

# Q2FY24 ANALYST MEET TRANSCRIPT

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**MANAGEMENT:**

**MR. DINESH KUMAR KHARA**  
CHAIRMAN, STATE BANK OF INDIA

**MR. C.S. SETTY**  
MANAGING DIRECTOR (INTERNATIONAL BANKING, GLOBAL MARKETS &  
TECHNOLOGY)

**MR. ASHWINI KUMAR TEWARI**  
MANAGING DIRECTOR (RISK COMPLIANCE AND STRESSED ASSET)

**MR. ALOK KUMAR CHOUDHARY**  
MANAGING DIRECTOR (RETAIL BUSINESS & OPERATIONS)

**MRS. SALONI NARAYAN**  
DEPUTY MANAGING DIRECTOR (FINANCE)

**MR. SANJAY KAPOOR**  
GENERAL MANAGER (PERFORMANCE, PLANNING & REVIEW)

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

Namaste and good evening, ladies, and gentlemen. My name is Sanjay Kapoor, and I am the General Manager of Performance Planning and Review department of the bank. On the occasion of the declaration of Q2FY24 results of the bank, it gives me immense pleasure to welcome the analysts, investors, and our colleagues for an in-person meeting. I also extend a warm welcome to the analysts, investors and colleagues who have joined this presentation through our live webcast.

We have with us on the stage, our Chairman Shri. Dinesh Khara at the centre, our Managing Director International Banking, Global Markets and Technology Shri. C. S. Setty, our Managing Director Risk, Compliance and Stress Assets Resolution Group Shri. Ashwini Kumar Tewari, our Managing Director Retail Business and Operations, Shri Alok Kumar Choudhary, our Deputy Managing Director of Finance Smt. Saloni Narayan, our Deputy Managing Directors heading various verticals, and Managing Directors of our subsidiaries are seated in the first row of the hall. We are also joined by the Chief General Managers of different verticals and business groups.

To carry forward the proceedings, I request our Chairman sir to give a brief summary of the bank's Q2FY24 performance and the strategic initiatives undertaken. We shall, thereafter, straight away go to the Q&A session.

However, before I hand it over to the Chairman sir, I would like to read out the safe harbour 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 outcomes may differ materially from those included in these statements due to a variety of factors. Thank you!

Now, I would request Chairman sir to make his opening remarks.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Thank you very much. Good evening, friends.

Thank you for joining this analyst meet post announcement of Q2FY24 results of the Bank. Let me first and foremost start with a brief description of the present global economic scenario.

Global growth remains weighed down by tight financial conditions, uncertainty about the policy trajectory, high debt distress and geopolitical tensions which have been further accentuated by the conflict in Middle East. Labor markets in major Advanced Economies continue to remain tight prompting central banks to maintain 'higher for longer' stance. The International Monetary Fund, in its October 2023 update of the World Economic Outlook, kept the global growth forecast unchanged at 3% in 2023, same as in its July 2023 update. Growth in 2024 is, however, projected to moderate to 2.9% as a stronger-than-expected momentum in the US is likely to be more than offset by a weaker-than-expected growth in the Euro area and China.

Against this backdrop, the outlook for domestic activity is brightening on account of the sustained buoyancy in services, consumer and business optimism, public spending on

infrastructure and the underlying strength of the financial sector's balance sheet even as corporations deleverage and post strong bottom lines. Consumer confidence has improved with upticks in most of the macroeconomic conditions. Overall credit ratio of ICRA assigned ratings was 2.0 in Apr-Aug 2023, indicating improved credit quality of India Inc. Rating upgrades were strong in the Hotels, Auto components, Financials and Transport and Infrastructure sectors. Growth is expected to gain momentum through the rest of the year, especially from the impetus of festival spending. High frequency indicators showing acceleration increased in quarter ending Sep'23. GST revenues remain robust as monthly GST threshold has now increased to Rs 1.66 trillion in Apr-Oct'23 as compared to 1.5 trillion in FY23. On the external front, the current account deficit is modest with sufficient foreign exchange reserves providing a strong buffer that is insulating the economy from global spillovers as well as from the slowdown in external demand. While recognizing global risks and the volatility in financial markets that they entail, real GDP growth is expected at 6.5% in FY24.

On the banking front, the bank credit growth remained strong in H1FY24 in tandem with the economic activity. Credit extended by SCBs rose by 19.3% YoY as on 6<sup>th</sup> October 2023, over and above the growth of 16.7% a year ago. As demand for credit continues, we expect credit and deposit may grow by 16-17% in FY24.

In the above economic backdrop, let me now highlight a few key aspects of the bank's performance in the Half Year and the Second Quarter of FY24.

