Q3FY23

Earnings Conference Call

Transcript

03.02.2023

MANAGEMENT: **MR. DINESH KUMAR KHARA**
CHAIRMAN, STATE BANK OF INDIA
MR. C.S. SETTY
MANAGING DIRECTOR (INTERNATIONAL BANKING, GLOBAL MARKETS & TECHNOLOGY)
MR. SWAMINATHAN J
MANAGING DIRECTOR (CORPORATE BANKING & SUBSIDIARIES)
MR. ASHWINI KUMAR TEWARI
MANAGING DIRECTOR (RISK COMPLIANCE & SARG)
MR. ALOK KUMAR CHOUDHARY
MANAGING DIRECTOR (RETAIL BUSINESS & OPERATIONS)
MRS. SALONI NARAYAN
DEPUTY MANAGING DIRECTOR (FINANCE)
MR. CHARANJIT ATTRA
CHIEF FINANCIAL OFFICER
MR. SANJAY KAPOOR
GENERAL MANAGER (PERFORMANCE, PLANNING & REVIEW)

Moderator: Ladies and gentlemen, good day and welcome to State Bank of India's Q3 FY'23 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, Performance Planning and Review from State Bank of India. Thank you and over to you.

Sanjay Kapoor: Namaste and good evening, ladies and gentlemen. My name is Sanjay Kapoor and I'm the General Manager, Performance Planning and Review Department of the Bank.

On behalf of the top management of SBI, I extend a warm welcome to all of you joining us today on SBI's Q3 FY'23 Earnings Conference Call.

On the call today, we have with us our Chairman -- Mr. Dinesh Khara; Mr. C.S. Setty -- Managing Director, International Banking, Global Markets & Technology; Mr. Swaminathan J -- Managing Director, Corporate Banking & Subsidiaries; Mr. Ashwini Kumar Tewari -- Managing Director, Risk Compliance & SARG; Mr. Alok Kumar Chaudhary -- Managing Director, Retail Business & Operations; Mrs. Saloni Narayan -- Deputy Managing Director, Finance.

To carry forward the proceedings, I request the chairman sir to give a Brief Summary of the Bank's Q3 FY'23 Performance and the Strategic Initiatives Undertaken. We shall thereafter straight away go to the question-and-answer session.

However, before I hand over to the chairman sir, I would like to read out the Safe Harbor statement. Safe harbor provision: 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 the statements due to a variety of factors. Thank you.

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

Dinesh K Khara: Thank you very much. Good evening, ladies and gentlemen. Thank you for joining this Analyst Meet Post Announcement of the Q3 results of the Financial Year '23.

The Indian economy has exhibited remarkable resilience through 2022 in the face of the deteriorating global situations triggered by Russia- Ukraine war, monetary policy tightening and recurring waves of the pandemic, on the back of the strong financial and macroeconomic fundamentals. An important factor in the overall outcome has been the measured response of the monetary and fiscal policies in sharp contrast to the aggressive tightening worldwide.

The new year brings hope for continued momentum in India's growth story, backed by the sustained strength in domestic demand. The World Bank has gone on record to say that the nation was well placed to steer through any potential global headwinds in 2023. The IMF has also said that India remains a bright spot and would account for a significant portion of the global growth in 2023.

Several high frequency activity indicators like vehicle sales, petroleum consumption, railway passenger traffic, air traffic, RTO revenue collections, festival sales, have all shown improved YoY momentum in Q3 of financial '23. GST revenue also continues to remain robust with 15% higher revenue in Q3 compared to the same period last year. In financial year '23, credit growth has continued to grow in double-digits. The incremental nine months credit growth has doubled in financial year '23 compared to financial year '22. Credit growth in the system is currently at 14.9% as against 9.2% in last year. The good thing is that, credit growth is broad-based and not limited to a few industries or sectors. So, we expect the pace to continue in the next financial year also, but some moderation can happen.

At State Bank of India, we have always maintained that our long-term strategy is to build sufficient resilience in our balance sheet. So, while we'll continue to pursue growth in core operating income, we have also been proactive in identifying any potential risks and build adequate provisions for the same, and our operating results for the quarter are aligned with our long-term strategy.

I'm pleased to announce that for the third quarter and running, we have again posted our highest ever quarterly profit at Rs.14,205 crore. Our business growth numbers are strong, and in terms of asset quality, our gross NPAs have dropped to its lowest level in more than six years.

Let me now give some color on the bank's number for this quarter: Net profit for the quarter increased by 68.47% YoY to Rs.14,205 crores, while operating profit at Rs.25,219 crores, increased by 36.16%. ROA for the bank for the nine months period improved by 23 basis point on YoY basis and it stands at 0.87% and ROE improved by 458 basis points on YoY basis and it is at 18.59%.

