Q1FY23

EARNINGS CONFERENCE CALL

Transcript

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Moderator: Ladies and gentlemen, good day and welcome to State Bank of India Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Kapoor – General Manager, PPR from State Bank of India. Thank you and over to you Mr. Kapoor.

Sanjay Kapoor: Namaste and good evening ladies and gentlemen. I am Sanjay Kapoor – General Manager Performance Planning and Review. On behalf of the top management of SBI I extend a warm welcome to all joining us today on SBIs Q1 FY23 Earnings Conference Call. On the call today we have with us our Chairman – Mr. Dinesh Kumar Khara; Mr. C.S. Setty – Managing Director, International Banking, Global Markets and Technology; Mr. Swaminathan J – Managing Director, Corporate Banking & Subsidiaries; Mr. Ashwini Kumar Tewari – Managing Director, Risk Compliance & Strategy; Mr. Alok Kumar Choudhary –Managing Director, Retail Business & Operations; Mrs. Saloni Narayan – Deputy Managing Director Finance; Mr. Pawan Kumar Kedia – Chief General Manager (Financial Control); Mr. Charanjit Attra – Chief Financial Officer.

Before, I request the Chairman to give a brief summary of the bank's Q1 FY23 performance and the strategic initiatives undertaken, I would like to read out the Safe Harbor Statement. Safe Harbor Provisions. Certain statements in these slides are forward looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual outcome may differ materially from those included in these statements due to a variety of factors. Thank you. \

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

Dinesh Kumar Khara: Good evening, ladies and gentlemen. Welcome and thank you for joining this conference call. I start by thanking all our stakeholders including our customers, analysts and employees for the unstinted support and trust reposed in us. I also express my gratitude to our shareholders and other financial market participants, who have supported and valued the bank through the challenging times in the past few quarters. The effect of the pandemic has subdued to a large extent, thanks to the Governments' massive vaccination program, the doses administered to more than 200 crore persons, an astounding milestone. The economy is almost on track with the resumption of air travel and removal of other containment measures by most of the countries. However, the volatile geopolitical situation still poses a downside risk. The Indian economy remains resilient despite global headwinds, resulting in rise in inflation, surge in crude prices, increase in commodity prices and disruption in supply chains.

The global output has contracted in the second quarter of this year going to the downturn in China and Russia. RBI has already raised the repo rate by 140 basis points this financial year to bring down the inflation in its most recent monetary policy statements on August 5th, 22. The

RBI continued to remain focused on withdrawal of accommodation, so as to ensure that the inflation remains within the target while supporting growth. Further hike in interest rate and result in tightening of liquidity can't be ruled out to tackle higher inflation, increased commodity and energy prices, which are putting pressure on global supply chains. The increase in urban consumption, improvement in rural demand and agriculture and the likelihood of a normal monsoon will help the economy in gaining traction going forward. The government's CAPEX program and improved capacity utilization will support investment activity. The economic activity has continued to move forward as per the data available for the quarter first of financial year 23 despite global risk. The GST collection at 1.49 trillion in July 22 has been the second highest ever remaining above 1.4 trillion for the fifth consecutive month showing the strength of the economy.

I now present some of the key highlights of our performance in quarter one of financial year 23. The balance sheet size of the bank has crossed the milestone of 50 lakh crore, which is a reflection of the continued trust and faith placed on us by our esteemed customers. We are committed to adding value to our stakeholders by continuously improving our product and services. As regard business, the bank's advances grew by 14.93% and deposit grew by 8.73% on a Y-o-Y basis, our international banking witnessed a robust credit growth at 22.39% on Y-o-Y basis 15% in dollar terms and deposit growth at 30.63%, 23% in dollar terms. The net interest income has increased by 12.87% Y-o-Y and net interest margin has increased by eight basis points Y-o-Y to 3.23%.

The non-interest income has declined by 80.44% Y-o-Y mainly because of MTM losses. This has resulted in a reduction in operating profit by 32.79% Y-o-Y, however the core operating profit after excluding MTM impact has increased by 14.39% Y-o-Y. The MTM losses have also impacted ROA of the bank, which has come down by nine basis point Y-o-Y to 0.48% and ROE of the bank, which has declined by 203 basis point to 10.09% due to consequent decline in net profit. However, if we recalculate the profitability after excluding the MTM losses the notional ROA and ROE would be 0.89% and 18.57% respectively, which is on the expected lines and on track of our medium term guidance. Our AFS book stands at 6,31,530 crores as on 30th June 22 with 60% in GSEC & SDLs and 23% in highly rated corporate bonds, we saw a hit on account of MTM losses amounting to Rs.6549 crores. We do not see any actual loss in this book and as the rates soften the MTM losses will be recovered.

