Q2FY23

ANALYSTS MEET

Transcript

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- Namaste and Good evening, ladies and gentlemen. My name is Sanjay Kapoor, and I am the General Manager of Performance Planning & Review Department of the Bank. On the occasion of the declaration of the Q2FY23 results of the Bank, it gives me immense pleasure to welcome the analysts, investors and our colleagues in person, after a gap of nearly 3 years. I also extend a warm welcome to the analysts, investor 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. Shetty.
- Our Managing Director, Corporate Banking and 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 in the 1st row and 2nd row of this hall.
- We are also joined by the Chief General Managers of different verticals and business groups.
- So, to carry forward the proceedings, I request our Chairman sir to give a brief summary of the Bank's Q2FY23 performance, and the strategic initiatives undertaken. We shall, thereafter, straightaway go to the Question & Answer session. However, before I handover it 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. Chairman sir, please.
- **Mr. Dinesh Khara - Chairman, SBI:**

- Thank you. Good afternoon, friends. Thank you for joining this analysts' meeting post announcement of the Quarter 2 results of Financial Year 2023. It's actually a pleasure to see all of you in person after a gap of almost 3 years. I must compliment my Finance Team for opening this face-to-face interaction, which all of us have been missing for the last 3 years.

- A warm welcome to all of you, including those who are connected virtually. We hope you and your family are in best of health. Global economic activity is experiencing a broad base and sharper than expected slowdown, with inflation higher in developed economies as compared to EMEs. This phenomenon is perhaps seen for the first time. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine and the lingering COVID-19 pandemic, all weigh very heavy on the outlook.

- However, in such uncertain and fragile global economic environment, the Indian economy has shown resilience. Indicators of aggregate demand indicate that the onset of the festive season and the pent-up demand kept the growth impulse very strong. Several high frequency indicators remain upbeat. The withdrawal of the South-west monsoon has aided travel, hospitality, and construction sector too. Electricity generation has picked up in September. Rural demand also has shown very healthy signs. Also, we have seen that the two-wheelers and three-wheelers and motorcycles have shown a very encouraging trend. This is actually a reflection of the rural economy. Domestic tractor sales have also picked up sharply to an 11 month high in the month of September. Credit growth in the banking system has continued to grow in double-digits in this financial year, as against single-digit growth which we witnessed in the last year. With economic activity gaining momentum, there will be an optimistic outlook for the demand conditions, and we expect credit growth to continue in the near term.

- At State Bank of India, our long-term strategy has been to build sufficient resilience in our balance sheet so as to absorb the volatilities caused by such external events. As a result, we have not only been able to ride through these difficult times, but we have been able to post consistently improving outcomes in business, profitability and asset quality parameters. I am pleased to announce that during this quarter, we have posted the highest ever quarterly profit of 13,265 crores. Our business growth numbers are good, and in terms of asset quality our net NPA has dropped well below 1%. Let me now give some colour on the bank's numbers for the quarter.

- The Net Profit for the quarter increased almost 74% YoY to 13,265 crores, while the Operating Profit at 21,120 crores increased by almost about 17%. RoA of the Bank for the half year period improved by 15 bps on YoY basis to 0.76%, though for this quarter RoA stands at 1.04%. And RoE improved by 291 bps on YoY basis to 16.08%. Most other core profitability metrics have also improved over the previous year as well as sequentially. The Net Interest Income increased by almost 13% YoY on the back of the improved credit offtake in all segments and continues improvement in asset quality. Domestic NIM also improved by almost 5 bps YoY and 32 bps sequentially. Actually, on YoY basis also we had some one-time one-offs which were there last year around the same quarter. If we ignore that, then we have actually grown well in this quarter on a YoY basis too, as far as NIM is concerned. Fee Income grew by almost 10% YoY. Our Cost to Asset continues to remain among the lowest in the industry reflecting our efforts to build long term cost efficiencies.

– On the business front, the Credit Growth has continued to trend upward as the bank posted a YoY growth of almost 20% with growth coming from all the segments. Corporate Advances grew by 21% plus on a YoY basis with bulk of the growth coming from large corporates. Personal retail also witnessed a decent growth of 19% on a YoY basis with home loan book growing almost at over 15% and other personal loan growing at almost 25%. SME and Agri segment advances also posted double-digit growth at 11% and 13.24% YoY respectively. Domestic Deposit grew by 9.16% 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 deposits. Advances portfolio at foreign offices in Rupee term grew by almost 30%, while in dollar terms it has grown at 18%. And, the growth is coming from local lending, trade finance as well as India-linked loans. Sector-wise growth has come mainly in OMC, banking and financial services and IT services. Deposit at foreign offices grew at almost 35%.

