



“Jammu & Kashmir Bank Limited
Q4 & FY26 Earnings Conference Call”

May 05, 2026



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MODERATOR:

- MR. ANAND DAMA – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Jammu & Kashmir Bank's Q4 and FY26 conference call hosted by Emkay Global Financial Services Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinion and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Dama from Emkay Global Financial Services Limited. Thank you and over to you, sir.

Anand Dama: Yes, thank you operator. Good evening ladies and gentlemen, I welcome you all to Jammu & Kashmir Bank's Post Results Conference call for fourth quarter Financial Year 2026 hosted by Emkay Global. From the top management, we have with us Shri Amitava Chatterjee, MD and CEO and other top management. First, I would request the MD sir to briefly summarize the key highlights from Q4 FY26 Results and also provide some strategic direction on growth, margins and asset quality, post which we will have the Q&A session. Over to you, MD sir.

Amitava Chatterjee: Thank you, Anand ji. I'm audible, I suppose?

Anand Dama: Yes sir, you're audible.

Amitava Chatterjee: A very good evening and a warm welcome to all the investors, analysts and other stakeholders joining us today for the Jammu & Kashmir Bank March 2026 Earnings call. And as mentioned, I would definitely be brief. Before starting with the numbers, let me introduce my fellow colleagues from the bank's senior management who are accompanying me on this call:

Executive Director Mr. Sudhir Gupta; Chief General Managers Mr. Sunit Kumar, Mr. Imtiyaz Ahmad Bhat and Mr. Ashutosh Sareen; Retail Banking Head Mr. Rakesh Magotra, Corporate Banking Head Mr. Suresh Kumar Chowdhary; Impaired Assets Portfolio Management Head Mr. Irfan Anjum, Chief Financial Officer Mr. Ketan Kumar Joshi; Chief Risk Officer Mr. Altaf Hussain Kira and our Treasury Head, Mr. Ajay Kohli.

Financial Year 2026 marks yet another milestone year for the Bank, as we have fulfilled our promise and delivered a fourth consecutive year of record annual profitability, posting a net profit of INR2,363 crores for the financial year. What sets this achievement apart and makes it more special is the backdrop in which it has been achieved as FY25-'26 was laced with frequent challenges, especially in our core geography of Jammu & Kashmir besides global uncertainties. The ability to sustain the trajectory in this challenging environment is a reflection of a structurally stronger and a resilient franchise that has been built over a period of time along with the adaptability of our business model.

Besides ending the year with the highest ever annual net profit, we have also ended the financial year with a record quarterly performance, posting a net profit of almost INR800 crores, recording a 36% Q-on-Q growth.

We are also pleased to have been able to broadly deliver on our market guidance, surpassing the same comfortably on most parameters despite all the challenges faced. The only exception has been a marginal shortfall in the NIM, where we have fallen short of our guidance. This is largely on account of the cumulative rate cuts of 125 bps by RBI in 2025 which has impacted yield on advances, coupled with intense competition for deposits, resulting in a lower transmission of the reduced rates on the liability side.

The bank has registered a business growth of 13.6% during FY 25-'26, with deposits and gross advances growing at 11.3% and 16.8% respectively, both comfortably exceeding our guidance for the financial year.

In accordance with our recalibrated strategy for the fiscal, the loan growth in ROI was much higher at 28.8% vis-à-vis 9.5% for Jammu & Kashmir and Ladakh. This has led to a marginal shift in the regional composition of the loan book, with Jammu, Kashmir & Ladakh contributing 63% and Rest of India contributing 37% as on 31st March 2026, in alignment with the Bank's medium to long-term vision of geographical diversification with a 50-50 business split between Jammu, Kashmir & Ladakh and Rest of India.

Retail, Agriculture and MSME loans, that is RAM, continue to constitute a dominant segment of our loan book with more than two-thirds share. During FY '25-'26, Corporate and Agriculture segments have recorded a robust growth of 38.5% and 27.6% respectively. Our Personal Loan segment in Rest of India has also gained traction with a growth of above 13% recorded for the year. Amongst Personal Loans, Car Loan has been the best performing segment across all divisions with a growth of 17.5%. In the Rest of India division, housing and education loans have also recorded a double-digit growth.

In Deposits, both Jammu, Kashmir & Ladakh and Rest of India have recorded double-digit growth. The growth in Term Deposits at 14.2%, has been higher than the growth in CASA deposits at 8.1%, in line with the broad industry trend. However, on a sequential basis, growth in CASA deposits has substantially outpaced the growth in Term Deposits, resulting in the Bank being able to improve its CASA ratio from 44.10% as on 31st December 2025 to 45.65% as on 31st March 2026, and thereby surpassing our guidance of 45%.

