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Investor Brief for June 2023

A Very **Good Morning** and Warm Welcome to all the participants.

The Indian economy seems to have carried the momentum from the past year into the current fiscal and there has been no evidence by far that suggests a slowdown in the current financial year 2023-24. India ended the FY'2023 on a strong note as per provisional estimates released by the National Statistical Office (NSO) recently stating that real GDP growth for 2022-23 stood at 7.2 per cent, higher than the 7 per cent as was projected earlier. GST collections have been robust with services sector recording decade high expansion during the first two months of current fiscal. However, owing to global concerns, exports are struggling. Food inflation pushed the inflation higher in June. Monsoon remains a key factor till weather conditions normalize.

For 2023-24, the central government sees growth at about 6.5 per cent. As per S&P Global rating, India is poised to be the fastest-growing economy for the next three years estimating it to grow at 6.7% - 6% in 2023-24 and 6.9% in the succeeding two years. The growth is driven primarily by the strength of the domestic demand.
Stock Market has witnessed a prolonged Bull-Run with the SENSEX even crossing the 67000 mark supported by strong FII inflows.

According to the IMF, manufacturing is showing weakness across G20 economies and global trade remains weak, but the demand for services is strong, particularly where tourism is recovering. The IMF did not indicate any changes to its April 2023 global GDP growth forecast of 2.8% - down from 3.4% in 2022 - but said that risks were "mostly" tilted to the downside including the intensifying Russia's war in Ukraine, stubborn inflation and more financial sector stress that could disrupt markets. First quarter global growth slightly outpaced projections in its April forecasts, but data since then has shown a mixed picture, with "pockets of resilience" alongside signs of slowing momentum.

Coming to J&K and Ladakh, the UTs have witnessed profound ameliorative, affirmative and progressive changes in the last four years encompassing its entire governance — including development activities, public administration and security matters — which are positively impacting every aspect of economic and social well-being.

The tourism industry was witnessing rapid improvement as J&K saw a record 1.9 crore footfall in calendar year 2022 and over 80 lakh people have already visited the UT during the first half of this year and the total tourist arrivals for the year 2023 is expected to surpass 2 crore. Tourism has a cascading effect on multiple allied sectors like Hotels, Restaurants, House-Boats, Taxi / Shikara operators, Home-stays, Handicrafts, Dry Fruits, small businesses, etc. Other sectors of the economy are also getting the push from the infrastructure development which has also improved the accessibility by providing all-weather connectivity.

Banks across board have continued with good run of financial results in the Q1 of the FY on the back of robust growth numbers. Due to inflation concerns owing to high food prices, RBI may not reduce the policy rates in the near term and the decision will largely hinge on global developments and moderation of weather conditions in the country.

Continuing with the sustained improvement in financial parameters, the Bank has delivered another set of good quarterly numbers for June'2023. What is discernible in the Q1 numbers is manifest in the growth in core Revenue numbers – The Interest Income & the Fee Income.

Year-on-Year increase of 26% in Interest Income, 24% in NII, 12% in Non-Interest Income has contributed to 38% increase in Operating Profit compared to corresponding quarter of previous FY. On the sequential basis also there is marked improvement in Pre-Provisioning Operating Profit (i.e. PPOP) by 17%.

YoY Growth in Advances at 17% and sequential 3% on Q-o-Q basis is at par with the industry. Deposits growth at 8% YoY is lower than the Industry. On sequential basis i.e. June over March, decline in deposits has been a trend with the Bank owing to movement of Government Funds – which usually remain at the peak during March quarter.

The Bank had surplus liquidity part of which was leveraged to support the credit growth. Owing to the existing interest rate differential, there has been some internal cannibalization of deposits – a shift from CASA towards Term - though most of our Savings Deposit accounts have exhibited in-elastic character over sustained periods. Despite this slight shift – which is an industry phenomenon -, our Bank is maintaining a CASA ratio of 53.29%.

In Advances, while Corporate loans (17%) and Personal Finance (15%) contribute majorly to the YoY growth, it has been the Personal Finance segment which has majorly contributed to QoQ growth numbers. In the Personal segment, Housing Loans has grown at over 20% on YoY and 4.5% on QoQ basis.

In order to address shortfall in PSL sub-targets, Bank got over 44 thousand eligible loan accounts aggregating to over Rs.2000 crore Udyam registered during the quarter to improve performance under MSE lending.

The sustained improvement in Yield on Advances (YoA) and Yield on Investments (YoI) have resulted in NIM of 3.98% for the June quarter. Improvement in the YoI is a result of reinvestment of short-term securities acquired during low-interest rate regime at better yields. There is further scope of improvement in these yields as we still have significant amount of redemptions of low-yielding investments happening in the ensuing periods.

With adoption of centralized processing for account opening, loan appraisal of personal (consumption / consumer loans, etc) including STP model for Government Employees, Per Employee Productivity & Profitability and resultant efficiency ratios are gradually improving. The Cost-to-Income ratio has moderated to 65.07% from 69.17% in corresponding quarter in FY2023 and 68.24% in March'2023 quarter. With better leveraging of technology our intermediation costs (cost-to-serve) are bound to go down significantly. Plus we have a significant number of high-cost employees scheduled to retire over the next 3-4 years.

Coming to Asset Quality, we have further reduced our GNPA and NNPA ratios to 5.77% and 1.39% and we are on course to achieve the year-end target of 4.5% of GNPA. Provision coverage, we have increased to 87.55%. Recovery during the quarter was somewhat muted, but the highlight of the quarter is the controlled slippages. After witnessing very elevated slippages last year – due to some technological issues – our slippage ratio has been below 1.5% (annualized) during the June quarter.

The Restructured Loan Book is performing satisfactorily and it has reduced by over Rs. 240 Crore during the quarter and the trend of reducing it further shall continue.

On the Credit Cost front – 26 basis points during Q1 – we are confident to keep it to the bare minimum owing to controlled slippages, high PCR which reduces our ageing provision requirement and expected write-backs on account of recoveries.

We foresee adequate internal accruals during the year which are expected to suffice our CET-1 capital requirements. However, we have an enabling Board approval for raising of capital which we may consider utilizing at the appropriate time & price, if need be. There will be more clarity regarding this going forward - may be after Q3 based on trend of PAT.

The Capital Adequacy ratio of 14.83% as on June 20223 is without reckoning the quarterly profit and the amount mobilized under ESPS-2023.

Once again I thank you all and acknowledge your guidance, support and trust and we expect it to continue in the coming days.

I will be glad to have your questions now…………Thank you very much.

Concluding remarks after Q&A session

Thank you, ____________, and thank you to all the participants for joining in today. For any further questions, queries, details, comments or anything else, the team is always available and you can also direct your queries to our Investor Relations desk and we will definitely respond...