During the year we have the redemption of 84,000 crores from the AFS book, which will also bring down the MTM losses. Further provision of 1503 crore were made for the investment depreciation during the quarter. The momentum in retail advances continues to show a growth of 18.58% in quarter one of financial 23 on Y-o-Y basis. Corporate SME and agri advances have shown a robust growth of 10.57%, 10.01% and 9.82% respectively on Y-o-Y basis. Our leadership position in home loan continues, the individual mortgage portfolio for the bank has the best quarter one performance ever. The home loan application registered a three times jump, sanctions in value terms doubled over the same period last year. The individual mortgage portfolio registered its highest quarter one growth of 13,425 crore despite industry witnessing a hike in interest rate from the historical lows. The home loan portfolio grew by 13.77% on a Y-o-Y basis.

As far as asset quality is concerned the bank's gross NPA and net NPA as on June 22, was at 3.91% and 1% respectively, which is an improvement of 141 basis point and 77 basis points respectively on Y-o-Y basis. The slippage ratio for June 22 is 1.38% which is an improvement by 109 basis point Y-o-Y. We have been able to contain the credit cost at 0.61% as against 0.79% in June 21. The net NPA of the bank has been brought down to 1% which is a result of focused and continuous attention in this area. We have been constantly trying and strengthening to maintain the bank's loan asset quality. The digital leadership journey of the bank is continuing. More than 96.6% of the transactions are now routed through alternate channels. The registered users on YONO have already crossed 5.25 crore, a big milestone and which has created a significant value for the bank. 65% of the new savings accounts are opened through YONO. We have now more than 100 online marketplace partners for YONO. The bank will soon come out with only YONO which is YONO 2.0 with many more advanced features and functionalities. The bank is leveraging its analytics in a big way for taking forward its strategic goals.

We have totally revamped our contact center, which will add a lot of value for the bank and create a superior customer experience, most of services will be available for convenience of the customers relating to account inquiry, statement of account, debit card related services, digital banking, and other miscellaneous services. It will also be used for pre delinquency reminders, soft recovery for NPA accounts, early bucket collection outreach, proactive outreach for digital handholding besides some routine banking inquiries. With the economy picking up we see growth in credit off take to continue. Our focus is also on increasing the CASA ratio, with more emphasis on growing our current account book and to maintain our leadership position in savings deposits. With increase in credit off take, we will better utilize our liabilities to improve the key ratios. These outcomes demonstrate the resilience of the bank, supported by our constant improving process oriented culture, the expertise and the vision of our leadership teams and the quality of employees amidst the present volatile geopolitical situation.

Before, I conclude my opening remarks, I would like to thank you all for your consistent support to the bank. We remain committed to reward your trust in us with superior sustainable returns over the long term. My team and I are now open to take your questions. Thank you.

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

Mahrukh Adajania: Sir my first question is on international loan, so we do have a breakup of domestic corporate loans in the presentation, but there's a strong growth in international loans as well. So, which are the sectors that have contributed to international growth say maybe the top two to three sectors, is it the oil companies borrowing which are the sectors?

Dinesh Kumar Khara: Actually when it comes to international book cover, our major growth would have come from the syndicated loans. So, we will not have sector wise per se, but nevertheless the growth is essentially coming through we can come out with some kind of details relating to whether it is syndicated loan or it is state finance loan those kind of details we can certainly provide but majorly it is coming from the syndicated finance and also trade finance. Syndicated loans and the trade finance are the two major products in which we have witnessed the growth. And these are the geographies where the syndicated loans are coming from. And, I would also like to mention that both the places USA and UK both the places have got decent trade finance growth also because there are many platforms which are available, which helps us in sort of really ensuring that we underwrite decent loan growth from this particular product.

Mahrukh Adajania: Sir, I'm asking because other PSU banks have also seen a very sharp rise in international loans. And this has been happening in general for the segment for the last two to three quarters, so suddenly why has there been higher focus on overseas loans because they're growing faster than for domestic corporate?

Dinesh Kumar Khara: No, I am unable to comment about others. But as far as we are concerned, we had introduced a product, a factoring product was introduced by us about a year, a year and a half, almost two years back and that is something which has helped us to participate on various platforms which are available in USA and UK. And so, that is one of the major reasons for the growth which we have witnessed in the international banking group and we had witnessed similar growth last year also but if you look at it, our growth in dollar terms is actually 15% when it comes to the international book.

Mahrukh Adajania: Okay. And sir most of the incremental growth in this quarter will be syndicated not trade finance, is that a fair assumption?

Dinesh Kumar Khara: Yes, it would be syndicated as well as trade finance.

Mahrukh Adajania: Okay. So, both would be kind of equal?

Dinesh Kumar Khara: Yes.

Mahrukh Adajania: Okay. And sir, the other question is on provision. So, the standard asset provisions are negative and the flowchart that you gave on the breakdown of provisions that are not reckoned for calculating net NPA that stock of cumulative provision that also declined sequentially, so has there been a drawdown of existing provisions via standard asset provisions negative during the quarter?

Dinesh Kumar Khara: Just one second, let me get the details. There is actually the right back of 1295 crore which is essentially attributed to it's a combination of write back taken from provision for COVID restructuring, which is essentially attributed to the reduction in the exposure under the restructuring and additional number present of 300 crore were made further credit growth. So, net of that is actually getting reflected here in 1295 crores.