While we have witnessed some moderation in NIM during the year, as mentioned at the start of this call, with NIM for FY25-'26 being recorded at 3.60%, the decline has been relatively contained, especially when seen against the backdrop of the cumulative rate cut of 125 bps by RBI in the calendar year 2025.

Despite pressure on Net Interest Income owing to the contractions in NIMs, as well as a hit on our Other Income on account of impairment provision of INR180 crores along with a sequential moderation in our trading income, triggered by an uptick in bond yields owing to the geopolitical developments, we have still been able to record a 13.5% growth in our annual profit. A key driver of this improved profitability has been operating leverage, with operating expenditure reducing by around 4%. As has been indicated previously also by the Bank, this cost reduction has been brought about by a moderation in our employee costs with tapering of pension-related

obligations and shift of our workforce composition towards NPS. This reduction of costs has also been complemented by enhanced operating efficiency, as evidenced by steady improvement in key productivity metrics with Business per Employee improving from INR 20.18 crores as on 31st March 2025 to INR 23.64 crores as on 31st March 2026 and Net Profit per Employee improving from INR 16.65 lakhs to INR 19.47 lakhs during the same period. Cost-to-Income Ratio also continues to moderate for the fourth year running, being recorded at 56.18% for the financial year.

With this record profitability performance, we have also surpassed our guided RoA and RoE levels, with RoA and RoE of 1.37% and 16.85% respectively for the financial year.

The consistent improvement in asset quality alongside a healthy business growth, now extending to six consecutive years, continues to remain a hallmark of our performance and reflects our commitment to responsible growth. GNPA and NNPA as on 31st March 2026 stand at 2.50% and 0.64% respectively. This demonstrates a structural strengthening of our underwriting discipline alongside a tight control over slippages with Gross Slippage Ratio of just 0.82% for the year. Improved recovery mechanisms have also played a crucial role with another year of negligible credit costs despite a relatively challenging economic environment. Our Provision Coverage Ratio also continues to stay above 90%, reflecting adequate buffers.

With another year of record internal accruals, we have achieved highest-ever Capital Adequacy of 16.55% with CET1 at 13.54%. However, considering that RBI has notified ECL implementation with effect from 1st April 2027, the Bank will consider raising of capital to the tune of INR 1,250 crores in the current year, at an opportune time, for which the Bank has already obtained both Board as well as Shareholders' approval.

Despite a broad-based exodus of FIIs from Indian markets during 2025, with outflows of around INR 2.4 lakh crore, our bank has witnessed an increase in FII shareholding to 8.34% as on 31st March 2026 from 7.64% a year ago. This is a recognition of our transformation journey and consistently improving performance.

The ongoing geopolitical tensions in West Asia, which has led to the World Bank slashing India's growth forecast for FY'26-27 from 7.2% to 6.6%, call for a degree of caution in our immediate future outlook. In light of this evolving external environment, we have taken a conservative stance in our market guidance for '26-'27, which is a credit growth of 12%, deposit growth of 10%, CASA at 45%, NIM around 3.5%, RoA - maintain around the current levels, RoE around 16%, and Gross NPA below 2.25%.

While it may seem like we are under-promising, rest assured, that we will strive to over-deliver, like we did this year.

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

Anand Dama:

Yes, operator, please open up the floor. Yes.

- Moderator:** Thank you so much. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Yogesh Bathia from Sequent Investment. Please go ahead.
- Yogesh Bathia:** Hello, congratulations sir on a good set of numbers in challenging times. My question is regarding the employee cost, which you mentioned in your opening commentary that, you know, we have tried to maintain it. So, this quarter the employee cost has come to INR509 crores versus last year same quarter it was INR734 crores. Similarly, on a full-year basis also we've seen a reduction of 11%. So, I wanted to know going forward for the next year, what trend are we looking at in the employee cost?
- Amitava Chatterjee:** Thank you very much for the comments. Definitely, see there are two basic reasons for the reduction in employee cost. One, as I mentioned, that our pension obligations are being now shifted to NPS, so that is coming down gradually. And second is, of course, over the last couple of years, we have had retirements, so the number of employees have also gone down.
- So, the employee cost has come down, and the shortfall in the employees have been largely compensated by the use of technology that we have been able to leverage on. But that doesn't mean that we will not be recruiting people; as and when required, we will definitely be recruiting people. But going forward, I believe that staff costs will further come down, even in the next quarter and the quarters after that.
- Yogesh Bathia:** Okay. So overall as a percentage, what it used to be in the past of the earnings, it will remain -- it will trend to be lower?
- Amitava Chatterjee:** Yes. It has been lower for the last, I think, couple of years.
- Yogesh Bathia:** Okay. Okay. Thank you, sir.
- Amitava Chatterjee:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Gaurav Agarwal from Nine One Capital. Please go ahead.
- Gaurav Agarwal:** Hello sir, congratulations on a wonderful set of numbers and giving out your comments with such clarity. Sir, as the previous participant asked about the employee cost, sir, is it fair to assume that the quarterly run rate for employee cost starting from Q1 onwards, it is going to be INR500 crores or lower? Is that a fair understanding to take?
- Amitava Chatterjee:** Thank you, Gaurav ji, and it's a very fair estimate that you made. At least for the next two quarters, I am certain that it will be around that.
- Gaurav Agarwal:** And sir, for full year, can it be contained below INR2,500 crores?
- Amitava Chatterjee:** Why I am saying that first two quarters is, I do have some intention of getting some employees into the bank, especially specialized people to take care of various specialized positions in the

