



FY23

ANALYST MEET

Transcript

18.05.2023

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MR. C.S. SETTY
MANAGING DIRECTOR (INTERNATIONAL BANKING, GLOBAL MARKETS & TECHNOLOGY)
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MR. ASHWINI KUMAR TEWARI
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MR. ALOK KUMAR CHOUDHARY
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CHIEF FINANCIAL OFFICER
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GENERAL MANAGER (PERFORMANCE, PLANNING & REVIEW)

- **Mr. Sanjay Kapoor – General Manager Performance, Planning & Review, State Bank of India:**
- Namaste and good evening, ladies and gentlemen. My name is Sanjay Kapoor, and I'm the General Manager – Performance, Planning and Review Department of the bank. On the occasion of the declaration of the FY23 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 our 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 – Corporate Banking & Subsidiaries, Shri. Swaminathan J.
- Our Managing Director – Risk, Compliance and SARG, Shri. Ashwini Kumar Tewari.
- Our Managing Director – Retail Business and Operations, Shri. Alok Kumar Choudhary.
- Our Deputy Managing Director – Finance, Smt. Saloni Narayan.
- Our Deputy Managing Directors heading various verticals and Managing Directors of our subsidiaries are seated at the first row of this hall.
- We are also joined by our CFO and Chief General Managers of different verticals/business groups.
- To carry forward the proceedings, I request the Chairman sir to give a brief summary of the Bank's FY23 performance, and the strategic initiatives undertaken. We shall, thereafter, straightaway go to the Question & Answer session. However, before I handover 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 the 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. Very good evening to all of you. Thank you very much for joining this analyst meet post the announcement of the FY23 annual results of the bank. As you are all aware, the global economy is passing through various uncertain times with the cumulative impact of adverse shocks of the past 3 years, most notably, the COVID-19 pandemic, geopolitical situations in Ukraine, manifesting in unforeseen situations, spurred by the pent-up demand, lingering supply chain disruptions and commodity price spikes. Inflation reached multi decadal high last year in many economies, nudging central banks to tighten aggressively to bring it back towards their target, and keep inflation expectation anchored. As a result of all this, the base line forecast of the global growth is to fall from 3.4 to 2.8 and then to rebound to 3% in 2024.

- In the backdrop of all this, India continues to remain resilient to various adverse external environment, owing to a large domestic market. Despite all the headwinds, India's GDP in FY23 is estimated to grow at 7%, driven by investment and private consumption. And going forward, the economic activity would be supported by improving rural demand and the government's thrust on infrastructure spending.
- We also expect the revival in the corporate investment, which will give us opportunities of healthy bank credit, and also, will lead to moderating the commodity prices. Despite the increase in interest rate and its transmission, credit growth has continued to grow in double-digit and has been broad based across all the sectors in FY23.
- During FY23, ASCB's credit grew by almost 15% on a YoY basis, as against 9.6% YoY in FY22. Aggregate deposit of all scheduled commercial banks grew at about 9.6% compared to the last year growth of 8.9% YoY. In the union budget for FY24, several steps have been announced to push up the capital investment in the country, which will actually boost the credit demand in the economy, and we expect the credit growth to continue in FY24 also, though with some moderation, which can perhaps happen.
- In the above backdrop, let me now share with you the bank's number of FY23, as well as for Q4FY23. I'm happy to share with all of you, that the bank has, for the third quarter in running, posted a highest every quarterly profit of 16,695 crores, and for the full year our net profit has crossed the landmark number of Rs. 50,000 crores, which is the highest ever by any bank in India. Net Profit for FY23 increased by 58.58% YoY, while Operating Profit at Rs 83,713 crores increased by 11.18% YoY. ROA of the bank for the year improved by 29 bps on YoY basis, to 0.96%, and ROE improved by 551 bps to 19.43%. Here I would also like to mention that, for three quarters in a row, our ROA has been more than 1%.
- For Q4 FY23, Net Profit stands at 16,695 crores, which is higher by 17.52% sequentially, and 83.18% on a YoY basis. Most other core profitability metrics have also improved over the previous year, as well as sequentially. Net Interest Income for the year has witnessed a growth of 19.99% on the back of improvement in yields and continuing credit offtake. Domestic NIM also improved by 22 bps on a YoY basis. Non-Interest Income declined marginally by 9.73%, essentially attributed to a MTM loss of more than Rs. 7,000 crores, which we suffered in the 1st quarter. Other than that, our core income streams, fee-based incomes remained intact and have improved by almost 6.84% YoY. Operating Expenses increased by 13.68% YoY as we have started building provision for the wage revision, which has fallen due, effective from November 2022. There is some increase in the Overhead Expenses, which is essentially attributed to the higher tech related expenses like expense on IT, development, mobile banking, ATMs, and also higher DICGC premium because of the growth in deposits, which we have witnessed in the last financial year.
- On the business front, the credit growth has been robust across all the segments. Domestic Advances grew by 15.38%, headlined by retail personal advances which grew by 17.64%, and corporate segment grew by almost 12.52% YoY. SME and the Agri segment advances also posted healthy double-digit growth at 17.59% and 13.31% respectively. Domestic Deposits grew by 8.50% YoY, driven by the growth in savings bank deposits and term deposits. Our foreign offices have continued to perform well with good growth in advances, as well as in deposits.
- With regard to the asset quality, our Gross NPA ratio has come down 119 bps and stands at 2.78%, which is its lowest level in more than 10 years. Our Net NPA ratio

has also declined by 35 bps and stands at 0.67%. Slippage Ratio for the year stands at 0.65%. The consistently improving asset quality is also reflected in our credit cost, which stands at 32 bps for the year, and is down by 23 bps on a YoY basis. We have a well provided stress book with PCR showing improvement by 135 bps at 76.39%. PCR, including AUCA, improved by 171 bps YoY and stands at 91.91%.

