

# **“Jammu & Kashmir Bank Q4 Financial Year 2015 Earnings Conference Call”**

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**ANALYST:**                    **MR. RAKESH KUMAR – ANALYST – BANKING & FINANCIAL –  
ELARA SECURITIES PRIVATE LIMITED**

**MANAGEMENT:**        **MR. MUSHTAQ AHMED – CHAIRMAN AND CHIEF EXECUTIVE  
OFFICER – J&K BANK**

**MR. PARVEZ AHMED - EXECUTIVE PRESIDENT – J&K BANK**

- Moderator:** Ladies and gentlemen good day and welcome to the Jammu and Kashmir Bank Q4 FY 2015 earnings conference call, hosted by Elara Securities Private Limited. As a remainder 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 then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Rakesh Kumar. Thank you and over to you Sir!
- Rakesh Kumar:** Thank you. Good morning to you all to the J&K Bank Q4 FY 2015 earnings call. We have on the line Mr. Mushtaq Ahmad, Chairman and CEO and Mr. Parvez Ahmed, Executive President, J&K Bank. Now I would like to request the Chairman Sir to touch upon the quarterly results briefly and thereafter we can move to Q&A session. Thank you and over to you Sir!
- Mushtaq Ahmad:** Thank you very much and good morning to everybody. As you are aware that past year has been quite tough and challenging for the banking industry particularly assets quality remains under high pressure and if we just evaluate the numbers previous two years have been worse than early eight quarters.
- Just continuing even in the current year we are expecting that there is going to be some turbulence and the NPAs are going to increase by around 60000 Crores in the banking industry. As far as J&K Bank is concerned, we are also a part and participants in this turbulent situation and the asset quality at J&K Bank has also worsened and our profit registered a dip from 1182 Crores from last year to 508 Crores, but this quarter we have shown only 101 Crores of profit but also I think one thing is quite appreciable that we have in the current quarter provided, created provisions for 265 Crores, which are above the regulatory norms.
- Another thing we compounded the situation for J&K Bank has been the last devastating floods in the state, which is known to everybody and as a result of that there was (inaudible-4.09) there and earlier and for that restructuring provisions were to be created we had as everybody of you know the Reserve Bank of India that this restructuring should be staggered say eight to 12 quarters, but there was a precondition from their side that in that case, we would not declaring any dividend. I think that was going to be quite expensive for the investing community and also at J&K Bank we never wanted that there should be any disruption as far as dividend payment is concerned, so we just decided that whatever restructuring cost is going to be there that has to be (unclear-4.59) because of that our restructured book has gone from around 1600 Crores.
- Yes, I think, I was discussing this that the operating profit we have gone marginally from 1900 Crores to 1835 Crores that is a dip of 3.36%, but the net profit again there has been a dip of 1182 Crores to 508 Crores that is 57 Crores, but mainly I think because of the provisions of 265 Crores that we have done over above the regulatory requirements.
- As far as gross NPAs of the bank is concerned, last year it was 783 Crores and it touched 2764 Crores mainly there was slip in the three major accounts one being REI Agro, this huge provision is required and our J&K Bank has 675 Crores is outstanding in REI Agro and as for the regulatory requirements, we were supposed to provide to the extent of 340 Crores only and the rest had to be staggered to three quarters other than this, but we have already provided 545 Crores in this particular account and uncovered portion in this account remains hardly 130 Crores for which we have sufficient security available and we have also said that we will be adjusting in two quarters that is June and September 2015 and net NPA but again as far as provision is concerned, if you see my PCR provision coverage ratio in December it was 51% and we have increased it to 59% in the previous quarter that is March 2015 and we are saying that the PCR is a focus for us also in the future quarters and as far as net NPA is concerned, last year gross NPA ratio was 1.66% but previous year it has been 5.97% and we are very much focused on recoveries.

I was discussing this net interest margins. So for the current year, previous year it has been at 3.81% as against 4.16% last year. We have been able to now increase the number of branch from 777 to 817 in the last year and also a number of ATMs have gone up from 800 to 883. Now broadly overall the CASA ratio in the J&K State is 52% and around 14% in rest of India.

One good thing is that the gross advances ratio between J&K and Rest of India has increased to 51:49, 51 in rest of India and 49% in J&K State and that assures us better margins in the future. Again number of ATMs is 91% within J&K 9% and outside J&K and branch 704 within J&K and 117 outside J&K. There is 86% to say 14% outside J&K State. So these were the major things that I wanted to share. I think rest other information. I think we can just bring out during the question answer session. Thank you. I would conclude here my presentation.

- Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Pritesh Cheddha from Emkay Global. Please go ahead.
- Pritesh Cheddha:** Sir, in your opening remarks, I could not understand the provision if you could quantify the provision done on account of J&K floods for FY 2015 and the provision done on account of those three corporate accounts?
- Mushtaq Ahmad:** Within J&K I think the restructured book, you will have to study this restructured book and totally there has been an increase of say around 900 Crores in the restructured book and out of that around 500 Crores comes from this J&K State on account of these floods. So, this is divided into that and as far as this cost of restructuring or provisions and (indiscernible-10.59) within J&K State I think it would be around 60 to 70 Crores. So distribution of outstanding registered this restructured portfolio within the J&K State is 26%, outside J&K State is 74%.
- Pritesh Cheddha:** Can you split up the provision cost that you have done in the P&L also?
- Mushtaq Ahmad:** I think we need to revisit that. We are coming with some broader figures today.
- Pritesh Cheddha:** What is your outlook on this part of the expense line?
- Mushtaq Ahmad:** I would simply say that the worst is behind us. Last year I think number one, there was a very major slippage in two or three accounts. Then followed by these floods for seven months, you can imagine that we were only managing the problems created by these floods. So therefore the total focus on the business what is totally diluted and diverted going forward I think a good year is ahead of us and we do hope that we are going to be in the same environment where we were in the last three to four years.
- Pritesh Cheddha:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Jay Prakash from IndiaFirst Life Insurance. Please go ahead.
- Jay Prakash:** Good morning Sir. We are seeing a sharp reduction in the rest of India businesses. Is it because of the issues in the NPAs which we were facing, which is resulting in a slow growth in this region?
- Mushtaq Ahmad:** You will have to please repeat it?
- Jay Prakash:** In rest of India, the gross advances is down by 15% while deposits is down by 29% and is it because of a concentrated effort or is it something else or is it just because we are facing an NPA issues and we are slowing down the debt part of it?
- Mushtaq Ahmad:** I would like to say that you see what has been the situation in the total industry as far as the credit is concerned. There has not been much growth and we have the policy that we will be growing to the best corporates, whether government of India or private, as far as credit concession is concerned, we did try, we expanded where there was some repayments but

around the deposit side I should say that there were some high cost deposits in the treasury and in the branch and we did not renew. We would see that our last year deposit days was 69000 Crores and this year it is around 65000 Crores only. So we have repaid that treasury, those deposits which were mobilized by the treasury and as a result of that we have been able to save interest expenditure around Rs.60 Crores. So this was deliberate as far as the deposits are concerned, but there was a conscious decision taken by the management also that we will be looking for say for better advances outside J&K State but mainly also one major thing we have contributed also is that for months we were totally diverted about these floods, restructuring, creating package and all that and then you can see also that the slippage of around 2000 Crores, so that created a big issue for J&K Bank but we duly provided for it and going forward I think better days are ahead.

- Jay Prakash:** Second question is this is probably the first time we are facing such a large NPA issues. So what kind of preparation we are doing in terms of increasing manpower or some activities, you can highlight?
- Mushtaq Ahmad:** I would say that as far as manpower is concerned, it is not an issue relating to manpower or quality of manpower. Basically I think you see that this sluggish economic growth has contributed and one of the major accounts is in the real estate and real estate situation is known to you. The other one REI Agro, I would say that Reserve Bank of India and the banking system as such declared it as fraud. Then there is a third account, wire, I think there has been some technical issue and as a result of that that was downgraded. I would not attribute that there has been any motivation behind that or there has been some inadequacy as far as manpower or things are concerned.
- Jay Prakash:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Alok Kapadia from Antique Finance. Please go ahead.
- Alok Kapadia:** Just two questions, one is on the restructured book. It has gone up 700 Crores. Now I think Sir, how much of that would be from related to J&K and how much of it is linked to non-J&K State?
- Mushtaq Ahmad:** Total outstanding restructured book as I mentioned to you 26% comes from J&K State and 74% comes from outside J&K State?
- Alok Kapadia:** Yes, but in this particular quarter, I think it was some 700 Crores so how much of it is non-J&K?
- Mushtaq Ahmad:** On the whole this year I think it would be say 500 and rest comes from outside J&K State.
- Alok Kapadia:** Sir, the other question is that Sir are we going to lend a little bit more aggressively in the state now given that there is a lot of focus at the center and the state given that the political formation is a lot more favorable so, are we likely to see more infrastructure development? Are you seeing anything on the ground suggesting that or it is too early to say?
- Mushtaq Ahmad:** No, I would say even under the worst circumstances within J&K State you see that the credit growth has been around 17% outside J&K State it has been -15%, so net if you see that my portfolio is down by around 2%, but J&K State I think, yes there has been a huge I think devastation and then reconstruction is going ahead and also that infrastructure development has to take place, and this is going to be a very, very favorable factor for increasing our credit growth and I still believe very strongly that our credit growth within J&K State would be about 25%.
- Alok Kapadia:** Sir, in the P&L the other income, miscellaneous income has been very strong. So has it come from higher recoveries in return of accounts?