bank. So, but then that will not add to the cost because the lowering of the cost in the last say six to seven quarters has been substantial and that will continue. So, it will not add to the cost, but yes, INR2,500 crores if you are considering, it is a fair estimate.

Gaurav Agarwal: Great, sir. And sir, other operating cost this time it has gone up around 13%, 14%. Similar kind of growth we can see for next year?

Amitava Chatterjee: We'll try to contain the operating costs definitely, but I think it will definitely average out.

Gaurav Agarwal: Got it. And sir, lastly on the provisions if you can, you know, help us, what should we, you know, expect on the provisioning as a whole, without taxes?

Amitava Chatterjee: We have -- I don't know how many quarters we have delivered a zero-credit cost situation. So...

Gaurav Agarwal: Yes sir, for us the more the merrier, you know.

Amitava Chatterjee: So, so I believe we still have some amount of NPAs in pipeline which will be recovered in the coming quarters. So, I believe that provisioning will not be something which will be alarming. I cannot predict at the moment; even I had said last year that I cannot predict, but we maintained a zero-credit cost situation.

Gaurav Agarwal: Great sir, thank you so much and I understand that you have given a conservative growth guidance and hopefully...

Amitava Chatterjee: So that is essentially -- that is essentially because of the situation that is going around. But then I gave the same similar kind of guidance last year and I think we overachieved by several basis points.

Gaurav Agarwal: Correct sir, correct. Hopefully this time also we do the same and congratulations and all the best for the next year.

Amitava Chatterjee: Thank you, thank you very much.

Moderator: Thank you so much. Our next question comes from the line of Sonal from Bowhead. Please go ahead.

Sonal: How are you? Congratulations on a good set of numbers.

Amitava Chatterjee: Thank you, Sonal ji.

Sonal: So, sir, I had a couple of questions if you allow me, may I ask three?

Amitava Chatterjee: Yes, please.

Sonal: So, sir, firstly, you know, your miscellaneous income has fallen substantially Y-on-Y. Was there any one-off last year in Q4 or is there any one-off this year in Q4 because of which it has fallen? That's my first question.

Amitava Chatterjee: So, I answer this question first? Other income -- other income has fallen because of the one-time provision of INR180 crores for Gramin Bank, that EDB amalgamation with our Gramin Bank, that was taken in the other income head. So that is the reason, otherwise we are almost at par with last year.

Sonal: So, you're saying that your other income -- I could not actually fully understand. Your other income has fallen, what is to do with Gramin Bank, I could not follow?

Amitava Chatterjee: See, the impairment of the investment in Gramin Bank because of the amalgamation of EDB as per the instructions and the guidance of NABARD, we had to make an impairment of INR180 crores on account of this amalgamation. And you know Gramin Bank is a sponsor -- we are the sponsors of J&K Gramin Bank, and Ellaquai Dehati Bank, EDB, which was sponsored by SBI, was amalgamated with us. So that bank was in a very bad state, it was in a very bad state, it in fact had eroded entire net worth.

While we should have not been required, we had represented with all the authorities including Finance Ministry, but then it was a policy decision that was taken for all the banks, all the regional rural banks that were amalgamated. So, on account of that, we had to take an impairment and that was classified in the other income head. So that is the reason it went down.

Sonal: And sir, when we talk second question, when we talked about the, you know, the increase in employee cost, you know, what is the increase in employee cost because initially you said it will fall, then you said you will hire, you know, so if you could just give some idea, is it going to increase in absolute terms compared to FY '25-'26, is it going to be lower, and if increase, you know, what would be like what kind of percentage, rough?

Amitava Chatterjee: It will not increase. When I say that I will hire, the additional -- see, it's a very simple arithmetic when you hire in a bank, you lose people on account of retirement who are high-paid individuals. And we when you hire, they come at a lower cost. So obviously the cost will not go up, cost is definitely going to go down. We still have a substantial number of people retiring this year and also the, as I mentioned, the cost of the pension liabilities that we have, that has been shifted to NPS.