Mahrukh Adajania: Okay. So, basically there was a right back up to 1595 crores?

Dinesh Kumar Khara: Yes.

Mahrukh Adajania: Because of COVID restructuring, drawdown?

Dinesh Kumar Khara: Yes.

Mahrukh Adajania: Okay. And sir my last question is on personal loans. So, what would be the maximum and average ticket size and what will be the share of private versus government?

Dinesh Kumar Khara: This express credit, the average ticket size is 5.97 lakh is the average ticket size and out of this 95% is given to the customers who are maintaining the salary accounts. And when we look at this 95%, almost about 85% would be for the government employees only, that is defense and government employees. Including the quasi-government would be about 90% out of this 95%, 5% would be large corporates, which are well rated corporate. So, that's how it is stacked up.

Mahrukh Adajania: Got it and the maximum ticket size would be?

Dinesh Kumar Khara: Almost about 6 lakhs, 5.97, that is average maximum will go up to 20. We actually recently launched another product which is RTFC but which has yet to really grow well. So, there the maximum ticket size can go even up to 30 lakh, but as of now our maximum ticket size will be in the range of about 20, Rs.25 lakh.

Mahrukh Adajania: Got it, and sir my last question on this thing is that the business development expenses are the highest component of other operating expenses by value. So, these agents would be sourcing what loans express credit or some other loans, I'm assuming that DSA commission?

Dinesh Kumar Khara: Actually when it comes to various acquisition expense, it is essentially on account of the home loans as one and also the PSLC certificates which you buy, for that also whatever fee, the premium is paid that will also come under this. We're not using any of the outsourcing agents for express credit.

Moderator: Thank you. Next question is from the line of Mona Khaitan from Dolat Capital. Please go ahead.

Mona Khaitan: Sir my first question is on slippages if you could share the breakup of slippages and if there was any one off in terms of interest reversal this quarter?

Dinesh Kumar Khara: Break up of slippage you need, just a second. When it comes to the breakup of slippages. Breakup of slippage are essentially about 9700 crore which is coming from SME 3000 crore, agri is about 2700 crore, per segment is 2353 crore so, which actually add up to 8070 crore, then

CAG was 320 crore and CCG was 1335 crore. So, that's how it is and out of that we have already recovered 2800 crore till now.

Mona Khaitan: Okay. And were there any one off in interest reversal some say agri book or something?

Dinesh Kumar Khara: No, there is no one off.

Mona Khaitan: Okay, sure. So, what was the reason behind the sequential decline in margins?

Dinesh Kumar Khara: As far as last quarter was concerned we had some 600 crore worth of income tax refund, interest on the income tax refund which is not available this year, this quarter it is not available.

Mona Khaitan: Sure, got it. And secondly on the reset of EBLR loan. So, what is the basis of these resets what is the time period of reset?

Dinesh Kumar Khara: Sorry, I could get it.

Mona Khaitan: On what basis are the EBLR loans resets, the repo linked loan reset?

Dinesh Kumar Khara: Actually, it happens on the first day of the quarter, first of the following month.

Management: Most of our EBLR loans are repo linked loans. Suppose repo has increased this month, any day of the month this month and first of the subsequent month the reset happens.

Mona Khaitan: Okay, got it. And just finally on the BB and below book, we noticed that there was a rise in the share of BB and below book from 11% to 13% Q-on-Q, any if you could give some color on it what is leading to that?

Dinesh K. Khara: Majority of them are the state government loans which are not rated. So, that is the reason why this kind of a way we have seen.

Mona Khaitan: Okay. So, there was a rise in state government loans essentially?

Dinesh K. Khara: Not really actually, if you really look at it has come down from 14% to 13%. But BB and below are essential those are the loans which are there.

Mona Khaitan: Okay, sure. Just finally, on the retail and SME, how is the underlying demand and do you see any risk to it from the elevated inflation level?

Dinesh K. Khara: We have till now when it comes to retail, we are not seeing the demand tapering off, we have a decent visibility of the demand. And I hope that it will continue. When it comes to SME, SME also, there is a reasonably good pipeline, if I may say so. This year in the first quarter, perhaps after many, many years we have seen the SME segment witnessing a growth. So, that way, I hope that we'll continue to see the decent trajectory of growth in the SME segment too.

Moderator: Thank you. Next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: So, the first question is regarding your savings account rate. So, SBI savings rate is linked to repo and now with yesterday rate hike. The SAR rate by formula is very, very similar, almost similar to the floor of 270 that we offer. So, just wanted to check is it safe to assume that incremental repo rate hike would now be flowing to the savings account card rate is that safe to assume?

Management: No, it is not the right assumption because our saving rate is not linked to repo.

Dinesh K. Khara: So, more than one lakh it is linked with external benchmark, but the stipulation is that it will be 2.75% below the repo rate. So, under these circumstances even if the repo rate becomes 5.40 and minus 2.75 it comes to 2.65. So, it is still more than the derivative number, as we are giving 2.70% up to one lakh and technically by going by this formula we should have reduced this number to 2.65 or even below, but because we value our franchisee that is why we do not use this formula to the disadvantage of people and even if repo has been enhanced the rate will remain same.