– Coming to asset quality, we continue to post improving outcomes. Our net NPA ratio has come down below the 1% mark and stands at 0.80% only as at the end of Quarter 2 of FY23, with a YoY decline of 72 bps. Gross NPA ratio at 3.52% is down by 138 bps. Slippage ratio for the quarter stands at 0.33% and is lower by 33 bps on a YoY basis. Consistently improving asset quality is also reflected in our credit cost which stands at 28 bps for the quarter and is down by 15 bps YoY. On the restructuring front, as at the end of Quarter 2 of FY23, our total exposure under COVID Resolution Plan 1 and 2 stands at 27,336 crores. The restructured book has behaved well with 9% of the current exposure falling under SMA1 and SMA2 category. We are holding sufficient additional provision against the restructured accounts. Capital also, I would say, is fairly okay, and we expect that our internal accruals will be adequate to take care of the normal business growth requirements. Our Capital Adequacy Ratio, without adding the profit for the current half year, is at 13.51% and the CET ratio at 9.53%, are well above the regulatory requirements. Digital continues to be an important acquisition engine for the bank across assets as well as liability products. During the quarter we have sourced 62% of the savings accounts and 45% of the retail asset accounts digitally through YONO.

- Our subsidiaries have also consistently performed well and continue to create significant value for all the stakeholders, and most importantly, for the customers. Most of our subsidiaries are leaders in their respective segments, and we will continue to nurture these subsidiaries and see them creating value for their own shareholders as well as the shareholders of State Bank of India.

- Now, before I conclude, I thank you all for your continuous support to the bank. We are proud to be part of SBI and consider it a privilege to be able to contribute towards the growth of our economy and the bank. We remain committed to reward your trust in us with superior sustainable returns over the long term. I wish everyone here very good health and a very happy weekend. The floor is now open for questions from all of you. Thank you.

- **Mr. Sanjay Kapoor - General Manager Performance Planning & Review Department, SBI:**

- Thank you, Chairman sir, for the presentation. We now request questions from the audience. 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 quarterly results only and no questions about specific accounts please. In case you have additional questions, the same can be asked at the end. We now proceed with the Question & Answer session.

- **<u>Question & Answer session:</u>**

- The first question is from Mahrukh.

- **Ms. Mahrukh - Edelweiss:**

- Hello sir, congratulations on a very very strong set of numbers. Sir, my first question is on margins. So, you've done very well on all core margin expansion. Given that there's a bit of MCLR repricing still left and there's also EBLR repricing which is not fully captured in, is it fair to assume that atleat for the next two quarters you will continue to see margin expansion? The quantum can be different, but…

- **Mr. Dinesh Khara - Chairman, SBI:**

- I normally follow a golden principle – Under promise and over deliver. So, on that particular count, I will say, I will still under promise that we'll try to keep the NIM at this level, though we might give you better results quarter on quarter.

- **Ms. Mahrukh - Edelweiss:**

– Okay sir. So a related question to that was on deposit growth. Obviously, you have a lot of liquidity. Your CD ratio domestic is the lowest, right? It's 63%. So, will we continue to see flattish deposit growth? I mean, till what level should the domestic CD ratio rise before your deposit growth accelerates?

– **Mr. Dinesh Khara - Chairman, SBI:**

– Actually, we look at deposit as a franchise, and that is one of the reasons why during the period when there was not enough credit growth, we never stopped our deposit gathering engine. And that resulted into a situation where we have deployed the money into treasury. And, today while we talk, we have got almost about 3.5 trillion plus money which is lying in the treasury instrument which we expect to redeem during the current financial year itself. So, you can very well expect that that kind of growth can be there in the deposit to support the advances growth, which we expect to see in the remaining part of the year. And also, having said that deposit is a franchise, you would have observed that in the last quarter or so, we have also increased our deposit rates because we don't want to be unfair with our depositors either.

– **Ms. Mahrukh - Edelweiss:**

– Okay sir. And just one last question. If you could give some sense on what quarterly increments you can expect in your wage bill for the New Wage Revision? It will start mostly from next quarter, right? And, what would be your assumption?

– **Mr. Dinesh Khara - Chairman, SBI:**

– Yeah, I have got those numbers. I expected this question from the analyst community, so that's why I kept those numbers also ready with me. I'll just share those numbers with you. Just one second, give me a minute. If at all… the monthly adhoc provisions, we assume that it will be required to provide for about 36 months, and the estimate increase in wages if at all it is 10%, in that event, we expect about 477 crores. So that's the kind of number which we expect. And, if at all 12%, it is about 580 crores. So much of it depends on what is the kind of demand and where we finally start providing for it.

– **Ms. Mahrukh - Edelweiss:**

– Okay sir. Thank you so much.