- Mushtaq Ahmad:** There has been trading income also and other than that some other factors are also there where from we have got.
- Alok Kapadia:** Sir, any update on the 5% stake sale Metlife stake sale? Any update on that?
- Mushtaq Ahmad:** We were just trying that we could have disposed off in the last year to see that the pressure on the balance sheet could have been released, well we are in the process very actively in it.
- Alok Kapadia:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.
- Gaurav Agarwal:** Thank you for the opportunity. Wanted to know the investment book breakup? How much is non-government and how much is government securities? Sir, I wanted to know the breakup of our investment book, which is of 25000 Crores. How much is government and non-government?
- Mushtaq Ahmad:** You want to know about the investment book?
- Gaurav Agarwal:** Government and non-government?
- Mushtaq Ahmad:** Under this category central government would be 10531 and state government is again say 2600 and rest would be private.
- Gaurav Agarwal:** Sir, in private can I have a broad breakup of AAA and AA rated versus?
- Mushtaq Ahmad:** I think that has to be segregated and then I think detail has to be sent to you separately.
- Gaurav Agarwal:** Just wanted a broad outlook and not a very specific number?
- Mushtaq Ahmad:** I think we have to again I have to segregate those numbers and compile.
- Gaurav Agarwal:** Not a problem. Sir, what were the interest reversal amounts for the financial year FY 2015?
- Mushtaq Ahmad:** I think interest reversal on the whole accounts, I think that part I am not readily having.
- Gaurav Agarwal:** Sir lastly the latest growth of our J&K book?
- Mushtaq Ahmad:** 17%.
- Ashish Sharma:** Yes Sir. That is 17% that is primarily coming from the trade and SME segment?
- Mushtaq Ahmad:** All the sectors and also because we had to sanction additional loans to people who are affected by floods.
- Gaurav Agarwal:** Sir, is there any specific area in J&K in trade and SME where we are focusing now?
- Mushtaq Ahmad:** I think for that purpose we need to understand the composition of J&K's whole trade. It is tourism, it is handicrafts, it is agriculture, it is other services and all these and then these all areas are quite important and providing very huge hope, so this is the focus area. All the four or five of these areas are our priority in focus.
- Gaurav Agarwal:** Sir, last question, our iron and steel book, which is around 2400 Crores out of that I think 500 Crores is Bhushan? I just wanted some big accounts name in that 200 Crores? So just wanted to check if **(indiscernible-22.03)** Steel, Adhunik Metals, kind of companies are there?
- Mushtaq Ahmad:** We have this but account wise I think would not be in a position to give this, but still these details we can discuss and we can send it to you.

- Gaurav Agarwala:** Thank you.
- Moderator:** Thank you. The next question is from the line of Alok Shah from Centrum Broking. Please go ahead.
- Alok Shah:** Good afternoon Sir. Thanks for taking up my call. Sir, few questions, could you help me with what is the slippage from the restructured portfolio in FY 2015, the NPA, I mean?
- Mushtaq Ahmad:** Yes. Just you have to give me some time. You see last year the figure was 64 Crores for these NPAs and this time it is 315 Crores.
- Alok Shah:** 315 Crores. On the similar lines now we say 2500 Crores of restructured portfolio of which 500 Crores belongs to J&K recent flood, I am trying to understand that what part of our restructured book is due for completion of its moratorium in FY 2016 and how do you see those accounts in terms of do they continue to remain standard in nature or there has been an element of stress in those accounts?
- Mushtaq Ahmad:** I do not think that in the current year there should be too much of stress barring one or two accounts. I think we will have to identify those accounts and then give you the figures.
- Alok Shah:** But would it be possible for you to quantify as to what part of that restructured book is something that will be under watch list category kind of nature?
- Mushtaq Ahmad:** May be I think out of this it could be say 200 to 300 Crores.
- Alok Shah:** That is very limited in size. Sir, just two more questions. In terms of the large three accounts that you mentioned the largest being 675 Crores, what would be the size of another two accounts?
- Mushtaq Ahmad:** The other one account is 300 and then around 200.
- Alok Shah:** Would it be possible for you to share maybe for the call sector wise data on NPAs and restructuring, which are the sectors, which are under our reign? So, could you please help me with sector wise break down of NPAs and restructured portfolio?
- Mushtaq Ahmad:** I think first of all I think we are sending this presentation to everybody and these details are very much there but in case if the presentation is not available but in any case if you want any issue, we would just reply that.
- Alok Shah:** I will take it offline. This is helpful. That is it from my end. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Amit Ganatra from the line of Religare Invesco. Please go ahead.
- Amit Ganatra:** Your miscellaneous income went up significantly in the fourth quarter around 164 Crores any Metlife related stake gains recorded here or any one off here? I am referring to your earnings update in that in other income category miscellaneous income is reported as 164 Crores versus 38 Crores previous year, so it is a very significant jump. Any one off gains basically recorded here?
- Mushtaq Ahmad:** I think we are giving you, there has been mainly this profit is on redemption of securities that is around 13 Crores and in card business we were doing it has got us 19 Crores then again loan processing charges have been around 24 Crores and incidental charge is around 8 Crores then other the cheque charges or cheque return charges all these things around 4 Crores and also the major thing comes from reversal of that.
- Amit Ganatra:** So we were discussing this miscellaneous income. You were mentioning that there was this reversal of investment profits?

