Q1FY22

EARNINGS CONFERENCE CALL

Transcript

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Moderator: Ladies and gentlemen, good day and welcome to State Bank of India Q1 FY'22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there'll 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pawan Kumar Kedia, General Manager, Performance Planning and Review from State Bank of India. Thank you and over to you sir.

Pawan Kumar Kedia: Thank you. Good evening, ladies and gentlemen. I'm Pawan Kumar Kedia, General Manager, Performance Planning and Review. On behalf of the top management of SBI, I extend a warm welcome to all joining us today on SBI Q1 FY'22 Earning Conference Call.

On the call today, we have with us our Chairman -- Mr. Dinesh Kumar Khara; Mr. C.S. Setty -- Managing Director, Retail and Digital Banking; Mr. Ashwani Bhatia -- Managing Director, Corporate Banking and Global Markets; Mr. Swaminathan J -- Managing Director, Risk, Compliance and Stress Asset Resolution Group; Mr. Ashwini Tiwari -- Managing Director, International Banking, Technology and Subsidiaries; Mr. Alok Choudhary – Deputy Managing Director, Finance; Mr. Charanjit Attra -- Chief Financial Officer.

Before I request our chairman to give a brief summary of the bank's Q1 FY'22 Performance and the Strategic Initiative undertaken, I would like to read out Safe Harbor statement. Certain statements in these slides are forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual outcome may differ materially from those included in these statements due to a variety of factors. Thank you.

Now I request our chairman to make his opening remarks.

Dinesh Kumar Khara: Thank you, Pawan. Good evening, everyone. Thank you for joining this conference call. Well, friends, the Q1 financial year '22 results, we have already declared, and I would like to put on record that it was quite a challenging quarter for all of us. Due to the second wave of COVID-19, I hope all of you and your loved ones are safe and healthy.

I want to start by thanking for the support of all our stakeholders during these challenging times. During the first and second wave, our employees have continued to provide banking services to our customers, often at risk to their own well-being. As always, the bank has delivered on its obligation to stakeholders, even in the face of the extreme challenges. That is an inherent aspect of the culture of the bank. The same could be possible due to focus on processes and structure in which every employee of the bank has space to make a difference.

Having said that, I would also like to bring it to the notice of all that almost 74% of our employee base have already been vaccinated to ensure we should be in a position to tie over any future challenges which we might come across. When we look back the Q1 financial '22, considering the extreme challenges that all of us have faced, we are proud of our performance.

As all of you already have our presentation, I would like to highlight a few key aspects of our performance. Keeping in view of the assessment of the seasonality factor, and its impact on the bank's business, comparison of the performance has been essentially focused on YoY basis.

Our slippage ratio in the quarter is at 2.47%. This is higher because of the impact on collections. A significant amount of the slippages have come from the retail portfolio which is essentially effort elastic. However, the good news is that in July 2021, we have been able to regain some ground and are confident that we will be in a position to pull back and see much better performance in the days and weeks going forward.

In the context of challenges faced in Q1, we believe these results are strong and comparable. All of you will notice that we have fared well on the asset quality through financial year '21 and now in Q1 of financial year '22 as well. In fact, the bank's book have now undergone two stress tests; one, during the first wave, and second and the most during the second wave, and through both these tests we have delivered reasonably well on the asset quality.

Our net NPA level at the end of Q1 stands at Rs.43,000-odd crores with a provision coverage ratio of almost 86%. Additional provisions including COVID provisions not included in PCR are Rs.29,816 crores. To put a context to those numbers, our operating profit was Rs.71,554 crores in financial year '21 and same is Rs.18,925 crores in Q1 financial year '22.

The bank has been able to deliver this level of operating profit despite the relatively low credit-deposit ratio.

As far as the capital is concerned, our CET ratio as on June 2021 is 9.91%. Given our competitive positioning and our value drivers, we believe our current capital and future internal accruals will be adequate to support our long-term growth targets.

Given the dynamic situation and the likelihood of a third wave, coupled with the interplay of economic linkages between enterprise and industrials, leading to reprioritization of obligation in time of adversity, we would like to refrain from giving any forward-looking guidance at this point of time. However, my team and I are focused to achieve our long-term sustainable ROE target of 15%, while challenges due to COVID-19 had resultant impact are still very real. We believe that bank can weather the disruptions and come out stronger over the medium-term.

To ensure this to happen, we have a sharper focus on YONO, which is our flagship app. And we have seen a significant increase in number of people who have downloaded this app and the effective registration now exceeds 4 crores and it is actually growing at a fast pace that to my mind, it has already touched 4.10 crores.

As we have our online banking channel has got almost 49 crores customers already using this additional 4 crores customers coming through YONO gives us a distinct leverage to ensure that we are in a position to reach out to our customers and offer them the services, even in the most difficult circumstances, and in the current financial year, also, we have successfully dispensed more than 4,500 crores worth of personal loan with the help of YONO which is end-to-end digital. Going forward, we'll be announcing this capability by offering even the two wheeler loans and also the recently introduced KAVACH loan also has been made available through YONO.

To conclude, I once again thank you for all your support. And we remain committed to reward your trust in us with superior, sustainable returns over the long-term. My team and I are now open to taking your questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: My first question is on margin. So, what was the interest income reversal during Q1?