Jay Mundra: No, the question is sir incrementally. So, now that your formula derived rate and your floor of 270 are almost similar there is only five basis point gap. So, whatever incremental repo rate hike should one assume that the savings account rate will also be reflecting that?

Dinesh K. Khara: No.

Management: No, we will be very mindful of our franchisee.

Dinesh K. Khara: See, 2.70 we haven't given irrespective of whether it is one lakh or more deposit. If you had gone by the formula then this for more than one lakh the rate would have been lesser than 2.70. So, we have already been incurring 2.70 on the entire balance. So, even now despite the incremental fee, this cost is not going to increase neither it will reflect in the savings bank interest rate.

Jay Mundra: Even going forward right.

Dinesh K. Khara: Yes, even going forward at this rate, this increase which has happened in repo rate.

Management: And going forward in case repo rate is above 5.45 also then what happens is the question.

Dinesh K. Khara: We can always calibrate the spread according to what the actual demand would be.

Jay Mundra: Understood. Second question is sir on EBLR, so in last three months less than three months there is a cumulative 140 basis point rate increase and the card rate on all floating rate loans on retail SME they clearly would have increased by 140 basis point rise. So, do you think the credit demand is healthy enough to absorb this increase of 140 basis point rate or do you think that irrespective of 140 basis point rate hike in EBLR the effective interest charge to the customer could be lesser than 140 basis point on a floating rate?

Dinesh K. Khara: This is a part of the market dynamics we are taking a call but nevertheless the kind of trend which you have seen, we don't envisage the demand tapering off even if because actually when it comes to the retail loan book, retail loan book it is directly linked to the actual number and when it comes to the corporate loan book it is all linked to the various benchmarks and also spread over whatever the benchmark is, risk spread over, risk premium over the benchmark that's how it is worked out. But when it comes to the final pricing, the risk spread accordingly gets adjusted depending upon the risk appetite and the market dynamics. So, that's how really it works out.

Jay Mundra: And last two thing sir, if you have the ECLGS number outstanding disbursement and NPA there?

Dinesh K. Khara: Yes, ECGLS we had 32,000 crore was the total amount in both restructuring one and two. It has already come down to about 28,000 crore and out of this 28,000 crore this 4000 crore worth of reduction is about 2000 crore is I would say is essentially on account of the repayment and 2000 crore is NPA which has happened.

Jay Mundra: So, this is about restructured right, so I was asking on ECLGS?

Dinesh K. Khara: ECGLS is also 41,000 crore was the total disbursement, 1.91%.

Jay Mundra: Okay. Lastly sir, the credit growth is running at 15% Q-o-Q is also healthy but it looks like that part of that is because of the low base of last year on Y-o-Y basis. So, how confident you would be to sustain this 15% growth for the rest of the financial year?

Dinesh K. Khara: I'm quite hopeful the reason behind is kind of a term loan and also the underutilization of the working capital, which is all aggregating to almost 5 trillion, and the pipeline is almost 1.2 trillion. So, I'm quite hopeful that we should be in a position to sustain this in the subsequent quarters.

Moderator: Thank you. Next question is from line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: So, firstly on this decline in yield on advances on a quarter-on-quarter basis. So, in fact we have hiked the MCLR there would have been EBLR linked loans as well plus sequentially the growth is largely from the retail side. So, what is actually leading to this decline in yield on advances is it like more competitive rate pressure, which is coming in on the corporate and the SME front and with the revised EBLR, how should we see that trend in next couple of quarters?

Dinesh K. Khara: Sequentially perhaps may not be a right way because normally towards the end of the financial year, there are multiple other channels of revenue which are available for various accounts. And maybe that may not be the right way. And that is a reason why we are comparing on a sequential basis. And on a sequential basis, it is an improvement. Actually, if we look at it, Y-o-Y basis it's an improvement though sequentially it looks like to be a reduction because invariably we have seen that year end there are multiple other sources which actually improves the, which are the yield enhancers.

Kunal Shah: Okay. So, how should be the trend maybe with this EBLR hike and the MCLR hike, how should we look at it from year-on-year?

Dinesh K. Khara: We hope it to be improving going forward. July onwards, it should start looking up. If you look at this graph also you will probably see, this trend line also very clearly indicate June is low, and it does spike to the towards March, quarter after quarter it went up. So, it's a similar situation, we hope that we should be in the position to have a similar trend or maybe better towards in the coming quarters.

Kunal Shah: Sure. And overall, in terms of the deposit growth, so it is slightly below average as well now. So, they are definitely in terms of the hike, our hike on the deposit side has been lower compared to one of the other private bank. So, what would be the stance out there, is it like still 69%, 70% odd of CD ratio is comfortable and we can further allow it to expand without tweaking too much on the deposit side, would that be the call or maybe we will see some action on the deposit rates as well to maybe garner the higher deposit mobilization now?

