



“Jammu & Kashmir Bank Q4 Financial year 2014
Earnings Conference Call”

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*Jammu & Kashmir Bank
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Moderator: Ladies and Gentlemen, good day, and welcome to the Jammu & Kashmir Bank Limited Q4 & FY 2014 earnings conference call hosted by Motilal Oswal Securities. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai of Motilal Oswal Securities. Thank you and over to you Sir!

Sohail Halai: Thanks. On behalf of Motilal Oswal Securities, I welcome the management of J&K Bank and all the participants to the call. I would request Mr. Mushtaq Ahmed to please give his opening remarks, post which we can open the floor to Q&A. Over to you Sir!

Mushtaq Ahmed: Thank you. A very good morning to all of you and I have the top management of the Bank here, my Executive President and President at the corporate headquarters. I think yesterday itself we have drafted our results and the results are quite out and the numbers are known to everybody but just to have a recap of the entire of this thing.

I would just race through major numbers. First the business has grown from 103,000 Crores to 115,000 Crores plus during the year and the advances growth has been around 18.33%. It moved up from last year 39000 Crores to this year plus 46000 Crores, but we have been quite efficient and effective and the management of our liabilities and we did not allow to grow the deposits beyond the desired point so the deposits increased from 64000 Crores to say 69000 Crores that is a jump of 8% but then again most important thing always is that you measure the performance indicators first from the net interest profit and here whether it is gross profit or net profit one important effect you will have to keep in mind that last year in fourth quarter we had this trading profit from the one deal of MetLife that was 72 Crores and that increased our operating profit last year by 72 Crores and our net profit by say around 50 Crores.

Naturally when we are comparing our performance we are comparing with the figures and these assets we ignore but here I think it is relevant to explain something that last year profit was 250 which otherwise would be in net of MetLife would have been around 200 Crores for the quarter and from 200 Crores this year we are moving to 250 Crores that is 25% growth in real value term. Also last year we had this overall profit, operating profit again I should say that the 72 Crores minus 72 Crores it would have been lesser and again net profit for the whole year moved up from 1000 Crores to say 1182 Crores. That is exactly 18.2%. That is there and net interest margin last year was 3.97% and I had given the guidance that it should remain say 4% or plus 4% so fortunately we are at 4.16% and again as per our return on assets is concerned we have marginally increased from 1.70% to 1.74% and as far as our gross NPAs are concerned well of course despite a very strong headwind last year we were at 643 Crores as far as gross NPAs are concerned but this year we are just locking this at 783 Crores and that means last year it was 1.62

Crores in terms of the gross NPAs and net NPAs are 0.14%. So it moved up from 1.62% to 1.68% and 0.14% net NPAs to 0.22%.

The net NPA coverage ratio on the gross remains at 90.30% against last year this 94% but far above that we have this RBI benchmark up 70% and I think that when we see the quality of our assets most of the assets are substandard while you have to provide say around 15% and we are still providing far, far higher and I think again we have to take a call whether it is necessary to have this provision at 90% or we can even compromise with the figures marginally.

As far as cost-to-income ratio is concerned we have increased from 35% so say 38% but I have already explained in my previous this conversation that we granted one time and sent you on the eve of Platinum Jubilee across the board to all the staff members so there has been I think some jump in it, but I think with the expansion of our network and more and more income I think this can be taken but at the end of the day, I should say that over this cost-to-income ratio should not just go beyond 40% but be at 35% to 38% is the band that we would like to maintain.

Again a good thing that interest earned has increased by 7.27% and interest expended has already increased by 6.85% and around 7%. It clearly indicates and reflects the efficient management of the liabilities as the need how much deposits to have and a result there has been a 16% jump in net interest income from 2316 Crores to 2684 Crores and again operating profit is increasing by only 4.91% but I have tried to explain to you in last year's 1810 Crores we have 72 Crores which accrued from the deal of MetLife. As far as net profit is concerned I have tried to explain to you from 1055 alone 182 but again MetLife minus this is a jump of around 18%. EPS last year it was 217.64 now it is 243.92 and as far as net interest margin again it is now 3.97 to 4.16 there was a slight net interest margin in the third quarter that was explained that because we had contracted some bulk deposits, some deposits in the second quarter, which again has come as expected disbursement but the disbursement got delayed and as a result of that we had to bear some extra expenditure burden which has been corrected in fourth quarter as I had expressed.