Management: 800 crores

Mahrukh Adajania: In the fourth quarter it was around Rs.3,000 crores including compound interest. So, what explains such a sharp drop between March and June?

Management: That was essentially because for the full year, we had not really reckoned any of the NPA and naturally the interest reversal was also not accounted for. And since it happened for almost for the full year, it was Rs.3,000 crores. This time for the first quarter it is Rs.800 crores.

Mahrukh Adajania: Yes, but I'm just comparing QoQ. So QoQ also…

Management: You have to appreciate that last year, though it was at a quarter end, but it was for the full year.

Management: Because of Supreme Court directive, the NPAs were not recognized. So on the pro forma basis we've been declaring. So, all those NPAs were recognized in the last quarter and the relative income which was booked earlier was reversed.

Mahrukh Adajania: But sir, between fourth quarter ending March '21 and then first quarter ending June '21, there has been a sharp drop in loan yield. So, is it because of the product mix change or what explains that?

Management: There was a YoY decline around Rs.3,000 crores. Low interest rates which have been charged in this period because our MCLR was around 7.5 in 2020, which came down to 7%. So, that is why the first quarter MCLR was 7.29% effectively and thereafter we are looking on 7% kind of MCLR plus the other additions in that. So this sharp drop in the yield that has led to this kind of behavior Otherwise YoY, we have a growth in advance loan more than 1, 1 lakh kind of growth. So there's an interplay between the growth as well as yield on account which had come down sharply.

Mahrukh Adajania: My other question is that you have a buffer provision of around Rs.29,816 crores and you've given a breakup; the first is Rs.15,700 crores as standard assets provision, these are the RBI mandatory provisions, correct?

Management: Yes, RBI provisions are there, but also some of the specific provisions which a Bank does on its own, on account of it I was understanding of an asset. So, the combination of two, three factors in this and another part is the restructuring which we did. So, the provisions on account of restructuring were standard. So, that part also included in that Rs.3,000 crores. These are the three, four factors combined.

Mahrukh Adajania: So, what would be the RBI mandatory provision there?

Management: RBI mandatory provision is essentially for of the restructuring and apart from that on the stress asset which is standard asset which is at point 0.25%. Maybe specific we can share later.

Mahrukh Adajania: One last question on home loan slippage. You gave a number of 1.53% in the press release that is annualized, correct, which means that the home loan slippages are around Rs.1,900 crores. Is that the correct figure?

Management: Retail, personnel also has been given. So, that is the reason why it is so, but when it comes to our home loan NPA, it is essentially at 1.39% but if we reckon the pullback, it will actually come to 1.14%.

Mahrukh Adajania: But the number you gave was 1.53% of slippage in the press meet that is annualized, correct, which means its 1900 crores kind of slippage?

Management: All slippages are annualized only.

Mahrukh Adajania: Around Rs.1,900 crores?

Management: I don't know where that number is coming from. So, we have said the personal loan slippages were Rs.5,268 crores in Q1. This includes home loans. Home loans separately it is Rs.3,123 crores.

Moderator: The next question is from the line of Nitin Agarwal from Motilal Oswal Securities. Please go ahead.

Nitin Agarwal: Couple of questions. Firstly, like, when you refer to the significant pullback that we have seen in July, what are the segments where you have seen these pullbacks?

Management: So we have seen the pullback coming back from practically all the segments, it is home loan, it is also in the SME and also in the personal loans, and so all segments have seen the pull back.

Nitin Agarwal: So can you share some color on collection efficiency as to where you were in June and where we are in July?

Management: We were somewhere around 92% in June and now we are actually somewhere around 93.5%. So it has improved by almost 1.5%.

Nitin Agarwal: Secondly, what is the quantum of ECLGS loans? And when I look at the SME slippages this quarter, now they are higher than what they were last year?

Management: ECLGS loan we had sanctioned Rs.30,000 crores and disbursements took place about 27,000 crores and the current outstanding is at about 22,000 crores.

Nitin Agarwal: I'm asking in the context to the SME slippages that we had in first quarter, now, which is higher than entire last year? What kind of comfort do you draw on this portfolio as this comes out of moratorium starting next quarter?

Management: See, the point is that when it comes to SME slippages, they have essentially come from the fact that their cash flows are totally disrupted in the first quarter. Out of 90 days, 60 days there was hardly any activity. And there was a huge restriction on the mobility. I think the post lockdown situations have been eased out, there is a scenario where we expect that the cash flows of SMEs will get repaired and they will be in a position to come back faster when it comes to the recovery piece is concerned.

Nitin Agarwal: Now we are seeing an increasing use of digital channels and cost ratios have shown some improvement this quarter. So how much room do you think is there as like because with higher usage of YONO and business being sourced on both asset and liability side, where could we be on the cost-to-asset or cost-to-income say next two years?

Management: As I've been sharing from the very beginning, that cost-to-income ratio is one of the major focus. There are certain structural issues, but when it comes to the non-interest income is concerned, the mobility is one of the major important factors and that will actually help us in addressing one lever. The other lever is the rigidity of the cost structure that also we are trying to address. And hopefully, I think maybe give us another quarter or two, we should be in a position to give some kind of a trajectory as far as the cost-to-income ratio is concerned.

Moderator: The next question is from the line of Adarsh from CLSA. Please go ahead.