Dinesh K. Khara: We are very closely focusing on the NIM and within that boundary condition if at all we'll get a chance to shore up our deposit we will certainly do but nevertheless, as of now our credit deposit ratio is at about 63% and if we look at the redemption which will happen during the current financial year, both from our AFS and HTM book it will be almost at 1.5 trillion. So, we will be very closely looking at couple of variables one of course as I mentioned the availability of liquidity. Second, we would be very mindful of our franchisee into the liability sector. And also, thirdly that whatever deployment opportunities which are available and the price at which we can deploy this money. So, these are some of the variables which will be kept in mind for deciding the interest rate increase in the deposits.

Kunal Shah: Sure. And one last question on miscellaneous income. So, there is recovery from AUCA but still miscellaneous income is significantly down. So, what is the element which is actually leading to that impact on an average it used to be like 2000, 3000 odd crores and this time it is only 475?

Dinesh K. Khara: Miscellaneous income is essentially.

Kunal Shah: But there is a sharp decline both year-on-year as well as quarter-on-quarter.

Dinesh K. Khara: No, actually miscellaneous income also, we'll have a situation where quarter four would normally have the kind of dividend income which we get and also derivative is the other component. So, last year we had a dividend income of about 500 crore but this year it is negative and also when it comes to recovery in written-off account last year we had a onetime recovery of 1,692 crores in King Fisher which is not there this year. So, that is the reason why this is behaving like this.

Kunal Shah: Okay. And derivatives also would be a part of it?

Dinesh K. Khara: Yes, derivative is the other component.

Kunal Shah: Some knock-on derivative which would have been there in this quarter.

Dinesh K. Khara: Yes.

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

Adarsh Parasrampuria: Just a question, sir. What would be your margin outlook incrementally?

Dinesh K. Khara: We're hoping it to be in line with the kind of trend which you have seen in the past and also what we have already recorded till now.

Adarsh Parasrampuria: Sir, is there a change because if you go back to the fourth quarter, clearly the margin outlook look a lot more stronger. So, is there anything that you are seeing in the market, which makes you believe that margins now should be like flattish rather than going up?

Dinesh K. Khara: No. I think I would rather expect the margin to improve from 3.23.

Adarsh Parasrampuria: And sir, second question is on capital. While we are better than regulatory requirements, growth has certainly picked up in the last few months. Do you anticipate that bank may need to shore up a little bit of capital now given how well the stock is done? And number 2, growth certainly is holding up a lot better?

Dinesh K. Khara: See, we have already got the approval from the Board for raising AT-1 and T-2 bonds worth about Rs. 11,000 crore. In fact, this month itself I think we have already redeemed about Rs. 2,000 crore. So, about Rs. 9,000 crore is the incremental, which will be available which we'll be using. So, I think hopefully, we'll be very closely watching the situation. And if need be, we will look at the options what all can be tapped to see to it that we have adequate capital available.

Adarsh Parasrampuria: And sir, what will be the threshold to consider equity raise because we are close to 10%. Many banks operate at better CET1s. And obviously the growth is better than what we've seen in the last few years. So, what is the threshold when you would think about seriously looking at equity raises?

Dinesh K. Khara: Well, actually, we have a couple of other options, but we have not really deliberated at the Board level. So, it will not be in order for me to really share those plans in this call.

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

Abhishek Murarka: So, just a couple of data related questions. What is your LCR right now?

Dinesh K. Khara: It's about 130%.

Abhishek Murarka: And currently how much excess liquidity you will be retiring? And you said that there is about Rs. 1.5 crore redemption coming from the investment book. Apart from that?

Management: Sorry, I think you may not have been able to hear me, I was on mute. So, we have sufficient liquidity in terms of excess SLR, number 1. Number2, I think there is about Rs. 83,000 crore worth AFS portfolio is coming up for redemption this year, the rest of the year. So, I think there should not be any problem in terms of funding any credit growth which is likely to happen, and there is absolutely no liquidity concerns even if the liquidity in the market tightens.

Abhishek Murarka: How much excess SLR did you say?

Management: Excess SLR is about 3.8.

Dinesh K. Khara: Rs. 3.8 lakh crore. We have got a total redemption from HTM and AFS aggregating to about Rs. 1,50,000 crore, which is which is actually coming up in the current financial year.

Abhishek Murarka: So, you could actually hold off any increase in TD rates for a while, while this liquidity gets deployed, that is what I was trying to understand.

Dinesh K. Khara: That's the **(Inaudible) 41.08** call. As I mentioned that deposit is a franchise also. So, we have to keep that in mind. But nevertheless, what you mentioned that very clearly reflects that we have got the muscle power, if at all we so decide.

Management: And we always explore all the ways of raising the resources, not necessarily the deposits as we said. Deposits, of course, as Mr. Khara mentioned, we have 22,000 branches, obviously, our deposit mobilization will continue.

Abhishek Murarka: And sir, just a couple of question on Express credit. One is what would be the mix of new versus repeat customers there? And broadly these higher NPAs in the quarter, that would have come from given you have 80%, 85% Government or quasi Government. That would have come from that same cohort, right?