As far as the restructured book is concerned, we told that always that this figure will be shrinking between 1300 Crores and 1900 Crores. As on the beginning of the year, we were at 1416 Crores and this year and there was an addition of around 160 Crores in the restructured book and it went to 1576 Crores but again on April 10, I should say one of the account went out of the restructured book to the extent of around 170 Crores and I think that figure has to be, but in any case since it is not with reference to that particular debt, I would like to discuss that all as the end of the current quarter.

So again investments have increased from 25740 Crores to 26190 Crores and most important thing is about the capital adequacy ratio. Last year capital adequacy under Basel II it was 12.83% which has increased to 12.91% Tier 1 under Basel II that was 10.86 which has increased to 11.24% and Tier 2 1.97% to 1.67% but again I think it is Basel III I should say it remains at 12.69% last year and this year also 12.69% and the Tier 1 also remains same.

Now as far as earnings per share is concerned, I have already explained that it is the we have moved up from say 217.64 to 244 almost then this book value again it has moved up from 992 to 1160 dividend payout ratio we are maintaining at 20%. Last year in fact we had given around 23% because last year was the Platinum Year and we were committed to we have already 20% but we gave extra 3% because of that Platinum again this year we are going to maintain same 20% for the current year and next year I think we can discuss but anyway in case every person is going to get 500% this dividend.

These were the broad parameters and I think now if there is anything else I think we can just take care during question answer session.

Moderator: Thank you Sir. Participants we will now begin with the question-and-answer session. We have the first question from the line of Abhishek Kothari from Networth Stock Broking. Please go ahead.

Abhishek Kothari: Sir thanks for taking my question and congrats on a good set of numbers. Just wanted to know why there was a decline in yield on advances overall for the year.

Mushtaq Ahmed: If you see I think there was some accounts where we had to go for some amount of reprising but on the whole there has some increase in the consortium advances and in consortium advances you have to be highly competitive and market efficient so therefore these advances have gone at the base rates if you marginally compare as a result of that I think overall average has gone down but I think you will also have to appreciate at the same time that the cost of deposit has also gone down and as a result of that I think major a very strong initiate is your net interest margin which goes up from 3.97 to 4.16 and that is sufficient to indicate and reply I think the apprehension and your queries.

Abhishek Kothari: What are the wage provision assumptions that you have taken?

Mushtaq Ahmed: Wage?

Abhishek Kothari: Wage provision that you have made of 88 Crores?

Mushtaq Ahmed: I think we have this region like should be we are providing at say around 15% I think at the end of the year I think it would be marginally less than that.

Abhishek Kothari: Sir what would be your business guidance growth for FY 2015?

Mushtaq Ahmed: You see we are already just sorted out our business plan and as per that overall business would be something like 135,000 Crores but we have two segments one business plan within J&K state and business plan outside J&K state. As far as within J&K state is concerned we still maintain that the credit growth have to be around 25% and the deposit growth have to be 20% or slightly

less than that but outside J&K state the credit growth as to 15% in marginally about this deposit growth outside J&K state would be say 15% or less than that and on the whole I think we are expecting that the overall credit growth would be something, when we say that this will be increasing between 19% and 20% and the deposit growth could be say on the whole around 15%, but the business is grow say between 17% to 18% on the whole.

Abhishek Kothari: Sir what is restructured done during the quarter and could you give me if any large accounts that were there?

Mushtaq Ahmed: I think you see whatever addition has been there it has been an addition of 160 Crores and this comprises of so many accounts. There were not any major account but smaller, smaller accounts and that has been there but also a good news is that on April 10, I think we have taken one major account of that restructured because that has been upgraded but we are not discussing that at the movement.

Abhishek Kothari: What is our pipeline for restructuring?

Mushtaq Ahmed: Pipeline right now I think one thing is there that there cannot be I would again say and rather repeat that nothing specific to J&K Bank but there are certain accounts under consortium in multiple banking where again we remain prepared till last date if something comes then naturally we have to follow the line and we are not the major and the majority these partners in those cases. So therefore I think that should be visible by month end.

Abhishek Kothari: So what would be your quantum over there a rough range?

