

Jammu & Kashmir Bank

BSE Sensex 19,580	S&P CNX 5,939
Bloomberg	JKBK IN
Equity Shares (m)	48.5
M.Cap. (INR b)/(USD b)	64.7/1.3
52-Week Range (INR)	1,473/782
1,6,12 Rel.Perf.(%)	2/30/50

CMP: INR1,329
TP: INR1,675
Buy

Jammu and Kashmir Bank (JKBK) posted PAT growth of 36% YoY (7% QoQ) in 3QFY13 to INR2.9b. Core operating parameters were healthy, with NIM at 4.1% (up 44bp YoY and 13bp QoQ), loan growth of 20% YoY (4% QoQ) and PCR of ~94%.

- While slippages were contained at INR1.1b (annualized slippage ratio of 1.5%), negative surprise came from higher restructuring of INR7.3b (2% of overall loans). The management mentioned that the restructuring was largely on account of four large corporate accounts worth INR4.7b.
- While yield on loans declined 11bp QoQ to 12.6%, the decline in cost of funds was sharper (down 26bp QoQ), and led to margin expansion (13bp QoQ) to 4.1%. Margins were 6% in the home state and 2.5% in states other than J&K.
- Loans grew 6% QoQ within J&K and 4.5% QoQ in other states. Overall loans grew 20% YoY.
- CASA growth was strong at 7% QoQ and 15% YoY, led by 7% QoQ (17% YoY) increase in SA deposits. CA deposits grew 10% QoQ (9% YoY). CASA ratio improved to 39.4% v/s 38.2% in 2QFY13.

Valuation and view: JKBK continues to deliver healthy performance on business growth and NIM. Some of the core operating parameters like CASA ratio of ~40%, NIM of 4% with the lowest CD ratio of 62%, PCR of 94%+ and RoA/RoE of 1.5%/+ 21%+ remain the best in the industry. While the sharp increase in restructured loans came as a negative surprise, the management stated that these were technical and no NPV hit was taken. Further, it does not expect significant restructuring going forward, which provides some comfort. Maintain **Buy**.

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
NII	22.9	26.0	30.2
OP	17.4	19.5	22.6
NP	10.8	11.4	12.8
NIM (%)	3.8	3.6	3.6
EPS (INR)	223.3	235.6	264.1
EPS Gr. (%)	34.8	5.5	12.1
BV/Sh. (INR)	1,015	1,196	1,398
ABV/Sh. (INR)	1,003	1,173	1,365
ROE (%)	24.0	21.3	20.4
ROA (%)	1.7	1.5	1.4
Payout (%)	23.4	23.4	23.4
Valuations			
P/E(X)	3.4	3.5	4.0
P/BV (X)	1.3	1.1	1.0
P/ABV (X)	1.3	1.1	1.0
Div. Yield (%)	3.4	3.5	4.0

J&K Bank: Quarterly Performance

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	10,559	11,556	12,665	13,575	14,762	15,006	15,332	15,917	48,356	61,017
Interest Expense	6,187	7,213	8,157	8,414	9,405	9,479	9,390	9,881	29,972	38,156
Net Interest Income	4,372	4,343	4,508	5,161	5,356	5,527	5,942	6,036	18,384	22,860
% Change (YoY)	19.5	16.5	15.7	24.1	22.5	27.3	31.8	17.0	19.1	24.4
Other Income	670	712	736	1,222	934	909	905	1,185	3,341	3,933
Net Income	5,042	5,055	5,244	6,383	6,290	6,436	6,847	7,220	21,725	26,793
Operating Expenses	1,878	1,927	2,009	2,208	2,138	2,209	2,500	2,550	8,022	9,397
Operating Profit	3,164	3,128	3,236	4,176	4,152	4,227	4,348	4,671	13,703	17,397
% Change (YoY)	9.7	10.0	15.2	41.1	31.2	35.1	34.4	11.9	19.2	27.0
Other Provisions	445	223	182	843	504	328	224	651	1,692	1,700
Profit before Tax	2,719	2,904	3,054	3,333	3,648	3,899	4,124	4,019	12,011	15,696
Tax Provisions	896	908	922	1,252	1,187	1,203	1,230	1,245	3,979	4,866
Net Profit	1,823	1,997	2,132	2,081	2,461	2,695	2,894	2,774	8,032	10,831
% Change (YoY)	25.3	22.3	27.0	50.2	35.0	35.0	35.7	33.3	30.6	34.8
Operating Parameters										
NIM (Reported, %)	3.8	3.7	3.6	3.9	3.8	3.9	4.0		3.6	
NIM (Cal, %)	3.8	3.7	3.6	3.9	3.8	3.9	4.0	3.9	3.6	3.8
Loan Growth (%)	14.6	21.8	17.2	26.3	25.8	21.4	19.9	18.0	26.3	18.0
Deposit Growth (%)	14.5	19.5	19.3	19.4	23.3	15.8	17.0	15.0	19.4	15.0
CASA Ratio (%)	40.4	38.2	40.2	40.7	38.7	38.2	39.4		40.7	
CD ratio (%)	61.3	59.5	61.0	62.0	62.6	62.4	62.5	63.6	62.0	63.6
Asset Quality										
Gross NPA (INR b)	5.3	5.4	5.5	5.2	5.4	5.5	5.8	6.2	5.2	6.2
Gross NPA (%)	2.0	1.9	1.8	1.5	1.6	1.6	1.6	1.6	1.5	1.6