Most other core profitability metrics have also improved over previous years as well as sequentially. Net interest income increased by 24.05% YoY on the back of improvement in yields and continuing credit offtake. Domestic NIM also improved by 29 basis points YoY and 14 basis points sequentially. Non-interest income grew by 32.22% YoY. Operating expenses increased by 16.69%. As we have started building provision for the wage revision, which has fallen due from November '22. Other than that, our overhead expenses as well as staff costs are within controls, and our cost-to-asset continues to remain among the lowest in the industry, reflecting efforts to build a long-term cost efficiency

On the business front, the growth momentum in domestic credit offtake has continued in this quarter also, with growth coming from all segments; domestic advances grew by 16.91% YoY, headline by retail personal advances which grew by 18.10% YoY and corporate segment which grew by 18.08% YoY. SME and agri advances also posted double-digit growth at 11.52% and 14.16% YoY respectively. Our personal retail loan book excluding housing segment has crossed the milestone of 5 trillion. Domestic deposits grew by 8.86% YoY driven by growth in savings deposits and term deposits. Our foreign offices have continued to perform well with good growth in advances as well as deposit.

Coming to asset quality, we continue to post improving outcomes. Our gross NPA has dropped below 1 trillion and stands at Rs.98,347 crores. In terms of ratio, our GNPA has come down by 136 basis points on YoY basis and stands at 3.14. Our net NPA ratio has also declined by 57 basis points and stands at 0.77. Slippage ratio for the quarter stands at 0.41%. Consistently improving asset quality is also reflected in our credit cost, which is at 21 basis points for the quarter, and is down by 28 basis points on YoY basis.

On the restructuring front, our total exposure under COVID resolution plan-I and II stands at Rs.26,035 crores as at the end of Q3 of financial year '23. The restructuring book has behaved well, with almost around 10% of the current exposure falling under SMA-I and SMA-II. We are holding sufficient additional provision against the restructured account. The bank remains well capitalized 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 profit for the nine months, stands at 13.27% and CET ratio at 9.26%, 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 64% of the savings bank accounts, and 41% 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 the respective segments. We will continue to nurture these subsidiaries and see them creating value for their own shareholders and as well as the shareholders of SBI.

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

Moderator: We will now begin the question-and-answer session. We have our first question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Sir, a couple of questions. Firstly, the write-offs are slightly higher this quarter. So, if you could explain? And also the profit on the treasury bit, why does it look close to high this quarter?

Dinesh K Khara: Yes, write-off is in the normal course of business, there's nothing very unusual, I think it is about Rs.10,000-odd crores is the write-off amount.

Mahrukh Adajania: Sir, it was Rs.3,000 crores last quarter, right?

Dinesh K Khara: I think normally we undertake write-off towards the third quarter and the fourth quarter. So, that is why kind of extent you have seen this year and it was not there in the past.

Management: On the treasury part, it also includes some amount of write-back of MTM provisions, because the MTM losses have come down, so that is getting reflected in the treasury income.

Mahrukh Adajania: On your exposure to a large group, in press, you made some comments that is 0.86% of total exposure. But, what is the total exposure, because we get to see only gross advances and your –

Dinesh K Khara: 0.88% of our loan book, which is Rs.31 lakh crores-and-odd.

Mahrukh Adajania: This includes all the sanctions across all offices?

Dinesh K Khara: It's outstanding exposure across all outstanding.

Mahrukh Adajania: But sir, you wouldn't talk about your sanctions?

Dinesh K Khara: I think as of now what is material is that only.

Mahrukh Adajania: Because like PNB disclosed their sanctions, right, so –

Dinesh K Khara: It is their prerogative and normally we don't entertain questions relating to a particular account, because there's customer privacy issues involved.

Mahrukh Adajania: What do you think is the outlook on deposit growth and therefore margins? Operating performance has been phenomenal. Deposit growth is not great, but you don't even need it, because you have been running the lowest CD ratio amongst the lowest CD ratio in the industry on the domestic front. Do you think margins sustain at the 3Q levels, do they drop, when do they drop, how does deposit growth accelerate?

Dinesh K Khara: As of now we're having excess SLR to the tune of about 3.2 trillion. And we are very mindful… I've said it in the past also, deposit is a franchise and we always remain mindful of the depositors interest. So, in the buckets where we feel that we can attack the retail deposit, we are ensuring that we must be in line with the market trends. And that's the policy which we have adopted, and we'll continue to follow that. So, based upon that, since you are also acknowledging the fact that we still have one of the lowest credit deposit ratios, depending upon the need, we will be calibrating our interest rates. But I would also like to mention that about 74% of the loan book is linked to either EBLR or MCLR and out of this 74% I would say about 40% would be on account of MCLR. If at all, we increase the deposit interest rates, that will also give us elbow room for increasing the MCLR which will help us in ensuring that the NIM should not get adversely affected.