Dinesh K. Khara: No, actually, this is xpress credit. NPAs is I would say it's more of an aberration because whenever some of the state governments are unable to pay some salary at a point of time, then it really turns out to be NPA, but as and when the salary gets paid, it gets adjusted also. So, that would be the scenario. About your other questions relating to how much will be the new versus how much would be the existing, we will not have that data right now available with us. We are not looked at it from that lens.

Abhishek Murarka: But every time some customer wants to roll over an xpress credit loan, what could be the rules around that? How much would we have to pay back or something to roll over?

Dinesh K. Khara: It all depends upon what is their salary and depending upon that we are extending. It's and EMI/NMI ratio, which we really look at it.

Moderator: Next question is from line of Ashok Ajmera from Ajcon Global.

Ashok Ajmera: Sir, while we appreciate, sir, the operating profit, but for this MTM losses would have been Rs. 19,302 crore, does it mean that we can assume that the operating profit for the whole year of the bank would be around in the range of about Rs. 78,000 to Rs. 80,000 crore, number one?

Management: Let us hope Ajmera sir.

Ashok Ajmera: Yes, sir, we hope so. And secondly, sir, this is a loss on sale and revaluation of investment, this Rs. 6,549 crore. So, what is the component, I mean of the loss which you have already booked and the MTM on the revaluation?

Dinesh K. Khara: It is actually on account of MTM. So, we have not really incurred any loss, it all revaluation.

Ashok Ajmera: So, heading only says that the loss on revaluation of the investment. Isn’t it?

Dinesh K. Khara: That is the format, so that's why it is mentioned like that.

Ashok Ajmera: No, I understand, sir. So, sir, now going forward now with this 50-basis point again further rise, what do we expect on the Treasury front going forward in the next 3 quarters? Any estimate of further likely MTM or how much we are cushioned for further MTM losses on the Treasury front, sir, including this year?

Dinesh K. Khara: Actually, we are cushioned for 7.45%. And if I may say so, the way the situation stand, you will observe that yesterday when the rate hike was there for 50 basis points, the yield moved up from 7.10% to 7.30%. So, that is something which is, I mean if I read into that kind of a trend then even if the next hike happens from RBI, which will be somewhere in September 28 to 30th, it's too early to say that what will be the interest rate hike because they normally get guided by the inflation trajectory and if at all past is a guide for the future, we have seen the inflation was trailing at around 7.9% about 2.5 months back. And from that level, it has already come to about 6.7%. So, what will be the situation from now onwards. If at all the past trend continues, then one may expect the inflation to be within 6%. And who knows, if at all it is something it may not really lead to any kind of interest, but it is all subject to various assumptions. So, having said that, as I mentioned that we have already booked the MTM losses to the extent of 7.45%. So, we hope that we should not have any more such instances of providing for the further depreciation on the AFS book.

Ashok Ajmera: Sir, coming to this provisioning, we said that we have taken the benefit of some of the buffers of the provision which are there in this quarter. How much buffer is left which can be utilized in case the higher provision is required in future?

Dinesh K. Khara: Rs. 7,800 crore is the provision which is available for the restructured assets. So, that can always be used and whatever we have used is essentially wherever the repayment has happened. So, to that extent only we have used. We have not used otherwise. Rs. 7,800 is the additional provision for the restructured accounts.

Ashok Ajmera: Sir, on the advances front, credit front, our credit growth especially in the domestic book is muted, if you take the corporate book except that yes, International book has grown very healthy, where the margins are but very less or limited. So, going forward when you say that we are aiming 15% of the growth, it means that the in next 3 quarters including the August now which is going July-August also, we may grow our total credit to about 12.5% for the remaining 3 quarters now.

Dinesh K. Khara: We hope so because if I look at the underutilization of the working capital limit in the corporate accounts, which is almost as a whole Rs. 2.5 trillion. Similarly, when it comes to term loans, which are un-availed it is also to the extent over Rs. 2.5 trillion. And proposals in pipeline are about Rs. 1.2 trillion. So, that is how it is stacked up even if the term loans will not start availment immediately or may not get disbursed immediately. Still I expect that we should have a situation where we can easily think in terms of growing to the extent of about Rs. 2.5 crore to Rs. 3 lakh crore into the corporate book. We are at about 8.75 lakh crore as far as the corporate book is concerned. So, that is the kind of expectation which I have. So, if at all that comes and the kind of growth which you have witnessed into the retail side that I think will continue. Even SME also we have started seeing the traction and the pipeline is also there. So, I think all put together, I expect that there should be a decent sustainable growth in the remaining 3 quarters.

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

Nitin Aggarwal: Sir, this quarter, like many other PSU banks have reported controlled treasury losses, and some of them have reported profits as well. So, just wanted to check if we have done any transfer of securities from AFS to HTM during the quarter? And just related to it, do you think that the mix of AFS portfolio which is like still looks high needs to be reduced given how the rate cycle is placed out?

Dinesh K. Khara: We had done the transfer of securities, but unfortunately, we could not avail the benefit soon thereafter the 40-basis point increase announced by the RBI, which led to the yields moving up. So, we really could not take much of benefit. We went for the further transfer of securities also. I mean as of now, we have got a decent elbow room available in the HTM and whatever securities are maturing in AFS and whenever we are buying new securities, we are only putting in the HTM portfolio.