Mushtaq Ahmed: I cannot say when I say I do not have any exact number of the accounts therefore I cannot say quantum but always I think I would again repeat my guidance in respect of restructured book is that it may remain within a band of 1300 Crores to say 1700 Crores to 1800 Crores or even it can go up 1900 Crores but it goes from quarter-to-quarter if you compare my restructured book is summer 2012 at that time it was 1900 Crores and again if you come back to March then it was down to 1415 Crores so there was a upgradation recovery from 1400 Crores. So let us say that sometimes it can go up to 1300 Crores even 1200 Crores but sometimes which would remain prepared because still the citrus in the market is not totally out and we have some stress we have some stressful accounts. So keeping that in view I think we will have to take a very, very, broader outlook about these things.

Abhishek Kothari: Just bookkeeping questions what is your RWA at the end of the year?

Mushtaq Ahmed: What is that?

Abhishek Kothari: Risk Weighted Assets?

- Mushtaq Ahmed:** We will revert on that issue, because we are still compiling and yesterday only we have adapted the results, nitty-gritty's I think we can explain a bit later.
- Abhishek Kothari:** If I just look at your gross NPA breakup for the quarter your reductions have been at like 8.5 Crores or so if I do back of the envelope calculation in accordance with the slippages?
- Mushtaq Ahmed:** I will be giving you this quarter-to-quarter you...
- Abhishek Kothari:** Yes I was talking of quarter-to-quarter Sir?
- Mushtaq Ahmed:** Year-on-year I have got, but quarter-to-quarter we can come back to you.
- Abhishek Kothari:** That is what I calculated and according to slippages that were there for this year and nine month reductions were just at 8.5 Crores?
- Mushtaq Ahmed:** No, not like that I think we will need to check. There has been huge recoveries even if you take for example year-on-year basis last year NPAs were 644 additions during the year have been 410 Crores and reduction upgradation during the year has been 117 Crores, write-off has been something like 7 Crores, recoveries have been 146 Crores so net result is 783 Crores.
- Abhishek Kothari:** I am just talking for quarter-on-quarter how much is the slippages around 67 Crores?
- Mushtaq Ahmed:** 60 Crores.
- Abhishek Kothari:** Yes that is what if I just calculate I am getting around 10 Crores of recoveries and upgradation's of the total reduction as such?
- Mushtaq Ahmed:** No, upgradation I think these return we can provide you for the quarter.
- Abhishek Kothari:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Umang Shah from CIMB. Please go ahead.
- Umang Shah:** Thanks for taking my question. One question was again pertaining to the previous one, Sir could you provide the movement of NPL for the quarter only?
- Mushtaq Ahmed:** I have already told that as far as quarter is concerned we will come back to you but year-on-year basis we have got. If you take this December 2013, gross NPA at that time was 725 and then again net NPA at that point of time that was 96 and then, but I think I need to come back to you as far as quarter figures are concerned.
- Umang Shah:** Not an issue. My second question is regarding your restructured book so if I heard it correctly your outstanding restructured loans are 1576 Crores?



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- Mushtaq Ahmed:** That is right.
- Umang Shah:** But Sir I believe that would be the gross number right or is it a standard restructured book?
- Mushtaq Ahmed:** Pardon me.
- Umang Shah:** I believe that would be the gross restructured book it would be including NPLs as well right?
- Mushtaq Ahmed:** I think one or two accounts are on account of NPAs also.
- Umang Shah:** So net off that the standard restructured book would be how much?
- Mushtaq Ahmed:** Total NPA you can deduct around say, it should be around 63 Crores only.
- Parvez Ahmed:** 1575 includes all this 64 Crores.
- Umang Shah:** Okay so out of 1576, 63 Crores is NPA?
- Mushtaq Ahmed:** Yes.
- Umang Shah:** Sir my other question is pertaining to your corporate loan book in this quarter we have seen on a sequential basis our corporate loan book increasing closer to 10% or slightly higher than that so if you could just throw some color whether to which sectors this is or some large accounts included in this?
- Mushtaq Ahmed:** I can even name the accounts. I think basically it is Maha Navarathans, Government of India or the Navarathans in Government of India and some companies within Tata Group and Lions Group that are all.
- Umang Shah:** Sir would it be fair to assume now since these are like Navarathna PSU companies and Tata's and Reliance's so obviously the yields would be highly competitive?
- Mushtaq Ahmed:** Naturally I have already explained that it is because of our investments and deployment of funds in these accounts that yield has slightly come down but that has been taken care by reduction in cost of deposit.
- Umang Shah:** In fact that was my next question so going forward how do you see your margins panning out because obviously we are seeing quite a bit of improvement this year so is it fair to assume that it will stabilize here?
- Mushtaq Ahmed:** It was under citrus and then there was also improvement because third quarter our margins slipped down to 3.97% from the second quarter of 4.33%, but again of a year-on-year basis it is

4.16%. I would again say that our net interest margin or NIM, I should say that should remain in the vicinity of 4% and finally it should be 4% and above.