I am pleased to announce that we have posted quarterly net profit of 14,330 crores which has increased by 8.03% YoY. Operating Profit for Q2FY24 is at 19,417 crores which has moderated by 8.07% YoY. RoA for H1FY24 stands at 1.10% and has improved by 34 bps over the corresponding period last year. However, the RoA for Q2FY24 has moderated by 3 bps on YoY basis to 1.01%. RoE for H1FY24 has improved by 649 bps to 22.57% YoY and perhaps it is the highest RoE in the industry.

Most other core profitability metrics have also improved during the current year. Net Interest Income for Q2FY24 increased by 12.27% YoY on the back of improvement in yields and the continuing credit offtake. Domestic NIM for H1FY24 at 3.45% and it has increased by 6 bps on YoY basis. Domestic NIM for Q2FY24 at 3.43% and it has declined by 12 bps YoY on account of increase in cost of deposits during the quarter. We expect NIMs to be stable around this level by the year end. Non-Interest Income has increased by 21.59% YoY, mainly due to increase in fee income by 10.00% and profit on sale of investments during the quarter.

Operating Expenses have increased by 34.60% YoY mainly on account of additional provisions made for the ensuing wage revision. Earlier, the provisions for wage revision were made at the rate of 10% w.e.f. Nov 2022, which we have now increased to 14%, with backdated effect from Nov 2022, due to which additional provisions of 3,417 crores have been made in the second quarter. As a result, operating profit has been impacted and has come down.

On the business front, the credit growth has been robust across all segments. Domestic Advances grew by 13.21%, mainly driven by SME Advances, which grew by 22.75%, Retail

Personal Advances which grew by 15.68% and Agri Advances which grew by 14.76%. Corporate Segment Advances grew only by 6.62%.

Recently, there have been concerns on the growth of unsecured loan portfolio in the banking industry. However, I wish to state that Xpress Credit has been one of the safest product lines of the bank as it is given to corporate salary account customers whose salaries are visible to us. Out of the total portfolio of Xpress Credit, nearly 82.6% of the customers are either employed in armed forces or are government employees and nearly 12% are employed with reputed corporates including public sector entities, etc. The portfolio of Xpress Credit stands at 3.2 trillion as on September 2023 with a gross NPA ratio of 0.69%. It is actually constituting 25% of the total retail personal portfolio of 12.43 trillion. We also have a strong analytics driven collection mechanism using Contact Centre for the pre-delinquency Outbound Voice Recording calls and also Loan Account Management system for calling by the branches. As a result, as I mentioned the GNPA of the portfolio is only at 0.69% indicating resilience of the portfolio in terms of asset quality.

Under deposits, Domestic deposits grew by 11.80%, driven by growth in Current Account deposits and Term Deposits. Savings Bank deposits have shown a growth of 4.34% YoY.

Our foreign offices have continued to perform well with the growth in Advances at 8.11% YoY as well as in Deposits at 14.57% YoY. Our foreign office advances have crossed an important milestone of 5 lakh crores.

With regards to the Asset Quality, our Gross NPA ratio has improved by 97 bps YoY and stands at 2.55% and continues to be at its lowest level in more than 10 years. Our Net NPA ratio has also improved by 16 bps and stands at 0.64%. Slippage Ratio for H1FY24 has improved by 16 bps YoY and stands at 0.70%. The consistently improving asset quality is also reflected in our credit cost which stands at 0.22% and it has improved by 6 bps YoY.

PCR (including AUCA) improved by 39 bps YoY and stands at 91.93%. PCR for Q2FY24 has declined by 248 bps to 75.45%. Herein, I would like to mention that our PCR for the corporate book has gone to 99.55%.

On the restructuring front, our total exposure under COVID resolution plan 1.0 & 2.0 stands at 20,854 crores as at the end of Q2FY24. The restructuring book has behaved well with 20% of the current exposure falling under SMA-1 and SMA-2 category. We are holding sufficient additional provision against the restructured accounts. If you recall, we had kept the provision at about 30% and we have about Rs. 20,000 crores of book and we are holding sufficient provision for this book.

The Bank remains well capitalised, and we have sufficient headroom to take care of normal business growth requirements. Our Capital Adequacy Ratio has improved by 77 bps YoY and now it stands at 14.28%. CET-1 Ratio has also improved by 41 bps to 9.94% and both the ratios are well above the regulatory requirements. Here in, I would like to mention that we have not reckoned the profit which we have earned till now and if at all we will add that also then our capital adequacy ratio will be at around 15.32%.