– **Mr. Ashok Ajmera - Ajcon:**

– My compliments to you sir for the fantastic performance. In fact, one of the best performances in recent times, and highest profitability in the bank and the bank has done well on almost every parameter. But sir, having said that, now the question comes for sustainability. Because this quarter was an exceptionally good quarter, for some of the other banks also, but of course, you have exceeded. On sustainability, what Mahrukh's question also was, that in the coming quarters now, no. 1, if the RoA… of course we have crossed now 1.04. It was a demand for a long time; people were expecting. And secondly, on all other parameters like cost to income and other ratios, and the future growth in the credit books, and also, on the treasury front. Last time, I think, in answer to one of my questions you had said that we are cushioned for 7.45 on the treasury front. So here onwards now, since we have already come to that level and we expect another 50-60 bps now going further, looking at the FED increase of 75 bps… so on all the fronts, like on the treasury front, on the credit front, on the recovery front, returns, profitability, where do you see now, at least in the coming two quarters… how do we expect to end FY23 sir?

– **Mr. Dinesh Khara - Chairman, SBI:**

– See, when it comes to the treasury front, though this quarter we had an opportunity, we could have booked MTM gain, but we consciously thought that we will not book it. We have kept it as a reserve for the rainy day. And, maybe at some later date, if at all there would be a requirement, we can tap it, is what our intention was. But having said that, I would also like to mention that how the global interest rates will move and how the interest rates will move over here in the country, will also be a function of the fiscal. That is something which I expect that the kind of robust GST collections which we have seen till now in the current year, and going forward, I expect that those kinds of things will probably ease out the burden of the government raising the borrowings from the system. So, if at all it so happens, then perhaps the pressure will not be there as much for the G-Sec. That's how I read the situation, but much of it will depend upon how situations unwind over the period of time.

– The other question relating to the sustainability of this kind of growth – well, of course, we all are cognisant of the fact that the growth which we have seen in this quarter is a growth of the busy season. And generally, even post the busy season, the kind of growth which we are witnessing even now, is in the range of about 14-16%. So my reasonable expectation is, that there are… some of the contributing factors which I must articulate. The retail engine has grown all this while without any challenge. Almost about 16% kind of growth we have registered in the retail segment. Quarter on Quarter basis and on a 3 year CAGR basis also. Corporate, we have witnessed a decent trend, and this trend is essentially attributed to the fact that we have seen improvement in the working capital utilisation; almost it has improved to the extent of about 4% as compared to the last YoY number. The other important component which you have seen is, we have seen term loan sanction and the availment. We still have got a reasonably decent pipeline which is as high as about 3.7 trillion of the loans either already sanctioned, or the proposals under process. So, that is something which gives me some kind of a confidence that 14-16% seems achievable. Last but not the least, corporates earlier were borrowing from the international market. Today the international market rates plus the hedging cost is actually an expensive proposition. So, that is also another factor which has lead to a scenario where corporates have started looking at the Indian banking system for borrowing. So, I think, these are some of the factors which gives me some kind of confidence that we can perhaps book 14-16% of the credit growth. But having said that, I would like to caveat it by the fact that the growth in the banking system is a function of the real economy. And, though in normal circumstances we expect that the economy should continue to do well, when we look around the globe, all of them are looking at India as one of the silver spots. So, I think, in view of that, my reasonable expectation is that we should have a decent growth in the economy which will offer us opportunities for the credit growth too.

– **Mr. Ashok Ajmera - Ajcon:**

– Sir, now coming to the international only, there are two things. One is, our investment. We are the largest Indian bank having maximum branches and investment outside. Now, there is a practice of marking 100% marked to market in the international book. And, since our investment is the largest there, how much pressure do you see is left to be… because interest rates are hardening up there also with another 75 bps, and still it's not stopping. So, something must have been already provided in this quarter. But going forward, what kind of numbers, or if we can get some idea on that, this is no. 1. Second, on the international book, again, there is plenty of… I mean, the book is growing very fast because of interest rate divergence and we are now getting higher margins and the cost of operations is much lesser, maybe 20 or 15 bps. So, net-net, we are gaining there. So, what are your comments on that and plans for the future on the international book?

– **Mr. Dinesh Khara - Chairman, SBI:**

– See, when it comes to international book, one, of course, our assets are generally… if we look at their average maturity, it would be much lesser as compared to what we normally get to see over here. That is one part. The second component is, when it comes to our NIMs, of course, they have improved. And, our book is actually split into the local lending which is almost about 33%, India-linked loans are about 35%, and trade finance is almost 30% and local lending which we are doing, it is essentially syndicated loans which we do. And, also when it comes to geographies, we are essentially into USA, UK and also into Singapore and Hong Kong; these are the major geographies where we are present. So, I think, on that particular count, we are very closely reviewing this book. Though, as I mentioned in Rupee terms, it has grown about 30%, but in terms of dollar, it is at 18%. So, I think, we are quite cognisant of what the realities are. But, one thing is, ECBs perhaps may not really pick up as much going forward. That's the other sense which I have for the international book. Deposits, we are in a position to raise in the local markets depending upon our local requirements. So, that's how our international book is.