E: MOSL Estimates; All quarters have been adjusted for reclassification in quarterly results

All quarters have been adjusted for reclassification in quarterly results

Sohail Halai (Sohail.Halai@MotilalOswal.com); + 91 22 3982 5430

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com); + 91 22 3982 5415

Investors are advised to refer through disclosures made at the end of the Research Report.

Overall NIM expands 13bp QoQ, driven by lower cost of funds

While yield on loans declined 11bp QoQ to 12.6%, the decline in cost of funds was sharper (down 26bp QoQ), and led to margin expansion. Incrementally, higher funding was done through CASA (which constituted 71% of incremental balance sheet growth), resulting in decline in cost of deposits. Strong NIM of 6% in the state of J&K (constitutes 41% of overall loans) is translating into higher overall NIM. NIM in states other than J&K was 2.5%.

Reported GNPA and NNPA contained

Slippages were contained at INR1.1b (annualized slippage ratio of 1.5%) v/s INR984m a quarter ago. GNPA increased 5% QoQ to INR5.8b while NNPA declined 11% QoQ to INR495m. In percentage terms, GNPA stood at 1.6% and NNPA at 14bp. PCR (including technical write-offs) improved further to 94.2% as compared to 93.3% in 2QFY13.

Higher restructuring surprised negatively

Negative surprise came from higher restructuring of INR7.3b (2% of overall loans) during the quarter. Outstanding restructured (net of repayment) loan book increased to INR19.8b (5.5% of overall loans). Top 4-5 accounts contributed more than 60% of the incremental restructuring and they were technical in nature. Bank did not take any NPV loss on incremental restructuring. The major stress was witnessed in corporate portfolio. Of the restructured book, 30-35% pertains to accounts within J&K and the balance to accounts outside J&K. Segment-wise INR7.3b in manufacturing segment, services - INR5.5b, Agriculture - INR530m, Real Estate - INR470m.

Healthy business growth

Loan growth was healthy at 4% QoQ and 20% YoY to INR357b. Deposits grew 3.9% QoQ and 17% YoY to INR571b. As a result, CD ratio was stable at 62.5% and there still remains ample scope to improve CD ratio, which could in-turn provide cushion to margins.

Healthy CASA growth; capitalizing on strong presence in J&K

CASA growth was strong at 7% QoQ and 15% YoY, led by 7% QoQ (17% YoY) increase in SA deposits. CA deposits grew 10% QoQ (9% YoY). Overall CASA ratio improved to 39.4% as compared to 38.2% a quarter ago. The state of J&K accounts for 62% of its overall deposits and 53% of these are CASA deposits.

Other highlights

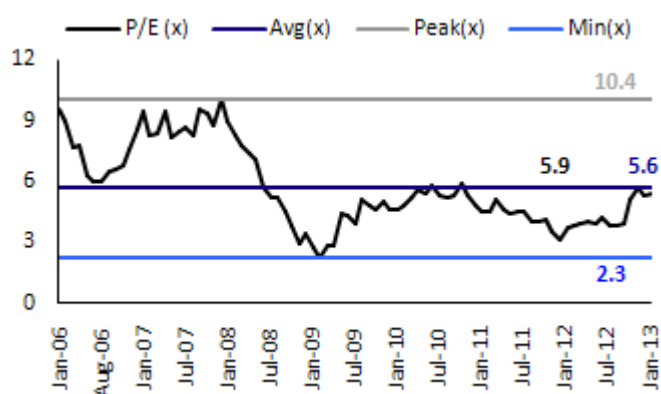
- The bank has a loan growth target of 25% within the state of J&K and 17-18% in other states, implying overall loan growth guidance of 20%+. Similarly, it has a deposit growth guidance of 20% within the state of J&K and 15% in other states.
- Fee income (ex-Insurance) picked up during the quarter (+13% both QoQ and YoY) and was at INR437m.
- Opex grew 24% YoY and 13% QoQ to INR2.5b. Operating profit growth was strong at 34% YoY.
- JKBK made a provision of INR135m towards pending wage negotiation.
- Capitalization remains strong at 13.8%, with tier-I ratio of 11.8%.