So that is the reason why I said that employee cost will not go up, employee cost will steadily come down. The rate of reduction might be slightly reduced if we hire people, and that also is not going to happen for the first two quarters of next year. If we are able to hire, it will -- the impact will come only in the third and the fourth quarter.

Sonal: So, sir, just to put things in context, you had almost a INR2,500 crores employee cost this year, INR2,480 crores, and this quarter is INR509 crores. There was no one-off in this INR509 crores, right?

Amitava Chatterjee: No, one-off., sorry, sorry, there was a reversal of INR153 crores in Q4. That was on account of discount rate change in retirement benefits. Because of that, we had a one-off reduction of INR153 crores in this quarter. Right.

Sonal: Because Q4 is typically a peak employee cost, you know.

Amitava Chatterjee: Correct, correct.

Sonal: Okay. So, but you're saying overall on a yearly basis, this INR2,500 crores number is unlikely to grow up even as your loans grow by, you know, 12% or whatever number you've forecasted?

Amitava Chatterjee: Yes, yes, it's not going to grow, right.

Sonal: And sir, you had talked about two more, you know, you had talked about being large number of changes in the bank, you know, some time back, what's the progress on them and, you know, because of the changes you were actually expecting to accelerate your growth at some point of time. So where are we in the cycle? Are you in the late stages of those changes? Are you still in the early stages of those changes? And I missed your ROA guidance, if you could just repeat that for us. Thank you.

Amitava Chatterjee: ROA we are going to remain where we are, 1.37%, we wish to maintain it at that. You talked about the initiatives taken. I guess I have lost count on the number of initiatives that we have taken this financial year, and very happy to share that all the initiatives are now in place and functioning. I mean, they are not at any stage, they have started functioning. For example, we have the clusters, the change in the reporting structure of cluster heads, we have the CPCs in place, we have all those control mechanisms that we needed to apply in the bank.

So, a host of all those initiatives were taken early and also the initiatives related to technology also, getting many additional softwares which will help us in generating more business. So, most of them have been already put in place. For example, we have an end-to-end digitized loan journeys now for all loans, not only retail loans, all loans. So these are certain initiatives which have already been completed and they have started showing results. The TAT in case of our corporate, mid-corporate, and SME loans have come down substantially in the last quarter.

So now this year, we intend to consolidate -- instead of initiating more such initiatives, new initiatives, we intend to consolidate on the initiatives already taken, ensure that they are functioning at its best and efficient best, and get the maximum out of them. The HR initiative, for example, I just forgot to mention, for the first time in the bank, we have completed the entire set of promotion exercise for the bank within March.

So everybody has been placed in their new positions, start doing business from the very first month itself. And it has shown result; the first month figures that I have with me, end of April, they are far better than any April of previous years. So if you ask me if they're showing results, they are definitely showing results.

- Sonal:** And therefore, sir, you should grow much faster than the system-wide loan growth. So let's say the entire country's loan growth grow at 12%, 13%, 14%, do you expect to grow much faster than the system loan growth or you expect to match it or grow lower than that?
- Amitava Chatterjee:** See, I gave these conservative figures only because of the environment around. But if the system grows at 16%, I would definitely want to grow more than 16%. And that is given, you can take it from me.
- Sonal:** Understood. Thank you so much.
- Moderator:** Our next question comes from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Thank you so much for taking my question, sir. Most of my questions have already been answered, but just like, sorry to harp on our guidance. Sir, ROA in Q4 also I think we were able to do around 1.7%, 1.8%. So I understand you want to be conservative, but just for us, we can at least expect our Q4 to be maintained, right, in terms of ROA, sir?
- Amitava Chatterjee:** Quarter-on-quarter you're saying?
- Darshil Jhaveri:** Yes, the just -- we will not have a decline, right?
- Amitava Chatterjee:** What I gave the guidance is not for the quarter, for the year ahead. But definitely we would like to -- see not every quarter we will have a profit improvement of 33%, right? So we need to keep that in mind. But yes, our endeavour will always be -- I told you in the beginning only, whatever guidance we have given, they are the base guidance that we are trying to give. The ultimate numbers would be much better, that I can assure.
- Darshil Jhaveri:** Okay. Fair enough. Yes, that's it from my side, sir. Thank you.
- Amitava Chatterjee:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Mona Khetan from Club Millionaire PMS. Please go ahead.
- Mona Khetan:** Hello.
- Amitava Chatterjee:** Yes, Mona.
- Mona Khetan:** Hi sir, good evening and congrats on the quarter. Firstly, I think it was a great move to not to pay out dividend in order to conserve capital. So I have two questions in particular. Firstly, when I look at your segmental growth, the financial market book has grown very fast in the last one year, almost doubled, the mix has almost doubled. So what is driving this growth, what constitutes -- what are the constituents in this book that is driving the growth?
- Amitava Chatterjee:** See, if you look at the entire industry, this financial year has been excellent for the NBFCs. The NBFCs have grown, and NBFCs grow when they get a lot of banking support. So we have -- if

you compare it with previous years, we have actually been able to have some good NBFCs onboarded with good returns from them. So this year we have had some very good NBFCs, all highly rated NBFCs, and that is the reason why this segment is showing higher growth.