- On the restructuring front, our total exposure in the COVID Resolution Plan 1 and 2 stands at 24,302 crores as at the end of Q4 FY23. The restructuring book has behaved well. And, when we look at our SMA 1 and SMA 2 also in this category, they are much within the range of about 11%. As against this book, we have already provided 30%, as you are all aware, as compared to the 15% requirement of RBI. So, we actually have insulated our book from any potential threat from the restructuring which might happen. The restructured book has already been taken care of by additional provisioning, but the book is behaving much better than what we have seen in our SMA book otherwise, or in the stress book overall. The bank has remained very well capitalised, and we have sufficient headroom to take care of the normal business growth requirement. Our Capital Adequacy Ratio has improved by 85 bps YoY, and stands at 14.68%. CET-1 Ratio has improved by 33 bps to be at 10.27%, and both the ratios are well above the regulatory requirements.
- Digital continues to be an important customer acquisition engine for the bank, across assets, as well as liability products. During the year, we have sourced 64% of our savings banks accounts and 35% of our retail asset accounts digitally through YONO. We have embarked upon a journey of creating a digital bank of choice within the bank when we launched YONO 2.0.
- Our subsidiaries have also consistently performed well and continue to create significant value for all the stakeholders, and most importantly, the customers of the bank. Most of our subsidiaries are leaders in their respective segments. We will continue to nurture these subsidiaries and see them creating value for their own shareholders, as well as for shareholders of SBI.
- Before I conclude, I thank you all for your continued support to the bank. We consider it a privilege to be able to contribute towards the growth of our economy. We remain committed to rewarding your trust in us with superior sustainable returns over the long term. I wish everyone here the very best. Now the floor is open to all of you for questions. Thank you.
- **Mr. Sanjay Kapoor – General Manager Performance, Planning & Review, State Bank of India:**
- Thank you Chairman sir for your opening remarks. We now invite questions from the audience, and for the benefit of all, we request you to kindly mention your name and company before posing your 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 about the specific accounts please. In case you have additional questions, the same can be asked at the end. We now proceed with the question and answer session. Yeah, please go ahead.
- **Analyst:**

- Sir, my question, I'm taking from your comment about the credit growth will continue with some moderation in FY24, so for the bank, what is our expectation of credit growth for the bank for the FY24 and secondly in terms of deposit growth and the pricing of deposit for the year do you see a material increase or risk to our margins - domestic margins. This is the first question.

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

- Sure. As far as credit growth is concerned, we expect that we'll have an opportunity of growing as far as the loan book is concerned, we should be growing somewhere in the range of between 12% to 14% overall. As far as the deposit is concerned in the current financial year, we have seen an increase in our deposit cost to the extent of about 16 basis points and much of it has come in the last quarter, we have seen from last quarter till now an increase of about 9 basis point. Whether to support this kind of credit growth, whether we'll be required to go aggressive for further deposits, perhaps no. The reason behind is that we still have excess SLR to the extent about 4 trillion and we have increased our interest rate on the deposit essentially because we always perceive that deposit is a franchise and to the extent possible we will take care of the interests of the depositor provided our overall cost of sources don't go up much. so, we have some elbow room, which is always available, so we try to calibrate the deposit interest rate within that elbow room.

- **Analyst:**

- So, you don't see any risk to the margin to sustain

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

- Sorry?

- **Analyst:**

- You don't see margin to maintain

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

- I expect in fact we still have some kind of a cushion available for our MCLR to go up and we have kept it essentially to really take care that our margin should not undergo much of a loss.

- **Analyst:**

- Right Sir. Second question on the

- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**

- Can you bring your mic close?

- **Analyst:**

- Yeah. Second question on the, when you talking about operating metrics for the year 96 basis point ROA and the 3.58 net interest margin domestic side, the only scope, only metrics where we can see some improvement because other metrics are top

notch and the best of in decades, so the cost to income ratio operating efficiency basically?

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

– Sorry, operating

– **Analyst:**

– Operating efficiency?