Digital continues to be an important customer acquisition engine for the Bank across asset as well as the liability products. During the quarter, we have sourced 61% of Savings Bank accounts digitally through YONO. We are seeing increased traction in cross selling business through YONO. This quarter we have already earned about 190 crore worth of fee income through YONO on account of sale of third-party product, our subsidy products. We are seeing increased traction in cross-selling business through YONO. We have recently launched “YONO for Every Indian” in which customers of other banks can now access and experience seamless UPI journey on YONO. Nearly 25 lakh registrations have been done during Q2FY24 since its launch on 01.07.2023. Advances business through analytical leads has grown 38% YoY in H1FY24.

Our subsidiaries are also continuing to perform well and continue to create significant value for all the stakeholders and most importantly for the customers. Most of our subsidiaries are leaders in their respective segments. We will continue to nurture them and see that they continue to create value for their own shareholders as well as the shareholders of SBI.

To conclude, I thank you all for your continuous support to the Bank. Being proxy to the Indian economy, we consider it as a privilege to be able to contribute towards the growth of our economy. We remain committed to rewarding your trust in us, with sustainable returns over the long term. I wish everyone here the best of health and happiness, in this festive season. My team and I are now open to taking questions. Thank you very much.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

Thank you, Chairman Sir for the presentation. We now invite questions from the audience. For the benefit of all we request you kindly mention your name and company before posing the questions. To accommodate all the questions, we request you to restrict your questions to maximum two at a time. Also, kindly restrict your questions to the financial results only and no questions to be asked about specific accounts, please. In case you have additional questions the same can be asked at the end. We now proceed with the Q&A session.

And the first question is from here...

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

- Good Evening, Sir. Mahruk from Nuvama. Sir, my first question is on margins. So, where do you expect margins to stabilize given that everyone has come up with aggressive festive offers including festive deposit rates. So, where do you see domestic margins stabilizing for the next 2 - 3 quarters?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

My expectation is that our margin should be around this level or maybe it might see compression for another 3 - 5 basis points.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

So, deposit cost has bottomed out or...

**- Mr. Dinesh Khara – Chairman, State Bank of India**

I expect the impact of deposit cost only and as far as the loan book is concerned, we have already offered the concession whatever we had to offer, and we are seeing decent traction when it comes to our sourcing and underwriting is concerned. So, I think we will have the impact of the increase in the deposit rates only I expect that it will have an impact of another 3 - 5 basis point on the margins.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama:**

And the full MCLR impact is now already captured?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

It is, yes, almost fully captured. Though, we still have some elbow room for increasing the MCLR but that will be very judicious.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama:**

Thank you, sir. Sir, my next question is on Opex. So, say for every one percent increase in the wage agreement what would be the sensitivity so if we provided for 14% now and if it settles at 15 what will be the additional cost?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

Roughly about 100 crores. 100 crores per month.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

Okay, but so, if you remove the 3.4 billion that you mentioned from this quarter then do you expect if rates remain stable as they are now, do you expect the provisions for wages to remain at the core level or...

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

No, see once all this backlog which we have to provide for that will not be there then it will be actually once the wage revision happens then it is the wage bill only no additional provision. So, roughly about 400 crores is something which we expect if at all. I mean that will be the increase in the wage bill. 400 crores, for a month. So, about 1200 crores a quarter.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

Okay sir. Okay, thank you sir.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

The next question is from... can you please raise your hand.

**- Mr. Sushil C Choksey - Managing Director, Indus Equity Advisors**

Sushil Choksey, Indus Equity. Sir, based on current economic environment and specifically business in India how are we seeing traction on large projects at as we are?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

Our, when it comes to our... we have got proposals in pipeline of about 3.4 trillion and about 1.4 trillion would be which is awaiting... I mean, which are pending for disbursements. So, about 4.8 trillion... 4.7-4.8 trillion is that kind of a book. So, I think with the kind of evolving situation, global situation since all these projects are primarily going to cater to the domestic economy, I do not expect that it will have any significant impact and because what we get to say in terms of the inflow of proposal, that is again the validation of what I am saying.

**- Mr. Sushil C Choksey - Managing Director, Indus Equity Advisors**

But your growth in SME and retail is quite sustainable and growing in a better pace. Will your growth not outnumber your projection?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

See, we have been indicating that we will be growing at about around in the range of 14% and I would like to surprise the market on the higher side. That's why my suggestions or recommendations are always little conservative.

**- Mr. Sushil C Choksey - Managing Director, Indus Equity Advisors**

So, in the current week your business standard appearance and governor's speech and the Fed on Wednesday, the entire bond market globally is showing a different colour than the concern. Middle East concern stays but the bond market is clearly indicating that things may reverse where treasury and rates are concerned. What is your view? Have you changed your view post Wednesday or you still...