Adarsh: When you are talking on margins, the last question that there is a drop in margins from fourth quarter to first quarter after adjusting for reversal. Can you please explain that again because the rate is quite sharp?

Dinesh Kumar Khara: When it comes to the margins, essentially we have seen that because of the low economic equity and real economy being where it is and the credit-deposit ratio have actually seen a further reduction and that is something which is one of the contributing factors. Now, apart from that, there was a pressure on the yield to advances because when it comes to the quality corporate, there is overall challenge which is there. But nevertheless, the corporates are not really availing the limit, the unutilized portion has gone up even further. When it comes to large corporate, it is as high as about 40% now. When it comes to SMEs there is a slight improvement; it used to be 30%, now it is about 25%. So I think partly it is the underutilization and partly it is also attributed to the fact that the credit-deposit ratio needs to be improved which of course is a function of the real economy. Once the real economy looks up, we should be in a position to support the credit growth and which will certainly help us in improving our NIM.

Adarsh: So, just to ask your opinion, we had good margins in the first nine months, and then it dropped because of the one-off in the last quarter and now because of the NCD ratio pressure. Do you expect that we can get back to margins where we were in the first half last year or because the corporate book yields are low, activity pickup is slow, margins are unlikely to get back there.

Dinesh Kumar Khara: We're actually calibrating our portfolio also. Hopefully, we should be in a position to come back to the to the past trajectory in terms of that.

Management: So NIM, if we simply calculate it is average earning asset. Normally what happens as the year progresses, the average earning asset becomes a kind of moving asset growth and then average earning asset become slightly moderate. Now in case of Q4 and Q1, the average earning asset was 31, this time, it is 33. So in the first quarter, normally, it remains elevated and the NII was not that great. So there is a pressure on NIM from 3.24 to 3.15 on YoY basis.

Adarsh: On the same margin, when you look at the incrementally low yields that you're working on existing loans versus the stock, how large is the gap? And the same question on cost of fund, because I think what I'm trying to understand is this the yields were an X amount in this particular quarter on the full loan book. What are the incremental yields that we kind of generating in the last couple of quarters?

Dinesh Kumar Khara: I think we will get back to you this number, may not be readily available with us.

Adarsh: My last question is on the SME book. Sir, a lot of dispensations were given to SME, ECLGS restructuring, and some of those dispensations still continue. In spite of that, we've got slippage understandably because of wave2. But as you go into the next few quarters, you will actually have a real test of debt servicing for some of these SME loans. So what's your expectation for the SME stress because that did enjoy a lot of dispensation benefits last year?

Dinesh Kumar Khara: See, the point is, as I was mentioning, the way the stress has come into the SME book, it might even go away at the same pace if at all the cash flow gets repaired. That's the belief and that is what we have seen also and the cash flow disruption was essentially on account of restricted economic activity. And once the unlock situation happens, I'm quite confident that the cash flows will get repaired and we will have a situation where they will once again be very active and some of them, yes, of course, I agree. If at all, there the damage is beyond repair, then of course, they will go away. But for that, I think we have adequate buffer we have already created whenever we are doing any restructuring as against mandated provisions by RBI, we are generally keeping little higher provisions for any restructuring and our past experience which of course is not representative in the true sense of the word. We have seen that almost about 50% of such restructured account survives and do well. That is under normal situations, but these have been very abnormal situation where the cash flow disruption also happened very suddenly and the repair also is expected to happen at a very fast pace. That's how I visualize.

Moderator: The next question is from the line of Saurabh from JP Morgan. Please go ahead.

Saurabh: Two questions. So, one is on this corporate loans, can you just elaborate what your outlook given the growth is weak sequentially? And also, what are your latest thoughts on the telecom exposure given the comments that you're hearing? And the second is on YONO, I can kind of follow up?

Dinesh Kumar Khara: The first question relating to the corporate book, well, of course, the growth is quite muted, we have seen it rather there is a degrowth. But if we reckon our subscription to the CPs or commercial paper and the bond, then it still looks a little reasonable, it shows about some marginal growth, but the fact remains that when it comes to the pipeline, there are underutilized limits, almost about Rs.3 lakh crores. Also, almost when it comes to the proposals in pipeline, they're almost about Rs.1,30,000 crores. So, that is something that is what is there in the corporate book. There is also the fact that the deleverage which happened in the corporate in last one year, that is also another contributing factor for the muted growth seen in the corporate credit. So, I think part of it would be the kind of liquidity which is seen in the system. How long that liquidity which comes from overseas markets, will be supporting the Indian market is one question. Second is the revival of the demand, which will probably enhance their investment spend, that is the other very important factor which will have an impact on the credit growth in the corporate book. And your other question relating to telecom related matter. And this is a bit larger in dimension and we are engaging with all the stakeholders to see that how best it can be resolved. And I think we'll have to wait and watch for outcomes. But we are trying to insulate our balance sheet from any shock which might emanate from this. I will request Ashwani Bhatia to supplement.

Ashwani Bhatia: Yes, so, everyone is aware of the problem on the telecom side. We are also worried, but at the same time, we are engaged with all the parties concerned, I mean, if you just talk about the EBITDA, it's quite, okay. But the liabilities of the company are outside the balance sheet. That is a worry. Let's hope something works out, that's all we can do.