Valuation and view

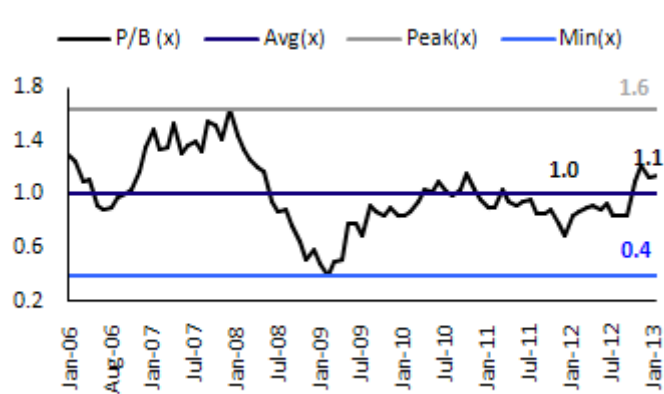
JKBK has been able to contain slippages. However, sharp increase in restructured loans came as a negative surprise. The management stated that these were technical in nature and no NPV hit was taken. Further, it does not expect significant restructuring going forward, which provides some comfort. However, we build in higher slippages of 1.6% and credit cost of 0.4/0.5% for FY14/15 as compared to 1.3% and 0.25% expected in FY13.

On core parameters, JKBK continues to deliver healthy performance on business growth and margins. CASA ratio of ~40%, NIM of 4%, with the lowest CD ratio of 62%, and PCR of 94%+ remain the best in the industry. We believe that margins are at an elevated level and would decline, as JKBK builds up its PSL portfolio and lending yields in the system decline. We are factoring a margin decline of 15-20bp over FY14/15. RoA/RoE would, however, remain healthy at ~1.5%/20%+. We have not considered Metlife value in our valuations. Maintain **Buy**.

J&K Bank : One year forward P/E



J&K Bank: One year forward P/BV

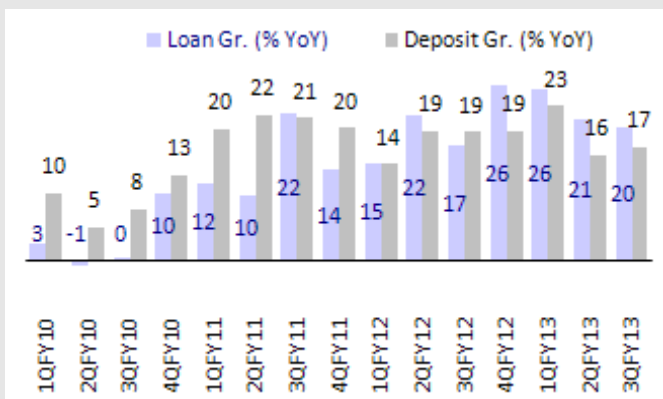


Dupont Analysis: Sharp improvement in ROA led by NIMs and operating leverage (%)

Y/E March	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
NI	2.6	2.6	2.8	2.6	2.8	2.8	3.3	3.3	3.5	3.4	3.4
Fee income	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5
Core Income	3.0	3.1	3.2	3.1	3.3	3.4	3.9	3.9	4.0	3.9	3.9
Opex	1.4	1.4	1.4	1.3	1.3	1.4	1.6	1.4	1.4	1.4	1.4
Cost to Core Income Ratio	46.6	43.6	41.6	41.8	40.4	42.4	41.8	37.5	36.3	36.7	36.4
- Exp Costs	0.8	0.8	0.8	0.7	0.8	0.9	1.1	0.9	0.9	0.9	0.9
- Other Opex	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Core Operating Profit	1.6	1.8	1.9	1.8	2.0	2.0	2.3	2.4	2.5	2.5	2.5
Non-Core income	0.0	-0.1	0.1	0.3	0.2	0.4	0.2	0.1	0.1	0.1	0.1
Operating Profit	1.6	1.7	2.0	2.1	2.2	2.4	2.5	2.5	2.7	2.6	2.6
Provisions	1.0	0.7	0.5	0.2	0.4	0.4	0.5	0.3	0.3	0.4	0.4
Loan-loss-provisions	0.2	0.3	0.3	0.1	0.2	0.4	0.3	0.2	0.1	0.2	0.3
Other provisions	0.9	0.3	0.2	0.1	0.2	0.0	0.2	0.1	0.1	0.1	0.1
PBT	0.6	1.0	1.5	1.9	1.8	2.0	2.0	2.2	2.4	2.2	2.1
Tax	0.1	0.3	0.5	0.7	0.6	0.7	0.7	0.7	0.8	0.7	0.7
ROAA	0.5	0.7	1.0	1.2	1.2	1.3	1.3	1.5	1.7	1.5	1.4
Leverage (x)	14.0	14.7	14.5	14.2	14.3	14.2	14.3	14.6	14.4	14.1	14.1
ROAE	7.1	10.2	14.4	16.7	16.6	18.2	19.0	21.2	24.0	21.3	20.4