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

See, I think these one-offs, you know when we form a view, it is not based upon the one-off events. It is based upon multiple events which are happening across. Yes, of course, these

are important events which need to be factored but I think if at all we have to have a view, we will have to probably wait and watch little more in terms of how the global economics, economic situation unfolds and its likely impact because Fed has said something. And also, our RBI Governor has indicated something. But yes, of course, I think there are multiple other things which you have to keep in mind while having a view.

**- Mr. Sushil C Choksey - Managing Director, Indus Equity Advisors**

Thank you for answering my questions.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India:**

Can you please raise your hand.

**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

Good Evening Sir, Mahesh from Kotak. Just a few questions. One, if you could just kind of explain the movement of the balance sheet. There seems to be a bump up in investments this quarter, increase in borrowings. What explains, what have you been thinking on the balance sheet side?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

No, investments are moved towards 17 trillion and we have seen decent growth also but when it comes to our credit deposit ratio on the domestic book front it is somewhere around 64%. We are very mindful in terms of underwriting the risk which is according to our risk appetite and if at all we don't want to get into any adventure and that is one of the reasons why we are very conscious in terms of building up of a loan book. And also, when I talk about that I am very mindful in terms of the price at which we can lend. If at all the price does not offer us adequate risk return reward, then probably I would rather prefer to look into the investment book as compared to the loan book. So, that is something which explains, maybe you have something more to add.

**- Mr. C. S. Setty – Managing Director (IB, GM & T), State Bank of India**

Yeah, I think on the investment book the growth has been 8.2%, you know, QoQ. It is mainly coming from the G-Secs and SDLs. So, some of these liquidity what we normally have, as we keep saying that, you know, we have a policy of parking the excess liquidity in the SLR securities, and we have substantial excess SLR which helps us market borrowing. That's what, you see there are one hand investments are growing as well as we also, you know, participate in any liquidity management what we need to do.



**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

So, the question pertains to the fact that you raise borrowings as well on the other side which I assume is far more expensive. So, I just trying to understand what way you're thinking when you were...

**- Mr. C. S. Setty – Managing Director (IB, GM & T), State Bank of India**

You are talking about the market borrowings or the borrowings in terms of the borrowings.

**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

The borrowings in the balance sheet. Non deposit related the borrowings which is sitting there that also has gone up about a trillion one lakh crores this quarter. But just trying to understand what have you been thinking on those two metrics because you raise deposits and borrowings and you have seen significant investments when your CD ratio is low. Just trying to understand what...

**- Mr. C. S. Setty – Managing Director (IB, GM & T), State Bank of India**

No, you see, one thing is that we can't raise deposits when we need to fund the credit. Right. As, Mr. Khara keeps saying deposit is a franchise. We continue to raise the deposits and when the deposits are raised there are two alternatives one is that you fund the credit growth or alternatively put in the investments. So, and whenever we put in the dated securities obviously those securities are used for raising any liquidity. That's where you see the borrowings also the other side. I hope I'm ...

**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

Sure. I'll take it offline. The second question is on the provisioning line. Again, this reversal on standard assets as well as other provisions. If you could just tell us what's happened in these two lines.

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

Yeah, we have been adopting a policy for past almost two years plus where we have started providing for any kind of a likelihood of the stress which might emerge on our loan book and that is something which you have... when we are sure that those stress are no more there on the site we have reversed those positions which we had created for the standard assets. That's about 1200 odd crores.

**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

Okay. And last question, sir on the SME side. You have started seeing pretty good healthy growth in that, it's now clocking about 20%. What are you thinking on that particular portfolio?

**- Mr. Dinesh Khara – Chairman, State Bank of India:**

See, I think somewhere in the year 20 we had given the guidance that we will try to achieve, move up in the SME book from 3 trillion to 4 trillion. So, we are somewhere there only 3.88 trillion, we are already there, by 24 we had indicated. So, I think we should be in a position to reach out to this level and this growth has been built up in a very very clear and conscious manner and into the identifiable products which are in line with our risk appetite. So, that is something which we have done and we feel that we feel that we should be in a position to sustain this kind of a growth trajectory going forward. Having built up our infrastructure relating to SME lending. We have significantly beefed up our infrastructure for SME lending. We have improved the loan management system, we have gotten the algorithm relating to the lending to SME, we have introduced a new product pre-approved business loan, where we are witnessing almost about 1800 kind of a growth every quarter. So this is something these are some of the initiatives which we have done and that pre-approved business loan is all analytics driven, depending upon our understanding of the customer and their transactions. So, I think we have taken multiple such steps which will help us in ramping up our SME book.

**- Mr. M B Mahesh – Institutional Equities, Kotak Securities Limited**

Thanks sir. Just to clarify the yields on the SME loans is similar to the Xpress Credit, If I were to just compare these two products.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

It should be slightly lower. But then of course it continues to be a much better yielding product comparing/considering the fact that these days some of the banks are willing to lend to some of the corporate at less than the STL rate also.