Saurabh: The second sir is on YONO. So, this PAPL unsecured loans which you do, I'm guessing this is unsecured loans, right, of 2,500 crores that you have disbursed. Do you know what will be total outstanding disbursed under this PAPL in YONO?

Dinesh Kumar Khara: PAPL, you rightly said that these are unsecured loans and that total outstanding in PAPL would be actually reflected in our express credit portfolio, which is around 25,000 crores, out of about Rs.2 lakh crores which is there in express credit. Because we started at the end of the first quarter we were dispensing about Rs.5,000 crores, this year in about 40-days' time we have dispensed about Rs.4,000-odd crores. So, that is a kind of a number, but it is all analytics driven and it is offered to those who are maintaining the corporates or repackage accounts to this this.

Saurabh: And the average ticket size would be 3 lakhs, right?

Management: Yes, somewhere around that number,

Moderator: Thank you very much. My next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: So, firstly, in terms of the International book, so that's been expanding since past two quarters, in fact, we would have added almost Rs.40,000-odd crores out there. So, how is the demand over there and maybe how should we look at this book in particular, because that's the growing amount on sequential basis this quarter, so, what would be the outlook with respect to international book?

Dinesh Kumar Khara: International book, I am quite hopeful that it will grow because the kind of activity which we are seeing in the developer is something which is quite encouraging and we are seeing significant activity and we are in a position to support it well and we are also having rupee-dollar swap, which is also helping us in sort of funding it at a very, very cheap cost.

Management: Just to add to what the chairman said, we are seeing very good opportunities available in the developed markets in the US, UK and Hong Kong. So, we are exploring those and we are doing largely very good credit quality is a real big names of high investment grade kind of assets. And therefore, it is secure and yet it is also offering a good amount of traction in deal. So that's something we look at the international book to grow this year, while we are still kind of coming out and the investment climate is improving in India. Till such time, this is providing us a good diversification geographically as also the kind of loans we give.

Kunal Shah: Secondly, in terms of personal loans, so, again, would that be accounted in the express credit or it would be there in the other personal loans, and when we look at in terms of the express credit compared to what sequential run rate, we used to see. in fact that this time the growth has been Rs3,000-odd crores. So, is that in terms of meeting some credit filters now stronger out there or is it more demand thing or maybe the incremental loans under covers are getting booked in other personal loans, and it's not being there under the express credit?

Dinesh Kumar Khara: KAVACH loans are categorized under the other p segment loans and we have distributed over 1000 crores worth of KAVACH loan and it got started in the middle of June. So, that is where it stands. And express credit, part of it is also because the customers are expected to really do a bit of an activity on the YONO and only then it is dispensed. So as far as the filters are concerned, filters have remained the same. But maybe I think it is at the material part of time probably people were not as much focus in terms of raising credit as they were for us, as they were probably focused on taking care of themselves and their family members.

Kunal Shah: Just one last clarification is NIMs are 3.26 for FY'21 and Q4 was actually 3.11. So sequential there is an improvement from 3.11 to 3.15, is the right way to look at it?

Dinesh Kumar Khara: Yes, that's right.

Moderator: The next question is from the line of Abhishek Murarka from HSBC, please go ahead.

Abhishek Murarka: So my question one on express credit. Can you share what is the growth outlook, on YoY basis obviously the growth was good, but incrementally how do you see growth there? Second question on that is what is the credit cost you are factoring normally in a normalized state for that portfolio? And can you also share the slippage in express credit for the quarter?

Management: As you know, we give express credit to mainly corporate salary package holders. And if you look at our CSP account, we have 1.7 crore CSP account and the current penetration for express credit was 25% to 26%, less than 30%. So, we have what we call potential there. Currently, we are growing even in July we have grown around 24%. We assume that 25% to 26% growth rate is possible in the express credit, at least in the current year. And the express credit NPAs, if you see, less than 0.7%, in credit cost, virtually very small there. The portfolio is of a high quality.

Abhishek Murarka: So the question really is not about the existing credit cost, it's just about in the product, what kind of credit costs do you build when you price it?

Management: I'm not able to immediately respond to that. But actually suffice to say that amongst our segment products, it is the safest products and very high yielding, the returns are very good. So, if you are talking of a number, maybe it would be not more than half a percent.

Abhishek Murarka: What are the yields in this product?

Management: 11%.

Abhishek Murarka: Can you share the yield on the corporate portfolio maybe for 4Q and 1Q?

Dinesh Kumar Khara: We'll give you those details. We do not have it right now.

Abhishek Murarka: You had shared NPA in gold loan as of July end in the press release. San you share a similar NPA number as of July end for SME and express credit if possible?

Management: We will just check it out what can be shared. Okay?

Moderator: The next question is from the line of Sameer Bhise from Axis Capital Limited. Please go ahead.

Sameer Bhise: So, you mentioned that you have proposals of around 1.2 lakh crores on the corporate side. Can you elaborate on what kind of projects or proposals or maybe sectors or are any directional commentary on that side will be helpful?

Dinesh Kumar Khara: Specifics would not be there with us, but nevertheless, it is essentially coming from the infrastructure sector.

Sameer Bhise: Largely government-driven projects I believe?

Dinesh Kumar Khara: No, it is mixed, iron and steel and infrastructure sector are the major players.

