SBI Q1FY21 ANALYST CONFERENCE CALL TRANSCRIPT

SPEAKERS FROM COMPANY

1. MR. RAJNISH KUMAR – CHAIRMAN
2. MR. DINESH KHARA – MANAGING DIRECTOR, GLOBAL BANKING & SUBSIDIARIES
3. MR. ARIJIT BASU – MANAGING DIRECTOR, COMMERCIAL CLIENTS GROUP & IT
4. MR. CS SETTY – MANAGING DIRECTOR, RETAIL & DIGITAL BANKING with additional charge of STRESSED ASSETS
5. MR. J SWAMINATHAN – DEPUTY MANAGING DIRECTOR (FINANCE)
6. MR. PAWAN KEDIA – GENERAL MANAGER, PERFORMANCE PLANNING & REVIEW
7. MR. MISAL SINGH – VICE PRESIDENT, INVESTOR RELATIONS

PARTICIPANTS

1. MR. AMIT PREMCHANDANI, UTI MUTUAL FUND
2. MR. ANAND LADDHA, HDFC MUTUAL FUND
3. MS. MAHRUKH ADAJANIA, ELARA CAPITAL
4. MR. M.B. MAHESH, KOTAK SECURITIES
5. MR. PRASHANT JAIN, HDFC MUTUAL FUND
6. MR. MANISH KARWA, AXIS CAPITAL
7. MR. KUNAL SHAH, ICICI SECURITIES
8. MR. DHAVAL GADA, DSP INVESTMENT MANAGERS
9. MR. JAYANT KHAROTE, CREDIT SUISSE
10. MR. UDIT GADIA, KHAZANAH NASIONALE
11. MR. BHAVIK DAVE, NIPPON INDIA ASSET MANAGEMENT
12. MR. JAI MUNDRA, B&K SECURITIES
13. MR. RAVI SINGH, HSBC SECURITIES
14. MR. ASHISH AGARWAL, JEFFERIES

Mr. Pawan Kedia: I extend a warm welcome to all joining us today on SBI Q1 FY21 results via video conference call. We have Mr. Rajnish Kumar, Mr. Dinesh Kumar Khara – Managing Director, Global Banking and Subsidiary. Mr. Arijit Basu – Managing Director, Commercial Client Group and IT, Mr. C. S. Setty – Managing Director, Retail and Digital Banking with additional charge of stressed assets and Mr. J. Swaminathan – Deputy Managing Director, Finance, all deputy managing directors heading various verticals are also on the call with us. I request our Chairman to give a brief summary of the bank's Q1 FY21 performance and the strategic initiative undertaken. I would like to read out the safe harbor statement.

Certain statements in these slides are forward looking statements. These statements are based on management's current expectation and are subject to uncertainty and changes in circumstances. Actual outcome may differ materially from those included in these statements due to a variety of factors. Thank you.

Now I would request Chairman to make his opening remarks.

Mr. Rajnish Kumar: Thank you everyone. I welcome all of you to this virtual analyst meet and I have my Managing Directors, Mr. Dinesh Khara, Mr. CS Setty, Mr. Arijit Basu and Deputy Managing Director (Finance) Mr. J Swaminathan present in this room and my other colleagues, have joined on the call. This is the third quarter in succession where our Bank has given a very good performance and there are quite a few reasons for the same. One is that the Net Interest Income has shown a very decent growth of 16.14% YoY. The Net Interest Margin (domestic) has also increased because one of the Bank's main performing ratio is constantly going up, and in, this quarter we don't have many interest reversals. Operating Profit is up by 36% YoY and Net Profit is up by 81% YoY. Net NPA is down on a year-on-year basis by 121 bps. Provision Coverage Ratio up by almost 700 bps. Capital Adequacy Ratio is up by 51 bps, Deposits have shown a very decent growth of almost 16%, Advances are of course a still bit subdued at 6.58%. Our liability franchise which is the main strength of the bank, they have performed very well again, all helped by our distribution network as well as the technology platform which the Bank has created. Our internet banking and mobile banking are amongst the best as far as the technology is concerned.