**- Mr. Prakhar Sharma – Equity Analyst, Jefferies India Private Limited**

Sir, Prakhar here from Jefferies. Congratulations sir, very good set of numbers especially in the backdrop. Sir, just wanted to get some more clarity on the funding cost part. I just wanted to know is it possible to give some sense on whether what percentage of term deposits have actually moved to the new rates because for the last couple of months banks have not raised term deposits materially. So probably the incremental rate has been set. Where are we from that on the P&L side?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Even, we have not also increased the interest rate for some time but whatever re-pricing has happened I think perhaps it will all be fully panned out by the next quarter whatever little is left out.

**- Mr. Prakhar Sharma – Equity Analyst, Jefferies India Private Limited**

Okay, okay, understood. And despite that the margins will hold up.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

That's the reason I was saying that maybe we might see compression of another 3 – 5 bps.

**- Mr. Prakhar Sharma – Equity Analyst, Jefferies India Private Limited**

So, if I may just ask sir, where is the offset in your view coming is it mostly the LDR or we are yet to see some re-pricing on the loan side because...

**- Mr. Dinesh Khara – Chairman, State Bank of India**

I think LDR will be the one. We expect to improve the LDR and that will help us in shoring up the re-pricing of loan whichever whatever will come now for the renewal at this stage. MCLR based loans which will come for the renewal now.

**- Mr. Prakhar Sharma – Equity Analyst, Jefferies India Private Limited**

Perfect. Thank you, sir.

**- Mr. Nitin Aggarwal – Sr Group Vice President, Motilal Oswal Financial Services Ltd**

Sir, sir, this is Nitin Aggarwal from Motilal. Sir, one question on the unsecured piece of the book like in the press meet you talked about that the trends on asset quality are going very strong on a personal loan book. But if I look at your subsidiary cards, they have been talking about some rise in stress levels. So how do you look at the divergence in these two segments of unsecured and do you think that this gap will narrow?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

See the point is that the subsidiary has got a very different underwriting principle and the book is very different for them. As far as we are concerned, we are giving unsecured loans to those who are maintaining salary accounts with us. So, we have got a very clear visibility in terms of the fund flow for such entities, I mean, such customers and that is something which is helping us in terms of mitigating the risk in the unsecured book. When it comes to our subsidiary SBI Card, they do look at some of the customers very independently because that is a separate entity and there are certain restrictions as far as RBI is concerned in terms of sharing the customer database with our entities also. And that is one of the reasons why almost about 50% of the book is something which comes from State Bank and the remaining 50% is from the market. And, as it is you know when it comes to credit card business that is on a very different line, it is a unsecured business, it is very high yielding business also. And to that extent they have got a ability to absorb little higher delinquencies also but their collection mechanisms are also very different as compared to what we really practice. So I think to that extent it is a very different model which they follow and the kind of model which we follow is very different as we have lower risk appetite we have got much lesser yield on such book also but nevertheless our delinquencies are well within control.

**- Mr. Nitin Aggarwal – Sr Group Vice President, Motilal Oswal Financial Services Ltd**

Right sir. And sir, the other question is on the loan growth wherein you are indicating for a 14% plus loan growth and so how do you specifically look at the corporate growth and the international growth wherein we have seen a good pickup this quarter. So, these two segments if you can share some color.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

See, corporate loan I expect as I was sharing that we have got the undisbursed portion of some of the sanctioned loans un-availed limits of the term loans. In the term loans we have seen the availment has improved by almost about 100 bps in this quarter as compared to previous quarter. And also, when it comes to the utilization of the working capital also it has improved in this quarter. I think going forward we will have a situation where this will probably, availment will improve further and also the part of the pipeline, which is there for 3.4 trillion and odd, which is there for the proposals which are under process. We will get to see some sanctions getting converted into, I mean some such proposals getting converted into sanctions and some of them getting availed also. So, I expect that this corporate growth should see some improvement going forward. Ideally, I would like to see it somewhere and at least in the lower two digit numbers.

**- Mr. Nitin Aggarwal – Sr Group Vice President, Motilal Oswal Financial Services Ltd**

Right sir. And the international book?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

International book we will be somewhere around this number only. We do not want to go very aggressive on international book because different geographies are behaving differently and that is the reason why we want to confine ourselves to some of the stable geography is like US and Middle East and Japan where we have grown in this quarter also. If you recall, last quarter we had not grown in the international book. Essentially, we are trying to understand how the global situation is going to evolve. Now we have got some clarity and with that in mind we will be growing in these markets.