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

– See, as far as operating efficiency is concerned, the important component is cost to income ratio and cost to income ratio also essentially we have seen what we have seen in this quarter somewhere around 53% is our cost to income ratio and this is essentially because we have already started providing for the wage revision, which has fallen due in the month of November, so 500 crore is the allocation which you are doing every month, 500 crore. So, last five months already provided for 2,500 crore, but at the same time if we ignore this particular increase and also whatever PLI, which we will be paying now because as for the arrangement for 10% the increase in operating profit, we are required to pay 10% of the wages to as a PLI and that is something which will be required to do, which will require a some kind of reserves worth of about 600 odd crores, so we have already provided for all those things. So, these are the expenses which will take place in the next financial year. What is - we have got certain rigidities in our structure when it comes to cost and part of the rigidity is coming from the fact that almost about 18%-19% of our cost is on account of the retiral benefits, so that is something which is a function of what the – how the interest rate moves. We have to make the actuarial provision so that is something which happens, but other than that our effort and endeavour is to improve our income and with that in mind what we have seen in the current financial year, if at all we improve our income and also we keep the NPAs in check, quality of assets remain the best, then perhaps we are in a position to address these challenges and of course other income continues to be a major focus. We have already seen decent traction in the Forex income in this year and also the cross-selling income has gone up by almost about 26%-27%. So, I think going forward these are the levers which we are working on and it will certainly help us in improving our income and at this stage when it is a normal year, perhaps even now all safe at all we ignore the impact of the additional provisions which we have made, we would have been somewhere around 50% in our cost to income ratio. So, I think as a strategy, we are very clear in our mind that the rigidities we will have to live with and we'll have to only think in terms of improving our income and cost we are trying to contain and control with the help of our digital engine. This year we have already underwritten more than 1 trillion worth of assets through the Yono, so naturally eventually when this number grows up, this will also help us in reducing our overall cost. So, I think we are on a very clearly stated trajectory in terms of how should we address this cost to income ratio and that will be ensured and the other very important lever for a bank like us when it comes to efficiency, what matters is the ROA and the ROE. ROA, we have been exceeding 1% now for last three quarters on a sustainable basis. This quarter I think we had ROA of 1.23. So, hopefully with the kind of focus which we have brought in, I'm sure there will be a point of time when our cost to income will also come down. Apart from this this year, we also had another event of MTM which was about 7,000 odd crores. When we look at the yield movement that is behind us and even at the end of the financial year also the impact

of that remained, so that is also having an impact on the cost. So, these are some of the factors which have an impact. So, there are some factors which are one off, those one offs will go away, so that will also have a bearing in terms of improving our cost to income ratio.

– **Analyst:**

– I appreciate the insightful answers and congratulations to the SBI team for the extraordinary performance and execution and all the best for the sustaining the metrics of FY23. Thank you.

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

– Thank you.

– **Analyst: Mr. Ashok Ajmera**

– Compliment Sir, for the yet another good quarter and the whole year of the very good performance. You have exceeded in most of the numbers and the net profit going beyond 50,000 crores, the operating profit of more than 83,000 crores, and the bank is cushioned very much for any future eventuality in case anything slow down or something is there. Sir, I have got some numbers which I would like to just, like we have the non-NPA provision of almost about 35,000 crore means our total provision held in the books including everything is 2,44,000 crore and if you include this 35,000, then 2,79,000 crore is the provisioning in the entire book, if you take 100% of the AUCA provided for. Now, going forward Sir two things are there, one is that there was some odd amount of some 2,500 something of a extra provision for some other corporate related accounts, corporate accounts or something, so is there any specific account in mind for that or it was - so this is just one. Secondly, with the ECL now going to come, I mean the guidelines are getting finalized and everybody knows that it is going to come, how much have we prepared ourselves for that and is there any specific provision already has been made in this year and this quarter for that and what is your assessment on that on the ELV vis-à-vis the extra provisions which we are holding?

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

– Well of course what you mentioned in terms of there are some number which is 2,600 odd crores, I will like to elaborate upon the process which we follow. There are certain accounts which may not really qualify to attract any provision, but in our own assessment these are the accounts which can potentially be a threat going forward. As a matter of prudent practice in the bank, we have taken a call that we will ensure that our balance sheet stays protected and we start providing for them and these are done on ad hoc basis and as and when there is an eventuality, which materializes then these poisons are crystallized. The second question relating to ECL, well I think to my mind till such time the RBI regulations are announced on this subject it's more of a fiction and to really address that fiction let me assure to this whole house that we are very well prepared. The number which you are seeing as our non-NPA provisions, we have done some back of the envelope calculation which of course I cannot disclose till such time I go to my board, but my own assessment is that number is much below this number and that too it will be spread over five years so considering the fact that if at all it has to be spread over five years and that is a kind of a number and in that context I would also like to draw your attention to the fact that you would recall last year for

family pension we provided for more than 7,500 crore in one quarter in single go, in single go.

– **Analyst: Mr. Ashok Ajmera**

– In September 20-21.

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

– And even this year also 7,000 crore.

– **Analyst: Mr. Ashok Ajmera**

– Quarter one of this year, 7,400.

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

– No, no, I think

– **Analyst: Mr. Ashok Ajmera**

– In financial year 21-22.

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

– Yeah, you're right.

– **Analyst: Mr. Ashok Ajmera**

– That's why I didn't touch

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

– So, 7,000 crore MTM also we absorbed in quarter. So, I only want to assure all of you that this is something which none of you should bother for and we have got the ability to take care of that without any impact on the earnings of this bank and let me tell you I just want to assure all of you, you need not worry about that.

– **Analyst: Mr. Ashok Ajmera**

– Thank you for that assurance, Sir. I've got some couple of just data point and as just explanation on some PNL account, expenditure account, income and expenditure account. The miscellaneous income in this quarter has gone up to 4,187 crore as against 1,214. The breakup of miscellaneous income has not been given, so what if this 4,287 crore in this quarter comprises of, this is #1.

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

– I think this latest income would have one component of the

– **Analyst: Mr. Ashok Ajmera**

– Written off recovery.