The Bank has aggressively been providing for loans and today as a result of that the Net non-performing loans of the bank has come down to 42,000 and out of which the corporate is just Rs. 10,500 crores. Hence, the entire legacy book of the Bank has been taken care of. If we talk about the provisions for the coming quarter, bank has made an extra provision of Rs. 5,500 crores and above the minimum requirement. This includes those accounts where they were SMA as on 1st of March and Rs. 13,000 crores of the Rs. 42,000 crores is the amount in which only one installment has been received or no installment has been received and that has been provided at 15%. There is one large HFC account which has been fully provided for during March end even though the Bank had a dispensation to provide over 4 quarters. So one quarter provision was done in March last year and we could have done in 3 quarters but we decided that we will provide both the loan and bond fully. So net debt value of nearly Rs. 10,000 crores exposure is zero whereas the expectation is that in the third quarter there will be fairly decent recovery even in this account going by the expression of interest which has been received by the administrator. So the Banks' overall provision has obviously come down because of the reason that there is no legacy. The legacy provision has come down and talking about the moratorium, since that is the main subject of discussion during these times, we have given the information on the working capital and term loan. On a book of Rs. 16 trillion, only 9.5%, which would be about Rs. 1.55 trillion, is where the bank has received either one EMI or no EMI. Within this, we have 2% or Rs. 320 billion of housing loan that are included and very well secured and are Double A and above corporates on identical amounts. This shows that this is a category of accounts where people are using this opportunity to preserve their cash and no stress would come as and when the moratorium gets lifted. As a Bank, what we are watching is the lower end corporates, the medium enterprises and the small enterprises and a lot of help is also coming from the Government. As far as the working capital loans are concerned, there is a capitalization of interest accrued and deferred which is just Rs. 4884 crores and Rs. 44,101 crores is the total amount of Interest on Loans which is 11%. So, overall we can safely say that this is the picture and as on 30th June, there is not any cause of worry. But at the same time, we will continue to be very watchful and step up all our efforts in regard to the recovery as well as in the retail accounts and wherever there is a very advanced stage of resolution. As I mentioned, some of the accounts in the corporate book which are relatively large, the Bank is holding a 100% provision. There is an expectation that in the next 2 quarters, i.e. September and December quarter, the Bank will be able to recover a very decent amount. So overall there is a fairly good amount of excess provision which we are holding in our book. That is where it gives us a fairly good cushion for any slippages that are not currently anticipated. And in terms of our outlook for our NPAs, our best case scenario remains 1.5-1.6% and anything which is unusual will remain over and above that.

These are some of my opening remarks. Digital story continues to be very, very strong and again we have come out with many new products which will give a huge productivity gain to the Bank. If you look at our Overheads, despite the impact of a salary revision, the Overheads growth is just 2%. This is the result of the productivity gains which are coming to the Bank. Our Cost to Income ratio is now down to 50%.

Mr. Pawan Kedia: We will now take questions. In order to show your interest to ask a question, we request you to press the 'raise hand' button available on the bottom right hand side of your screens. Alternatively you may also share your question on the chat window. You all are kept on mute from our end. When you ask the question, we request you to keep your audio and video on. In the interest of time, we request all participants to limit their questions to only 2 per participant. You can raise your hand in case you wish ask more questions. We will wait for a minute for the question queue to populate.

Mr. Misal Singh: We will start the questions now. This is from Saurabh Kumar from JP Morgan. He wants to know the quantum of total standard asset provision on the balance sheet now including standard asset, COVID provisions and any other floating provision. So basically about the standard asset provision.

Mr. Rajnish Kumar: As far as standard COVID related is concerned it is Rs. 3,000 crores.

Mr. J. Swaminathan: Standard provision of Rs. 282 crore have been made in this quarter

Mr. Misal Singh: We will take the next question from Mr. Amit Premchandani from UTI Mutual Fund.

Mr. Amit Premchandani: Thank you sir, for the opportunity. I had this question on the moratorium number. If you look at the FSR report of Reserve Bank of India, the data is that almost 60%+ of public sector bank loan current are moratorium while SBI accounts for a very large part of the public sector banking. Your number was somewhere around the 20s. Why is that mismatch…is the reporting of data to RBI different? Also, request you to repeat the answer given to the previous participant's question.