– **Mr. Ashok Ajmera - Ajcon:**

– One question on NARCL. Now you see our Gross NPA is still, I think 3.52%. So, how much are we still expecting the same kind with which we started? That time I had calculated that almost about 25 bps our Gross NPA would come down if all those accounts which are identified goes to NARCL. So, what is the difference now. First of all, they are yet to start. But, now it seems it started, but they are going slow on that 2 lakh crore initial amount and that. So, can you give colour on the total NARCL number of accounts on this quarter in FY23? How much we are going to pass on, atleast to bring down the Gross NPA? I mean, how much loan we are selling?

– **Mr. Dinesh Khara - Chairman, SBI:**

– Actually, when we started and now there's a lapse of time. And, during that period, from the system also, all kinds of options were explored including the options of OTS and compromises; all kinds of options were explored. And, by the system as a whole, that number also came down. Having said that, now NARCL has started performing and I believe there are about more than 40 accounts which are under resolution with NARCL. And we expect that it will… the way they are really addressing, I hope to see better results there. But nevertheless, I think the banking system as a whole is open for all kinds of other options as well. The plus is that, with NARCL coming in, a very important component of the ecosystem has got strengthened. And also, it has helped in the resolution through various other channels. So, I think, overall, what will be the impact, we'll have to probably wait and watch. But, as far as we are concerned, I think about 14 offers have been made.

– **Mr. Ashok Ajmera - Ajcon:**

– Outstanding amount?

– **Mr. Dinesh Khara - Chairman, SBI:**

– I'll give you the amount.

– **Mr. Ashok Ajmera - Ajcon:**

– No issues sir. I'll come back if time permits.

– **Mr. Manish Ostwal – Nirmal Bang Securities:**

– Hello sir. My name is Manish Ostwal from Nirmal Bang Securities. My question is, from 4th May, 2022 the policy rates have moved by 190 bps and on the lending side mostly the rates have been passed on, but on the deposit side, the rates passing on is very gradual. So, when do you see the deposit rates see the reflection of the policy move?

- **Mr. Dinesh Khara - Chairman, SBI:**
- Well, as far as the rates are concerned, I think each of the banks is actually looking at the rates from their own perspective in terms of how their liability is stacked up and how things are with them, and also what kind of growth they are seeing as far as asset book is concerned. So, as far as the retail TD rates are concerned, we are very closely monitoring how things are, and what is our ALM requirement. And based on that, we are also calibrating our interest rates. Your question that, in how much time will the transmission happen? I think, perhaps we'll have to wait and watch, because as I mentioned, there are multiple factors which would be at work in the transmission of the policy rates.
- **Mr. Manish Ostwal – Nirmal Bang Securities:**
- How much we have raised till now from 4th May, 2022?
- **Mr. Dinesh Khara - Chairman, SBI:**
- From 4th May… we will give you that number.
- **Mr. Manish Ostwal – Nirmal Bang Securities:**
- The second point sir, from the credit cost and the slippage and RoE and RoA 10 year high and the credit growth also at a 9 year high… so, in terms of certain numbers like credit cost and slippage number, that's extraordinarily low for the bank. So, can we sustain these numbers, what is your comment? I know that you under promise and over deliver, but what is your sense on these numbers' sir?
- **Mr. Dinesh Khara - Chairman, SBI:**
- Our effort will be to keep it as low as they are currently. But yes, of course, it's a function of the real economy too. So, how the real economy pans out, we'll have to wait and watch for the actual numbers.
- **Mr. Sourav – JP Morgan:**
- Hi sir, this is Sourav from JP Morgan.
- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**
- The hike in the retail deposit rates, we have raised the rates 4 times after the 4th of May, and it has been as high as 80 bps in the 1-2 years segment.

– **Mr. Sourav – JP Morgan:**

– Hi sir, this is Sourav from JP Morgan. Sir, just two questions. One is, your net slippage is negative this quarter. So, what were your expectations? Atleast in the near team, can we continue with these kinds of levels or is this exception what we are seeing right now? And second is, there is an increase in your SMA1 book, SMA 2 is still flat. Could you please explain that?

