

Credit Update - Jammu & Kashmir Bank Limited

February 12, 2025

Updates

Jammu & Kashmir Bank Limited (JKB), vide its stock exchange announcement dated February 05, 2025, has informed that it has received a GST Demand Notice from Joint Commissioner, Central GST Commissionerate, Jammu amounting to ₹16,261.33 crore (including GST liability of ₹8,130.66 crore plus interest applicable and Penalty of ₹8,130.66 crore). The demand notice is related to interest receivable under Transfer Pricing Mechanism (TPM) between the bank's corporate headquarters and branches from common pool of funds, which has been treated as financial services and GST has been levied thereon pertaining to the period from July 8, 2017 to March 31, 2020.

The bank has indicated that TPM is an internal allocation and measurement mechanism for determining the pricing of incremental loans/investments/deposits and for determining the profit contribution of lending and borrowing units of a bank. TPM entries are notional and nullified in entity-level financial statements as per the bank management. The bank has pursued legal course against the demand notice.

CARE Ratings Limited has taken note of the disclosure and will continue to monitor the developments in this regard along with other factors driving the credit profile of the bank.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and rating sensitivities: [Click here](#)

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sanjay Agarwal Senior Director CARE Ratings Limited Phone: +91-22-6754 3582 E-mail: sanjay.agarwal@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Priyesh Ruparelia Director CARE Ratings Limited Phone: +91-22-6754 1593 E-mail: priyesh.ruparelia@careedge.in
	Aditya R Acharekar Associate Director CARE Ratings Limited Phone: +91-22-6754 3528 E-mail: aditya.acharekar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

Ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or rec concerned bank facilities or to buy, sell, or hold security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of information and is not responsible for errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. Ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for errors and states that it has no financial liability whatsoever to the users of Ratings of CARE Ratings. Ratings of CARE Ratings do not factor in rating-related trigger clauses per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if such clauses are introduced and triggered, Ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**