Mahrukh Adajania: So, more or less stable NIMs from here on?

Dinesh K Khara: I expect that, hopefully.

Moderator: We have our next question from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: Just a couple of questions. #1, on the provisioning bit, we've seen a jump in standard asset provision in this quarter and I think outstanding standard asset provisions are about Rs.23,000 crores. So, just wanted to understand why are we carrying such a large provision here, is there an element of contingency also that has been factored in here?

Dinesh K Khara: Yes, there is one of course is our loan book has grown, that has also led to an increase in provisioning because we are required to maintain standard provision for the standard assets also. Secondly, of course, we are always very mindful of, if at all, we get to see any kind of stress on the ground in any of the accounts, we do make some provision which are floating in nature, and much of it will depend upon what is the trajectory of the account, and accordingly, we crystallize those provisions. So, partly, it is on account of our increase in the loan book and partly it is on account of our policy in terms of making the provisions proactively as against after the occurrence of the event.

Rahul Jain: This translates into roughly about 75 to 80 basis points of the loan book. Fair to say, 30 to 40 basis points may have been built just for any future contingencies?

Dinesh K Khara: Yes, could be like. As I mentioned that if at all we get the visibility of any kind of stress in our loan account, we rather believe in making provision afront.

Management: It is across the sectors, it is not in the corporate book only.

Rahul Jain: Standard asset provisioning?

Dinesh K Khara: Yes.

Rahul Jain: Just on this provision for employees of Rs.5,429 crores in this quarter, what is the element of one-off here or this is going to be the recurring quarterly number?

Dinesh K Khara: No, we have a provision relating to our wage revision which is about Rs.996 crores is on account of that. And other than that, the provisions which have been made based on the actuarial assessment for our retirement liabilities, etc., So, it is as per the –

Rahul Jain: So, this additional provision of Rs.996 crores, would you be making this every quarter?

Dinesh K Khara: On an average, it is for every month, it comes almost about Rs.500 crores, that will be the provision which will be required to make to meet the liability relating to the wage revision.

Rahul Jain: I missed out on the number. Can you please repeat?

Management: About Rs.996 crores is something which we have provided for and this is a provision for two months' time. Every month Rs.500 crores will be the provision for the wage revision and apart from that some provision we have made on account of the pension and gratuity liabilities which is essentially on account of the discount rate and also as per the recommendations of the actuary.

Rahul Jain: Again, going back to the exposure, that is of course in the public discourse, can we get some more color as to the exposure –?

Dinesh K Khara: Towards the end of this meet, I mean, after I complete all your answers, I will make some comprehensive statement relating to the exposure to that particular group.

Moderator: Our next question from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera: Given the asset quality has improved tremendously, overall performance of the bank is so robust, that even if there is any problem concerning to this large group, which may not be even in the top-15 group of yours as far as the exposure is concerned, I don't think the bank like State Bank of India will have any kind of problem when you are operating profit itself is Rs.26,000 crores per quarter. So, having said that, sir, we will wait for your final comments on the total overall exposure to the fund base, non-fund base, bond, equity, foreign bonds, which you have assured that you will give the statement at the end of the question-answer. Having said that, sir, I have some data points and some information. We have gone slow in this quarter on the corporate credit. So, what is our ratio which we'll settle down if you take the whole FY'23, by March the composition between the RAM and the corporate?

Dinesh K Khara: I think it will be more or less where it is in the month of December, it will be a marginal movement for many of the segments.

Ashok Ajmera: If we go on the income side, the other income has gone up to Rs.11,467 crores from Rs.8,874 crores in the last quarter. And I think the major part of is the income from the treasury, the profit and sale and revaluation of the treasury is Rs.2,937 crores as against Rs.457 crores in the last quarter. Whether this trend is going to be continued in the coming quarter January-March also? Now, with the interest rate almost picking up, maybe another 25 basis points, where do we stand on the treasury side, sir?

Dinesh K Khara: As far as the treasury side is concerned, there are two components; one, of course, is the improvement in yield on investment; and secondly in this quarter, we have booked some MTM gain which is about Rs.2,200-odd crores which is more of a write-back, if you recall in the first quarter we had made MTM loss which was about Rs.7,500 crores. We had some MTM gain last quarter also which we did not book, for the reason that we had seen the yields were somewhere again shooted. So, that is the reason why we did not book at that stage. But we have seen that yields are now coming within the range and that's the reason why we have done this. So, I think that is the major reason when it comes to the kind of movement you're observing in the treasury net results. Other item is, we had some derivatives which are again rupee-dollar swap which we have done. Some loss component is there on those derivatives. So, that is also booked in that particular head.