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

- I think we'll get you the numbers.
- **Analyst: Mr. Ashok Ajmera**
- No, no, there's no issue Sir. Second is Sir this employee's cost
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Maybe our CFO saheb is good?
- **Analyst: Mr. Ashok Ajmera**
- Employee cost is understood.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Just one second yeah
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Can you - I'm in can we get the breakup of that how much is recovery, we'll give you the break up. Over here we have 12 auditors who all do audits and on top we have one consolidated auditor. This is a very unique example in the banking system, one bank is being audited by more than 12 auditors.
- **Analyst: Mr. Ashok Ajmera**
- No, no, this has nothing to do with that auditor.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- So, I think you should not have any doubt on the numbers which we are giving.
- **Analyst: Mr. Ashok Ajmera**
- No doubt is there at all, there's no question of any doubt. Sir, secondly the employees' cost is understood, it's increased from 14,700 to 17,000 crore in this quarter, but even the overall operating expenses have also gone up by almost about 2500 to 3000 crore in this quarter, so that is also if there is any one off thing in that or it is going to be trend in the subsequent quarters, this was my question
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Show the next slide.
Next slide we have given the entire breakup of operating overheads.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah, these are the total expenses.
- **Analyst: Mr. Ashok Ajmera**

- And third Sir on the capital adequacy okay, we are above the regulatory norms, but now when our deposit growth I mean the credit growth is still we are targeting 14%-15% or 13.5% - 14.5%-15%, but the deposit is still I think 8% or so.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Deposit growth is about 9%
- **Analyst: Mr. Ashok Ajmera**
- 8.5% to 9%.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- But I also mentioned that we have got excess SLR of 4 trillion - excess SLR of 4 trillion
- **Analyst: Mr. Ashok Ajmera**
- So, money will be put out of
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah, which we can always unwind and support the loan book growth.
- **Analyst: Mr. Ashok Ajmera**
- Thank you, Sir.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Can we move to the next person please?
- **Analyst: Mr. Ashok Ajmera**
- Yeah, yeah, sure. Thank you, Sir.
- **Smt. Saloni Narayan -- Deputy Managing Director – Finance, State Bank of India:**
- So, as far as miscellaneous expenses is concerned – no expense also they were asking Sir, so under the overheads, the biggest contributors are tech expense, insurance expense, and expense on GST. Sequentially, overheads have increased by 26.73%, which is the usual phenomenon in the last quarter because all the bills are paid or either accounted for. So, these are the reasons.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah please.
- **Mr. Ramesh Bhojwani:**
- Sir, Ramesh Bhojwani from Mehta and Vakil.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- Sorry?
- **Mr. Ramesh Bhojwani:**
- Ramesh Bhojwani from Mehta and Vakil.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Can you bring the mic closer to your mouth?
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- Yeah. First and foremost, not only for State Bank, this full year has been the best in the banking industry for all the banks and it comes once in a decade or even once in 15 years. Going back 15 years, we saw the worst scenario where gross NPAs hit 14.51, today your gross NPAs are 2.79. so, the economic cycle has turned and two thoughts come to my mind as you also mentioned it in a subtle way that going forward, this trend, this tempo will continue maybe at the same rate or little lesser that is number one and the number two is Sir two days back wholesale price inflation came negative -0.92 basis point and the CPI is below 4.9. I personally believe in June when RBI will come, I am seeing a cycle of rate reduction to start with 25 basis point if not 50 and monsoon is expected to be 94% to 102%, so it's a reasonably average or a reasonably expected rainfall. So, going forward the rate cycle - the rate down cycle will start maybe 25 basis point this time and subsequently 50:50. So, in such a scenario how do you see the whole banking metrics and parameters playing out?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See, I would say that what you mentioned was something which I always had in mind and that is one of the reasons when the rest of the market was only increasing the deposit interest rates, we did not increase the interest rates.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- Excellent.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Isn't it and then I knew that from this pole to this pole, let there be aberrations, let others face those aberration, we are the largest bank let us stay cool.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- Yeah.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- We remained cool. So, this is something which we were expecting to happen.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- This is like a foresight which you are now seeing playing out.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- No, this is something which we were very mindful and we did not - you would have observed that we started increasing interest rates somewhere in November-December quarter because we were feeling that our depositors interest is getting compromised, those have stayed with us all this while we should take care of them and that is why you would have observed that I also mentioned that we increase the deposit rate in some buckets so that we should take care of our depositors interest, but keeping in mind the overall cost of resources should not go up. So, that is something that is what I also believe, so if at all if that happens what you are saying, what we believe will turn out to be correct and when it comes to interest rates even if it comes down, we have not increased our interest rate to the hilt already, we still have elbow room there, so we will not be required to reduce our interest rate, so the picture which you are seeing today will probably stay.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- Wonderful, brilliant. You have put it very beautifully.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- So, that is what my sense was and secondly we ought to mentioned in terms of what we saw 15 years back and it's a similar - it's a once in 15 years kind of an event which happens when the banking sector does well, but yes of course banking sector - banks and banking sector they are the institutions and even if they face accidents they internalize those learnings.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- Yes, but great resilience is there in the banking sector in India. Thanks to our RBI
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Thanks to the regulator and thanks to the practices adopted in the risk management practices and opted by the banks.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**
- We have a SLR and CRR which combined becomes 21%. In a country like US, they've only 4% CRR and what we are seeing today, we are not even seeing the tip of an iceberg or a beginning of a storm.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- So, I think on this particular account whatever learnings which got incorporated they have been very well practiced in the system. We have significantly strengthened our risk management practices over the years and whenever we should ensure that the underwriting should be of excellent quality, not only underwriting even control follow up should be of the highest order and also the ecosystem has also got developed over the period of time. Today, there is a situation where risk is there, today there is a situation when IBC is in place, so borrowers are also responsible, banks have also strengthened their risk management practices, so overall this is nothing but a reflection of an economy transition from a developing to the develop state. Thank you.
- **Mr. Ramesh Bhojwani – Mehta and Vakil:**