Umang Shah: Besides that Sir broadly in terms of asset quality if you could throw some color? Sir you have already mentioned that your restructured book ideally should not cross 1800 to 2000 Crores kind of a number so we may see some quarterly ups and downs but broadly that is the range but on overall asset quality if you could just throw some color how you expect the asset quality move on from here on?

Mushtaq Ahmed: We expect that as you have seen that there have been very strong strenuous efforts in the year whereby we have been able to maintain our NPAs, NPA ratio, provision coverage ratio and all that we are striving at our level that our NPAs should be contained but at the same time since we are in a business which is quite subject to the vagaries of economic weather of the country. So we should prepare for some sort of variations, some sort of hiccups and say kick ups I should also say but on the whole broadly we say that our gross NPAs should not cross 2% and our provision coverage ratio for next year should remain I should say it should remain about 85%.

Umang Shah: So you believe that that number can fall up to 85%?

Mushtaq Ahmed: I have been striving and I have been maintaining 90% above but sometimes why should I have 90% when major amount of my portfolio is substandard assets why I need 15% or 20%.

Umang Shah: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Karthik V from Espirito Santo. Please go ahead.

Karthik V: Thanks for taking my question. I have a few data keeping question with regards to the margins could you probably give the split up of margins between J&K and the rest of India Sir?

Mushtaq Ahmed: As far as J&K is concerned we have 6% and above and outside the J&K state is sub 3%.

Karthik V: You do not have the exact number you mentioned 6.5% when 2.7% last quarter?

Mushtaq Ahmed: I think always we should have some escape route so it is 6 and plus and then I think outside J&K I think it should be again 2.7% to 2.8% but sub 3%.

Karthik V: In terms of the Tier 1 capital Basel III capital number for the quarter ending Sir?

Mushtaq Ahmed: Which one of the Basel?

Karthik V: Yes Basel 3 not the ratio but the number?

Mushtaq Ahmed: Yes, I do not have exact number but ratio I have got.

- Karthik V:** Finally in terms of the investment portfolio what we have seen is a sharp jump in the non-SLR portfolio on a quarterly basis. I would assume a lot of that would be for priority sector is the understanding correct?
- Mushtaq Ahmed:** I think you like my balance sheet. You see my advances have grown by say 6000 Crores to 7000 Crores in the year and my deposits have grown say by 5000 Crores so when I did not contract additional deposits and whatever mobilized that has been consumed by that this credit deployment route. So therefore whatever there was a non-SLR and I think if the yield was not attractive we have just withdrawn that and deployed through our credit route.
- Karthik V:** Sir last question the tax rate for the quarter is high at 40% any particular reason for that?
- Mushtaq Ahmed:** Which one?
- Karthik V:** Tax rate?
- Mushtaq Ahmed:** Tax I think last year I think we had some concession which were not available this year.
- Karthik V:** Because last quarter it was about 28% that has increased to 40% this quarter.
- Mushtaq Ahmed:** I think we are not having certain since which were not addressed in the previous quarters and we have done that in the current quarter.
- Karthik V:** Thank you so much.
- Moderator:** Thank you. We have next question from the line of Amit Ganatra from Religare Asset Management. Please go ahead.
- Amit Ganatra:** No, not difficult questions. One is that the savings bank deposit growth seems to have been very weak this year on a year-on-year basis previous year you were doing almost 18% kind of growth rate this year it has just fallen to 8% any specific reason that you could attribute?
- Mushtaq Ahmed:** On the whole, I think there were certain reasons out of there but quite in line with the overall growth of the deposits.
- Amit Ganatra:** No, I agree but there could have been and so that ensured that all those deposit growth are not very strong your CASA ratio did not improved but if your previous runrate of savings and current account growth would have been maintained then actually this year you would have ended with an improvement in CASA ratio which did not materialize?
- Mushtaq Ahmed:** Yes I think there have been certain issues and I think some people got funds towards the fag end of the year which came to the accounts in the current quarter so that has pushed up but with reference to this reference date, I think yes the figure has remained down but if you compare with

the overall we did not even allow this what is happening that this unless the mobilization of deposits that was not here but that was not applicable to this savings bank account. Yes, savings bank accounts we have opened a branch and we are expecting that in the current year you will see that we are going to be right, otherwise also I think let us not discuss and I explained this in terms of on the ratio if you see my CASA was 40% and 10% but actually the CASA deposits were 12000 Crores and now the CASA deposits over a period of three years it is 27000 Crores I think that gives me (indiscernible) 28.33 and a big jump.