– **Mr. Dinesh Khara - Chairman, SBI:**

– Well, SMA loan book, of course, we have seen the number is slightly above where it was in June, but we had one particular large corporate account where we had seen it got slipped into SMA, but that we could pull back immediately. So, I think SMA is a phenomenon which is on a particular day. So, it's a number which keeps on changing. And, even in retail also we have pulled back some of the SMAs. So, I think, that's not as much of a worry. The other question is whether slippages will be around this number? I think as of now, as I mentioned, it's again the function of the real economy. As of now, we don't envisage any challenge. Whatever challenges were seen in the book, we have already provided for it. But, if at all there are some one-offs at a point of time, we cannot really predict that kind of scenario. So, we'll have to be in readiness for any kind of eventuality. But I think we have built up enough cushion in the balance sheet to really address any such challenge which comes up.

– **Mr. Jai Mundhra – B&K Securities:**

– Hi sir, this is Jai Mundhra from B&K Securities. Sir, your CET 1 now stands at around 9.5%. Can you elaborate whether you want to raise capital, because growth that you are seeing is also pretty decent. So, your thoughts on capital.

– **Mr. Dinesh Khara - Chairman, SBI:**

– See, as far as our plan of action is concerned, we were to raise AT1 and Tier 2, which we raised at the most competitive rates. And also the other plan of action is that, last year also we ploughed back a decent amount of profit, and we intend to do a similar plough back in the current year too. And, at this number, we'll have a reasonably decent number to plough back as well. So with that, we will have sufficient capital to support the growth. And, even at this number also, the kind of growth which we are visualising, we're in a position to support it.

– **Mr. Jai Mundhra – B&K Securities:**

– No sir, no doubt that you are very above the regulatory threshold, and this is sufficient enough to chase growth. But it looks like, even within PSU peers and large private, SBI has the least amount of CET 1.

- **Mr. Dinesh Khara - Chairman, SBI:**
- We'll raise at the appropriate time, don't worry.
- **Mr. Jai Mundhra – B&K Securities:**
- Secondly sir, on your margins, is there any one-off of a think in interest income, or is this purely purely organic?
- **Mr. Dinesh Khara - Chairman, SBI:**
- In this quarter we have 592 crores as interest on income tax refund. Actually, last year around the same time, we had 1,900 crores worth of… So, I think it is much lesser as compared to that. And, considering our numbers, it is almost insignificant.
- **Mr. Jai Mundhra – B&K Securities:**
- Sure. And last question sir, if you can provide the breakup of the entire loan book by EBLR, MCLR and maybe fixed rate and overseas.
- **Mr. Dinesh Khara - Chairman, SBI:**
- Almost about 74% of the book is linked to MCLR and EBLR… 75%. And, out of that, about 41% is MCLR linked, the remaining is EBLR linked. And, I think the fixed rate is just about 21% and the rest is BPLR based rate and those kind of things.
- **Mr. Jai Mundhra – B&K Securities:**
- Just a corollary, if I look at yields in this quarter, despite having 75% of the loans which are floating rate, and within that 30% is EBLR, the yield expansion on quarter on quarter basis looks very low. Any comments there? Sir, if you look at your yields on loan domestics…
- **Mr. Dinesh Khara - Chairman, SBI:**
- Actually, yield expansion is also a function of one-off, which I mentioned. If at all we look at that particular number, then probably it will throw up the right numbers. You were saying something?
- **Swaminathan J, MANAGING DIRECTOR (CORPORATE BANKING & SUBSIDIARIES)**:
- Essentially 41% is MCLR. Bulk of this book is linked to 6 months MCLR. So, the reset will be with a lag. And 34% is EBLR, of which 11% is Treasury Bill linked. T-Bill linked, since it is linked to 91-day T-Bill, we reset only once in 3 months. So, while the policy rates keep moving, it's not that immediately the transmission takes place; the transmission has got a reset date during which it will happen. So, the full benefit of this

will be available in Q3-Q4 rather than Q1-Q2. That's the sense which I would like you to read from.

- **Mr. Jai Mundhra – B&K Securities:**
- Thank you so much sir.
- **Mr. Adarsh – CLSA:**
- Sir, this is Adarsh from CLSA. Because margins have done so well, do you see any scope for changes in savings rate, or do you think it's transactional, so no need to really look at savings rate over the next 3-6 months?
- **Mr. Dinesh Khara - Chairman, SBI:**
- No, we will also look at the market scenario, and also you would've observed that for high-value savings bank accounts, we have already increased the interest rates.
- **Mr. Adarsh – CLSA:**
- Got it sir. And you'll mentioned the reset on the T-Bill. Your reset on REPO is 90 days after the RBI moves, or do you do it in the next month?
- **Mr. Dinesh Khara - Chairman, SBI:**
- It's immediate.
- **Mr. Swaminathan J - Managing Director Corporate Banking and Subsidiaries, SBI**
- It used to be quarter end and month end. Now it's 15th of the same month. We have changed it now, immediately after…
- **Mr. Adarsh – CLSA:**
- Okay, thank you sir. That's it.
- **Mr. Anand – Emkay:**
- This is Anand from Emkay. Sir, we have seen so much of rate hikes for long. This year has been pretty strong in terms of overall credit growth. Can we see a dip in the overall credit growth next year? Do you see any impact of the rate hikes, particularly in the retail segment or the corporate capex, possibly which would have actually come in?
- **Mr. Dinesh Khara - Chairman, SBI:**