- Mushtaq Ahmad:** There was depreciation on account of this reversal of depreciation. This was 136 Crores and rest comes from trading.
- Amit Ganatra:** 135 Crores?
- Mushtaq Ahmad:** 136 Crores.
- Amit Ganatra:** And that has been booked under miscellaneous income?
- Mushtaq Ahmad:** Yes other income.
- Amit Ganatra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.
- Gaurav Agarwal:** Thank you again Sir. Sir, out of our non-government investment portfolio how much are the bonds, which are issued by the restructured accounts?
- Mushtaq Ahmad:** Bonds I do not think we have anything from the restructured. There could be some preference shares, but very small in that. Kingfisher Airlines or something was there, but that is preference shares and that would be very meager, very, very marginal.
- Gaurav Agarwal:** 50 to 100 Crores, right, somewhere?
- Mushtaq Ahmad:** It is not 50 to 100 Crores.
- Gaurav Agarwal:** Sir, for our advances growth what would be the strategy going forward? We are going to concentrate more on J&K and less on non-J&K?
- Mushtaq Ahmad:** No, in the sense we have pan India presence. We will be growing everywhere, but our priority would be J&K, we are expecting estimated growth of 45% in the current year as against last year's 17% and last year also strictly I should say that because of some adjustments through insurance claims this has gone down, but at the same time we have provided new facilities to the people and then the situation was very bad last year so the growth dipped to 17% this year within J&K State we are projecting 25% and outside J&K State 10% to 15% would be quite save for us.
- Gaurav Agarwal:** Sir, any kind of checks and processes that we have improved outside J&K after learning all these things?
- Mushtaq Ahmad:** I would say that if you analyse the quality and the situation of the three accounts we have not compromised with that part there have been some issues operational issues, and in one of the accounts purely something like technical, I think, which is NPA with us but with the consortium members it is still performing asset and in one account which has been declared fraud as far as appraisal is concerned, it has been quite okay and then this account has been the star trading house of India, declared by Ministry of Commerce. If you see that due precautions, risk calculation, everything has been there, and then again when we see our appraisal system, skill level everything is okay, motivation is very, very much there, if you would say that there has been any delinquency on the part of any employer, I do not find that way. So as far as the systems are concerned, our appraisal is concerned, it is okay, but yes we have to go for still further strict flexion for advances outside J&K State that is why we say that outside J&K State our preference and priority remains government of India undertaking, corporate houses of established financial trading and (inaudible-30.59) and we are growing on those lines as we have been growing in the past but when you are on a road driving you do not rule possibilities of an accident. Accident can come pause, it can cause thumb, rider in the speed but one has to be on the road.

- Gaurav Agarwal:** Sir for outside J&K our medium will be through consortium or diet sourcing?
- Mushtaq Ahmad:** It will not be. If you see we are talking of Government of India undertaking or the big private these corporate houses. You can either enter this class through consortium accounts or multiple banking. You cannot be an independent banker to these entities, so therefore we have to be through consortium, through multiple banking and wherever possible independently as well.
- Gaurav Agarwal:** Sir, is there anything, which we are doing to boost our other income to get LC kind of income from these corporates?
- Mushtaq Ahmad:** Of course we have been doing this thing and this year if you see our other income and all that I think that is evidence of that.
- Gaurav Agarwal:** Thank you. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Prakhar Agarwal from Edelweiss Securities. Please go ahead.
- Prakhar Agarwal:** Good afternoon Sir. Just couple of questions. First is on your overall growth target. So we have seen that during this quarter we have seen some decline in your J&K State in your outside J&K Bank portfolio. So going forward what is the overall target for that and have we saw to curtailed any sort of ticket size. So what is the current ticket size if you could say on the corporate book right now? So around rest of India kind of outside J&K we have around 82% of the portfolio comprising from corporate so any sense of the ticket size that we can have in that portfolio?
- Mushtaq Ahmad:** First thing I would say that already we have a very established policy whereby the cap is defined in what type of credit cap or upper limit could be in respect of different star trades with different sizes. But again I should say that as I said that yes exactly, I think we have to spread the risk and from that point of view slightly maybe that cap would come down but as far as these accounts are concerned consortium accounts are concerned, I think whatever policy we have adopted or whatever policy we have been implementing that no need no scope for there to change it.
- Prakhar Agarwal:** Sir the focus will still continue to be on consortium lending or you will try and focus more on SME and other portfolio that is outside India portfolio?
- Mushtaq Ahmad:** No, it would be divest one, but when we speak of Government of India undertaking our public sector undertakings and the big corporate houses the only way you can enter into these entities is through consortium or multiple banking. One cannot be sole banker to such big companies.
- Prakhar Agarwal:** Sir, secondly you mentioned that part of your J&K book growth was driven by the fact that you have additional facilities to these the people who are affected by floods so as per RBI current norms, you might now have for additional collateral for these sorts of funding. So have you increased or have you sort for these collaterals or the collateral elements are the same, it is just that you have increased the funding through the same lenders?
- Mushtaq Ahmad:** No, in these cases, I would say that RBI has approved a package and we have been strictly going by that package and in certain cases of course the collateral realization has been there.
- Prakhar Agarwal:** So you have asked for in certain cases we have to increase the collateral coverage for that?
- Mushtaq Ahmad:** We are strictly ground by the RBI package. I would say and probably for additional funding I think existing securities are better.