Mona Khetan: Does this also include the co-lending book that you do and what would be the size, if that's all, this year versus last year of the co-lending book within this?

Amitava Chatterjee: See, last year we started co-lending very late. Last year the book has – I mean it is still yet to give any substantial numbers. But this year we have a target of say around INR1,000 crores to start with, and we have a board approval of going up to INR5,000 crores. But then we will wait and watch how it actually pans out because the co-lending activity has just started late in the fourth quarter.

Mona Khetan: Okay. So you're saying that the financial market book doesn't include -- I mean, of the INR20,000 crores of financial market book, co-lending is not a very material part?

Amitava Chatterjee: No, not yet.

Mona Khetan: Okay. So this is mostly driven by the NBFCs, lending towards NBFCs?

Amitava Chatterjee: Yes.

Mona Khetan: Okay. Secondly, you mentioned about this impairment provision of INR180 crores for Gramin Bank. So this is not related to Q4, right? This is mostly for the full year, which is H1 you made some provisions. Is that a correct understanding?

Amitava Chatterjee: Yes, yes, it is for the entire year.

Mona Khetan: Okay. So this year it was not part of the other income lines, correct? This quarter, I mean, this quarter.

Amitava Chatterjee: Not this -- not this quarter.

Mona Khetan: Noted, noted. And just finally, if you could throw some light on the ECL impact that may as a percentage of net worth, what could be the impact of ECL?

Amitava Chatterjee: See, before giving you any kind of a number, I would like to mention that each bank will have its own model, a board-approved model for calculation of ECL under the overall guidance of the circular issued by Reserve Bank of India on this. So it will be -- it will not be very accurate if I say what kind of provisioning this bank will have to make for the period of five years.

Because on both counts, with the data available for the banks and the kind of improvement that the banks can make over a period of time on many aspects, especially on Stage 2 and Stage 3 ECL requirements, I can say that if I take the base requirements of the circular given by RBI, for a period of five years, I think our bank will need to provide for around INR1,600 to INR1,700 crores.

- Mona Khetan:** Okay. And just one final thing...
- Moderator:** I'm sorry to interrupt you, ma'am. Mona ma'am, you may please rejoin the queue, we have a lot of participants. Thank you. Our next question comes from the line of Arman from Blue Sky Fintech. Please go ahead.
- Arman:** Yes, first of all, congratulations, a good set of numbers. I just want to reiterate on -- could you just say again the guidance numbers which you said in the beginning?
- Amitava Chatterjee:** Yes, thank you Arman. The guidance number, the conservative guidance number that we have given, credit and deposit both at the same levels of last year guidance: that is 12% and 10%; CASA at 45%; NIM around 3.5%; ROA to maintain around the current levels; ROE would be around 16%; and gross NPA below 2.25%.
- Arman:** Below 2.25%. Okay.
- Amitava Chatterjee:** 2.25%.
- Arman:** Okay. And like sir, as already previous participant have asked because ROA for our Q4 exit is already very high and we are giving comparatively a very conservative guidance. So anything more to harp upon it? That's it from my side.
- Amitava Chatterjee:** See, I told you, we had a very good profit growth during the last quarter of this year, the last financial year. It was almost a 33% jump from December profits. So I do not expect every quarter to have a 33% jump on profits. That is the reason I have given.
- Of course, like you would like to see the ROA to be at around 1.7%, 1.8%. I would like it to be better. But then the guidance that I give is based on some realistic conservative assessment. But then you can rest assured that it is not going to be worse than this, it is going to be better than this.
- Arman:** Okay, okay. Thanks. That's it from my side. Thank you.
- Amitava Chatterjee:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Yes, thanks for giving this opportunity. Sir, my question relate to NIM guidance of 3.5%, but if we see the scenario, the rate cycle is now over, so you will be getting some benefit in the coming quarters or is there anything more you need to factor in before it starts reversing?
- Amitava Chatterjee:** See, the answer to your question is a little bit deep, considering the fact that why we have given a 3.5% guidance on NIM. You are very right, it is likely to improve because the interest rates on advances have already been passed through, and the deposit rates benefit is likely to accrue in the coming quarters.

But the fact that this geography had a difficult time last year and the Personal segment which is more or less majorly contributing to our interest income from this geography was largely affected last year. We compensated it with different strategies which I've already mentioned earlier.