Ashok Ajmera: Our credit cost and cost-to-income ratio both have improved tremendously. Do we see this trend to continue like cost-to-income coming down even to this low level?

Dinesh K Khara: I think for the quarter-ending March '23 I can say for sure. And I think we will be in a position to give some guidance as we move further. It has also been a function of how in general macro economy will be moving. But nevertheless, as of now, it looks like that for the quarter ending March '23, we should have similar kind of a credit cost.

Ashok Ajmera: How much provision is on PLI the bank has made for the nine months?

Dinesh K Khara: PLI provision would be in line with what the number is likely to be, it would not be a very significant amount and it would be a very small number which is there; so, the 5% increase it is five-days salary and for 10% it will be 10-days salary, so it would not be a very significant component.

Ashok Ajmera: But we have already made the provision for this?

Dinesh K Khara: That's always there. We have so many pockets where we are keeping so much of provision; non-NPA provision is as high as about Rs.33,000 crores.

Ashok Ajmera: Yes, sir, I think the concern of the market is absolutely unbounded. But anyway, all the best to you. I think the sooner or later the market will understand the economics of the bank's financial.

Moderator: We have our next question from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: We've heard about a lot of resolutions in the pipeline right now, like SKS Power and all. Do we have any resolution pipeline, particularly for the fourth quarter and over next six to nine months?

Dinesh K Khara: There are so many resolutions are in pipeline, but when it will get crystallized, because it is always a process which is carried out in all these matters, and how much time it will take at each of the step is actually at times is not very certain. So, that is one of the reasons why saying it so much of certainty that in the last quarter we'll have so many resolutions coming through, it will not be in order for us, but nevertheless I will ask Mr. Tiwari if at all, he can give some color in this direction.

Ashwini K. Tewari: There are many cases which are at final stages, but we cannot be sure, since it's in various legal proceedings, tough to give a timeline or a date… I will give a high level number going forward.

Anand Dama: Secondly is the outlook on margins. I think this quarter also, we have seen a meaningful margin uptick. We still have some room in terms of LDR improvement, and as you said that MCLR also would increase as basically the cost increases.

Dinesh K Khara: I would suggest that as guidance part is concerned, I would like to keep the guidance at this level. If at all, there will be room for improvement, we will certainly ensure that. Incidentally, this NIM also, it would have been even better, because in the last year we had the interest on income tax refund which was as high as about Rs.2,400 crores, this year we have got income tax refund, which is just about Rs.800 crores. So, that is other reason. It will have an impact of about six, seven basis points overall, but yes, of course, if at all we do apple-to-apples comparison, change can be even better. So, this is just for information.

Anand Dama: Yes, sure, I think that should also play out in the fourth quarter, right?

Dinesh K Khara: Hopefully, let's hope for the best.

Moderator: We have our next question from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: Actually, just one request when you make your comment on the large conglomerate. If you could clarify whether this Rs.27,000 crores include the LCBG, non-fund based and overseas loans, at the cost of repetition just requesting that? And also, if you also clarify that if there's a refinance opportunity within that?

Dinesh K Khara: Sorry, I missed out the second one.

Abhishek Murarka: The second one is if there's a refinance opportunity, given that your large exposure framework while is there a lot of headroom and the group like several projects appear to be credit-worthy, then would you do it. So, just these two things if you could cover in your comments, maybe now or later, whatever, that would be very useful?

Dinesh K Khara: I think second question I can answer you right now, that is if at all any refinance opportunity is always evaluated on merits. So, for me to say that anything right now will not be in order and as and when such demand will come, we have not received any such demand. If at all, any such request will come, it will be evaluated only on merit. And while evaluating, we are always very mindful in terms of the stake of the promoter or of the entrepreneur and the kind of risk which it is and based on that very comprehensive assessment only views are taken. It is not merely simply one request comes and we grant the facilities, let me just clarify.

Abhishek Murarka: My second question is actually on the international loans. I think a couple of quarters back, we were talking about being a little aggressive there looking for opportunities outside. What is the outlook there, sir – in next one year, are we looking to grow that maybe to a higher percentage of loans, what's the strategy?