Nitin Aggarwal: And this mix of AFS, sir, which is 42%, doesn't seem like comfort or any thoughts around reducing this mix.

Dinesh K. Khara: I'm sorry, I could not get your question.

Nitin Aggarwal: The mix of AFS investments in the total investment book at over 40%, does this number seems comfortable or any there have been any thoughts to reduce this number also?

Management: Yes, if I can respond, sir. So, we have adequate room in the HTM portfolio, maximum of 23% is what we can put in HTM. Our strategy would be that whatever maturing portfolio is there, it would be directly going to the HTM. See, primarily I think most of the credit growth will now be funded. So, the investment book may not grow as much as it has grown in the past 2 years. Even if we have to invest, I think we have adequate room to move to HTM. So, to answer your question specifically, I think our AFS portfolio probably will be coming down.

Dinesh K. Khara: Otherwise also, if you look at the industry level numbers, the advances book is growing at about 14% and the deposit growth is at about 8.4%, so which very clearly means that the treasury book of the banks will not probably grow as it has grown in the past.

Nitin Aggarwal: And so, second question is like, typically, we have seen that in line with the accrual, slippage trajectory from first quarter to fourth quarter, our credit costs also improves. Now, in this quarter, we have reported a credit cost of 61 basis points. So, how do you see the trajectory now going ahead for FY '23 and any color for FY '24?

Dinesh K. Khara: Actually, when it comes to macro, though, we keep on reviewing it very closely, but there are always the element of uncertainty more so in the current kind of a scenario, but nevertheless, our effort will be to bring it down to the extent possible, and that be rest assured We will not be in a position to give any kind of guidance on this particular aspect.

Moderator: The next question is from the line of Ayushi Shah, an individual analyst. Please go ahead.

Ayushi Shah: Sir, in the beginning of the presentation, you mentioned that you are planning on increasing your CASA book by focusing on the savings account part of things. Sir, so I just wanted to get an overall idea about it, how exactly do you plan on doing that? Because there's such intense competition in the market going on right now. So, how do you plan on ensuring growth?

Dinesh K. Khara: We will be trying to beat out the competition.

Ayushi Shah: Sir, basically by raising rate?

Dinesh K. Khara: No, where actually digital is something which is actually growing very well. And almost about 65% of our accounts are getting opened digitally. So, which means that we are in a position to offer the convenience to the customers and also the kind of product bouquet which we offer it is complete in all respects. There is no reason for us not to be really sharing the mind space of the customers and getting their accounts. And CSP is one of our focus effort and we will continue to strengthen that going forward. Maybe Alok wants to add something.

Alok Choudhary: Yes. So, in CASA, what exactly if you find last couple of years there was a huge increase in saving bank deposits as well as TDR. So, on the ground it was being considered that whatever is coming is fine. But with the competition intensifying, we have also now communicated to the ground that the CASA has to be a priority and that is why on an daily basis, the opening of accounts as well as encouraging contact with the premium customers or high value customers so that they can deposit more and transact more in our accounts so that the balances also increase. So, it is 2-pronged. One, acquisition of new valuable customers so that we open accounts where there is a higher possibility of increase in balances. Number 2, with whatever customers we have making relationship more rich so that the balances in the account increase. We will also try to increase product per customers so that the stickiness as well as the float around it that also improves. So, it is both acquisition strategy as well as the relationship strategy which will lead to better CASA.

Ayushi Shah: That is very good to hear. And sir, is there any guidance about like the CASA ratio that you will have for the coming 2 to 5 years?

Alok Choudhary: See, in this case, what we'll do is we understand the importance of CASA, everybody in the bank understands, so the endeavor will be to increase as much CASA as possible. We have our internal say benchmarks and internal aspiration as to where we should go, but there is a single say structurally as a bank, we are a bank, where people trust a lot. So, they bring a lot of term deposits to us and the growth rate of CASA and the growth rate of TDR is normally pretty skewed because we have higher growth in TDR because of customers trust. So, then percentage may not increase much, but in absolute numbers, it will surely increase.

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

Anand Dama: Sir, again, the question on the treasury front. So, we said that basically there is a redemption of about Rs. 1.5 trillion of investment. So, whether that could lead to higher realized losses going forward, number 1? And number 2 is that, what is the status on our investment fluctuation reserve? Where does it stand? Do we have a shortfall over there? And whether that is also to be made up going forward leading to higher provisions over there?

Dinesh K. Khara: See, when it comes to Rs. 1.50 trillion, which I mentioned this is a redemption which is during the normal course in the current year. So, which means that we will not book any loss and in this redemption process, and we don't have any stressed NPA in the book as of now. So, that is one thing which will happen and the second question is relating to, sorry, I missed out the second question.

Anand Dama: Investment fluctuation reserve, sir. Sir, what is the outstanding in the IFR and is there any shortfall over there?