But the impact of that will at least be there for some time, the low interest income that we have been able to generate from Jammu & Kashmir, which will take around one, one and a half quarters to be regenerated. So that is the reason I have given a NIM guidance of 3.5%, otherwise I must say that it will be on an upward trend.

Sunil Jain: Okay. And sir, second question if you can share the data about SMA-1 and SMA-2 data.

Amitava Chatterjee: Yes, just give me a second. Total SMA if you look at March to March, March '25 we had INR23,087 crores, that is 22.33% of advances as SMA, which has come down to INR14,724 crores, that is 12.07% of the advances, that is almost 10 percentage points reduction in SMA.

From December to March also we have a reduction from 12.58% to 12.07%. Now SMA-1 has come down from 5.54% to 4.44% March Y-on-Y, and SMA-2 is slightly higher at 0.71% which was 0.35% last year. But from December, which the SMA-2 was 2.92%, we have been able to reduce it to 0.71%.

Sunil Jain: Okay sir, great. Thank you very much for your answer.

Moderator: Thank you. Our next question comes from the line of Keshav Karwa from White Pine Investment Management Private Limited. Please go ahead.

Keshav Karwa: Sir, thank you for the opportunity. Just wanted to know that your yield on advances has been declining. So how are you planning to improve these yields for FY '27?

Amitava Chatterjee: Yield has decreased on account of the repo rate cut that has happened in the last financial year. And also, I mentioned that we, because of the situation in this state, we had a hit on our retail advances. So, the Financial Year '26- '27, we are concentrating on retail advances, including what we did in agriculture.

The retail advances have high returns. So definitely the yield is going to improve this year because last year largely we had to compensate the low growth in this geography by doing some corporate advances. And you know that high-rated, highly-rated, which are the only ones we target, the highly-rated corporates, the rate of interest are very, very competitive.

So slightly that has impacted the yield. But going forward, the focus and the concentration is on the two-third part of our loan book, that is the retail, and we are going to concentrate on that to improve our yields.

Keshav Karwa: Okay sir, thank you.

Moderator: Thank you. Our next question comes from the line of Pranay, an individual investor. Please go ahead.

Pranay: Yes, congratulations on an excellent result, Mr. Chatterjee, and it's a testament to your leadership that a bank is doing so well despite all the uncertainties and challenges starting early last year. Sir, my first question was to understand the competitive landscape in the state of Jammu & Kashmir. If you can just give us some color of what you are seeing in terms of the competitive intensity outside of the major markets of just Jammu and Srinagar?

Are there a lot of new branches opening up in Pulwama, in Budgam, in Anantnag and so on? How are you seeing that change and how is it impacting our the stickiness that we have with our customers and our efforts to attract new customers to the bank?

Amitava Chatterjee: Thank you, Pranay. thank you very much for your kind words. Yes, the competitive landscape has changed quite a bit in Jammu & Kashmir. While we still maintain a market share of 60%, the branch share is only 37%. Now that 60% might sound very good as of today, but it has come down substantially from last two - three years.

But then last year, we did a lot of improvement in our customer services and we also opened branches at strategic locations in Jammu & Kashmir. To answer a part of your question, yes, other banks are also opening account—opening branches, but mostly in the urban centers of Jammu and Srinagar.

Yes, a few branches have been opened in the areas that you mentioned, but these are the places where we actually still hold close to 80%-85% market share. There I don't see much of a competition. The competition which is coming is largely coming in Srinagar and Jammu.

And in the last one year, and I don't have the RBI data, but I believe that we have been able to restore a bit of lost market share that we have lost in the last few quarters in the last financial year. So, I'll be waiting for the numbers to come, but we have been able to get back quite a few accounts which we had lost earlier.

Pranay: Right. Thank you, sir, for that. And I'm very happy with the progress that the bank is making. Sir, just in terms of customer services, just to sort of highlight on that, if we read a lot—like I've spoken to a lot of our customers and I've personally gone through our app, the mobile app that we have on Apple and on Google Play Store.

And while there have been improvements, I think you would agree that there is still a large scope for us to further improve on the UI/UX, on the ease of doing business for a retail customer, whether it is a household in Jammu & Kashmir or a horticulture farmer and so on, or a tourism business person.

If I could just request your team, your technology team to work a little harder on the mobile app and other ancillary service touchpoints at the branch level, I think we could do much better than we are doing sir?

Amitava Chatterjee: Thank you, thank you very much for the suggestion, Pranay. Just want to mention two things on this. The first aspect see, we had had a revamp of the mPAY Delight app that we have recently, about 12 months ago. So now we have a fairly robust app, but then the first aspect that we are currently looking at is totally having a 100% uptime for all the systems that we have, including the app. So that was our first aim.