- Yes. Thank you very much. All the best.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Next person.
- **Mr. Vishal – UBS:**
- Excuse me, Sir here at the last bench.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah, please go ahead.
- **Mr. Vishal – UBS:**
- Hi, this is Vishal from UBS. Sir, two questions from my end. One on express credit which is now almost 9%-10% of our loan book and actually has grown at a very express rate as well, so how do you derive comfort on this book and also what would be the lead indicators you know before you start worrying about this book right now the gross NPA is 0.6% only, but generally how do you track that book?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- I think I've stated in the past analyst meets also and I will again repeat the same thing. When it comes to our express credit book, we give it only to our corporate salary packaged customers and also perhaps our experience is that though it is unsecured, but it is better than the secured book and that is something which you have already demonstrated and the NPA ratios you have already seen. More than 83% of the customers are either employed in armed forces or government employees and apart from that more than 12% of the customers are employed in the reputed corporates with very low incidence or default, so this is the kind of a book which we have. 95% of the book if at all people are going to get their salaries will be in a position to recover the loans. I have not seen a single default from the defence forces in terms of payment of salary in my 38-39 years of my service life, so I don't think it will ever happen in this country. So, I think we need not worry much about it.
- **Mr. Vishal – UBS:**
- Okay. Thanks for that color and the other question which keeps I'm sure coming to you is capital, so clearly you have increased the cushion, now what would trigger a capital raise from here?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See you're from UBS?
- **Mr. Vishal – UBS:**
- Yeah.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- So, I would like to ask you a question and in an economy like ours how many entities can raise 40,000 crore worth of equity in a year?
- **Mr. Vishal – UBS:**
- No Sir, I think we can answer that, but – you can raise, SBI can raise.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No, no, you answer my question. How many entities have raised 40,000 crore worth of equity in last five years' time?
- **Mr. Vishal – UBS:**
- SBI would have.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- We have not raised; we have ploughed back that profit man and this is something which I've been saying for the last six months plus. We have created value for our existing shareholders and without diluting our return on equity. I think you people if at all you have invested into State Bank of India stock you should be rather happy and also when it comes to capital, unless and until we set that capital right. You know it is not merely a number, you need to understand this, this 14.68% is something which is our capital adequacy ratio and today with 14.68% capital adequacy ratio, I can support the loan book growth to the extent of Rs. 7.10 trillion without any impact, that 7.10 trillion if at all I underwrite well that will only give me an opportunity to plough back. So, I think this is a machinery which we should salute, if at all we only ensure that we underwrite properly and there are no NPA provisions, there are no aging provisions, we need not look at market for raising further equity. We should only generate profit employed back.
- **Mr. Vishal – UBS:**
- I think that would be great, Sir. I think we've not seen that in last 15-20 years. This is for the first time we are seeing that there is
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No. I think you have not seen it, for maybe you might not have seen for last three years, we are very clearly focused on this that we will only plough back profit and we will create value for our existing shareholders, those who have stayed with us through the thick and thin, we will work for them, we will create value for them, and that is one of the reasons why today when we went to the board, we have declared a dividend to the extent of 1113% - 1113%. Last year we had declared a dividend of 770%. How many corporates are there in the country who have raised this kind of a dividend?
- **Mr. Vishal – UBS:**
- Thank you, Sir. All the best.
- **Mr. Jay Mundra – ICICI Securities:**