Amit Ganatra: So basically next year you said that 20% kind of deposit growth you are saying should come up?

Mushtaq Ahmed: Even J&K state we are looking for that and outside less than 15% but on the whole I am expecting 15% growth but this will again the subject to appetite for the credit deployment.

Amit Ganatra: So does that mean that within J&K next year the savings bank growth should be very strong?

Mushtaq Ahmed: It must be for reasons. Number one if you see that the overall state GDP is growing. Second we have also added to our branch network, expanded our branch network and we have gone to the rural areas on bank, under banked but with better economic potential and all that so but this was done close to say in the fourth quarter itself and we are expecting better yields and returns from these branches in the current year.

Amit Ganatra: Second question was on the fee income your other income if I see even for the annual full year all lines are basically very weak even if I exclude that trading gain impact?

Mushtaq Ahmed: See last year I think in trading you had the 72 Crores for MetLife you also exclude this further.

Amit Ganatra: I ignore that but even commission and exchange the growth is negative, insurance commission it is down?

Mushtaq Ahmed: No, you see the rates across the industry, our commission, exchange and all that. Previously for example you are charging 1% and 2% charge and you were really charging around 0.5% on your LCs and other things and these rates have drastically come in the market so naturally that factors has to be factored in.

Amit Ganatra: So are you trying to say that the volumes have not got impacted but the pricing?

Mushtaq Ahmed: Not at all actually it has been totally fee based income has been reprised.

Amit Ganatra: Same would you say for insurance commission because there also there is a big drop?

Mushtaq Ahmed: Insurance of course last year, we had some previous arrear, etc., which we received last year and naturally that would not be present this year.

- Amit Ganatra:** Third question is that have you changed any accounting policy with regards to depreciation it is on a year-on-year basis it has up by 56%?
- Mushtaq Ahmed:** No I think it continues to be same.
- Amit Ganatra:** So has there been such a large addition or to for about each to such a large chunk?
- Mushtaq Ahmed:** No, because we had this year we had to provide for accommodation at BKC you know that this is huge buildings so you have to provide some fund depreciation in that.
- Amit Ganatra:** Thank you.
- Moderator:** Thank you. We have next question from the line of Jigar Walia from OHM Group. Please go ahead.
- Jigar Walia:** Good morning Parvesh Sir and Mushtaq Sir. Hope you are doing fine? Few questions one is what part of our opex increase can we attribute it to the BKC office?
- Mushtaq Ahmed:** I think remain 2 to 3 Crores.
- Jigar Walia:** Another key question from my side is that over the past few quarters we are seeing some volatility as far as the P&L is concerned, which we did not really experience earlier past so many quarters. So if you can just give some color on this and also the bulk deposit that we have taken in Q2 when does it really run down of course in terms of NII we have corrected, we have definitely recovered in Q4 but in terms of the absolute run down?
- Mushtaq Ahmed:** When we are going to see this quarter figures I think definitely that would at this your worries and apprehensions.
- Jigar Walia:** Perfect, but will the volatility also come down and we probably next year should see a much more stable?
- Mushtaq Ahmed:** No I think that was a onetime thing when we contracted deposit in second quarter last year I think it was onetime that created some volatility and your P&L this book but now you see as of that I should...
- Jigar Walia:** In terms of the strategy of raising bulk we will continue to remain and what we have historically been doing and the bulk raising in Q2 was entirely a one half because of the RBI move?
- Mushtaq Ahmed:** No I do not think it was because of that but I have tried to explain in my earlier talks also is that we contracted some deposits say around 3000 to 40000 Crores in quarter two last year that was simply we were expecting some disbursements and we were expecting that the disbursement could go simultaneously within a gap of this 15 days to three weeks time, but what actually

happened that it took two to three months time that disbursement so as a result of that we had to bear extra burden on account of interest expenditure but the disbursements have been made that surplus has already been consumed. We have not contracted in further this bulk deposits and that thing has been addressed, corrected and rectified and we should not expect any volatility on that account in future or even as of now.