- Prakhar Agarwal:** Sir and details on the package, how was the package was implemented some details on that front will be great?
- Mushtaq Ahmad:** No package was simple there because first of all you had to analyze what has been the quantum of damage and under that damage how many term loan you have given, how much working capital facility you have given and in case of term loan this damage had to be converted into working capital term loans by working capital this moratorium has been allowed on repayments and in respect of again work in capital finance, again that has to be converted into the work in capital and whatever gap is there that was to be provided in additional form and if there is any machinery or fixed assets which have to be financed that was additionally provided.
- Prakhar Agarwal:** Sir, one thing, you have said that 25% loan growth target for J&K book how much can that be attributed to the current new demand and the current demands?
- Mushtaq Ahmad:** I would say number one a lot of reconstruction is taking place, then infrastructure development is here and also I should say that last year seven months have gone only addressing the issues arising out of these floods. Probably this year we will be totally free of that and then we would be in a position to achieve our 25% growth.
- Prakhar Agarwal:** Just a broad breakup of regarding the reconstruction demand that 25% that is the target that you had set how much that can be attributable some quantification on that front?
- Mushtaq Ahmad:** I think these are just sole issues and we can address these whole issues and revert back to you.
- Prakhar Agarwal:** Sir, just last one question. Sir, in deposits we have seen a sharp dip in your term deposits at 10% year-on-year degrowth. So, any one offs and more so in the rest of India portfolio that we have seen around 30% odd degrowth in deposit profile in outside J&K State? Sir any sense on that why is that so?
- Mushtaq Ahmad:** Yes exactly. We were holding some high cost deposits also we did not need those. If you see our treasury book there has been a straightaway dip of around 12000 Crores and that has really thereby we have been able to protect our margin otherwise under the present circumstances we would not have been able to achieve this 3.81% of net interest margins. It would have gone much below.
- Prakhar Agarwal:** Sir what is the proportion of bulk deposits right now?
- Mushtaq Ahmad:** Bulk deposits I should say would be 35 or 50 I think would be like that.
- Prakhar Agarwal:** Sorry.
- Moderator:** Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** Good afternoon Sir. Sir, in the previous call you had indicated that the agri related impact would be somewhere in the range of about anywhere between 800 and 1300 Crores. Currently, we are at about 465 odd Crores. Just wanted to understand the reason for this decline in the number or since you have already mentioned that you have completed the entire restructuring exercise for the agri related impact?
- Mushtaq Ahmad:** Mr. Mahesh, I think for that you will have to see those geographies local geographies via this city and **(unclear-39.12)** city and other parts are not badly affected. Initially the figure for that we were really quite worried that this could be around 3000 to 4000 Crores and finally when we by and large it came down that it could be 2000 and we were around 15000 and finally we have come down to this figure, but because I told you even at that point of time that that was a very rough calculation, we were not having aggregate accurate figures so by and large

when we have been just working out and the other thing, which has helped it is prompt settlement of insurance claims. Had these claims been delayed probably the figure would have been higher, because this insurance claims to the extent of around 1000 Crores have been settled.

**MB Mahesh:** You mentioned 1000 Crores of insurance related claims?

**Mushtaq Ahmad:** I did mention it. Had it settled in time then naturally this restructured book would have been far higher.

**MB Mahesh:** We are now with this quarter we have completed the restructuring?

**Mushtaq Ahmad:** March 31, 2015 was the deadline. Thereafter we do not entertain any restructuring.

**MB Mahesh:** The second question is that you have seen a very large upgrade in the NPL book this quarter, if you could just highlight the same and correspondingly were some of it classified as NPLs in the previous quarter when it moved to the restructure book, just a clarification on that front?

**Mushtaq Ahmad:** Earlier, I think around 300 Crores was there which was NPLs, which have been upgraded.

**MB Mahesh:** This was an upgradation because of a payment for the customer or was it moved to the restructured book?

**Mushtaq Ahmad:** They were different factors, various factors it has been upgraded, 140 Crores account, which was just declared NPA, then finally it had to be upgraded through CDR mechanism.

**MB Mahesh:** My last question is you have seen some weakness on the savings account mobilisation in this year so if you could just broadly briefly highlight as to what is driving that front, Sir?

**Mushtaq Ahmad:** No, I do not think.

**MB Mahesh:** You were discussing the savings account mobilisation?

**Mushtaq Ahmad:** Yes, I said to you that I think when the CASA goes up at that time it has been done through savings bank account, if you see my current also has gone down. From that point of view, I should say that savings have gone up but for seven months totally attention was divested.

**MB Mahesh:** Okay, fair point. Last question on this depreciation policy the change in the depreciation has one resulted in for this year a decline of about 11 Crores and on the other side you have indicated a gain of about 89 Crores net adjusted for deferred tax liability. How have you treated that in the P&L because the opex actually seems to have increased, the non-staff expenses have increased quite sharply this quarter?

**Mushtaq Ahmad:** No.1, you are talking of expenses?

**MB Mahesh:** Yes, the non-staff expenses?

**Mushtaq Ahmad:** The non-staff expenses basically I think there has been an increase because we had to value and there was increase, mainly it has been because of staff only, because 17 Crores as per revaluation has to be further provided and then again 60 Crores for terminal benefits, DA increase and all these things this has been mainly from this our staff and establishment expenses.

**MB Mahesh:** No, it is a non-staff which we are talking about which has increased from 127 Crores to about 160 Crores this quarter?

**Mushtaq Ahmad:** I think there would have been expenses on account of some depreciation of assets and all that. Also we had to pay some money in the Mumbai zone also.

**MB Mahesh:** Mumbai zone, is it?

**Mushtaq Ahmad:** Yes.

**MB Mahesh:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Mr. Prashant Kumar from Credit Suisse. Please go ahead.

**Prashant Kumar:** Thank you for taking my question. Sir just wanted some clarity on your restructured book. Last two quarters we have restructured around 1200 Crores, out of that around 500 Crores is within J&K, so I would assume that around 700 Crores is from outside J&K, so just wanted to get some colour that which are the larger accounts and we know there is one large defence related account, other than that what would roughly be the size of those accounts, it would be around 100-200 Crores and like the sector of those accounts and if possible if you could share couple of names with us?

**Mushtaq Ahmad:** No.1, I should say that as far as J&K is concerned, mainly because of the floods we had to restructure under RBI's package.

**Prashant Kumar:** Yes, outside J&K.

**Mushtaq Ahmad:** Outside J&K, I would say that the spread was different. This is around different sectors and mainly through consortium accounts.