Moderator: The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: First, the NPA formation that we have seen particularly into the personal loan segment not into express credit, but the home loans and the goal loans, what really explains that, was there a difficulty in terms of recovery or the underlying customer interest has gone into stress and if you can also help us with what kind of clawback in terms of NPA that we have already done in the month of July?

Dinesh Kumar Khara: When it comes to gold loan, it was essentially the restriction on the mobility because what happens is the gold loan as long as there's a drop in margin, so, naturally they are required to come in and deposit some money, etc., So, that is something which is coming in the way and we have seen that post 16th June onwards decent pullback in the gold loan account. So, that is what explains what really was a contributing factor.

Anand Dama: How about home loans.

Dinesh Kumar Khara: Home loans is also likewise because it is all effort elastic and since with the recovery effort as I was mentioning this number which is at 1.39% as on 30th June, looks at 1.14% as on 31st of July so that's a reflection of the effect which is seen on account of pullback.

Anand Dama: Because I think in press meeting you said that 50% of the home loans are the self-employed category. Those are the customers who seem to be affected a lot.

Dinesh Kumar Khara: See, the point is that one is the impact on the cash flow, second is our people reaching out to them. So when people reached out, we could pull back these.

Anand Dama: Secondly on the CA deposits, so, we have seen a sequential drop in the current deposits. So is it more seasonal or you are also seeing higher deception coming in from the peers because of the recent RBI guidelines?

Dinesh Kumar Khara: On account of the RBI guidelines in terms of value I think we would have suffered only just about 10%. In fact, our CA has actually increased on a YoY basis, but yes of course if you will look at quarter-on-quarter the March always has got the bulge so which will not be there as in the subsequent month. Current account we have actually seen an increase of about 15 basis points.

Anand Dama: So, it is more seasonal in nature for the current quarter?

Management: Yes current account is always seasonal and in fact that is the reason why we have put up this comparison on a YoY basis.

Moderator: Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.

Gaurav Kochar: Sir on the overall recoveries in July what was the total quantum that we were able to pullback in the month of July?

Management: July we have done about 4,720 crores.

Gaurav Kochar: And this as you said would be across the segments?

Management: Yes it is as per the segments which is essentially into retails because it is essentially into the regulatory retail if I may so SME, Agri, and home loans.

Gaurav Kochar: And sir of the remaining 11,000 odd crore which is left how confident are you or what portion of that do you think could be recovered in the next couple of months?

Management: See we will have to wait and watch efforts are all on the ground and we will try and see that whatever best we should be in a position to do that.

Gaurav Kochar: On the SME side the MSME slippages was slightly on the higher side any rationale for not restructuring these loans if the borrowers were stretched?

Management: No, we are doing the restructuring in case of SME also we have already restructured about 3,355 crores.

Gaurav Kochar: I mean the slippages at 6,400 odd crores so these would be restructured in the coming quarters or these would only be recovered?

Management: Out of this 6,416 crore which was there in the slippages already around 2,300 crore has been upgraded by the recovery that is now it is 4,108 crore.

Management: Some of them will still be restructure they are all standard as on 31st March eligible for like…

Gaurav Kochar: And on the provisions for this quarter of around 10,000 crore only 5,000 crore was towards specific loan loss and there was also other provisions and even in the provision buffers that you have given roughly 5,000 crore is the other provision, so what is over and above the COVID provision, so what does that stand for I mean is it specific to something or it is also part of the general…..

Management: So, it contains two things as a provision one is that as you know the restructuring regulatory requirement will be 5% to 10%, but we have whatever extra around 2,100 crore we have put it here on our own provision and around 2,800 crore would be on the NFB side non fund based for that also we have done some provision.

Management: Actually, those ICA accounts which are restructured there for the NFB requirement of making a provision that is something which is being talked about well.

Gaurav Kochar: And just last question if I may squeeze in for the collection efficiency you mentioned of 92%, 93% this is only on the overdue bucket right not on the overall bucket?

Management: It is a 90 days DPD based on the 90 days DPD principle other than agri of course is not covered under this 90 days DPD.

Gaurav Kochar: So, including the NPL the collection efficiency was 93.5 for July?

Management: See it hovers around 93% to 93.5% so on some days because it is being calculated almost daily basis so it hovers in that range.

Moderator: Thank you. The next question is from the line of Nilanjan Karfa from Nomura. Please go ahead.

Nilanjan Karfa: The question is on the Xpress Credit again and I think we used to have something called a special PAPL loan where the balances is roughly around 3,000 crore in March related to that I mean what is the current balance right now and incrementally for the June quarter of the total disbursal we might have done what is the total top up loans that we do, top up in both the pension loans, PE all this?

Management: No in fact pension loan, etc., they are covered under the other PE segment loan.

Management: We had special PAPL which we have discontinued because that was only meant for during the COVID period and we did not see great traction there. So, the special PAPL will withdraw so the balance probably would have come down from 3,000 what you are speaking I do not have the number, but the product is not offered anymore.

Nilanjan Karfa: So, that special PAPL is now converted into a Kavach loan is that how?

Management: No Kavach is absolutely a fresh loan which has been given and that too for those who suffered from COVID and it was based on the expenses that people have incurred for COVID.

Nilanjan Karfa: And sir what is the top up loan total top up in that Xpress Credit across all the product?

Management: No top up actually is something which is an annual feature because people depending upon their salaries they come back. So, I do not think we will have that kind of a data available with us right now.