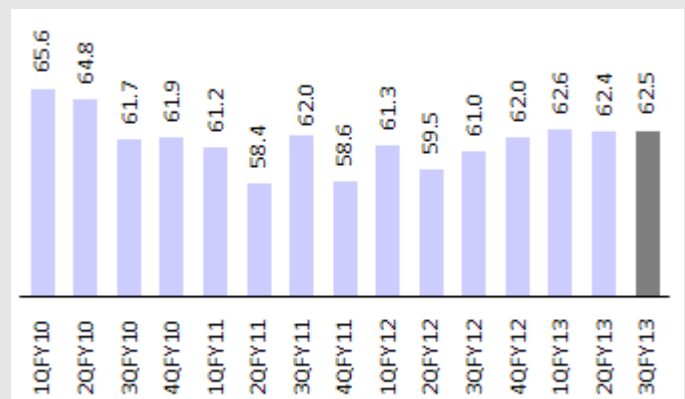
Quarterly trends

Business growth driven by growth in J&K state



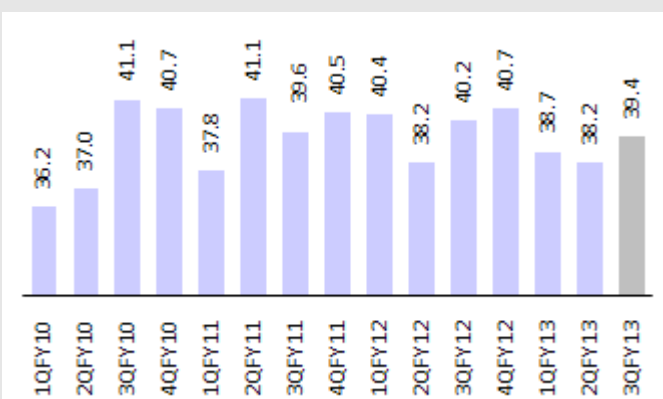
■ The management targets business growth of 20%+ in FY13, of which growth in state of J&K targetted is 25%.

CD ratio stable QoQ; lowest amongst banks (%)



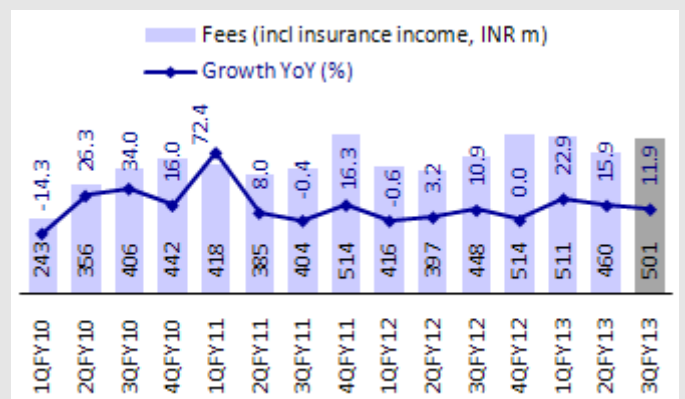
■ CD ratio remains low, leaving ample scope for improvement, which would provide cushion to margins

CASA ratio improves QoQ; aids margin expansion (%)



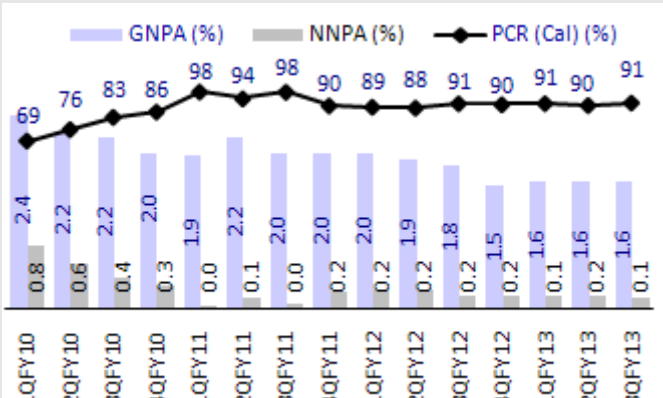
■ CASA growth was strong at 7% QoQ (15% YoY), led by 7% QoQ (17% YoY) increase in SA deposits

Fee income growth remains healthy (%)