We have been if you have been following the bank and the app closely, you would have noticed a marked difference in the last couple of months or three months maybe in the uptime. So that was our first aim and we have been able to contain the downtime to quite a bit. The second part is improvement in the facilities in the app, the services.

So that is second and we are working on it. We are closely watching what the other banks have in offer, and not only that, we have a few good things coming up on our own. So definitely we are working on both counts. So, you must be—I mean, in a couple of months' time, you will be having a much better experience on the app front.

Pranay: Yes, thank you so much, sir. I'll come again next time. Thank you so much and best of luck for the new year, sir. Thank you.

Amitava Chatterjee: Thank you.

Moderator: Thank you. Our next question comes from the line of Sonal from Prescient Capital. Please go ahead.

Sonal Minhas: Hi sir, this is Sonal Minhas. I hope I'm audible.

Amitava Chatterjee: Yes, Sonal, please go ahead.

Sonal Minhas: Sir, two questions from my side. I see that the gross NPA under the category of trade in your sector-wise credit deployment has come down significantly quarter-on-quarter. Last quarter the gross NPA was INR765 crores and this quarter the number is INR597 crores. Could you just give some subjective color on what has happened in this particular category? That's my first question, yes.

Amitava Chatterjee: See, I mentioned in the beginning itself, we have been very, very focused on improving our recovery mechanisms. So, we have been very closely monitoring the accounts and focusing on recovery efforts.

Like we have been able to reduce NPAs and SMAs, we have been able to contain the SMAs which have not given rise to any further slippages, the slippage ratio is also contained. So that is one aspect. And a bit of it also would be technical write-off that we have done in the last quarter.

A few small accounts have also been written off where the NPAs have been there for more than three to four years where recoveries have not come. So, it is a combination of both.

- Sonal Minhas:** Got it, sir. So, my broader question was which category amongst these is sticky? Basically, when we talk about trade, real estate, we talk about infrastructure and services, are we seeing some categories here in terms of sectors where the NPAs are sticky?
- Amitava Chatterjee:** To be very honest with you, Sonal, I have been trying to find out one category or one segment which is sticky for the last one and a half years that I have been here. I have not found any, very honestly, I'm telling you, I have not found any particular category which is sticky. The very fact that even the stickiest of all categories in the country, that is the Agri, we have the least NPAs in Agri. So, I would not categorize any segment as sticky.
- Sonal Minhas:** Understand that, sir. And sir, from a color of the NBFCs you're lending to in the financial markets, could you highlight broader sector segments you are lending to in financial markets? Like are there more MFIs, are there more like CV NBFCs? If you could just light us a little bit, that will help understand.
- Amitava Chatterjee:** My CRO is smiling at me listening to your question. No MFIs, zero MFIs. We have not lent to any MFI. First of all, all the companies that we have lent to, the NBFCs, are all AAA rated. Number one.
- Number two, they are primarily in the housing sector, some in the public sector, then there is a bit of gold loans also. So primarily in these areas and also some general consumer related NBFCs. I would not name the NBFCs, but there are a few. But one thing is common, all of them are AAA rated.
- Moderator:** Thank you. Ladies and gentlemen anyone who wishes to ask a question may press star and one. Reminder to all the participants, if you wish to ask a question, may press star and one. Our next question comes from the line of Nirav Sheth from Emkay Global Financial Services. Please go ahead.
- Nirav Sheth:** So, congrats Amitava, this is good set of results. So, I'm going to focus less on this year and I'm not looking this as a sort of guidance, but given where we are in terms of a cleaned-up balance sheet, you know, stabilizing liabilities, looking at non-Jammu book, on a three-year perspective, sir, what is the kind of growth, business growth that you want to target?
- And this is more aspirational rather than saying that you're going to hold you to these numbers. But assuming that there are no macroeconomic setbacks, and it's not that you've got a very big book. So what do you think you would aspire to gun for?
- Amitava Chatterjee:** Currently, thank you Niravji for the kind words. Currently, if you look at our business levels is at around INR2.9 lakh crores at the moment. If you ask me three years' time, it's not aspiration, our aim and what we have with us in the bank, we aim to cross INR5 lakh crores by then. So that is the first aim, of course, depending on the environment and market situations. So in three years' time, we will definitely be crossing INR5 lakh crores of business.