- To answer your question, we'll have to probably look at the behaviour we have seen in the current year. And, one of the major areas which perhaps can be a reflection of the behaviours which we can see going forward is the home loan. We have seen that home loan interest rates have gone up, but we have not seen the demand tapering off. So, I think much of it will depend upon the segments. The way I look at it is, as far as corporates are concerned, so long as there is visibility of demand, then perhaps they… because in the overall cost structure, the interest cost is on an average about 10% of the total cost structure. So long as they have got visibility of the demand and they have got the capability to pass on this increase in interest rate, I think people will continue to borrow. But, we are assuming some factors to remain constant. The fact of life is that, practically all the variables keep on changing. So, I think a year down the line, we have to probably revisit all these assumptions and look at how the economy is looking like, what is the confidence level across the globe and what is the confidence level in India; that will probably help us in gauging the situation on ground.

- **Mr. Anand – Emkay:**

- But, there is a change of basically a dip in terms of the overall growth numbers?

- **Mr. Dinesh Khara - Chairman, SBI:**

- I don't think so. As I mentioned, the home loan, despite the increase in interest rate, the home loan book for us has grown almost 15%, the highest ever growth which we have seen. So, I think, much of it is… of course, there are multiple variables. So, how those variables interact and throw up their results, we'll have to wait and watch.

- **Mr. Anand – Emkay:**

- Sir, secondly, there was this RBI circular in 2019. And, basically what we had heard was that lot of these banks had made standard asset provisioning on some of these government entities. Have we got any intimation from RBI that we also need to make some additional provisions on these quasi government or government entities, including the likes of FCI (Food Corporation of India) in the current quarter? And if yes, what is the status over there?

- **Mr. Swaminathan J - Managing Director Corporate Banking and Subsidiaries, SBI:**

- At this point in time, we don't have any definite indication on that. But, we are aware that at an industry level, there are discussions happening. But, I think it will be premature to comment at this stage. Maybe, we will let you know once the time… once these discussions get firmed up.

- **Mr. Anand – Emkay:**

- Because, if you look at BOB, PNB, all of these banks have made provisions, in fact, BOB has reversed the provisions on that front. So, it's just a matter of time that you will get some kind of an intimation. But, any ballpark figure on what is the exposure.

- **Mr. Dinesh Khara - Chairman, SBI:**

- These things are normally looked at on merits. And, if at all required, we will also… we'll see as and when the situation arises, we will appropriately plead with RBI and… if at all there's a situation like that, and we'll see what is the outcome. And, whatever be the outcome, we are there to comply with what the regulatory diktats would be.

- And, the balance sheet and P&L has adequate cushion if at all such things do come up

- **Mr. Swaminathan J - Managing Director Corporate Banking and Subsidiaries, SBI:**

- I think we'll be able to absorb as and when it comes. It should not be an issue for us.

- **Mr. Dinesh Khara - Chairman, SBI:**

- But then, as of now, we don't have any such message.

- **Mr. Anand – MK:**

- Okay sure. Thanks a lot sir.

- **Mr. Mahesh – Kotak:**

- Good evening, sir. This is Mahesh from Kotak. Three questions from my side. One is, is there a particular threshold limit beyond which you would say that the margin seems to be too high, and you would want to revisit the yields or the spreads that is sitting across the various lending products that you have?

- **Mr. Dinesh Khara - Chairman, SBI:**

- We have not kept any threshold margins for us. But yes, of course, we would like to be reasonable with our customers, both on the deposit side as well as on the loan side.

- **Mr. Mahesh – Kotak:**

- Okay. In the sense that, if margins do expand further, you would say your action would be mostly on the deposit side rather than the lending side?

- **Mr. Dinesh Khara - Chairman, SBI:**

- Let's wait and watch.