Nilanjan Karfa: Sir the second question is on the restructured assets I think in the March quarter the pipeline including implementation was I think roughly 17,800 odd crores out of which I think we have implemented almost 13,000 crore, is the balance going to come or that is included in above numbers?

Management: No only 2,000 crore worth of applications are pending for restructuring rest everything else we have dealt with.

Nilanjan Karfa: Any residual under?

Management: Nothing on the first run.

Nilanjan Karfa: Can you disclose Additional provision that you do on this is part of the standard asset provision?

Management: Yes these are non-fund-based facilities that are outstanding against accounts which are under restructuring under the ICA mechanism where there has been overdue. So, this is made on a prudential basis on the NABL standing.

Nilanjan Karfa: So, this is included in that 29,816 crores?

Management: Yes, actually forming part of 5,051 because the standard asset provision will be only against the fund based outstanding, the provision that is made against non-fund based outstanding is always classified into the other provisions.

Moderator: Thank you. The next question is from the line of Mahesh MB from Kotak Securities. Please go ahead.

Mahesh MB: Just couple of questions can I have what is the outstanding restructured loans at the end of this quarter and if you could give us a breakup of that as well?

Management: Outstanding restructured account should be total structured would be 12,995 plus 5,246 so that is a total restructure and in fact if we reckon our pending restructuring also which is 2,056 then the total restructured comes to 20,297.

Mahesh MB: This has just been a marginal increase as compared to the last quarter we are thinking about 2,500 crores of increase, but why is the provision for standard assets gone up so much this quarter, loan book has declined QoQ, but you still made about 1,500, 1,600 crores of provisions?

Management: The 5% additional provision were restructured.

Management: Actually, yes that is what the whole thing is was the restructured book we are keeping 5% extra provision over and above what the RBI stipulates.

Management: As per regulatory requirement we need to keep 10% for general and 5% for MSME, but on a flat 15% basis provision is being made.

Management: We are providing for 15%.

Mahesh MB: You have a total loan book of about 25 lakh crore if I do 0.4% of it conflicts to about 10,000 odd crore of provisions for standard assets this is on the loan book. Now you have 5,700 crores of extra provision for a 20,000 crores of restructured loans this seems to be much higher.

Management: We can give you the breakup, but 0.4% is not uniform there are asset classes under which different provisioning requirement exist and also as a matter of prudence on the stressed sectors additional provision is also made with the board approval. So, this is something which 0.4 is a minimum guideline that is expected, but this has worked out in a granular basis on different asset categories as well as different sector. The team in the last one year has been the restructuring provision that we are making on accounted or restructured under the restructuring package 1 as well as package 2 the resolution framework 1 and 2 as well as the additional provision that we are making at 15% instead of 5% or 10% so that is how the numbers are little elevated. So, these are just kind of buffers that are being created over and above the regulatory requirement.

Mahesh MB: And can we have a breakup of this 20,000 crores of restructured loans across sectors?

Management: We do have the breakup I can broadly share with you about 8,000 crore are into the retail personal and 9,000 crore in retail personal SME 3,000, corporate is just about 4,000 to 8,000

Mahesh MB: And one last question in that noninterest income line recovery from written-off was there any large item that was booked this quarter these are regular written-off tools that is now coming in?

Management: Only one item which is one account recovery of 1,692 crores.

Mahesh MB: And that had no impact on the yield line right?

Management: No this is an account which is already fully provided or part of AUCA so indirectly was into the other income.

Mahesh MB: If it is pertaining to an aviation sector that was recovered this quarter few Bank made some adjustment on the NII line as well, so just trying to understand?

Management: We have not done it is booked as miscellaneous income that is why it is shown under the other income because this is roughly provided for written-off accounts, account parked in advances under collection so it does not impact the NII line. If the account was in the live ledger still that it would have impacted the interest income this is we have provided and taken out parked this in AUCA.

Mahesh MB: And given what you are seeing now in the balance sheet or other trends on the accounts, how are you seeing for this year in terms of income from written-off accounts?

Management: I think we have got annual target of about 14,000 crore and hopefully we should be in a position to recover that.

Mahesh MB: 14,000 crore this is excluding sales to NARCL?

Management: That kind of slicing we have not done, but it is at a portfolio level we hope that we should be in a position to recover that.

Moderator: Thank you. The next question is from the line of Siddhant Dand from Goodwill Investments. Please go ahead.

Siddhant Dand: My question was actually regarding the salaries that the top management gets you know it is quite lower compared to the top private sector Banks and I want to know if the management has actively pursued about getting it to industry levels because I think we will not be able to retain talent on the top level if we continue giving such low salaries to the Chairman and the Managing Directors.

Management: I think if you are talking about me I am not going to leave it till such time from the Bank and likewise I think my other MDs.

Siddhant Dand: In the long-term perspective I do not think it is sustainable to pay so little to the top level management?

Management: See you have to see it in the context that in the Bank the top management comes from within the Banks only.

Siddhant Dand: Because then it will not be sustainable compared to private sector salaries?

Management: I think it is a subject matter which is beyond anyone of us so I think we will have to leave with that situation, but we have no grudge against whatever. It may be generally felt in the market, but I think we are quite accustomed to this, we have worked in subsidiaries also where people draw much more. So, I think it is not a challenge at all we have much bigger goals to look at than the money.