Jigar Walia: Thanks Sir. This makes it very clear. I will move to the next questions. This quarter we have seen increase in deposits much more than in terms of advances and then there has been increase in investments as well so is it and we have seen a good increase in CA so CA, I understand would be seasonal which is normally in Q4 we see a good increase in CA and so this CA thing and then bit of this increase in deposits which happened towards the year end would be deployed temporarily in investments and really we have not pushed into advances?

Mushtaq Ahmed: No, we are even in short-term lending.

Jigar Walia: How much would you think that could rundown in Q1 in terms of maybe CA and some investments?

Mushtaq Ahmed: I think when you are comparing your Q1 we have to compare it with last year and as you compare it with last year, I think there has to be an improvement but always Q1 has been always historically it has been a lean quarter and people remain too much busy with balance sheet, audit and all that and till yesterday I would say that everybody was busy with orders and other these things and you are left with say 1.5 months and we cannot expect better business in this 1.5 months of course people have started moving around for the business but again if you compare it with my March, I do not think that you will say that these are encouraging figure but as you really compare me with last corresponding quarter last year I think it will be quite encouraging.

Jigar Walia: Great Sir. Sir on the corporate loan book sorry the outside J&K book can you give some number how much is right now in terms of multi bank or joint lending?

Mushtaq Ahmed: I think as far as consortium is concerned it should be between 20% and 25% but multiple banking again would be around 15% to 20% but any case exact numbers we can provide you with in a week's time.

Jigar Walia: This will be as a percentage of the total advance right and not as a percentage of outside J&K or as a percentage of outside J&K?

Mushtaq Ahmed: In total.

Jigar Walia: Sir lastly this year overall India saw a decline in GDP and I am sure while J&K would have done better but there would be probably some decline in the GDP for J&K as well and going ahead if

this improves you see doing a 20% plus business growth should be much more easy than FY 2014?

Mushtaq Ahmed: I would say first and I would not agree with you that the GDP in the state would go down I think already we are above the national level one part and number two that the and spending on it...

Jigar Walia: FY 2014 GDP growth rate versus FY 2013 GDP growth rate for J&K?

Mushtaq Ahmed: Yes it is almost 7% say plus and it is rising 7%, but finally I think our GDP will go to around 8% to 9% but that is going to take time for two three reasons. That spending as far as infrastructure is concerned that is going to continue then additionally you will have some investments in the hydropower generation and you also require some credit deployment other things for ancillary industry that would spoke this infrastructure and I think the circulation of that particular money is going to push up this GDP and then again we have had back to the season for last three to four years and we expect again a strong inflow of this year so all these factors will really lead to and contribute to better GDP in the state.

Jigar Walia: That is really nice and I understand as far as infrastructure is concerned there are no real delays as far as execution within J&K state is concerned. I see lot of projects really coming up quite quickly and some images are available as far as execution is also concerned roads, tunnels and hydropower.

Mushtaq Ahmed: Yes.

Jigar Walia: So do you see any delays or actually you do not see any delays as far as the infra projects are concerned?

Mushtaq Ahmed: See in J&K I do not think there will be any delay because we do not have problems like land acquisition and all that.

Jigar Walia: Sir last question, can you give some number on the number of branches that we plan to open next year?

Mushtaq Ahmed: Last year you have seen we have added 92 branches and we should expect almost the same number.

Jigar Walia: Thank you so much sir congratulations for the good work.

Moderator: Thank you. The next question is from the line of Manish Jain from SageOne Investment Advisors. Please go ahead.

Manish Jain: I just want to congratulate on some great set of numbers especially in the current economic scenario. Sir just one suggestion, J&K Bank has always had one of the best provision coverage

ratios. You have taken it from lows of 74% - 75% five six years back to a high of 94% rather than taking it down my strong suggestion will be to take it to a new level rather than taking it down.