- **Mr. Mahesh – Kotak:**
- Okay. The second question sir, on this foreign currency loan, any particular reason as to why there is so much excitement to do this business? Very strong growth, the environment doesn't seem to be that great outside India.
- **Mr. Dinesh Khara - Chairman, SBI:**
- Normally, this is given to the well-rated corporates in India and well-rated public sector entities in India.
- **Mr. Mahesh – Kotak:**
- But, OK, you don't see any risks coming out of this book?
- **Mr. Dinesh Khara - Chairman, SBI:**
- That's what I'm saying, the well-rated is something which takes care of the risk component.
- **Mr. Mahesh – Kotak:**
- And the final question, just a book keeping question, write off from the loans, does it now come under other income or is it now part of provisions? Income from write offs. Recovery from write offs.
- **Mr. Dinesh Khara - Chairman, SBI:**
- That is in the Other Income.
- **Mr. Mahesh – Kotak:**
- Is there a ballpark number that is there in this quarter?
- **Mr. Dinesh Khara - Chairman, SBI:**
- I think it's 1,800 crores? 1,800 crores kind of a number is there.
- **Mr. Mahesh – Kotak:**
- 1,800?
- **Mr. Dinesh Khara - Chairman, SBI:**
- 1,823.
- **Mr. Mahesh – Kotak:**

- Sir, under Miscellaneous Income it is 563 crores which is total, which should be part of that.
- **Mrs. Saloni Narayan - Dy. Managing Director Finance, SBI:**
- No no, it is not like that. We have had some losses, and to offset that derivative losses we have had. But, the AUCA recovery has been to the tune of 1,803 crores. Last year AUCA recovery was 1,344 crores, which is a growth of 34.15%. But, last time we had some treasury losses… some derivative losses, due to which this 528 number is coming.
- **Mr. Mahesh – Kotak:**
- Okay, perfect. Thanks a lot.
- **Mr. Sanjay Kapoor - General Manager Performance Planning & Review Department, SBI:**
- Maybe we can have one more question.
- **Mr. Kunal – ICICI Securities:**
- Yes sir. Kunal here from ICICI Securities. With respect to these entire other provisions which are there of almost 900 odd crores, what that pertains to, because I think maybe there is no recovery component, but otherwise, we had seen a negative and there is some provisioning of 900 odd crores this quarter.
- **Mr. Dinesh Khara - Chairman, SBI:**
- Just one second.
- **Mrs. Saloni Narayan - Dy. Managing Director (Finance), SBI:**
- Other provisions would be non-fund based sir.
- **Mr. Swaminathan J - Managing Director, Corporate Banking and Subsidiaries, SBI:**
- These are the provisions that are made on the non-fund based limits. Also, wherever the ICA restructuring is not implemented within the timeline, etc, there are some additional provisions that get made as per the regulatory requirements. They are under Other Provisions, but in any case, we'll share the exact breakup later.
- **Mr. Kunal – ICICI Securities:**
- Sure. And, when we look at it in terms of the overall slippage, which is there for this quarter…

- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**
- So, this 898 is restructuring sir.
- **Mr. Kunal – ICICI Securities:**
- … it is towards restructuring.
- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**
- Yeah. We have provided 30% instead of the 5% mandatory that was the RBI guidance.
- **Mr. Kunal – ICICI Securities:**
- Okay got it. And, when we look at the slippage, how much could be the impact of recoveries inter-quarter adjustments which would have been there? Because, last quarter also we highlighted that out of 9,700 odd crores, 2,800 crores have already got recovered. So, does that get into the recoveries and upgrades or it is netted off in this number itself?
- **Mr. Dinesh Khara - Chairman, SBI:**
- No, it gets into the recoveries and upgrades.
- **Mr. Kunal – ICICI Securities:**
- So, this is pure in terms of… maybe when we look at it almost like 3,000 odd crores retail SME which was there last time, that itself would've come down quite significantly.
- **Mr. Alok Kumar Choudhary - Managing Director Retail Business and Operations, SBI:**
- In this inter-quarter net off is there. The number which you're seeing here…
- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**
- This is the net number.
- **Mr. Alok Kumar Choudhary - Managing Director Retail Business and Operations, SBI:**
- … it is inter-quarter net off.
- **Mr. Swaminathan J - Managing Director Corporate Banking and Subsidiaries, SBI:**

- If you look at the slide on NPA movement plus AUCA, there you will see the breakup in terms of gross slippages as well as the recovery and upgrades. If you want the slide number, I can guide you there.

- **Mr. Kunal – ICICI Securities:**

- Yeah. So, maybe whatever is there up to last year, only those recoveries and upgrades are there. Whatever was there in Q1, maybe that's getting netted off again.

- **Mr. Dinesh Khara - Chairman, SBI:**

- Yes.

- **Mr. Kunal – ICICI Securities:**

- And lastly, in terms of the restructured pool, so when we look at the decline, that's also not significant. In fact, hardly 1,000 odd crores of movement, that too coming from the corporate. And even since March, hardly 3,000 odd crores movement. So, when do we see retail and SME actually moving out of the restructured pool and how would that behaviour be?