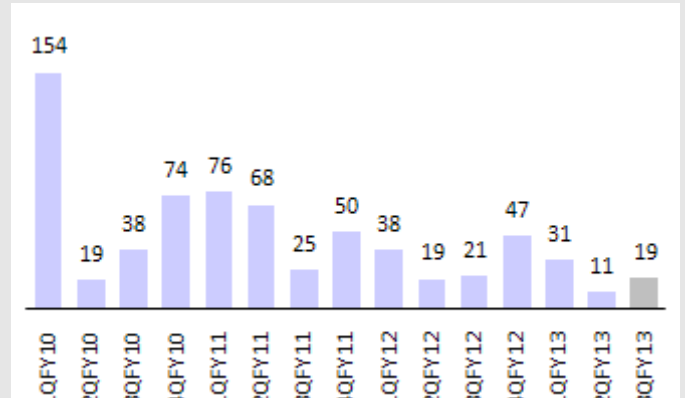
■ Fee income as a proportion of average assets remains low at just 50bp - one of the lowest among peers

Slippages contained; higher restructuring a negative surprise



■ During the quarter fresh slippages stood at INR1.1b but restructuring of INR7.3b led to higher addition of stress.

Credit cost contained (bp)



■ Containment of fresh slippages has led to lower credit cost even as bank has maintained PCR of 90%+

Quarterly Snapshot (INR m)

	FY12				FY13			Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ	YoY	9MFY12	9MFY13	YoY Gr (%)
Profit and Loss												
Interest Income	10,559	11,556	12,665	13,575	14,762	15,006	15,332	2	21	34,780	45,100	30
Interest Expenses	6,187	7,213	8,157	8,414	9,405	9,479	9,390	-1	15	21,558	28,275	31
Net Interest Income	4,372	4,343	4,508	5,161	5,356	5,527	5,942	8	32	13,223	16,825	27
Other Income	670	712	736	1,222	934	909	905	0	23	2,119	2,748	30
Trading profits	101	85	88	227	202	261	187	-28	113	274	651	137
CEB	342	339	387	433	436	387	437	13	13	1,067	1,260	18
Insurance Income	74	59	61	81	75	74	65	-13	6	194	213	10
Others	153	230	200	481	221	187	217	16	8	583	625	7
Total Income	5,042	5,055	5,244	6,383	6,290	6,436	6,847	6	31	15,341	19,573	28
Operating Expenses	1,878	1,927	2,009	2,208	2,138	2,209	2,500	13	24	5,814	6,847	18
Employee	1,278	1,255	1,308	1,373	1,379	1,430	1,638	15	25	3,841	4,447	16
Others	600	672	700	834	759	779	862	11	23	1,973	2,400	22
Operating Profits	3,164	3,128	3,236	4,176	4,152	4,227	4,348	3	34	9,527	12,726	34
Provisions	445	223	182	843	504	328	224	-32	23	850	1,056	24
NPA	250	130	150	370	260	90	170	89	13	530	520	-2
MTM	37	45	-2	198	0	6	1	-82	-167	80	7	-92
Others	158	48	33	275	244	232	53	-77	60	240	529	121
PBT	2,719	2,904	3,054	3,333	3,648	3,899	4,124	6	35	8,677	11,670	34
Taxes	896	908	922	1,252	1,187	1,203	1,230	2	33	2,726	3,620	33
PAT	1,823	1,997	2,132	2,081	2,461	2,695	2,894	7	36	5,951	8,050	35
Asset Quality												
GNPA	5,283	5,419	5,450	5,166	5,410	5,516	5,817	5	7			
NNPA	584	630	489	493	482	553	495	-11	1			
GNPA (%)	2.0	1.9	1.8	1.5	1.6	1.6	1.6	2	-19			
NNPA (%)	0.22	0.22	0.16	0.15	0.14	0.16	0.14	-2	-2			
PCR (Calculated, %)	89.0	88.4	91.0	90.4	91.1	90.0	91.5	152	47			
Ratios (%)												
Fees to Total Income	8.2	7.9	8.5	8.1	8.1	7.2	7.3			3.8	3.2	
Cost to Core Income	39.2	40.7	40.5	38.9	36.4	36.9	38.8			42.1	39.2	
Tax Rate	33.0	31.3	30.2	37.6	32.5	30.9	29.8			31.4	31.0	
CASA (Reported)	40.4	38.2	40.2	40.7	38.7	38.2	39.4					
Loan/Deposit	61.3	59.5	61.0	62.0	62.6	62.4	62.5					
CAR	14.4	13.6	13.6	13.4	13.8	13.7	13.8					
Tier I	11.8	11.3	0.0	11.1	11.5	11.6	11.8					
Margins - Quarterly (%)												
Yield on Advances	11.5	12.1	12.2	12.2	12.5	12.7	12.6	-11	45			
Yield on Investments	7.1	7.3	7.3	7.5	7.7	7.5	7.4	-6	9			
Cost of Deposits	5.9	6.5	6.7	6.4	7.0	7.0	6.7	-26	1			
NIM	4.0	3.8	3.6	3.9	3.8	3.9	4.1	13	44			
Margins - Cumulative (%)												
Yield on Advances	11.4	11.8	11.9	11.5	12.4	12.6	12.6	-2	71			
Yield on Investments	6.3	7.2	7.2	6.8	7.7	7.6	7.5	-5	31			
Cost of Deposits	5.4	6.2	6.4	5.9	6.9	7.0	6.9	-10	56			
NIM	3.8	3.9	3.8	3.8	3.8	3.9	3.9	5	16			
Balance Sheet (INR B)												
Loans	264	282	297	331	332	343	357	4	20			
Deposits	431	474	488	533	531	549	571	4	17			
CASA Deposits	174	181	196	217	206	210	225	7	15			
of which Savings	132	135	150	160	161	164	175	7	17			
Current	42	46	46	57	45	46	50	10	9			
Break up of Investments	182	198	198	216	220	225	227	1	14			
HTM	121	126	132	139	143	149	152	2	15			
AFS	60	72	66	77	77	76	74	-3	12			