- This is Jay Mundra from ICICI Securities. Question on your fee income Sir, so maybe fourth quarter has a seasonality, so if I look at full year your core fee X treasury, it is around 60 to 70 basis point of the assets right, which has been more or less stagnant, it is growing more or less in line with the loan growth, but it has been stagnant at that level 60 to 70 basis point of the assets as compared to the let's say other peers which are you know 1.5% to maybe 2% of assets they clocked that kind of a fee. We are very well placed on the OpEx to asset and of course NIIN credit cost, so wanted to understand Sir do we have any internal target or aspirations to raise a fee to asset ratio?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See that context you have to of course it was a very conscious call which we took in terms of waiving off of a processing fee in the last quarter, so these are all - you know these are the competition related dynamics, which will always be at play, but yes of course for a bank like us with 32 trillion worth of asset book, loan processing will continue to be one of the major earning points when it comes to our fee income. Apart from that the cross selling is another area because we are leveraging our distribution channel and we have seen a growth of about more than - of almost 27% in the cross-selling income. On this, we have got a very clear target, in the medium term we would like to make it a billion dollar plus. So, today we have reached about 3,600 crores, we would like to see this number somewhere around 7,000 to 8,000 crores. The other major area is going to be the Forex income, which we have already seen a growth of almost over 25% to 26% in this year. So, these are the major levers of growth in fee income, loan processing, cross-selling, Forex. This will be the mainstay for our fee income going forward.
- **Mr. Jay Mundra – ICICI Securities:**
- Right and Sir question on your deposit cost right, so A - the deposit cost that we report in our presentation is I believe the cumulative number right, which is let's say one Q and then first half, then nine months, and then full year, so if possible, I wanted to
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- It's a deposit costs at a point of time.
- **Mr. Jay Mundra – ICICI Securities:**
- Correct. So, I was looking at if you have the quarterly number because in a rising rate or so far
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- *Yaar bahot se bank to aise hai jo deposit costs dete hi nahi hai, aap unse kya poochte hoo, aap unse kya poochte hoon? Humse to, hum dete hai to aapko jab further uska jo drill down chahiye, jo dete nahi hai unse kyon nahi poochte hai deposit cost?*
- **Mr. Jay Mundra – ICICI Securities:**
- Because you are giving an opportunity
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- No, because we are giving, *hum de rahe hai to aur bhi chahiye aapko, jo nahi dete hai unko poochkar dikhau na, chaliye.*
- **Mr. Jay Mundra – ICICI Securities:**
- Okay Sir and just lastly would it be safe to say that the card rates on deposit right if I look at SBI term deposit rates, they have not changed barring very few 5 basis points here and there since Feb, would it be safe to say that the card rates on TD have almost peaked?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- *Dekhiye aisa hai ki, I will only like to mention since you have come from the ICICI, I should say that very clearly, bulk deposit mein aap market mein ja kar dekh lejiye kaun jata hai rate quote karne aur usse aapko pata chal jayega ki hamare card rate aur actual deposit rate mein kya faraq hai, theek hai.*
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Can we move to the next person?
- **Mr. Nitin Agarwal -- Motilal Oswal:**
- Hi Sir.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Who is this? Yeah, please go ahead.
- **Mr. Nitin Agarwal -- Motilal Oswal:**
- Sir, this is Nitin Agarwal from Motilal Oswal. Sir congratulations on a good year and reaching the milestone of 50,000 crore profit this year. One question on YONO wherein like it is contributing 64% of the savings bank account that you are opening, so how do you look at the cross selling as a strategy for the accounts, the customers that you are gaining through this channel, and if you can also share some color on the value of the balances like in terms of the customer behavior over the past couple of years, how are you seeing the progression in terms of the deposit balances in these accounts.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Well, as a strategy when it comes to YONO I think for a bank like us we have to have, we perceive YONO as a distribution channel. So, there are a set of customers who can perhaps be serviced only through this channel, and there are a set of customers who can be served through physical channel only. So, phygital is a reality for us and we will continue to work on this. Well, when it comes to YONO we have blended it with analytics also now, and by virtue of analytics we are in a position to have a much better assessment of our customer behavior, customer profiling, and that helps us in going for that targeted marketing also. The question which you have asked in terms of value and all that I would not have it right now with me, maybe we can share with you separately. But yes, of course, the intention is that we are targeting a specific customer segment with the help of YONO. And we are going ahead in terms of upgrading this

essentially with that in mind because the kind of customer base which is being targeted they would like to experience frictionless banking and that is something which we are offering through YONO.

– **Mr. Nitin Agarwal – Motilal Oswal:**

– Right. And, sir, second question on the deposit rates, apparently it looks like the overall rate environment has peaked out, RBI has taken a pause for now, and inflation data points are coming quite benign. So, by when we can expect the interest rates and the deposit rates start to moderate. Will you look for the RBI to change the stance and reverse the trajectory to take that step or that can be pretty much in advance prior to RBI reducing the REPO rates.

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

– See, moderation and deposit will be a function beyond the REPO rate also. There are many banks in this country who are running into a credit deposit ratio of as high as 85%. And if at all they have to remain relevant in the loan book side then they will have to continue to increase their deposit rates. So, I think to my mind repo rate is just one indicator which will be put to use to arrive at the deposit rate, but other than that there would be, again it would be a function of the market in terms of borrowing. But if at all they are increasing their interest rates and are underwriting loans then I am sure they will very soon start providing for it also. So, it is a very fine balance which we have to keep in mind while doing the real life scene in the banking sector.

– **Mr. Nitin Agarwal – Motilal Oswal:**

– Sure, sir, thank you.

– **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**

– We will take one last question from this gentleman here. We have a lot of questions received through online webcast also, we will take one last question.

– **Mr. Sushil Joshi – Indus Equity:**

– Congratulations to team SBI, this is Sushil Joshi from Indus Equity.

– Sir, do you expect that credit rate growth will be more fronted in the first half of the year in view of election, infrastructure spend and various other factors.

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

– I would say that it should be all through the year. Because see today we have to be very mindful of the fact for the system as a whole, significant portion of the credit growth is coming from retail. And the retail demand is an all-season demand. And the other pieces infrastructure related spend etc., I think the infrastructure projects normally have got long gestation period so the sanctioning might happen at a point of time but the avancement might get spent over a period of time. So I think to my mind it should happen throughout the year.