- **Mr. Dinesh Khara - Chairman, SBI:**

- I think the repayment process started. 24 months moratorium and I think very small part of the book has got the moratorium over. So, that I think is what we have already seen…

- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**

- Put slide no. 13.

- **Mr. Dinesh Khara - Chairman, SBI:**

- So, this is how it is looking like.

- **Mr. Kunal – ICICI Securities:**

- Yeah, so movement has largely been on the corporate side. Retail and SME would really take some time. So, when should we see that actually coming off?

- **Mrs. Saloni Narayan - Dy. Managing Director Finance, SBI:**

- 24 month was the maximum that was given.

- **Mr. Dinesh Khara - Chairman, SBI:**

- That's the moratorium which has been extended. So, we'll get to see it perhaps early part of next financial year.

- **Mr. Kunal – ICICI Securities:**
- Sure, thank you.
- **Mr. Sanjay Kapoor - General Manager Performance Planning & Review Department, SBI:** So, we have a few questions coming in through the online webcast. Chairman sir will now address these questions.
- **Mr. Dinesh Khara - Chairman, SBI:**
- The question from Mr. Darpin Shah – If you can provide breakup of slippages for retail, SME, agri, corporate and overseas business.
- SME has slipped 408 crores, Agri has slipped 631 crores and Per has slipped 330 crores. In the retail segment it is 1,369 crores slippages. In the corporate segment it is 956 crores, and total domestic all put together is 2,325 crores. IBG slippages were 74 crores. So overall Bank as a whole, we have seen a slippage of 2,399 crores.
- The next question comes from Ashish Sharma – What is the bank's outlook on NIM and RoA? Can we sustain that trend we have shown in this quarter?
- We will put in our best efforts to see that we sustain this trend.
- The third question is coming from Sharad Jutoor – Are NIM sustainable if looked at in the context of shrinking CASA base and rising FD rates amid competition? Strategies, lever available to save the NIMs.
- Well, of course, I do agree with what you have mentioned in terms of shrinking CASA base. But, there also we have put in some efforts and those efforts are essentially… the current account market otherwise is comprising of 49% government business and 45% coming from the trade & commerce. Government business is likely to witness a very tectonic shift because now they are opening the SNA and CNA accounts, and they are managing their cash pretty well. So, they may not leave much of float. That's why we have started embarking upon the trade & commerce, and there we have seen growth of almost about 8% in the current quarter. So, hopefully, we have recalibrated our strategy for the current account deposits and we have all the products and services. Hopefully we should be in a position to reverse this trend of current account also. And, savings bank deposit, we have opened very large number of savings bank accounts and we'll continue to do that. So, that will probably help us in coming back as far as CASA is concerned. And, we are very mindful in terms of increasing our interest rates on the term deposits. So, I think, hopefully our effort will be to sustain the NIM. But of course, the market forces, how will they really react going forward, will also influence our decision. But nevertheless, our conscious effort would be to sustain the NIM.

- Going forward, given the present advances, growth and capital burn posts what level of CET will you consider and equity capital base?

- Perhaps we will revisit this decision… this is a question from Lalitabh and we will be revisiting this subject after the financial result of the financial year 2022-23. And, at that stage what will be the plough back and how the capital will look like, that will be the point of time when we will look into this.

- The last question is from Mr. Sawant – Will you please give more colour on how the bank is positioning to manage credit growth and low deposit growth environment?

- I have mentioned that we have got almost 3.5 trillion worth of securities which we are holding in the treasury, and we'll be in a position to monetise those securities which will help us in supporting the credit growth. And, we are having almost about 10% kind of a deposit growth also, as of now. Going forward we might see even better trends. And with that, we should be in a position to take care of the advances growth.

- **Mr. Ashwini Kumar Tewari - Managing Director Risk, Compliance and SARG, SBI:**

- On your question on how many offers have been made? 10 offers of 24,000 crores roughly. Our share is 3,400 crores. Thank you.

- **Ms. Saloni Narayan - Dy. Managing Director Finance, SBI:**

- We have some more questions received on the chat box. But, in the interest of time, we'll reply in writing. Sorry for not taking it up right now.

- **Mr. Sanjay Kapoor - General Manager Performance Planning & Review Department, SBI:**

- So, I trust all the immediate questions have already been addressed now. In the interest of time, we'll stop here. And, we'll be happy to respond to other questions in offline mode. So, let me end this evening with thanking the Chairman, the top management team, the analysts, the ladies and gentlemen. To round off this evening, we request you to join us for high tea which is arranged just outside the hall. Thank you very much.

- **Mr. Dinesh Khara - Chairman, SBI:** Thank you very much.

END OF TRANSCRIPT