Mr. Rajnish Kumar: One of the accounts was declared as fraud in March and Bank had the option to provide for the same in the next three quarters this year. But we decided to upfront it and the account is now fully provided for as far as the Bank and loan book is concerned. So net book value is now zero and we are expecting a very decent recovery in December quarter from this account because we are at a very advanced stage of bidding.

The other question was about the credit cost. The way I was explaining that, our legacy book Net NPA is just Rs. 420 billion and in next 7 quarters if I have to provide, net of whatever recoveries will come, we don't have a requirement of more than 60 bps annually for the legacy book. And rest will depend upon the fresh slippages. And our fresh slippage estimate in a base line scenario is 1.6%. Here in any case an account is classified as substandard, then we have to provide just 15%. So, that way our position looks very comfortable and manageable. But we will continue to provide provisioning in advance as per the Bank's policy. So this quarter, our provisioning cost is 1.56% and we presume that we will be able to maintain the strength in the next quarters.

Mr. Amit Premchandani: Sir my question was…

Mr. Rajnish Kumar: Yes your question was about moratorium divergence. Now, there is a lot of confusion about how do we treat what accounts are under moratorium. Some people have gone for opt-out, while some people have gone for opt-in. Say for example, at State Bank of India for retail customers, we said that moratorium is available across the board. The customers who wish, can continue to pay. We, have analyzed our portfolio and based on that, the Term Loan portfolio of the bank is about Rs. 16 trillion out of which the accounts where we have received either no installment or one installment, we consider the account to be under moratorium. Whoever has paid more than 2 installments is not under moratorium. We have also given further drill down of the Term Loan portfolio that is under moratorium wherein at least 2%, or about Rs. 320 billion, is of double A and triple A rated private corporates. Retail and SME is also another 2% which is Rs. 320 billion. That is how they have given the numbers.

For the Working Capital loans, the number is Rs. 4884 crores and the total interest which bank has taken as income is Rs. 44,100 crores, which is around 11%. So this is how we have defined moratorium and which I believe is the right way because even if somebody has say opted it but he has paid all the three installments so it is not under moratorium. So that is why I think this divergence is coming.

Mr. Amit Premchandani: So even to RBI you will report in the manner that you have reported today?

Mr. Rajnish Kumar: RBI haven't asked us to report anything on the moratorium because there is no reporting arrangement per se, that would be their…I don't know how they analyzed or…

Mr. CS Setty: They have considered only 1 installment and so there were a lot of confusion around that.

Mr. Arijit Basu: And I think you are saying the moratorium for SBI is 23%? That is not correct. This time we have reported it as 9.5%.

Mr. Rajnish Kumar: But this is the picture that there are only 9.5% in terms of value where Bank has received, either no installment or one installment. If I look at the SMA book as on 1st of March, there also we have Rs. 13,000 crores outstanding amount as shown in slide 27. The COVID related provisions are 15% of that book. So these are the accounts where we have received only one installment or we have received no installment.

Mr. Amit Premchandani: Thank you sir.

Mr. Misal Singh: We will take the next question from Anand Laddha from HDFC Mutual Fund

Mr. Anand Laddha: Sir, couple of questions from my side. We have seen a sharp improvement in margin on a quarter-on-quarter basis as well as on a year-on-year basis. Can you give some color like is this improvement in margin sustainable, our cost of funds are still falling. Can we expect our margin to improve further from here on?

Mr. Rajnish Kumar: Further improvement may not be possible. One is of course we've managed our cost of deposits quite well. As a percentage of the Bank's loan book, the performing loan percentage has gone up. The third element is about the interest reversals. In the previous years, as many accounts were getting recognized from back dated NPAs because we had restructured and there were cases of failed restructuring. Then last year, a lot of our agriculture book broke and it got recognized as NPAs. So this year, now there is no such legacy. So that's why interest reversals would be hardly any.

Mr. Anand Laddha: If you have done any MCLR reduction in Q1, is it fair to say that has been fully reflected in current quarter number or it would have impacted………?

Mr. Rajnish Kumar: Yeah, yeah, that is reflected. That is largely reflected because MCLR and EBR reduction has a time lag of one month at the most. And MCLR is relatively still because earlier, MCLR reset used to happen in most of the cases after one year. But we've made a change and now it is linked to six months on the floating rate and there will be some impact because of that. But the overall size of the income and net interest margin is such that the impact may not be felt.