**- Mr. Nitin Aggarwal – Sr Group Vice President, Motilal Oswal Financial Services Ltd**

Right sir. Thank you so much.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Thank you.

**- Mr. Jai Mundhra –Vice President (Equity Research), ICICI Securities Limited**

Hi sir. This is Jai Mundhra from ICICI Securities. It is a question on your RoA. So, for the last two quarters we did 1.2% RoA. This quarter we have done 1% RoA and I can see that, you know, this wage revision provision, enhancement that we have done, 3400 crores, this turns out to be around 24 basis point of an RoA pre-tax. So, of course, this is likely to be one off unlikely to reoccur. So, the question is are you a 1.2% RoA bank or are you a 1% RoA bank? I mean, in the sense you know I mean so yeah so that is the question.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

No, my effort is that it should be a 1.2% RoA bank. Budgeting has been done around that kind of a number only and that is how we are. When it comes to our monitoring on ground this is something which we are doing.

**- Mr. Jai Mundhra –Vice President (Equity Research), ICICI Securities Limited**

Right. And, secondly sir when you say margins could decline by 3 - 5 bps, this is domestic only or this is global because your overseas margin you know have been at very very high level and you know could be, could be more volatile versus domestic.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Actually, overseas book if you've looked at all, you will look at the interest rate and overseas that is all on the higher side now. So, I think this 3 - 5 bps compression in margin is essentially I was looking at the domestic book only, but I think overseas I expect that we should be in a position to maintain these kind of margins in the overseas book at least on the foreseeable future.

**- Mr. Jai Mundhra –Vice President (Equity Research), ICICI Securities Limited**

Thank you, sir. All the best.

**- Mr. Hardik Shah – Associate (Global Investment Research), Goldman Sachs**

Hello sir. Hardik here from Goldman. Congratulations on good set of numbers. My first question is on the competitive intensity in the mortgages. How is it and how do you expect it to trend going forward?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

This market is quite competitive, there is no doubt about it but when we look at our sanctions and disbursements, we are seeing healthy trend. Is there about 20% or increase? 25% increase on a sequential basis. So, I think we will continue to see that kind of a traction because we have invested well in terms of our ability to source, process, disburse and also control and follow up. So last year we added almost 150 CPCs across the country. So, this is

something which is going to really work well I think, and we expect that we will have decent growth in this going forward.

**- Mr. Hardik Shah – Associate (Global Investment Research), Goldman Sachs**

Okay, and sir, second question is on the SME book. Can you give some more colour around what is the average ticket size, what are the sectors that you are lending to within SME?

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Yeah please.

**- Mr. Alok Kumar Choudhary – Managing Director (RB & O), State Bank of India**

So in case of SME, we have grown almost by 57% in working capital which essentially means that the units which you were sanctioned loans they are utilizing more and more working capital because we have enhanced scale of operations or demand fulfilment also. In case of term loan, we have grown by around 25% but the growth also comes from a supply chain finance where we have grown by almost 29.44%. Growth is also coming from the CGTMSE loans because in CGTMSE loans also we have improved our processes and that is leading to growth. And the best part in this entire SME transformation is that we have around say 2000 relationship managers spread across almost all the districts of the country wherever you have SME concentration there are almost 900 branches which are essentially doing SME nothing else. Of course, the related SME work, maybe current account, and some of the forex business. And the processing cells, we have two types of processing cells even in many places. One processing cell is entirely for all kinds of loans which will come and one processing cell is also when specifically, say, established only for the supply chain business and we went into some transformation known as project Pratham which also led to lot of BREs business rule engines getting established. So, I think both on the product side, as well as process plus use of the different partners, fintech partners etc. This is all leading to growth and the most important point is what the Chairman has said that he has mandated 4 trillion kind of SME growth. So, which has electrified the entire workforce in the country to do this SME business because you understand that SME has been our business since time semi-memorial and we need to have a rightful place in the entire SME ecosystem of the country. Hope it satisfies...

**- Mr. Hardik Shah – Associate (Global Investment Research), Goldman Sachs**

And what would be the utilization levels in those working capital which has enhanced the growth.

**- Mr. Alok Kumar Choudhary – Managing Director (RB & O), State Bank of India**

Utilization level only in SME space? Another, because, the SME loans would be generally up to 50 crores because more than 50 crores the SME loans as we classify in our portfolio is very little. So, there we do not have that kind of data that for 20 crores loan or 15 crores loan what

is the utilization. That utilization percentages we generally monitor for the corporate credit loans where we have around 56% kind of utilization in the corporate loans.

**- Mr. Hardik Shah – Associate (Global Investment Research), Goldman Sachs**

Okay. Got it. Thank you, sir.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Sir my question again is related to SME but not on the growth front I just want to understand any signs of stress that you see in the SME segment how are the NPA's trending in the mudra and the non-mudra loans specifically.