Siddhant Dand: I agree but in the long term perspective you know 10 years down the line, 20 years down the line?

Management: Let us hope may be things might change at that time. You are so persusavie may be things might change also.

Moderator: Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Sir, just wanted to understand this quarter we had a 16,000 crore of slippage and if I had to look at FY21 last year the whole year we had 28,000 crore of slippage so any view, any sense you wanted to give us what sort of slippages we are looking for the full year and what sort of recovery stage are we targeting?

Management: You have to see it in the context last year full quarter the slippages could be reckoned only towards the fourth quarter and also the fact remains that this year the first quarter in terms of the severity was much tougher. So, I mean this number has to be seen in that context and also there was a challenge in terms of mobility. You know at a point of time all of us into obligation to run our show with just 15% of the employees we had to run the operations. So, we have ensured that the operations continued and we should be in a position to contribute to the economy, but I think in that context it has hit the most, but nevertheless with the kind of restructuring and hopefully with the economic activity coming back I mean quarter-on-quarter things may not move in a very linear manner it may be different depending on the situation each quarter.

Anand Laddha: My question was that last year full year we had 30,000 crore of slippages what we have been seeing, so if one has take a full year view of FY22 where do you see of what is your expectation on the slippage side for the full year also on the recovery upgrade side do you see the next 9 months you see more upgrades and recovery coming up, is there any internal budgeting we have done how much we can expect?

Management: No internal budgeting we have done, but it is all based on certain assumptions so how far those assumptions are maintained, assumptions is relevant that is something which we have to wait and watch. We are going through very uncertain times so I think giving any kind of prediction at this stage maybe very inappropriate, but maybe after second quarter maybe we will have some visibility and perhaps the potential threat of wave 3 also will be behind us that will be point of time when we can probably come out with some kind of an indication or the year looks like.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to get a sense of since SBI is going so much digital over three to five years what kind of cost income ratio reduction can one expect I understand you will have lot of constraints because of the validity structured that is fixed and union and all, but if you can give a medium-term trajectory on the cost income ratio?

Management: This is more like what we expect how far we will really make it happen to be seen. We would like to be as efficient as the best of the institution irrespective of the ownership. So, in that context I feel that since we have got distribution reach of more than 22,000 which is spread out across the length and breadth of the country rural, semi urban, metro all locations. To my mind we are moving away from the pure Banking to status of a financial superstore and if at all it becomes a reality we can perhaps leverage these 20,000 plus branches for distribution of product from our various companies as well as apart from dispensing the Banking related services. Having said that it would not be out of place to mention that when it comes to the various products from our subsidiary it is actually a blue ocean opportunity for us and if at all we succeed in doing that it is actually sure of our other income significantly and also it will make the Bank asset light also in many respect and that will probably help us in improving our ROA and as well as ROE.

Management: If one looks at your subsidiaries we are already in terms of performance best of the class, in terms of return ratios, in expense ratios and all only the main Bank where one feels that there is a lot of scope and I mean if you look at for example Bajaj Finance they have managed to significantly reduce the cost to income ratio for over last four, five years?

Tushar Sarda: Subsidiary is there already very efficient and probably we have best in class ratios. It is the Bank where I think there is huge amount of scope and if I look at for example Bajaj Finance we have reduce their cost significantly over last four, five years. So, I wanted to get a sense in terms of percentage if Bank has set a target or something like that and may be an escalation target?

Management: I think we are actually taking some steps maybe it is too premature for us to talk about that in this analyst meet, but maybe another quarter or two we should be in a position to articulate those thoughts also which will probably help us in reducing our cost, but the answer which I gave you was essentially from the point of view of improving our other income because in the cost to income ratio income is a very significant component and if at all we can improve our other income it will go a long way in terms of helping us in reaching our cost to income ratio goals and as I mentioned that we would like to be the best as far as this industry is concerned, as far as the cost to income ratio is concerned.

Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.

Ashok Ajmera: Having said that I would just like to know on the optimistic note that what is our sanctions pipeline I mean have we got the sanctions which is not availed, how much is out of the existing working capital, sanctioned regularly which is already there which is still a major part of it is not availed so something we can get some color on the if everything goes well and if there is no third wave then where can we go from here in advances or credit front?

Management: When it comes to sanctioned limits which have not been availed they are aggregating to somewhere around 3 lakh crore and the pipeline for the proposals is about 1,30,000 crore and let me share with you we have sufficient liquidity available with us and we have enough headroom available in the capital so we are actually rearing to support this kind of a growth in credit.

Ashok Ajmera: Because once that happens all this cost to income ratio and everything like will automatically come under control if your credit grows and we do not have too much stress on that, sir my second one data point in that unresolved cases of the NCLT you know 160 days to 365 days, what is the total outstanding amount and the provision made on that?

Management: Overall NCLT filed cases is about 2,19,000 crore, but if you want a particular breakup on the basis of number of days that something I can share with you later.

Ashok Ajmera: Sir only those cases which are 182 under the dispensation where the number of accounts are generally limited and the amount?

Management: That detail is not readily available Ajmera Sahab we will share with you.

Ashok Ajmera: Sir this NARCL front what is the progress there sir and our number of accounts and the amount remains the same?

Management: Yes it remains the same what we have indicated earlier also it remains the same almost around 20,000 odd crore that is the amount.