Please note that other income includes INR1b and INR400m on account of interest on income tax refund for 2QFY13 and 2QFY12, respectively.

Source: Company, MOSL

Stock Info

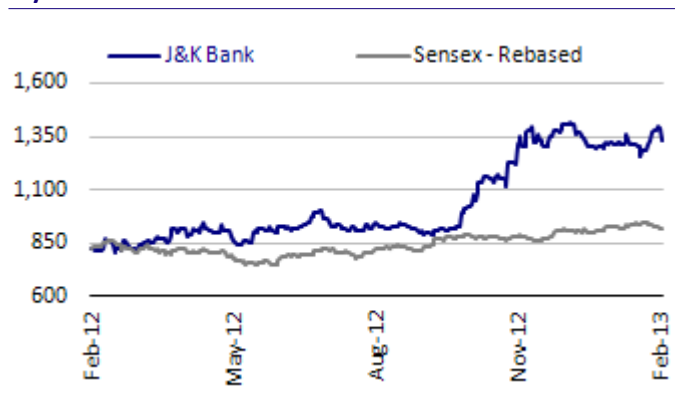
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	223.3	207.3	7.7
FY14	235.6	231.1	2.0

Shareholding pattern (%)

	Dec-12	Sep-12	Dec-11
Promoter	53.2	53.2	53.2
Domestic Inst	4.9	3.9	3.0
Foreign	24.7	25.2	25.0
Others	17.2	17.7	18.9