**- Mr. Alok Kumar Choudhary – Managing Director (RB & O), State Bank of India**

You see in case of SME we have done analysis to find that the SME NPA is mostly a function of less than 50 lakh. 50 lakh loans is basically the section which gives the highest more than 70% of the NPA. So there as most of these SME borrowers should be micro kind of borrowers. So, they are exposed to more kind of vagaries of the market as such we find that they may be prone to stress many times but we also see that many of them get pulled back. Like you see the slippages of last quarter almost 1200 crore of slippages has been pulled back. So, it's a kind of pull and push business. So, market vagaries put them into stress but our support and also the discipline of the SME borrowers put them back into SME. So, from that perspective I don't think any sector wise we have but in case of restructuring we found that the most of it is the retail shops, transport operators those were more...

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Seeing the reduction in SME NPA it used to be about 6% in the Q3FY23 and from there it has come down to somewhere around now at about 4.41%. So that is again you know part of it we need to address the underwriting but at the same time our connect on the ground is something which works well, and we have to be pragmatic in terms of how we assess their limits and how we ensure that their cash flows are taken care of. So, but at the same time I must also mention in the SME space it was a very clear effort on our part when we got into this space once again that we should try and build up this book through vendor finance, distributor finance where we have got a clear visibility and that is one of the reason why from Sep'22, the NPA level at 6.03% we are now at 4.41%. So, it is a very careful selection and also ESG as something which also worked well apart from that we are taking shelter in the CGTMSE. Whatever comforts are available for the banking system we are availing all of them, but I would say that it is a multi-prong strategy which has worked to ensure that we bring it at 4.4% but ideally speaking we would like to see it somewhere around 3 to 3.5% only.

**- Mr. Alok Kumar Choudhary – Managing Director (RB & O), State Bank of India**

So, just to add a bit of data sir, we the risk mitigated products which we have that is around 35.23% where we have either CGTMSE or maybe asset backed loan or securities there. So, we are trying to move more into risk mitigated products so that the incidence of NPA is quite less.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

So, secondly on the savings deposit side you know system wide we have seen typically dips into the first quarter rises again second quarter this time around trend have been different and we are seeing actually dip in the second quarter across banks in the savings deposits.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

No, we have seen a growth.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

I mean, obviously, the growth is there but it is much lesser.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Yes, of course, you have to see... The point is that, the trend which you are indicating is normally in the normal situations when the inflationary conditions are there invariably the trend is that people try to move the deposit where they can have the inflation neutral returns or if at all they should get the positive returns that is the effort on the part of the people and that is one of the reasons why perhaps you would have seen more traction in the mutual fund space also because those who are yield chaser, they will look at all possible options. So, that is something which is seen but nevertheless, we have also witnessed because some of the savings accounts are also opened by the government entities and as you are aware that the government has now moved to the just in time funding of these accounts. That is also one of the reasons why you would have seen the kind of growth which is there in savings account is muted. But nevertheless, you know as far as we are concerned, we are now trying to build up our CASA focus with more emphasis on CA. And, when I talk about CA it is we were having a huge dependence on the government deposits in the current account, but we started de-risking ourselves and we got into trade & commerce industry and we have now witnessed the growth on a YOY basis which is about 8% plus in current account and which is much better than our competitors also. So that is something which we have seen and also when it comes to savings bank deposit, invariably we have seen that in these kind of times people normally go for MOD kind of a situation where the money can move from savings bank to term deposit depending upon the threshold with the customer offers. Having said that I must also mention that we have opened almost about 30 lakhs plus savings... 40 lakh plus savings bank accounts during the quarter and almost about 1.40 lakhs corporate salary package accounts. So, I think when it comes to our effort to really open the accounts there is no slowness which we have observed almost about 30,000 accounts are getting opened through YOYO on a daily



basis which actually represent about 61% of the accounts which we are opening in the bank. So that is how it is all stacked up. So, I think the fact of the life and moreover since we have to be very mindful in terms of our cost of deposit. We don't think that there is a need for any increase in interest rate for the savings deposit that is how we look at this whole subject.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Sure. So, lastly, on the capital front I mean your stance is well known that you don't need to raise capital as such. But when you look at the optimal ratios when you compare it with the peers globally as such obviously on a CET basis basically, we are on a lower side.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

We will be raising the Tier-1 and also, we will be ploughing back significantly higher number of profit as compared to what we did last year.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Sir, any working, on what could be the bump up that we might see in the CET-1 because of the investment.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

I think we have done some exercise and we expect that at the year-end we should be somewhere around 15.32% as far as CAR is concerned and about 11% plus in the CET-1.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Post the reclassification of investments.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Not the investment. Ploughing back of the profit.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Okay that is it but you will have more I think something coming from the reclassification of investment.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

That too we will see we have not analysed.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

The results that are going to be created.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

We have not analysed all that.