Ashok Ajmera: And when do we think 22,000 crore I think it was?

Management: Somewhere around that only that is right that I think as soon as I think the progress is quite satisfactory when it comes to NARCL. So, hopefully it will happen soon.

Ashok Ajmera: So, that will also come in the recovery almost even if it is about 15% to 20% so 5,000 we have calculated last time so around 7,520 crore of cash you can get out of that?

Management: Let us hope for a better number why only this much.

Ashok Ajmera: Sir this other provisions I think my other colleague was also talking and somehow I missed it there is an out of the total provisions of 10,052 other than income tax 5,029 is for NPA and remaining 5,000 in other out of that 2,928 crore is the other provision can I get the breakup of that those other provisions of 2,928 crores?

Management: Ajmera Sahab that 2,800 is on account of the NFB non fund based limit relating to those cases which are under ICA and they are restructured. So, a significant amount of that is on account of that.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: The restructuring number that you had given total including the pipeline is around 20,000 of which SME is 3,000 and retail personal is 9,000 and I think corporate you mentioned was some 2,800, but what is the remaining I mean just wanted to double check work on this?

Management: No I mentioned retail personal is about 9,000 and SME is at 3,630, corporate is about 7,800 crores.

Jai Mundhra: Last thing sir in your annual report if I see advances to public sector that has declined on to PSU enterprises any comments there sir?

Management: Public sector advances are somewhere 43% share of public sector advances PSU and government department.

Jai Mundhra: But if I see the year-on-year that has declined by around by at least 10% or so, so any comments there sir?

Management: It depends if at all some of the public sectors would have repaid also for instance some of the public sector undertaking are cash surplus where I have repaid so that is a part of the game and moreover when it comes to iron and steel these days they are having cash surplus and all of them are really trying to deleverage themselves. So, I think it keeps on happening sometimes it will grow, sometimes it will come down.

Moderator: Thank you. The next question is from the line of Rakesh Kumar. Please go ahead.

Rakesh Kumar: Just on a small question with respect to the overhead number so if I see the business acquisition and development expenses there is a bit of volatility in that number so it would help us what is the reason for such a sharp price in this quarter?

Management: Two major components one of course is we have a large number of BCs we have about 70,000 odd BCs who are really helping us out and second is essentially relating to this time we have started going for PSLC right from the first quarter onwards. So, these are relating to that also because it gives us enough leverage when it comes to average priority sector loan so that is something as a strategy we decided that we will start moving ahead for trying out PSLC from the first quarter onwards. So, these are the two major components.

Rakesh Kumar: PSLC certificate that we have bought so what is the quantum and sir in which sub segment we have got and at what price how much we get for that?

Management: So, overall, 60,000 crore PSLC we have got in the first quarter and pricing would differ it will be from tranche to tranche it would not be readily available with us.

Rakesh Kumar: What is the tenure of this like for how much time regarding for us for one year?

Management: Yes generally it is for one year.

Rakesh Kumar: What is the cost you said sir what is the paid cost?

Management: Cost differs from tranche from tranche because it is something which is a market related it will differ from tranche to tranche.

Moderator: Thank you very much. Ladies and gentlemen due to time constraints we will take the last question from the line of Prakhar Agrawal from Edelweiss. Please go ahead.

Prakhar Agrawal: Just couple of data points when I look at your presentation for 5 crores and below SMA-1, SMA-2 is 11,300 what would that number be below 5 crores?

Management: I do not think we will have that number readily available with us right now otherwise that would be there in the system but not readily with us.

Prakhar Agrawal: Sir secondly on agri side when I look at notwithstanding what we saw in FY21, but before that we used to see a fair share coming in Q1 in terms of agri portfolio and we have seen that this time as well some of our peer Bank agri was a contributor to slippages so for us this was not the case, is it a mere timing difference or what explains this?

Management: The agri portfolio has changed quite a lot that is out of 2,14,000 kind of a portfolio which we have in 2,10,000 kind of portfolio which we have. Now the KCCs would be just about a 1,02,000 crore only. So, the remaining is essentially gold loan which are as high as about 67 crores then we have got loans to SSGs and also some investment credit, etc., so that is how the book the composition of book has undergone a change. So, maybe that is perhaps the reason and when it comes to the KCC the KCC the repayment happens only it is according to the cropping seasons as per the RBI guidelines. So, as, and when the cropping season happens then the demand is raised and the behavior at the better amount of time gets captured in the accounts.

Prakhar Agrawal: Just one last question any monetization plans during the year if you had any?

Management: Any monetization plans.

Prakhar Agrawal: For the year that you probably see any sales?

Management: I think it is little premature at the material point of time we will share with you all.

Moderator: Thank you very much. I now hand the conference over to Mr. Dinesh Kumar – Chairman for closing comments.

Dinesh Kumar Khara: Thank you very much for the support extended by all of you and look forward for your continued support. I assure you that as far as the Bank is concerned we had determined to ensure that we would stay on track in terms of our return on assets and ROE and we have already demonstrated in the most difficult times we have generally maintained the trajectory and hopefully once things looks better maybe we should be in a position to have an accelerated moment on this trajectory and hopefully we will be in a position to really reward the confidence repose by all of you. Thank you very much once again for all your support.

Moderator: Thank you very much. On behalf of State Bank of India that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.