Mushtaq Ahmed: I have not said that I am going to take it down but I think that has you have your style of admitting it. We are passing through highly volatile situation. Sometime for example we should also not that I should be caught next year that your provision level has gone now I said that even if it gone to 85% that should remain acceptable and it should not be a reasonable otherwise all efforts would be that we move up from current 90% above but also since situation sometimes does not favor you so therefore we should also (indiscernible) 40.18, think is that I was talking to some of the chartered accountants they just indicated why should you have higher provision coverage ratio. My assess are not say maybe 10% to 15% could be 15% or 20% or even 25% under doubtful categories we are down as this not affect why you require 100% provision, major of this portion is some standard assets doubtful one, and doubtful. Two why you require lesser provisions so I have to justify those people also why do have extra provision but yes this is really a great fact against rainy reason to have a higher provision coverage ratio and that remains my priority.

Manish Jain: Thanks and second thing is on the cost-to-income you have mentioned that you will try to be at 38% realistically given the kind of growth rate that you all have done what in your view is a realistic costive income ratio that the bank can achieve in the next three to five years?

Mushtaq Ahmed: I should be likely liberal and conservative also and I think I would be very, very much comfortable if it remains below 40%.

Manish Jain: Thanks.

Moderator: Thank you. Next question is from the line Vipul Chandani from CD Equisearch Private Limited. Please go ahead.

Vipul Chandani: Thanks for taking my question Sir. Sir what are the reason for a sharp jump in other operating expenses on YoY basis it is from 96 Crores to 127 Crores?

Mushtaq Ahmed: Operating expenses, I told you I think we had given some incentives to our staff on Platinum Jubilee occasion I think that has added to the expenses.

Vipul Chandani: Sorry I did not get you.

Mushtaq Ahmed: We had given some incentive to our staff members across the board and the eve of Platinum Jubilee.

- Vipul Chandani:** Sir next question is why other income has fallen so much from 209 Crores to 111 Crores on YoY basis?
- Mushtaq Ahmed:** In which business?
- Vipul Chandani:** Sir why other income has fallen so much on YoY basis?
- Mushtaq Ahmed:** Last year you see in trading income there was a 72 Crores from MetLife and one time this arrear payment by the MetLife to the extent of 7 Crores that was 80 Crores for coming from that segment only and rest I think then there has been some reprising as far as commission exchange is concerned, processing charges are concerned and also you know some regulatory issues as far as insurance premium is concerned and I am sure that now we are coming to a real base and from here we move up and that would give us the real situation.
- Vipul Chandani:** You are saying that you sold one of your assets in the last quarter on YoY?
- Mushtaq Ahmed:** Which quarter last year?
- Vipul Chandani:** Yes last year?
- Mushtaq Ahmed:** As of MetLife we gained 72 Crores out of that.
- Vipul Chandani:** 72 Crores from selling of an asset?
- Mushtaq Ahmed:** That was shares which were held by us and we got it 72 Crores profit was there.
- Vipul Chandani:** So the amount of 72 Crores you are saying that from selling of some kind of property or some kind of your investments?
- Mushtaq Ahmed:** It was not property. I would like to explain these were basically the equity which J&K was holding from MetLife and that equity we had sold back and we gained 72 Crores out of that.
- Vipul Chandani:** Actually your voice is not clear that is what I was unable to listen.
- Mushtaq Ahmed:** I am sure now it is clear.
- Vipul Chandani:** Thank you. That is all.
- Moderator:** Thank you. We have the next question from the line of Mayur Parkeria from Wealth Managers. Please go ahead.
- Mayur Parkeria:** Good morning Sir and congratulations for a good set of numbers. Do you also track ROA data for J&K and outside J&K the way you track NIM?

- Mushtaq Ahmed:** No we do not do it.
- Mayur Parkeria:** Would you like to give a guess in how what kind of range it can be in terms of just as a ballpark number you see?
- Mushtaq Ahmed:** No, you will have to repeat you are speaking in terms business or something else?
- Mayur Parkeria:** Return on assets what we have overall ROA around 1.4%?
- Mushtaq Ahmed:** 1.74%.
- Mayur Parkeria:** Yes I am sorry.
- Mushtaq Ahmed:** I think this is combined one and I think we cannot just segregate it.
- Mayur Parkeria:** What would be your provision on restructured assets?
- Mushtaq Ahmed:** This total outstanding even under restructured book we have got under NPAs against 64 Crores we have got provision of 42 Crores and other than that, that figure I will convey to you.
- Mayur Parkeria:** On the standard assets?
- Mushtaq Ahmed:** Yes I will convey to you.
- Mayur Parkeria:** But it would be 5% definitely?
- Mushtaq Ahmed:** No, I do not think it would be 5% on the whole. My colleague says that it is 5%.
- Mayur Parkeria:** On standard assets?
- Mushtaq Ahmed:** Yes.
- Mayur Parkeria:** But now in other dispensation from RBI for this on restructured assets provision will lapse in this year this is the last year right for this and the outlook which you are giving is still a little bit of stress continuing so do you believe that we will have to provide more from this account on the account of restructuring as you go forward to maintain the contingency?
- Mushtaq Ahmed:** See I think we will have those assets and norms of RBI and we will do that probably.
- Mayur Parkeria:** My last question is on the NIM side any target would you like to keep?
- Mushtaq Ahmed:** I would repeat that as of now my NIM is at 4.16%.