**- Mr. Anand Dama – Senior Research Analyst, Emkay Global Financial Services Ltd**

Okay. Thank you, sir.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

So, we have a few questions coming in through the online webcast. We request Chairman Sir to address, please.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Yeah sure. I think, I will take up one by one.

- The first question has come from Rahul Jain - When do we expect to get full clarity of wage negotiation and how did the provision guidance of 10% changed to 14%.

The wage negotiation is still in process. Keeping in view of the progress in negotiation it is our reasonable expectation that we might be having the wage negotiation around 14%. That is the reason why we have increased it to 14%.

- The second question comes from Ram J.S. - Given the regulator concern on unsecured loan do you expect risk weight to be increased for them.

RBI has been talking to on this particular issue for quite some time and it is our interpretation that RBI is worried about the smaller loan values of less than 50,000. Risk weight may go up but as of now there is no timeline.

- Another question is from Mr. Pavin Kumar Nagpal - How does the bank plans to maintain its credit growth momentum in the second half of the financial year?

For credit growth we have a good number of loans which are already sanctioned and pending for disbursement, and we are seeing good traction as far as our retail loan book is also concerned in terms of the sanctioning. So that is the reason why we feel that we should get to see the decent credit growth momentum. We have approximately 1.41 lakh proposal, 1.41 trillion worth of proposals pending for disbursement we expect them to get disbursed in next 2 - 3 quarters and also proposals which are under process of sanctioning are about 3.3 trillion.

- Shri Gopal Agarwal - At what rate management is expecting loan growth.

We expect that we should be growing at about 12 - 14 percent at least. Ideally, we will try to improve it even further.

- How is the growth and quality of Pre-Approved Loans through YONO app looking like?

It's a... actually I would say that it is perhaps one of the best is no cost of sourcing the business and we are not only doing the Pre-Approved Personal Loan we are also doing Pre-Approved Business Loan encouraged by the outcome which we saw in the personal loans and also, we are going for Insta Home Loan Top-up and as well as the Real Time Xpress Credit. Digital loan portfolio generated till now is about almost 10,000 crores during the first half of the current financial year.

- Why did the domestic NIM fall for this quarter?

Domestic NIM on QoQ basis has declined marginally from 3.47 to 3.43 due to increase in cost of deposit and of course we don't have any one off which we had in the previous quarters. On a YoY basis the cumulative domestic NIM has actually improved from 3.39 to 3.45 percent and essentially attributed to the increased loan book and better yield on advances.

- What percent of advanced portfolio is MCLR linked, what part is fixed rate and what part is Repo linked?

MCLR link is 38%, fixed is 31%, EBLR is 27% and other which also include T-bill is 14%.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

Thank you.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

So, with that all the questions which have been received offline have been answered.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

Thank you, sir. I trust all the questions have now been addressed.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Anybody has any more questions to ask?

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

Yes sir, thank you. Sir, I have two questions. You just answered on risk weights, and you said we don't know the timeline of increase. You meant for below 50,000 or for all loan.

**- Mr. Dinesh Khara – Chairman, State Bank of India**

I think perhaps it is likely to be below 50,000 because perhaps RBI observations are also more concerned about less than 50,000 and herein, I would like to mention that when we sanction, we do not sanction less than 50,000 at all. Whatever less than 50,000 is there it is only on account of the repayment of the existing Xpress Credit. So, I think essentially, they are trying to address the genuine concerns which they have from some of the players in the industry which are into ETB and also into low ticket personal loans.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

And Sir, just one last question, it was probably asked earlier. So, you had good deposit growth, you had healthy loan growth and you have a low domestic CD ratio also of 64%. So, why have your borrowings increased when deposits and your CD ratio were already up before?

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

There at times, these are the tactical decisions also.

**- Mr. C. S. Setty – Managing Director (IB, GM & T), State Bank of India**

We can explain offline. I think I told you that we'll discuss.

**- Ms. Mahrukh Adajania – Executive Director (Equity Research), Nuvama**

Sure. Okay sir. Thank you.

**- Mr. Sanjay Kapoor - General Manager, State Bank of India**

Thank you. We'll be happy to respond to other questions in offline mode. Let me end the evening with thanking the Chairman, the Top Management team, the Analyst, Ladies and Gentlemen. To round off this evening, we request you to join us for high tea which is arranged just outside the hall. Thank you!

**- Mr. Dinesh Khara – Chairman, State Bank of India**

Thank you very much. Thanks to all of you!