Dinesh K Khara: In terms of dollar, our international book has grown by about 9.15%. When we converted on the RALOO rate, it looks like that it is at about (+20%), in terms of dollar, it is just about 9.15%. And now, our focus is for improving the NIM as far as our international book is concerned. So, that is the reason you might have observed that our NIMs have improved significantly; we have moved towards 1.67 as far as our international NIMs are concerned and it is on a quarter-on-quarter basis an improvement of about 23-24 basis points. So, that's how it is. And when it comes to the composition of the international book, it is essentially local lending in those markets which is not necessarily to the Indian corporates only, it is even to local corporates. And we are participating in the local syndications. And also, when it comes to India linked loans, they are majorly ECBs, and they are ECBs to either AAA or AA rated entities only. And that's how this whole complexion is. Apart from that, the last component is trade finance. Trade finance book wherever we are getting the margins, we are participating on the platforms, wherever we are inefficient to get the margins, there we are actively involved.

Abhishek Murarka: And margins in the international book should hold up around current levels.

Dinesh Kumar Khara: I hope that we should be in a position to maintain at this level, if not improve.

Abhishek Murarka: And just one question I squeeze in on SME. Now for several quarters that book was not really growing, and this quarter there is about I think 10% QoQ jump in that book. So, if you could share just, you know, know what has changed? Is it a change in product geography, you know, customer, focus? What has really changed over? And whether this is sustainable?

Dinesh Kumar Khara: Yeah. In SME, we have invested well in terms of structures, in terms of capacity building, and also in terms of focus. That is something which has been important for the last about a year plus, and the results we are now in a position to see last quarter also, we saw a decent growth in SME book, and this quarter also we are seeing a decent growth in SME book. And herein I would like to mention that we are having a focus on the distributor finance, vendor finance, balance sheet-based lending, and also we have come out with another known product which is essentially run through YONO, which is a preapproved business loan where we are looking into the transactions in the current accounts, and based upon their transactions we are in a position to offer the loans to all such entities also, which are actually small in nature. But this is something which is becoming very popular. So, these are some of the contributing factors, and we have grown SME by almost 43,000 crore on a year-on-year basis, and these are some of the contributing factors.

Management: Continuous focus area.

Dinesh Kumar Khara: It has become a continuous focus area. And also, we are very mindful in terms of quality of lending, and we have created a loan management system where we are having an adequate visibility in terms of the unstructured information through the GST and etc., etc. So, that way we have significantly strengthened our underwriting practices in SME. We have invested in terms of manpower. We have invested in terms of product. So, all that is showing up. And my mind, it is sustainable. We have set a target for reaching 4 trillion number by the year March '24, but the way things are, we should be very near to that by March '23.

Ashwini Kumar Tewari: So, this question about how much recovery or resolution we can expect, so basis the past record plus the recovery already done, and subject to of course the court decision which you get, we should have a number between 3,000 to 3,500 in quarter four.

Moderator: Thank you, sir. We have our next question from the line of Kunal Shah from Citi Group. Please go ahead.

Kunal Shah: So, firstly, sorry, just to touch upon in terms of the recoveries and upgrade, so ex of the resolution which you have highlighted, maybe the run rate which is there for this quarter of 1,700 odd crores, should that be the normalized one or this is relatively on the lower side?

Dinesh Kumar Khara: No, actually, recovery if you are seeing here also, we have to keep in mind that last year about 1,692 crores was on account of a particular account. It was one account. So, if we ignore, if at all we have to do the apple-to-apple comparison, then perhaps our growth in recovery this quarter is as high as about 18% to 20%. So, I think we expect that going forward, we don't have chunky accounts, which are awaiting resolution. And perhaps it might take little longer also, but nevertheless, I mean, the kind of efforts which have been put in in terms of OTS, in terms of NARCL, and those kind of things have helped us in sort of ensuring that it always happen faster. And we expect that we should be in a position to maintain this kind of a number at least in this quarter also.

Kunal Shah: So, compared, like when we look at it say in Q1, Q2, it was somewhere around 5,200 odd crores. Last whole year it was 21,000 crores in terms of recoveries plus upgrades compared to may be almost like 1,600 crores kind of a number for this quarter. So, you are saying maybe ex of the any resolutions this can ideally be the run rate even though focus is there in terms of improving it.

Dinesh Kumar Khara: Actually, since, you know, you would have observed that the stock has come down quite a lot. The NPA itself is now less than 100,000 crores. So, that itself will leave the, I mean, these are also the amount is also small in each of the cases. So, each of the resolutions, when it comes to efforts, it takes almost the same amount of effort, but the recovery may not be as commensurate to the efforts. So, that's why, you know, the number may look small, but in terms of the recovery, it will be a sustained effort. And normally, we get to see some kind of a better recovery in the last quarter. We hope that there will be a marginal improvement over whatever we have done this quarter.

Kunal Shah: And secondly, in terms of the corporate exposure and say getting into infra, there is some rundown of almost 15,000 odd crores say in telecom and even in power. So, is it more of a repayment of the account? Or is it a refinancing at the lower rate by the competitor what is actually leading to that? And what would be the overall outlook on corporate trade growth?