- Nirav Sheth:** Excellent. And so that obviously means that we're looking at somewhere between 17% and 18% sort of growth rate in advances and all to get to those kind of numbers, which is obviously what you've been delivering. Yes.
- Amitava Chatterjee:** Definitely, definitely.
- Nirav Sheth:** Excellent. This is great to hear given your ROAs and where you are. I think all the best to you, sir.
- Amitava Chatterjee:** Thank you, sir. Thank you very much.
- Moderator:** Thank you. The next question comes from the line of Sonal with Prescient Capital. Please go ahead.
- Sonal Minhas:** Hi sir, Sonal this side again. I think I missed asking third question. I just wanted to understand the credit cost guidance for next year.
- Amitava Chatterjee:** The toughest question you have asked me. See, I have been -- I mean, people have been asking me how long are you going to have a zero credit cost. So I always say that I would like to continue with a zero credit cost as long as possible. I guess the credit cost will be somewhere around say 0.1% or 0.2% maximum, not more than that.
- Sonal Minhas:** Got it, sir. And this is well below whatever the benchmarks are basically for the sectors you work in. So yes, which is good. All right, sir. That's it from my side. Thank you.
- Amitava Chatterjee:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Pranay, who is an Investor. Please go ahead.
- Pranay:** Yes, sir, thank you once again for this opportunity. Sir, I just wanted to again work -- ask about the credit cost, not from an immediate 12-month perspective, but given that first of all, the asset quality across India has -- we're sort of in this Goldilocks scenario where slippages are very low, and especially for a bank like ours where we don't have exposure to MFIs or credit cards or a large -- any significant unsecured loan exposure.
- Our unsecured book is very different from that of other banks. But our slippage is still at 0.6%, 0.7%, which is commendable. But after -- from a three-four year length, sir, I think it's safe to say that we should normalize a much higher credit cost than we've been achieving right now because of all the upgradations and reversals.
- But how do we see that evolving in another three-four years because if our credit cost goes to our slippage ratio at 0.5%, 0.6%, 0.7%, then our ROE, ROA metrics look different. So how do we see that when we cross that over a period of time?

Amitava Chatterjee: See, if I have to do some analysis, then I'll have to look at my historical data. And if I look at my historical data, I am unable to assess a credit cost which is more than 1% in the next three to four years. And 1% is also a very, very upwardly optimistic or pessimistic figure if you may say.

Because if I had seen some inherent weaknesses in my book, if I had loans in the book which also is say susceptible to the changing the business environment or the economic environment, more or less we are insulated on those because of the portfolio that we have currently. And you are right on that.

So I don't see the credit cost being a factor to be discussed even in the next two to three years. I don't believe so. And on top of it, we have a very robust, I mean, we have developed a very robust recovery mechanism and we have added another initiative to that. We have introduced the concept of Zonal IARBs. Now Zonal IARBs are specialized outfits which cater only for recovery.

So the setup that we have, the way we have been able to tackle the slippages and the NPAs and the recoveries, I don't believe at least at the moment I don't believe that credit cost will be a cause of concern for us.

Moderator: Thank you, sir. Our last question for the day comes from the line of Mona Khetan with Club Millionaire PMS. Please go ahead.

Mona Khetan: Yes, hi sir, thanks again for the opportunity. I just had two clarifications on the margin and on the credit cost. So while you've guided for 3.5% kind of margin against 3.6% this year, but I see that there are levers in terms of maturity of RIDF investment etcetera.

As well as some more scope in terms of deposit repricing etcetera. So to that extent, don't you think 3.5% or a decline versus this year is a very conservative guidance or how do you look at it?

Amitava Chatterjee: Monaji, I would be happy to give a guidance of 3.5% and end up at 4%. Right? Why I have given this guidance is based on what I have already said. The income that had been generated in this bank in the last financial year and before that, I mean, not FY '25-'26, FY '24-'25 and FY '23-'24, essentially came from the retail loans that we have in Jammu & Kashmir.

Now that, because of last year's difficulties in this geography, we did not have that kind of an income. And that part, I believe is going to continue for some time. The growth that we are going to have in the coming year, and you are right, the RIDFs maturing, we have the low-cost investments which are going to be for us to invest further.

The margins would be better, definitely better. But I am still not very sure as to when the returns from the retail advances will start to accrue. It might start accruing very soon. I have already seen green shoots. So once that starts, then maybe next quarter I will be able to revise my guidance on NIM.

- Mona Khetan:** Noted, noted. That's very clear. And secondly on the credit cost rate, you mentioned of 0.1% to 0.2% kind of credit cost. Does that factor in the impact of ECL provisions as well that you'll be making over the next five years?
- Amitava Chatterjee:** No, no, that doesn't factor in the impact of ECL.
- Mona Khetan:** Got it, got it. That's all from my side. Thank you so much and all the best.
- Amitava Chatterjee:** Thank you, thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Anand for closing comments.
- Anand Dama:** Thank you, sir, for the elaborated call that we had. Thanks to all participants as well. On behalf of Emkay and the Management of Jammu & Kashmir, I thank all the participants for joining. Happy evening and have a good day. Thank you.
- Amitava Chatterjee:** Thank you Anand. Thank you to all the participants. Thank you.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you everyone.