– **Mr. Sushil Joshi – Indus Equity:**

- These projects can carry credit for 2-3 years because these will be big projects.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah, yeah.
- **Mr. Sushil Joshi – Indus Equity:**
- Second question, sir, you have spent a lot of....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- And also by the way apart from infrastructure spend sharper focus on renewable, sharper focus on solar, sharper focus on battery EVS, etc., these are actually new growth levers in the economy.
- **Mr. Sushil Joshi – Indus Equity**
- And won't it be linked to your green deposit scheme which RBI is rolling out, green deposit scheme.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See, irrespective of the green deposit or otherwise, actually speaking it is a bit of a dilemma. Green deposit whosoever put the green deposit he expects better returns and wherever you want to land the green deposit you have to give concessions. So, how to really strike out this balance. I think it will probably stabilize over a period of time irrespective of the colour of deposit, green or black, whatever be the colour of the deposit the opportunities will be supported.
- **Mr. Sushil Joshi – Indus Equity:**
- Sir, outlook on your foreign offices. And second thing you have spent a lot of money on creating digital and physical infrastructure which may increase your salaries at the individual level because it is performance led and the kind of productivity they are going to lead. But this may lead to a lot of income but the cost may freeze from an outlook on a long term point because some initiatives are visible and some are not spoken so far.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Well, as far as the foreign offices are concerned we are very mindful in terms of our NIMs in the foreign offices, and that is the reason why we started slowing down our growth in the last quarter of this financial year because there are good number of opportunities which are available in the receivable finance. But that is available at very, very low margins. So, we sacrifice the top line for our profitability from the foreign office and that is the reason why you would have observed that our NIM in the international book has gone up from 1.3-odd 2 to 1.69-1.70, that is something which we are very clearly focused on. Foreign offices are more like our I mean corporate bank and being a corporate bank majority of the offices are into the corporate lending only. But we are very mindful in terms of the quality, we have become, we participate in syndication, we are not as much onto bilateral credit, we are there for ECB supporting large corporates in India. So, this is the broad components of our loan book in the foreign offices. Our effort is now to move up to the lead syndicator also, to assume the status of lead

syndicator so that we should earn the fee income as well. In some geographies we have already started doing it, but increasingly we would like to see it happening across. Your second question relating to branch network of 22400 with the increasing salary might have a situation of the cost going up. You would have observed that the fee income which is now we are seeing about 26% broad kind of growth. Our effort is that our employees who are posted in the branches we should use them for high skilled jobs whether it is marketing or it is processing. In the rural segment we have started getting into high value agri loan book and for that we need the processing capacities. So, we will be utilizing our employee base. We have already put in place about 47 CPCs for agri, 45 CPCs have already started functioning in the last second half of this financial year. Going forward we will be doing that, we will be doing quality business using our high cost resources for underwriting, quality business we will be using them for marketing cross selling, 26% growth which you have seen is not the ultimate. As I mentioned we have got a very clear target for having a 1 billion dollar earning from the fee income which means that the distribution of our subsidies product from these up-country locations where the penetration level is very low. We are leveraging the brand value of State Bank of India, we are leveraging the branch network of State Bank of India and we are ensuring that it should be most reliable product which we should sell from those counters, those people who are being exposed to these products for the first time, that is something which our effort is. We have already seen the results, going forward it will only multiply.

– **Mr. Sushil Joshi – Indus Equity:**

- What will be our digital spend on a sustainable basis.

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

- I have not really applied myself on this job but we are ensuring that we actually aim to become a digital bank of choice within State Bank of India even before the Central Bank comes out with its regulation for the digital bank we want to be in readiness.

– **Mr. Sushil Joshi – Indus Equity:**

- Thank you for answering all my questions and all the best.

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

- Thank you, sir.

– **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**

- Sir, we have received a few questions from the online webcast.

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

- I have got some questions which were received online, so I think I will just take few minutes to answer all of them.
- The first question is please provide guidance on NIM's credit growth and deposit growth in financial year 24.
- I have already answered this question.

- The next question is from Sneha Ganatra, relating to any plans to list subsidiary.
- As of now there is no such plan.
- Another from Vellore, Gopalakrishna Kannan, V.G. Kannan, would you be interested in increasing interest rates on savings bank deposit which has been rather stagnant, and if so will it not affect your NIM.
- We don't have any plans to raise the savings bank rates for the time being.
- Suvi Samadar, overall overseas lending portfolio
- It is Rs 4,92,440 crores and it has witnessed a rupee term growth of 19.55%, in dollar terms it has grown by about 10%.
- Manish Dhariwal, kindly share the difference for dip in corporate loan growth.
- NO dip in corporate loan growth, corporate loan has actually grown at more than 12%.
- Akash Agarwal, can I know the impact of wage revision in total employee cost.
- Total employee cost Rs. 57,292 in 2023, wage revision is about 2490 crores in financial year 23. So, it is 4.35% of the employee cost.
- Employee cost went up a lot this quarter driven by provisions, can you break up the provisions.
- So, wage revision provisions are 498 crores which has gone up. Pension and other retirement benefit it has gone up by 1359 crores essentially on account of the yield movements.
- Vishal from rediff mail he has sent a question, what is the trend of NII YoY and how are you looking for growth in first 6 months of the financial 23-24 in terms of NII.
- NII growth in the current year I mean in the financial 23 was 19.99%, and 29.47% in quarter 4 of financial 23 over quarter 4 of financial 22.
- Please, now I can take the physical questions.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- So, I trust all the questions have been addressed. And we will be happy to respond to further questions in the offline mode and people can reach out to us.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No, let us here somebody is having any questions let them ask.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Can we bring the mike here please.
- **Analyst:**

- Sir, international book geographically I mean for like Rs 492000 crores, we have major I mean almost about 26-27% in US and then UK, and some of the other European countries and Japan and other places. Now, with this whatever is happening globally outside and a lot of capital has been invested there, and the moment in the rupee and dollar of course for some time it is stable, so how do you see I mean that going forward, as you already said that you are tempering further growth in the book....