**Prashant Kumar:** Roughly what would be the size of those accounts, are they lumpy exposure or they are roughly like, what would be the exposure?

**Mushtaq Ahmad:** No, I think it would be medium level. It would be called medium level, very, very marginal from J&K bank's point of view, I should say.

**Prashant Kumar:** Even the slippages were slightly higher in this quarter, so I would assume that most of it would again be non-J&K portfolio. So Sir lumpy account which slipped this quarter or maybe like couple of large accounts which may have slipped, if could share?

**Mushtaq Ahmad:** No, we have lost one account, which slipped as this particular account, it was on some technical grounds, not that there were any overdues.

**Prashant Kumar:** Sir and this account from which sector?

**Mushtaq Ahmad:** Education.

**Prashant Kumar:** Sir HDIL that account has been NPA with us for quite some time while I think the company is not really under like very severe financial stress or any thing, so what is the progress that we have made in upgrading that account?

**Mushtaq Ahmad:** You see unfortunately, we have not considered the account despite the fact and somewhere we could have done that, but just for a small amount of say maybe around 10-12 Crores which was shortfall we could not [inaudible-46.16]. As far as issues are concerned, we are improving and we do hope that in coming times, this account would be not a problem with the system.

**Prashant Kumar:** Great! Thank you Sir.

**Moderator:** Thank you. Our next question is from the line of Mr. Rishindra Goswami from Locus Investment. Please go ahead.

**Rishindra Goswami:** Just wanted to know if you could share the gross NPA breakup wise sector, some colour on this?

- Mushtaq Ahmad:** Gross NPA, you want this separate colour, separate sectors?
- Rishindra Goswami:** If you could split it by sector, how much would be coming from let us say power, iron & steel and similar sectors?
- Mushtaq Ahmad:** Yes, I would like to give you. I would say that agriculture would be around 20, manufacturing services mining and quarry would be around 43, trade 17, infrastructure 3%, personal loan would be around 4%, then real estate is 13%, then micro credit, financial markets and food credit around 5.21% that is the total.
- Rishindra Goswami:** Right, so 3% infra meaning 3% of 2500 or 2700 Crores?
- Mushtaq Ahmad:** Soft course.
- Rishindra Goswami:** So 3% of that, okay. 4% you mentioned is what?
- Mushtaq Ahmad:** 4% comes from personal loans and like that consumption and all.
- Rishindra Goswami:** Okay, 13% is real estate.
- Mushtaq Ahmad:** Yes.
- Rishindra Goswami:** But then this would not add up to 2800 Crores.
- Mushtaq Ahmad:** Yes that is like that.
- Rishindra Goswami:** Can you share the absolute amount please here?
- Mushtaq Ahmad:** Absolute amount we have already just disclosed it is 2764 Crores I think.
- Rishindra Goswami:** Yes, 2764, but if I look at the breakup of that the percentages that you gave me will not add up to that?
- Mushtaq Ahmad:** The total I think we have had some adjustments, but it is coming up I think you would be getting 2817.
- Rishindra Goswami:** You mentioned I think if I got the numbers correct that 13% is real estate, right?
- Mushtaq Ahmad:** Yes.
- Rishindra Goswami:** 5% is food?
- Mushtaq Ahmad:** Yes.
- Rishindra Goswami:** 5% you said is food related?
- Mushtaq Ahmad:** Food related, I never told you that. I will just repeat that. Agriculture is 20, manufacturing services mining & quarry is 43%.
- Rishindra Goswami:** Got it. Thanks. Then would you have a similar breakup of the restructured book?
- Mushtaq Ahmad:** Restructured book would be say large industries this is 46%, infrastructure say 32%, SME is 8%, agriculture 1.56% and trade 5.66% and others would be around 7%.
- Rishindra Goswami:** Can you split the infra part between power and others?
- Mushtaq Ahmad:** I think I will have to rework that part.
- Rishindra Goswami:** Thank you.

- Moderator:** Thank you. The next question is from the line of Dhaval Gada from Motilal Oswal Asset Management. Please go ahead.
- Dhaval Gada:** Thank you for taking my question. Sir, actually I was not able to understand the breakdown of the other income miscellaneous income, if you could repeat that, that would be very helpful?
- Mushtaq Ahmad:** Miscellaneous income include 136 Crores for reversal of depreciation, this is the main thing.
- Dhaval Gada:** Sir, second question, I mean, can you give some guidance on slippages for next year, I mean any specific figure from J&K and outside that you see for next year?
- Mushtaq Ahmad:** I think I would not be in a position to specify at least the slippages in the sense that last year has been quite bad and it was some totally unprecedented year for J&K Bank because of floods, because of slippages and all that, but, all only thing I would say that all efforts would be that gross NPAs should remain below 5%.
- Dhaval Gada:** Sir, in the current year, how much was the slippage from J&K and outside?
- Mushtaq Ahmad:** It was mainly outside J&K State, it was very minimum J&K State, outside J&K State because of the broad slippage of the accounts and that too if you take these two accounts 3+7 that comes 1000+200 1200 coming from outside J&K State and when you add 2000 Crores last year's 800 around 783, 800+1200 Crores that means 2000 Crores. Rest it is 700 I think again these accounts are outside J&K State.
- Dhaval Gada:** Final question on the stake sale of the insurance venture, so what is the stage at which it is and do you see the stake sale happening this year and what is the realisation amount that you can expect from the stake sale?
- Mushtaq Ahmad:** Basically, I think the valuation figure, valuation stake one is we have is really acceptable valuation level thereafter I think it should not take much of time. We are expecting it to happen last year but for certain reasons which could be explained and it could not happen but this year again I think we are at that level, but I have already mentioned that maintained one issue one thing I will be looking for right price and right time. Once we get right price that becomes the right time.
- Dhaval Gada:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal from E&R Advisors. Please go ahead.
- Gaurav Agarwal:** Thank you so much once again. Sir, wanted some yields outside J&K? What kind of yields are we looking around from outside J&K State? Mainly the corporate account, new corporate accounts?
- Mushtaq Ahmad:** J&K State as such we do not have much corporate, but whatever corporates we have the yield would be 12% to 13%.
- Gaurav Agarwal:** Sir, outside J&K corporate is 12% to 13% kind of yields right?
- Mushtaq Ahmad:** Outside J&K State it is very highly competitive environment. So normally it remains between 1150 or 11.5 to 12.
- Gaurav Agarwal:** Sir this fresh slippages for J&K Bank in this quarter?
- Mushtaq Ahmad:** J&K has got minimum.
- Gaurav Agarwal:** I am talking about the additions to GNPA about Rs.411 Crores of additions in this quarter Q4? Is there any big account in this again?

