J&K Bank**
- Mr. Chhibber would you like to answer that?
- **R K Chhibber, Interim Chairman, J&K Bank**
- Sir it's better, you should reply sir.
- **Management - J&K Bank (Dr. A. K. Mehta)**
- Okay let me assure you that you should distinguish between what is being done to make the bank more profitable and the other side which is some investigation. Investigation is a different track altogether investigations are basically done when we receive some complaints and this part is a normal. J&K Bank is J&K government owned bank. So, if there have been some complaints and they will be investigated and after investigation whatever due process it would be followed and the law will take its course. But that need not be mixed with the steps that we are taking to make the bank more profitable and I think the two tracks are totally different.
- Thank you.
- **Jahnvi Goradia, Motilal Oswal Securities Asset Management**
- Okay. But in terms of these complaints, are these more on the operation lapses or do you think there will be financial impact?
- **Management - J&K Bank**

- There will be no financial impact, what will actually be done that we will I think there will be a scrutiny, whether the due processes which are laid down in the bank have been followed or not. What that would do, it would give us insight into any aberrations that might have happened, but these would not impact the bank financials at all.

- **Jahnvi Goradia, Motilal Oswal Securities Asset Management**

- Okay, thank you.

- **Moderator**

- Thank you. We take the next question from the line of Rakesh Kumar from Elara Capital. Please go ahead.

- **Rakesh Kumar, Elara Capital**

- Yeah, thank you sir. So firstly, the question is regarding when the bank board came to know about this which led to this decision?

- **R K Chhibber, Interim Chairman, J&K Bank**

- The decision to split the post of Chairman and the Managing Director?

- **Rakesh Kumar, Elara Capital**

- No removal of the MD so like, what all you know, the board got to know, that led board to decide or you know, to remove the MD and CEO?

- **Management - J&K Bank (Dr. A. K. Mehta)**

- Let me answer that in a manner that I hope everybody would be able to sort of appreciate. The issue is that the issue the matter regarding splitting up the post of Chairman and the Managing Director was under consideration for quite some time. Now, there is always a point of time in which you wish to bring in a new management so that the steps that we are planning can be implemented faster. Now, as I as I said earlier, I would have identified 12 steps that we are very keen that it gets implemented fast. So this decision was taken in a very recent time, based on the discussions we had been having for a long time. So it's not a sudden thing that has happened, though it might in terms of appearance appear a little sudden but actually this is start of the process and all the steps that Mr. Chhibber mentioned or I mentioned, those have been in the making for quite some time. And you should see that as a part of normal changes that happens in the bank without confusing this with the any other investigation . So rest assured that all the steps that we are taking the bank would actually get much stronger after this.

- **Rakesh Kumar, Elara Capital**
- Okay. Okay, thanks. Thanks sir.
- **Management - J&K Bank**
- Thank you.
- **Moderator**
- Thank you. Next question is from Gaurav Agrawal from E&R Advisors. Please go ahead.
- **Gaurav Agrawal, E&R Advisors**
- Thank you sir for giving me the opportunity. Mr. Chhibber my question is specifically to you, you've been there on all the previous calls and interactions. So, the guidance which was given before in the Q4 con call about FY22 and FY20 and about the various steps that you guys have initiated and the recovery on that portfolio. So is there any material change in all the guidance and reading those portfolios or anything has changed, if you can give some clarity on that side will be very helpful?
- **R K Chhibber, Interim Chairman, J&K Bank**
- There will be no material change in the already given market guidance. So I don't think so any further variations will be there.
- **Gaurav Agrawal, E&R Advisors**
- Okay. So whatever Q4 in terms of number guidelines you had given it holds true even today?
- **R K Chhibber, Interim Chairman, J&K Bank**
- Yeah, yeah and there is no variation at all.
- **Gaurav Agrawal, E&R Advisors**
- Okay. Okay. Great sir. That's all I wanted to know.
- **R K Chhibber, Interim Chairman, J&K Bank**

- Thank you.
- **Moderator**
- Thank you. We will take the next question from the line of Jai Mundhra from B&K Securities. Please go ahead.
- **Jai Mundhra, B&K Securities**
- Yeah. Hi sir. Thank you so much for taking your time out and doing this call. Two things, one I wanted to know you have mentioned that you have are splitting the post of Chairman and Managing Director and Mr. Chhibber has been appointed as interim Chairman cum MD so who shall be the Chairman and have we decided on the Chairman and MD person?
- **Management - J&K Bank (Dr. A. K. Mehta)**
- I would answer that question. Those of you who have been following the development, you would note that Mr. Chhibber is appointed as the Interim Chairman Cum Managing Director the process would require that the recommendation of the Board which we made on 8th of June, that will be taken to AGM which we are going to soon call, the AGM would do that and then there will be change in the bylaws and very soon in a period not exceeding three months, we would be able to split the two posts. And then we will have a MD. For the purpose of appointing a Chairman, there will be a very high level committee comprising of some of the best names in the country, which will identify the best possible Chairman and that will be happening over a period of time. But the blueprint is very clear, as I said that we are moving into a regime with better succession planning. So we would have a Chairman in future which will be identified by a very high level panel.
- **Jai Mundhra, B&K Securities**
- Sure sir that explains a lot of things, any other board level changes sir there to envisage any other board level...?
- **Management - J&K Bank (Dr. A. K. Mehta)**
- Yes, I can explain that. We normally have been operating at strength of 12 directors on the Board. And currently we are less than 12 so we will be getting to the number of 12 very soon. Again, as I said that we want to improve professionalism in the bank. So you would see some very well-known people and people with a lot of familiarity with the banking process would come in.
- **Management - J&K Bank**

- Okay sorry to interrupt our Chairman sir has to attend a meeting. he is scheduled to leave actually right now. And that's why we can't take more questions today. We can have a follow up call on some other day also. So, please wind up the call from our side.

- **Jai Mundhra, B&K Securities**

- Sure. Thank you sir. Thanks.

- **Management - J&K Bank**

- Thank you. Thank you very much.

- **Management - J&K Bank**

- Thank you very much.

- **Management - J&K Bank**

- Thank you sir.

- **Moderator**

- I would now like to hand the floor back to the management for any closing remarks. Sir, you can just give any closing remarks if you have any.

- **Management - J&K Bank**

- Thank you very much. I need your support and blessing for the J&K Bank as you have in the past also ensuring every kind of support and guidance. So on the behalf of J&K Bank team management I assure you I am always available to you 24 by 7 at any time. Thank you very much.

- **Management - J&K Bank**

- Can I just make a comment to all the investors?

- **Moderator**

- Sure.

- **Management - J&K Bank (Dr. A. K. Mehta)**

- The bank was, let me say the following, the bank was safe earlier it will be safer tomorrow and the bank is profitable now and it will be even more profitable in future. So let me assure everybody that we are in very safe zone. Thank you very much.

- **Moderator**

- Thank you very much. Ladies and gentlemen, on behalf of other Prabhudas Lilladher Private Limited that concludes this conference. Thank you all for joining us. You may disconnect your lines now.

END OF TRANSCRIPT