Dinesh Kumar Khara: No, corporate credit growth we have got proposals in pipeline is about 1.9 trillion, and the availment is yet to be taken both in term loan and working capital and the utilization. That would be about 1.10 trillion. So, overall, about 3 trillion is the number in the corporate book which we are having some possibility of converting into at least. Unutilized will certainly happen. I mean, one positive trend which I must mention is relating to the availment of term loans and the non-availment of term loan has come down quite a lot, and that is normally it augurs well because generally, after that, the working capital improves.

So, I think with that kind of a scenario, I expect even working capital utilization will also improve. It has come down from about 56% to 54%, but we have also seen the increase in credit growth. Sanctioning has gone up by about 24% as far as the large corporate credit is concerned. So, I think overall I expect that will have a good visibility of opportunities coming in here, and also the quality loan we should be in a position to extend.

Kunal Shah: And on telecom exposure and power, anything specific, particularly in this quarter? 10,000 crores of rundown in telecom?

Dinesh Kumar Khara: This is actually year-on-year rundown. This slide #10 carries the year-on-year prediction. And this is usual repayment as well as the reduced utilization in couple of accounts.

Kunal Shah: So, compared to like September, September also it was almost 43,000, 44,000 crores, and that's down to 20.

Dinesh Kumar Khara: Some of the PSUs also there would be some repayment which would have come.

Ashwini Kumar Tewari: Compared to bonds as well.

Kunal Shah: So, these are the repayment. It's not like refinancing and maybe some kind of rate competition and losing out to the competition.

Dinesh Kumar Khara: No, not at all.

Moderator: We have our next question from the line of Jai Mundra from B&K Securities. Please go ahead.

Jai Mundra: Sir, last time you had given a loan growth range of around 14% to 16% for '23. In this quarter, as you said corporate growth usually have some seasonal uptick in the fourth quarter. And you mentioned a decent amount of pipeline which is there, which could be disbursed. What would be your, you know, outlook on the loan growth for the full year and for '23 and maybe beyond, if possible?

Dinesh Kumar Khara: I expect that the loan growth should be somewhere in the range of 14% to 16%. I still maintain my expected indication, which I had given last time also.

Jai Mundra: And sir, you had mentioned your SLR at Rs. 3.2 trillion, and within which, sir, how much would be the scheduled redemption? Because that is what possibly will help you offset the deposit thing? I mean, what was the scheduled redemption amount out of this?

Management: The remaining period the redemptions will not be much. For the current financial year, it would be just about 20,000, 30,000. But we are also adding at the same time you see I think there are investments happening in the SGL and some bit of tech also. And broadly, we expect that this SLR will remain at this level for some time.

Jai Mundra: No, because, sir, your loan to deposit ratio is now 73, right. It is lower relatively, but it is still…

Dinesh Kumar Khara: If at all we put the IBG also. If at all we look at domestic, it would be somewhere around 66, 67 only. IBG funding is very different. You know, for IBG funding, we run our international banking group more like a corporate bank, and there the loans are not necessarily funded from the deposits.

Ashwini Kumar Tewari: Predominantly borrowing, market borrowing.

Dinesh Kumar Khara: They are predominately market borrowing clients etc., etc.

Jai Mundra: So, speaking on overseas thing, sir, this quarter, the book has been flattish on QoQ basis. So, how should, I mean, and you mentioned that the dollar term growth is only or, let's say, around 9%. How should we look at the growth in overseas book, sir, specifically going around assuming in dollar terms you may give?

Dinesh Kumar Khara: We are very mindful in terms of the NIM, which we are generating there, and that is the reason. It was a conscious effort. It is not that we are not having opportunities. Since we are trying to maintain the NIM, improve the NIM, that is the reason why we are at this level. And considering the kind of economy which you are seeing across the globe, 9.15 in the international space is a decent number. And today this group is comparing, is actually contributing 15% of total loan book of the bank.

Jai Mundra: And sir, one question on your agri loan growth, right. So, your agri loan growth has been consistently lower than overall loan growth, right. In this quarter, this is like 11%, 12%, 11%, and the overall loan growth is 18%, 19% or 18%. And as of FY '22, we were PSL deficient. Now so what are you thinking in terms of PSL compliance, especially on the agri side, because that growth has been very lackluster whereas the overall growth has been reasonably strong?