- Mushtaq Ahmad:** This is one account.
- Gaurav Agarwal:** This question has been asked to you, but I missed that answer.
- Mushtaq Ahmad:** There is only one account in the current quarter which has slipped and at the same time it was one account of almost equal amount of which has been upgraded.
- Gaurav Agarwal:** What was the amount of that account out of this?
- Mushtaq Ahmad:** Is it necessary to mention in which accounts?
- Gaurav Agarwal:** Just wanted to know?
- Mushtaq Ahmad:** Amount would be around say 580 Crores.
- Gaurav Agarwal:** That is it. Thank you.
- Moderator:** Thank you. The next question is from the line of Namitha Pai from CapGemini India. Please go ahead.
- Namitha Pai:** Could you give me some guidance on the branch expansion in FY 2016?
- Mushtaq Ahmad:** As far as branches are concerned, I think, yes we should be adding say around 50 to 60 branches and within that minimum 40 in J&K State and rest outside J&K State.
- Namitha Pai:** My other question is could you give me some guidance on the cost to income ratio?
- Mushtaq Ahmad:** Cost to income ratio this year has come slightly down. It is at 40%. I would say that for some time it may be there and hardly it has to come off.
- Namitha Pai:** Thank you Sir. That is it.
- Moderator:** Thank you. The next question is from the line of Jigar Walia from OHM Group. Please go ahead.
- Jigar Walia:** Good afternoon to the management. Thanks for the opportunity. Sir, most of the questions have got answered. Just to clarify Pipavav got upgraded from NPA to restructured and just need some clarification on Bhushan, does it still remain a restructured account with us standard restructured?
- Mushtaq Ahmad:** Bhushan, I do not think it is restructured account as of now. There is something going from the Central Government also.
- Jigar Walia:** Perfect and as far as REI is concerned, we had some windmills, which we could monetize, are we hoping for any realization?
- Mushtaq Ahmad:** Yes we have got and that is really functioning account and we are getting initially last year we have given something like say 25 Crores it has come off well and I think it could fetch us around 200 Crores, but not withstanding against the total outstanding of 675 Crores, REI we have provided 545 Crores. So the gap is only 130 Crores now.
- Jigar Walia:** Sir on HDIL again like for a very small amount to regularize it continuous to remain restructured any plans that now that we would be completing about a year and you intent to initiate any SARFAESI Actions and all?
- Mushtaq Ahmad:** I think some action has already been started.
- Jigar Walia:** Sir, if you can share any outlook on the tourism industry this year?

- Mushtaq Ahmad:** Tourism would be quite okay this year. If you see Gulmarg Pahalgam people are coming here, but now the weather has not been quite favorable this year we had some rains every next day and I think from June onwards we expect good tourism.
- Jigar Walia:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Rakesh Kumar for closing comments.
- Rakesh Kumar:** Thanks a lot management from J&K Bank and thanks to all the participants for the insightful questions and enrichment by the management. I would like to hand it over back to the management for their closing remarks on the results.
- Mushtaq Ahmad:** Thank you very much for organizing this concall and it is really always a privilege and pleasure to be a participant in this particular conference and because of this enquiries we also **(indiscernible-59.52)** is our objective and all that and of course this year has been quite tough for the industry and more so for J&K Bank. We do hope that **(unclear-1.00.03)** peers. Till then all the best to all of you. I am sorry that there has been sort of inconvenient on account of disruption in the communication system and we do hope that we will be just improving it also. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect the lines.