1-year Sensex rebased



Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$b)	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	
ICICIBC*	Buy	1,145	24.8	87	105	10.7	8.6	512	580	1.8	1.6	1.7	1.7	16.3	17.3	1.4
HDFCB	Neutral	642	28.4	37	46	17.4	13.9	177	212	3.6	3.0	1.9	1.9	22.7	23.8	0.7
AXSB	Buy	1,461	11.7	143	168	10.2	8.7	755	897	1.9	1.6	1.7	1.7	20.4	20.3	1.1
KMB*	Neutral	687	9.6	34	41	14.8	11.8	143	167	3.5	2.9	1.7	1.7	15.8	16.5	0.1
YES	Buy	508	3.4	46	57	11.0	9.0	201	248	2.5	2.1	1.6	1.6	25.4	25.3	0.8
IIB	Buy	431	4.2	26	33	16.6	13.2	164	192	2.6	2.2	1.7	1.8	17.0	18.4	0.5
VYSB	Buy	585	1.6	44	51	13.2	11.4	330	373	1.8	1.6	1.1	1.0	14.3	14.6	0.7
FB	Buy	517	1.7	55	63	9.4	8.3	413	461	1.3	1.1	1.3	1.2	14.0	14.3	1.7
J&KBK	Buy	1,329	1.2	236	264	5.6	5.0	1,196	1,398	1.1	1.0	1.5	1.4	21.3	20.4	2.5
SIB	Buy	27	0.3	4.0	4.6	6.6	5.8	25	28	1.1	0.9	1.1	1.0	17.6	17.5	2.3
Private Aggregate			86.9			13.8	11.4			2.4	2.1					
SBIN (cons)*	Buy	2,327	29.3	318	382	7.0	5.8	2,039	2,357	1.1	0.9	1.0	1.0	17.2	17.8	1.5
PNB	Buy	878	5.6	175	210	5.0	4.2	1,046	1,220	0.8	0.7	1.1	1.1	18.0	18.6	2.5
BOI	Neutral	343	3.7	59	67	5.9	5.1	417	472	0.8	0.7	0.7	0.7	14.9	15.1	2.0
BOB	Neutral	773	6.0	124	148	6.2	5.2	820	945	0.9	0.8	0.9	0.9	16.1	16.7	2.2
CBK	Buy	460	3.8	80	97	5.7	4.8	585	666	0.8	0.7	0.8	0.8	14.6	15.5	2.4
UNBK	Buy	233	2.4	50	59	4.6	3.9	296	339	0.8	0.7	0.8	0.9	18.1	18.6	3.4
IOB	Neutral	76	1.1	13	15	6.0	5.0	151	162	0.5	0.5	0.4	0.4	8.7	9.7	5.9
OBC	Buy	306	1.7	57	68	5.4	4.5	459	511	0.7	0.6	0.8	0.8	12.9	14.0	2.6
INBK	Buy	188	1.5	42	49	4.5	3.8	276	314	0.7	0.6	1.0	1.0	15.8	16.3	4.0
CRPBK	Neutral	414	1.2	107	123	3.9	3.4	714	808	0.6	0.5	0.8	0.8	15.9	16.2	4.9
ANDB	Buy	103	1.1	26	31	4.0	3.4	170	194	0.6	0.5	0.9	1.0	16.1	17.0	5.3
IDBI	Neutral	101	2.4	18	21	5.5	4.7	163	179	0.6	0.6	0.7	0.7	11.7	12.5	3.5
DBNK	Neutral	105	0.7	28	32	3.7	3.2	169	198	0.6	0.5	0.9	0.8	17.8	17.6	2.9
Public Aggregate			60.5			6.6	5.6			0.9	0.8					
HDFC*	Buy	811	23.3	38	45	14.8	11.5	126	147	4.5	3.5	2.9	2.9	30.1	30.3	1.4
LICHF	Buy	272	2.6	26	32	10.3	8.4	150	175	1.8	1.6	1.5	1.5	19.0	20.0	1.3
DEWH	Buy	197	0.4	49	60	4.1	3.3	219	271	0.9	0.7	1.4	1.3	21.7	22.6	1.8
IDFC	Buy	162	4.6	14	16	11.7	9.9	92	104	1.6	1.4	2.8	2.8	16.5	17.2	1.4
RECL	Buy	252	4.7	44	52	5.7	4.8	208	244	1.2	1.0	3.2	3.2	23.0	23.0	3.0
POWF	Buy	221	5.5	38	46	5.7	4.8	207	239	1.1	0.9	3.0	3.0	19.8	20.4	2.7
SHTF	Buy	774	3.3	80	93	9.7	8.3	393	474	2.0	1.6	2.8	2.7	21.1	20.2	0.8
MMFS	Buy	1,047	2.2	91	115	11.5	9.1	464	548	2.3	1.9	3.5	3.6	21.1	22.6	1.3
NBFC Aggregate			46.6			11.3	9.5			2.2	1.9					

*Multiples adj. for value of key ventures/investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Div Yield based on FY12 declared dividend

Financials and Valuations

Income Statement		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Interest Income	30,569	37,131	48,356	61,017	69,166	81,762
Interest Expense	19,375	21,695	29,972	38,156	43,202	51,600
Net Interest Income	11,193	15,437	18,384	22,860	25,964	30,162
Change (%)	11.9	37.9	19.1	24.4	13.6	16.2
Non Interest Income	4,162	3,648	3,341	3,933	4,388	4,911
Net Income	15,356	19,084	21,725	26,793	30,351	35,073
Change (%)	23.3	24.3	13.8	23.3	13.3	15.6
Operating Expenses	5,774	7,589	8,022	9,397	10,806	12,427
Pre Provision Profits	9,582	11,495	13,703	17,397	19,545	22,646
Change (%)	23.7	20.0	19.2	27.0	12.4	15.9
Provisions (excl tax)	1,666	2,151	1,692	1,700	2,741	3,812
PBT	7,916	9,344	12,011	15,696	16,805	18,834
Tax	2,792	3,192	3,979	4,866	5,377	6,027
Tax Rate (%)	35.3	34.2	33.1	31.0	32.0	32.0
PAT	5,124	6,152	8,032	10,831	11,427	12,807
Change (%)	25.0	20.1	30.6	34.8	5.5	12.1
Equity Dividend (Incl tax)	1,067	1,260	1,624	2,166	2,285	2,561
Core PPP*	7,848	10,571	13,345	16,497	18,645	21,746
Change (%)	10.3	34.7	26.2	23.6	13.0	16.6

*Core PPP is (NII+Fee income-Opex)