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

- No, I think, it should be seen in a very different perspective. I have got your question. See, the point is that today India has already become the 5th largest economy in the globe. Our exports have gone to the extent of 770 billion. So, very clear focus in terms of manufacturing and re-exporting from the country. And similarly when it comes to, we have got Apple coming into the country, they will also be exporting, we have got Foxconn, Apple, all the leading manufacturers are looking at India. So, eventually the way I look at the scenario is that we have got the potential to be if not China at least Taiwan. And to that extent there is going to be huge manufacturing export which should happen from this country. There is a very clear focus from the government, and the PLI is something which is intended with that in mind. So, eventually when that kind of situation comes, we have to have our global presence also. We have been calibrating our strategies from time to time depending upon the situations which are obtaining in those geographies, but we have been a long term player in the international market, and there is no other bank which is a long term player in international market let me tell you. So, it is more of a strategic move, we have completed 101 years in UK, we have completed 50 years in New York and Maldives we have completed 50 years, Colombo today perhaps maybe we are surprised more than 100-150 years we have completed in Colombo. So, this is the only bank which has got deep roots in international geographies. And as and when the opportunity arises, we are the ones who will take benefit of this. And let me let me also bring back your memory to the year 2020-21, that was the point of time when there was no taker for deposit in this banking system of the country. We continued to mobilize the deposit and then we went for the rupee-dollar swap. We supported, we created factoring as a product in the international market and we made money on that. When the lending opportunities came up in India we unwound those swaps we brought that money back and when all others were clamouring for deposits, we were only unwinding our swaps. Even if there was a loss on the swap still the cost was not as high. So, I think these are the strategic moves which we always make to take advantage of the situation and I always believe that the bank more than 216 years old should not look at year 2 or 5 years, it should look at 20 years 25 years and 50 years hence. By that time people will take time to really build up their organizations, we have already created. So, I think this is what our strategy is.

- **Analyst:**

- Thank you.

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

- Yeah please.

- **Mr. Rahul Maheswary – Ambit Asset Management:**

- Rahul Maheshwari from Ambit Asset Management. Sir, in your initial remarks you said that the growth you are expecting 12 to 14%, can we expect whatever the metrics of the engines you have built.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- If we do all the work, then what are you people doing.
- **Mr. Rahul Maheswary – Ambit Asset Management:**
- No, sir, my question is, can the gap between the private sector banks, few private sector banks and the PSU which was very high in the initial years in the past, can that be bridged or even SBI can grow much faster than the private sector banks. Looking at the two factors...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- I think last year the loan book for the system as a whole has grown as 15% and we grew at 15.99%. People talk about elephant dancing, elephant is racing, racing faster than the system, it is not only dancing. So, I think the kind of potential which we have you will have to watch.
- **Mr. Rahul Maheswary – Ambit Asset Management:**
- And just second thing as you said we know a few of the banks only participate for the large corporates and the industrial loans which are there as SBI is one of the primer. This time if the cycle builds for the capex, what are the internal metrics that will be taken care of that we don't see the past cycle in GNP that had taken place.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- We have significantly strengthened our risk management and we are very mindful, we actually prescribe our risk limits for each industry and we draw from our learnings from the industry what are the mitigants which are required to be put in place. We ensure that they are already in place, and when it comes to the credit appraisal, apart from the appraisal in the committees, we have got the non-business heads who are there to independently appraise the proposals. So, I think these are enough mitigants as of now. Going forward what else will be the need of the system, even that will be taken care of.
- **Mr. Rahul Maheswary – Ambit Asset Management:**
- And just last what is the...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- And also in the past we were not having analytics, today we are using analytics in a very big way to build up our risk models.
- **Mr. Rahul Maheswary – Ambit Asset Management:**
- What are the projects in the pipeline, the large projects.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- I would not like to name any one of them.
- **Mr. Rahul Maheswary – Ambit Asset Management:**
- No, no, the quantum can you give that what is the?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Almost 1.7 trillion worth of projects are work-in-process.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Thank you, we will take one last question from the lady there.
- **Analyst:**
- Just wanted to understand what would be our exposure to the NBFC sector this year and last year.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- NBFC sector exposure is, Rs. 3.73 trillion is our NBFC exposure but that exposure is essentially to very well rated corporates these NBFCs which are into the public sector or supported by the leading corporate groups.
- **Speaker:**
- Sorry, sir, the exposure is 3.57.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Sorry?
- **Speaker:**
- 3.57.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- 3.57 trillion.
- **Analyst:**
- Right, and what would it be last year.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- How much was it last year? It has seen a growth of about 31%.
- **Speaker:**
- 2.71.
- **Analyst:**

- And sir, lastly on slippages ratio, I mean this is for the industry also, right, the slippage ratio and this is for industry also, all the PSU banks have seen a low slippage ratio. Can this continue the sustainability?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Okay, slippages ratio are they sustainable. I think partly it is macro, but significant part would be the underwriting and also the control and follow up.
- **Analyst:**
- Thank you, sir.
- **Mr. Sanjay Kapoor – General Manager, Performance Planning and Review, State Bank of India:**
- Thank you, we will be happy to respond to these questions in offline mode now. Let me end this evening thanking the Chairman sir, the top management team, the analysts, ladies and gentlemen. And to round off this evening we request you to join us for high tea which is arranged just outside the hall.
- Thank you very much everyone.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Thank you very much, thanks to all the participants.
