

J&K Bank

CMP (₹)	65.60
1-M Return (%)	-19.86
52-week H/L	92.50/ 56.45
FY17E PE / 5Y AVG	-42.1/6.79

Recent unrest in the Kashmir Valley has been worrisome, impacting cash flows for the trades, SME and corporate segments. Significant stress addition is likely to exert pressure on J&K Bank's earnings due to higher credit cost and interest reversals. Management is targeting to reach 90% PCR (including technical write-off), but this will be based on profitability. Considering the focus on asset quality and the situation in J&K, we expect loan growth to remain largely in line with industry. Monetization of stake in MetLife (over ₹3.5 b) and revaluation of assets will provide relief. We have cut our earnings estimates for FY17, and now expect loss of ₹0.9 billion versus PAT of ₹3.4 billion earlier. We are 'neutral' with a target price of ₹68.

By Motilal Oswal