Dinesh Kumar Khara: There are, in fact, the way we started working on SME, we have already started working for agri also. And we are trying to actually work in terms of the realignment of the agri book, and that process is already on. Earlier we were into low value or small value working capital loans only. We have already done about 40% of this book has become agri gold loan, and the remaining book also we are looking at it how can, in fact, we are already working on it, high value agricultural loan as well as getting in to the agri finance for the agri techs and agri infrastructure. So that is something which we are working on. And this is the result of that conscious effort, which has been put in. And hopefully, we will be in a position, we have set a target of 3 trillion for the financial year '24 for this book to reach, but we are quite hopeful that in this quarter also, we will get to see a decent growth, and we are much on course as far as our internal target is concerned.

Ashwini Kumar Tewari: PSL is also contributed by SME and affordable home. So, there are other contributors for the PSL, not only agri.

Management: As far as agri PSL is concerned, it is not a challenge in terms of the agri mandate of 18%, it's not at all a challenge. We are complying with that. And from the other say sub segments where PSL is calculated for that we have measures like buying PTC, PSL certificates. So, that we will do. But for an agri front, there is not an issue. And to add to what the Chairman said about agri, we are conscious about the quality of agri book which we create because we have seen the agri NPA, which is the highest 12.03% the agri NPA percentage which you are seeing in the presentation. So, the color and composition of agri book has been changed entirely as of now. It means creating new kinds of products. It also means targeted approach towards selecting customers, as well as use of analytics and technology. So, all these things are getting, so it is getting turbo charged so to say in order to get a better quality, sustainable agri portfolio.

Moderator: We have our next question from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

Adarsh Parasrampuria: Sir, my question was on the exposure. So, I will wait for your comments.

Moderator: We have our next question from the line of Prakhar Agarwal from Elara Capital. Please go ahead.

Prakhar Agarwal: Just two things and one data keeping. What is the SR outstanding on our book?

Dinesh Kumar Khara: SRs have already been provided for whatever SRs were there, we have 100% provided for those SRs. It's about 7,000 odd crores.

Prakhar Agarwal: So, they were provided during this quarter or they were already provided earlier?

Dinesh Kumar Khara: I think last quarter, last to last quarter. Last year itself we had provided for it.

Prakhar Agarwal: Secondly, when I look at the margins, you probably said that we will be able to sustain the margin. So, when I move into FY '24, should there be a cognizance that we should be essentially be equal to average of what we have reported in FY '23 because we have seen a sequential uptick in FY '23 at every quarter? So, to that extent, if I were to average that out despite the cost which will happen, we probably will be maintaining a similar NIM in FY '24? Is that fair to assume?

Dinesh Kumar Khara: Our effort, that is where our effort.

Prakhar Agarwal: And just last bit on this your trading. So, probably you said that around 2,200 crores of unwind that we have probably seen this quarter. Now in Q1 we had around 7,000 odd crores. So, when do we expect the balance to get unwind over a period of two, three years? Or how we should look at it?

Dinesh Kumar Khara: No, we have already provided for that 7,500 crore we had already provided for that no?

Prakhar Agarwal: No, sir, of that around 2,000 crores you said that this is that quarter NIM and this quarter. So, the balance…

Dinesh Kumar Khara: It's a MTM part only. How the yield will move, it will be a function of that no?

Moderator: We have our next question from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: I have only one question on the short-term liquidity in the market, intermediate market has tightened recently, and because of that the CD rate has also increased. So, how do you see the funding environment in the wholesale market given the busy season in quarter four?

C.S. Setty: See, I think as we keep saying, you know, our funding of the credit growth, we use various instruments. Deposit, of course, is the mainstay. And market borrowings is one. But our ability to borrow from the market at very competitive rates continues to be available for us. And in terms of the deposits, I think there would be some small uptick on the bulk deposit side, and based on our requirement, we align the market rates. I think, broadly, we were able to contain the cost of repo rate. I think we expect that in Q4 also that trend will continue.

Dinesh Kumar Khara: The other thing which I would like to add here is what Mr. Setty has mentioned, you would have observed that in the current financial year, we have already gone to market and raised infrastructure bonds, and that is very, very competitive rates. So, I think that also is one of the source, and since we are having a reasonable portfolio of our infrastructure assets, that's the source which is available and which actually becomes much more competitive in terms of cost. So, already 20,000 we have raised, and that is something, that will be the strategy going forward also.

Manish Ostwal: And one small point on the equity capital raise plan for the bank. So, any plan for that to raise the capital to support the growth?

Dinesh Kumar Khara: We are as of now, I mean, once the profits will be brought back after the March quarter, our rough estimation is that as far as the Capital Adequacy Ratio is concerned, we will be at about

14.5. And at 14.5 we have made some rough assessments, and it indicates that we can support the loan growth of at least 7 trillion. So, we will be very closely evaluating the situation, and wherever required, whenever required, we will certainly raise all kinds of resources. Not only equity, we will also be looking at AT 1, Tier 2 whatever is required to be done.