Balance Sheet		(INR Million)				
Y/E March	2010	2011	2012	2013E	2014E	2015E
Equity Share Capital	485	485	485	485	485	485
Reserves & Surplus	29,620	34,302	40,447	48,743	57,496	67,306
Net Worth	30,105	34,787	40,932	49,228	57,981	67,791
Deposits	372,372	446,759	533,469	613,489	723,917	854,223
Change (%)	12.8	20.0	19.4	15.0	18.0	18.0
of which CASA Dep	151,532	180,867	217,152	239,360	272,325	309,941
Change (%)	20.5	19.4	20.1	10.2	13.8	13.8
Borrowings	11,002	11,047	12,410	13,958	14,958	15,958
Other Liabilities & Prov.	11,990	12,489	15,882	16,739	18,484	20,539
Total Liabilities	425,468	505,082	602,692	693,414	815,340	958,510
Current Assets	46,142	35,488	44,539	49,353	55,989	61,564
Investments	139,562	196,958	216,243	242,192	271,255	303,806
Change (%)	30.0	41.1	9.8	12.0	12.0	12.0
Loans	230,572	261,936	330,774	390,314	476,183	580,943
Change (%)	10.2	13.6	26.3	18.0	22.0	22.0
Fixed Assets	2,041	3,938	4,203	4,275	4,269	4,171
Other Assets	7,150	6,762	6,934	7,280	7,644	8,026
Total Assets	425,468	505,082	602,692	693,414	815,340	958,510

Asset Quality	(%)					
GNPA (INR m)	4,623	5,188	5,166	6,174	8,414	11,026
NNPA (INR m)	643	532	493	871	1,679	2,448
GNPA Ratio	1.97	1.95	1.54	1.56	1.74	1.87
NNPA Ratio	0.31	0.23	0.19	0.26	0.43	0.51
PCR (Excl Tech. write off)	85.3	88.8	87.1	85.9	80.0	77.8
PCR (Incl Tech. Write off)	90.1	92.7	93.8	90.2	84.9	82.2

E: MOSL Estimates

Financials and Valuations

Ratios						
Y/E March	2010	2011	2012	2013E	2014E	2015E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	8.3	8.7	9.4	10.0	9.7	9.7
Avg. Yield on loans	10.6	10.7	11.5	12.0	11.5	11.4
Avg. Yield on Investments	5.7	6.3	6.8	7.4	7.2	7.2
Avg. Cost-Int. Bear. Liab.	5.4	5.2	6.0	6.5	6.3	6.4
Avg. Cost of Deposits	5.2	5.1	5.9	6.5	6.3	6.4
Interest Spread	3.0	3.5	3.4	3.5	3.4	3.3
Net Interest Margin	3.0	3.6	3.6	3.8	3.6	3.6
Profitability Ratios (%)						
RoE	18.2	19.0	21.2	24.0	21.3	20.4
RoA	1.3	1.3	1.5	1.7	1.5	1.4
Int. Expense/Int.Income	15.8	14.3	13.7	11.3	11.5	11.4
Fee Income/Net Income	63.4	58.4	62.0	62.5	62.5	63.1
Non Int. Inc./Net Income	27.1	19.1	15.4	14.7	14.5	14.0
Efficiency Ratios (%)						
Cost/Income*	39.6	43.7	38.6	35.5	36.7	36.4
Empl. Cost/Op. Exps.	63.5	69.0	65.0	64.4	64.4	64.4
Busi. per Empl. (INR m)	73.3	82.6	85.0	98.8	114.2	133.7
NP per Empl. (INR lac)	6.6	7.8	8.7	11.5	11.8	13.0
* ex treasury						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	61.9	58.6	62.0	63.6	65.8	68.0
CASA Ratio	40.7	40.5	40.7	39.0	37.6	36.3
Investment/Deposit Ratio	37.5	44.1	40.5	39.5	37.5	35.6
G-Sec/Investment Ratio	60.6	52.5	53.4	58.3	61.4	64.7
Valuation						
Book Value (INR)	621	717	844	1,015	1,196	1,398
Change (%)	14.8	15.6	17.7	20.3	17.8	16.9
Price-BV (x)			1.6	1.3	1.1	1.0
Adjusted BV (INR)	612	710	837	1,003	1,173	1,365
Price-ABV (x)			1.6	1.3	1.1	1.0
EPS (INR)	105.7	126.9	165.6	223.3	235.6	264.1
Change (%)	25.0	20.1	30.6	34.8	5.5	12.1
Price-Earnings (x)			8.0	6.0	5.6	5.0
Dividend Per Share (INR)	22.0	26.0	33.5	44.7	47.1	52.8
Dividend Yield (%)			2.5	3.4	3.5	4.0

E: MOSL Estimates

N O T E S

Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement	Jammu & Kashmir Bank
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act (FAA) read with regulation 17(1)(d) of the Financial Advisers Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time.

In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Nihar Oza

Email: niharoza.sg@motilaloswal.com

Contact: (+65) 68189232

Kadambari Balachandran

Email: kadambari.balachandran@motilaloswal.com

Contact: (+65) 68189233 / 65249115

Office address: 21 (Suite 31), 16 Collyer Quay, Singapore 049318



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com