- Mayur Parkeria:** No, I am saying as far as J&K and outside NIM is concerned would you like to keep the J&K at 6% plus or would you like to based on the business you will be a little flexible?
- Mushtaq Ahmed:** I would say J&K has maintained 6% and outside J&K you see my NIM three, four years back it was say 1.8% we have moved to 2.7% and outside pie and pie we are inching up. Within J&K also we are trying to maintain even 6% really is something unbelievable. On the whole I should say that my NIM should remain around 4%.
- Mayur Parkeria:** Thank you. That is it from my side.
- Moderator:** Thank you. We have the next question from the line of Siddharth Choudhary from Mata Securities. Please go ahead.
- Siddharth Choudhary:** Congratulations for good set of numbers. Sir my question pertains to tax provision in this quarter it is quite high so any particular reason for it?
- Mushtaq Ahmed:** See last year I think some concessions were available which were not available this year so therefore you had to provide extra.
- Siddharth Choudhary:** My other question on the movement of NPAs your write-off is around 7 Crores right?
- Mushtaq Ahmed:** Yes.
- Siddharth Choudhary:** It is a very low number because your recovery is much better than your peers or what could be the reason for low write-offs?
- Mushtaq Ahmed:** Because these are basically very, very small accounts. I think where the cost of recovery is more than the recovery itself so tier IV there is no funds running up to these ground and this could be even say up to 25000 and a few more accounts and all that but in bigger accounts this is not total write-off this is technical write-off where the write-off recovery is not forfeited.
- Siddharth Choudhary:** Thank you that is it from my side.
- Moderator:** Thank you. The next question is a follow up question from the line of Abhishek Kothari from Network Stock Broking. Please go ahead.
- Abhishek Kothari:** Thanks for taking my question again. I just wanted to know despite adding 92 branches you have not had a great addition in terms of employees. Is there any thumb rule that you follow per branch employee addition or something?
- Mushtaq Ahmed:** Depending upon the size of business and the geography of the branch, we deploy staff and the nature of business also if you have some branch where you have only term deposit you do not



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have much turnover during that day so purely upon the size of the branch and geography of location.

Abhishek Kothari: So what is the kind of branch I am sorry employee addition that we can expect in FY 2015?

Mushtaq Ahmed: I think yes some staff shortage has been indicated and I think we should expect the number exactly I could not give you but somewhere around 500.

Abhishek Kothari: That is it from my side. Thank you.

Moderator: Thank you. The next follow up question is from the line of Karthik V from Espirito Santo. Please go ahead.

Karthik V: Sir could we get the quantum of current deposits and saving deposits from J&K state?

Mushtaq Ahmed: I think that would be available but on the whole I think that has to be carried out but you can say that overall 70% of the deposits come from J&K state.

Karthik V: Yes Sir you mentioned that in the press release about 45000 Crores from J&K any particular sense as to what proportion of the CASA would be from the state?

Mushtaq Ahmed: CASA in J&K state is always say about 50%.

Karthik V: Thank you.

Moderator: Thank you. Participant's that was the last questions I now hand the floor back to Mr Sohail Halai for closing comments. Thank you and over to you sir!

Sohail Halai: Thanks. I thank Mr. Ahmed and management of the J&K bank for taking out time to provide their insights about the bank and also the participants for joining the call.

Mushtaq Ahmed: Thank you very much. Really very nice period just to see that this I do not call it this question and answer session but there is sometime the drilling session but this time it was really question and answer session. Thank you very much. Thanks a lot.

Moderator: Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes this conference call. Thank you for joining us you may now disconnect your lines.