Moderator: Thank you. We have our next question from the line of Manish Shukla from Axis Capital. Please go ahead.

Manish Shukla: So, when you said about wage revision, monthly run rate was about 500 crores. That assumes what rate of wage inflation? 10%? 12%? 15%?

Dinesh Kumar Khara: 10%.

Manish Shukla: 10%. Okay. Second question, sir, on the standard asset provision of 23,000 crores that you are carrying, roughly how much is it that you think is additional or extra? And under what situation will you be dipping into it?

Dinesh Kumar Khara: This provision which we are carrying I would say, roughly, one is this additional provision for restructured standard accounts. This is essential for the restructured book which we are carrying on the balance sheet. So, it is about 30% of our restructured book which is about 24,000 odd crores. And the remaining one is 23,116 crores, which is for standard assets as I mentioned that part of it is on account of our standard assets as it is. And part of it is on account of the whatever visibility of stress we had on ground. So, how long we will carry, we normally take stalk of the situation quarter-on-quarter basis and based upon that we will take a call. It may or may not happen. It may or may not crystallize but depending upon the situation which we will be obtaining at the end of the quarter, we will be taking the call.

Management: And majorly it is for the normal standard asset provision.

Dinesh Kumar Khara: So, majorly, yeah, predominantly it is for the standard assets only.

Manish Shukla: And couple of times, we mentioned that our LDR at least domestic LDR remains pretty low, but at the same time during the quarter, borrowings have gone up by about 60,000 crores, and you also hinted at potentially raising more borrowings. I am just wondering, given the excess SLR and low LDR, why would you consider raising money or a debt borrowing?

Dinesh Kumar Khara: This is more of a market operation because we have to evaluate all the options and ensure that our cost of resources remains the lowest.

Manish Shukla: Last question, sir. In the budget, Finance Minister has enhanced limit for certain small savings schemes and introduced a new scheme as well. Do you think that puts pressure on retail deposits for the system either in terms of availability or rate?

Dinesh Kumar Khara: I mean, total size of that kind of a deposit is about 2 trillion. And when it comes to the banking system, banking system deposits are somewhere around 100, 140, 150 trillion plus. So, it might have some impact but not as significant which should be really, because we have seen in the past when it comes to special deposit schemes, they have been always carrying interest rate which has been quite high as compared to bank deposits. But I don't think it could make a significant dent into the deposit base of the banking system. So, that is how I look at it. And apart from that, you know, when you keep a deposit with the banking system, it is also liquidity is something which is available. When you keep a deposit like that, the liquidity is not available. So, it is more like a premium somebody is paying for keeping the illiquid asset. You understand it better. You are into the finance world.

Moderator: We will now have the address from the Chairman. Please go ahead, sir.

Dinesh Kumar Khara: As far as the exposure relating to a large conglomerate is concerned, we have seen over the last 5 to 6 years the share of exposure with the Indian public sector banks as a percentage of the total debt has consistently declined from 55% in 2016 to 31% by the end of 2022. During this period, the debt to EBITDA, which is the key moniterable, has been improving for the better, demonstrating the Group's ability to complete and generate cash in a timely manner from project which we undertake. As is known most of the recent acquisitions have been financed through overseas borrowing and market instruments. And so we don't envisage any risk build up to the Indian banks on this count. As far as we at SBI are concerned, our Group exposure is well below the large exposure framework, and the loan outstanding exposure stands at 0.88% of our SBI's total loan book as on 31st of December '22.

The majority of the SBI loan outstanding are towards operating assets and projects that have been completed and generating cash accruals. The projects that are under construction are on schedule as of now. The loan extended by SBI are secured by the project assets, and there is no facility granted on unsecured basis. The cashflows are routed through the designated accounts as the mechanisms are in place to ensure timely servicing of the dues, and there has been no record of any delay or default till date. We have not extended any finance against pledge of promoter's equity. Whenever shares have been pledged in favor of SBI in certain entities, they are in the nature of additional collateral security.

The non-funded exposure of SBI is mostly towards letter of credit, bank guarantees, both performance and financial. Non-guarantees issued towards securing their other financial obligations are not there. No guarantees have been issued. There are no concerns on the Group's ability to service the loan book at this point in time.

Management: We hope it clarifies.

Dinesh Kumar Khara: I hope it is, I have tried to address the majority of the concerns of all concerned.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, I would now like to hand the conference over to Chairman sir for closing comments.

Dinesh Kumar Khara: Thank you very much to all of you for taking out time and to be with us on this weekend evening. I take this opportunity to wish all of you the very best and have a great and enjoyable weekend. Thank you very much.

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

END OF TRANSCRIPT