Dinesh K. Khara: There is some shortfall but we are actually building up that shortfalls.

Anand Dama: So, what will be the quantum of the shortfall?

Dinesh K. Khara: Sorry, there's a Board approved glide path which is in line with the RBI directions and we are strictly following that and we will try and see that that gets completed in the current financial year.

Anand Dama: Currently quantum basically, what's the kind of shortfall that we have?

Dinesh K. Khara: I will not have that number.

Management: See, the number is available in the balance sheet, but we can share with you, sir.

Dinesh K. Khara: We will share with you offline.

Anand Dama: Sir, second is the on the OPEX front. So, our OPEX certainly has been lower whereas most other banks have been reporting very high OPEX during this quarter. So, one benefit that we have is the staff cost which is largely stable. How about the other OPEX, whether we will have meaningful brand addition over next 9 months and that will lead to a higher OPEX during the 9 months going forward?

Dinesh K. Khara: See, employee cost, etc., is given, there is not much which can be done. But yes, of course, we are trying to shore up our income so that our cost income ratio gets addressed. And in that direction only we have come out , we have been given approval to set up the new subsidiary which is operation support subsidiary. And the intention is that this subsidiary will help us in reaching out or rather supporting our rural branches to garner quality business and also to ensure that the renewal, etc, also happens on time. So, this is something which it will be put to use and which will help us in reducing the NPA in the agri sector and also will help us in booking the quality business which is available in the rural economy. So, this is what the plan of action is which will eventually address the cost to income ratio.

Moderator: The next question is from the line of Jignesh from Incred Capital. Please go ahead.

Jignesh Shial: Sir, I had a question one on around your margins, basically, which basically has come up on a sequential basis. So, I agree that Y-o-Y basis it has been pretty high, I mean, it has improved. What trajectory basically you're seeing it up for the full year though you have already indicated that you will see an improvement happening. But if you can give some guidance and the roadmap, how we are seeing it up, the improvement will be coming in? That is one.

And second, obviously, on the growth front with the rate hike already being there and inflation remaining high, though you remain confident that the growth would be -- you will be able to now benchmark it, but what exactly would be the momentum and which areas you think will be a better one as the growth may be coming up in retail corporate or international book, that you're seeing it for the next 3 quarters, if you can give some clarity on it, that would be really useful. Thank you.

Dinesh K. Khara: The trajectory as far as the NIM is concerned, I would say the kind of trend which you've seen in the past, we expect to be a repeat of the similar trend going forward also though we're starting at a little higher base as compared to where we were last year in the first quarter of financial year '21. As far as your second question relating to which are the areas of focus, I think, irrespective of the interest rate hike, etc., which has been talked about, now the retail engine continues to adhere to its promise and we hope that we will have a decent growth in the retail going forward as well. Rather, when it comes to the corporate growth, we are quite hopeful this year we'll have better traction as far as the corporate book is concerned. And even SME also is one of the special focus for the bank. You would have observed that we have moved up in the SME from about Rs. 2.20 trillion to about Rs. 3 trillion plus, it has already moved and this is all we are getting into supply chain finance and some kind of balance sheet lending also, but we are very mindful of the risks which are inherent in the SME. We are ensuring that we should underwrite the best of the quality of SME also. So, I would say that retail corporate SME all will grow. As far as Agri is concerned, our focus is going to be high value agriculture, our focus is going to be a SHG financing. So, this will be our focus so that the agri book should also improve in terms of quality. That is what our endeavor would be.

Moderator: Next question is from the line of Prakhar Sharma from Jefferies India. Please go ahead.

Prakhar Sharma: Just 2 questions. First on the SMA-1 and SMA-2 loan, the balances have gone up from Rs. 3,500 crore to about almost Rs. 7,000 crore. Could you just help us understand what is the reason for this?

Dinesh K. Khara: Of course, out of this Rs. 7,000 also if you will really look at it, we would have pulled back a significant component. So, essentially, invariably we have seen that in the first quarter there are always some peculiar behavior which we see. And that is one of the reasons why sequentially it looks on the higher side, but almost about Rs. 2800 crore has been pulled back out of this. So, if at all we look at that Rs. 2,800 odd crore. So, then actually it comes almost in the same range as on December 21. So, that's how that partly explains the behavior.

Prakhar Sharma: Sir, second question is on the interest on tax refund for the March quarter. Could you please clarify what was the amount in the previous quarter?

Dinesh K. Khara: Rs. 600 crore was the amount interest on tax refund.

Management: Yes, for the March quarter.

Dinesh K. Khara: Yes, for the March quarter.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint that will be the last question for today. And I'll hand the conference over to the Chairman sir for closing comments.

Dinesh K. Khara: Thank you very much to all the analysts who are taking out time on a weekend on a Saturday evening. I wish all of you the very best. As we have explained that our endeavor is to keep on delivering better outcomes. Hopefully, it will be the scenario going forward. But for the situations which are actually beyond our control, in terms of GSEC, etc, we have to play in the broader macro and our effort will be to navigate through the turbulent times in the most professional way. Thank you very much. all the very best.

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