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**India**

**Elara Securities (India) Pvt. Ltd.**  
Indiabulls Finance Centre,  
Tower 3, 21st Floor,  
Senapati Bapat Marg,  
Elphinstone Road (West)  
Mumbai – 400 013, India  
Tel : +91 22 6164 8500

**Europe**

**Elara Capital Plc.**  
29 Marylebone Road,  
London NW1 5JX,  
United Kingdom  
Tel : +4420 7486 9733

**USA**

**Elara Securities Inc.**  
36W 44th Street, 803,  
New York, NY 10036,  
USA  
Tel : +1-212-430-5870

**Asia / Pacific**

**Elara Capital (Singapore) Pte.Ltd.**  
30 Raffles Place  
#20-03, Chevron House  
Singapore 048622  
Tel : +65 6536 6267

|                |                                |                                 |                  |
|----------------|--------------------------------|---------------------------------|------------------|
| Harendra Kumar | Managing Director              | harendra.kumar@elaracapital.com | +91 22 6164 8571 |
| Vishal Purohit | Co-Head Institutional Equities | vishal.purohit@elaracapital.com | +91 22 6164 8572 |

**Sales**

|                 |               |                                  |                  |
|-----------------|---------------|----------------------------------|------------------|
| Amit Mamgain    | India         | amit.mamgain@elaracapital.com    | +91 22 6164 8543 |
| Deepak Sawhney  | India         | deepak.sawhney@elaracapital.com  | +91 22 6164 8549 |
| Kalpesh Parekh  | India         | kalpesh.parekh@elaracapital.com  | +91 22 6164 8513 |
| Nishit Master   | India         | nishit.master@elaracapital.com   | +91 22 6164 8521 |
| Prashin Lalvani | India         | prashin.lalvani@elaracapital.com | +91 22 6164 8544 |
| Sushil Bhojwani | India         | sushil.bhojwani@elaracapital.com | +91 22 6164 8512 |
| Varun Joshi     | North America | varun.joshi@elaracapital.com     | +91 22 6164 8558 |

**Sales Trading & Dealing**

|                |       |                                 |                  |
|----------------|-------|---------------------------------|------------------|
| Manan Joshi    | India | manan.joshi@elaracapital.com    | +91 22 6164 8555 |
| Manoj Murarka  | India | manoj.murarka@elaracapital.com  | +91 22 6164 8551 |
| Vishal Thakkar | India | vishal.thakker@elaracapital.com | +91 22 6164 8552 |

**Research**

|                         |               |                                   |                                        |                  |
|-------------------------|---------------|-----------------------------------|----------------------------------------|------------------|
| Aarthisundari Jayakumar | Analyst       | Pharmaceuticals                   | aarthi.jayakumar@elaracapital.com      | +91 22 6164 8510 |
| Aashish Urganlawar      | Analyst       | FMCG, Media                       | aashish.urganlawar@elaracapital.com    | +91 22 6164 8546 |
| Abhishek Karande        | Analyst       | Technical & Alternate Strategy    | abhishek.karande@elaracapital.com      | +91 22 6164 8562 |
| Adhidev Chattopadhyay   | Analyst       | Infrastructure, Real Estate       | adhidev.chattopadhyay@elaracapital.com | +91 22 6164 8526 |
| Aliasgar Shakir         | Analyst       | Mid caps, Telecom                 | aliasgar.shakir@elaracapital.com       | +91 22 6164 8516 |
| Ashish Kejriwal         | Analyst       | Metals & Mining                   | ashish.kejriwal@elaracapital.com       | +91 22 6164 8505 |
| Ashish Kumar            | Economist     |                                   | ashish.kumar@elaracapital.com          | +91 22 6164 8536 |
| Deepak Agrawala         | Analyst       | Power, Capital Goods              | deepak.agrawala@elaracapital.com       | +91 22 6164 8523 |
| Jay Kale, CFA           | Analyst       | Auto & Auto Ancillaries           | jay.kale@elaracapital.com              | +91 22 6164 8507 |
| Rakesh Kumar            | Analyst       | Banking & Financials              | rakesh.kumar@elaracapital.com          | +91 22 6164 8559 |
| Ravi Menon              | Analyst       | IT Services                       | ravi.menon@elaracapital.com            | +91 22 6164 8502 |
| Ravi Sodah              | Analyst       | Cement                            | ravi.sodah@elaracapital.com            | +91 22 6164 8517 |
| Sumant Kumar            | Analyst       | Agri, Travel & Hospitality, Paper | sumant.kumar@elaracapital.com          | +91 22 6164 8503 |
| Swarnendu Bhushan       | Analyst       | Oil and gas                       | swarnendu.bhushan@elaracapital.com     | +91 22 6164 8504 |
| Bhawana Chhabra         | Sr. Associate | Strategy                          | bhawana.chhabra@elaracapital.com       | +91 22 6164 8511 |
| Manuj Oberoi            | Sr. Associate | Banking & Financials              | manuj.oberoi@elaracapital.com          | +91 22 6164 8535 |
| Durgesh Poyekar         | Associate     | Oil and gas                       | durgesh.poyekar@elaracapital.com       | +91 22 6164 8541 |
| Harshit Kapadia         | Associate     | Power, Capital Goods              | harshit.kapadia@elaracapital.com       | +91 22 6164 8542 |
| Parin Vora              | Associate     | Metals & Mining                   | parin.vora@elaracapital.com            | +91 22 6164 8519 |
| Saiprasad Prabhu        | Associate     | FMCG, Media                       | saiprasad.prabhu@elaracapital.com      | +91 22 6164 8518 |
| Priyanka Sheth          | Editor        |                                   | priyanka.sheth@elaracapital.com        | +91 22 6164 8568 |
| Gurunath Parab          | Production    |                                   | gurunath.parab@elaracapital.com        | +91 22 6164 8515 |
| Jinesh Bhansali         | Production    |                                   | jinesh.bhansali@elaracapital.com       | +91 22 6164 8537 |

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