Mr. Anand Laddha: Yeah on the large HFC exposure which we have written off. Can we have some solution coming forward now?

Mr. CS Setty: We've not written off.

Mr. Rajnish Kumar: We've provided fully. Because in case of any fraud account, you are required to provide. There is a dispensation available for four quarters but we've done the accelerated provisioning. It is expected that this account can get resolved within the December quarter.

Mr. Anand Laddha: So on the steel account sir?

Mr. Rajnish Kumar: As soon as we get some decision from the Supreme Court and we're pressing and requesting for an early hearing.

Mr. Anand Laddha: And sir on the power sectors..

Mr. CS Setty: Yeah actually the steel account we expect it to be resolved in the Q2 itself and through the third Quarter. And on the power assets what you've asked he has covered, couple of two major accounts which we were working on….. That is still on.

Mr. Anand Laddha: Sir if you can quantify the amount which you expect to get recovered.

Mr. Rajnish Kumar: In two quarters, about 10,000 to 11,000 crores.

Mr. CS Setty: That also includes the steel asset which you mentioned, the major one and also a couple of power assets which we're working on the one time settlements.

Mr. Anand Laddha: But this 10,000 to 11,000 crores are our exposure to this account and how much recovery they expect from this account?

Mr. CS Setty: No, this is the recovery. These are all the resolution plans which are chosen. In the sense they've been approved for this.

Mr. Arijit Basu: These are accounts where we hold full provision and we're expecting around 11,000 crores of recovery in Q2 and Q3.

Mr. Rajnish Kumar: That will add to bank's profit.

Mr. Anand Laddha: Right. Perfect sir. On the slippages in this quarter sir, we had some slippages in the retail and SME group. Sir given the fact that customer has the choice to take a moratorium, it was perceived or believed that it may lead to slippages on the retail and the SME side. So are these accounts are the ones where the Bank had decided not to give moratorium for them to stick into it.

Mr. CS Setty: No, in these, the slippages are essentially the accounts where the repayment has begun post 1st March. They were not eligible for moratorium. But they were under the assumption that they would also be in moratorium and they were not paying. So then we contacted the borrowers and in the meantime you know the 90 days norm will get in and then they've slipped.

Mr. Rajnish Kumar: And in some cases there may be stock statements not received in the last six months.

Mr. CS Setty: Yes, some technical. But retail it's going, SMEs we have issues in relation to somebody not giving the stock statement because their factory was closed. So they all are the ones which can be pulled back in the current quarter. We already are seeing that some of them are getting upgraded.

Mr. Anand Laddha: Sir retail also there is Rs. 1300 cr of slippages this quarter…..

Mr. CS Setty: Yeah, these are essentially the ones which are not eligible for moratorium. But the borrowers thought that they also are not required to pay. So we've contacted them and they've all started paying back. So there's a huge pull back in July itself among these 1300.

Mr. Anand Laddha: Sir, lastly on the growth outlook, can you give some color on how do we see growth for us in terms of various segments like corporate, retail, SME, agriculture and in the home loan segment sir, this quarter we have seen bit strong growth in the month of June. Can you give some color like what proportion of this growth has come from portfolio purchase or a balance transfer and what proportion is fresh loan, new housing loan in that?

Mr. Rajnish Kumar: There are no pool purchases. And rest is all, take overs keep on happening on a regular basis. Fresh loans also happen. And there were many sanctions where the disbursal was delayed because of the lockdown and all that. But as regards to loan sanctions in June quarter, esp. the processing fees, is an indicator that Bank has processed more loans.

Mr. Arijit Basu: As Chairman said that this quarter we have a 33% increase in our loan processing fees. So that is one indicator. Loan pipeline on the corporate book is very healthy both in case of project finance where we have a very large, almost 1 lakh crore of projects which are being considered and even in regular accounts both for new connections as well as enhancements, already customers have started approaching us. So going forward depending on how the economy moves, we'll see.

Mr. Rajnish Kumar: Yeah but right now we've planned 8%.

Mr. Arijit Basu: Yeah, planned 8% growth as of now. We have slightly kept it more subdued. But better picture will emerge after September.

Mr. Dinesh Khara: But if we at the corporate side take advances and investments which are actually CP necessities also then on a YOY basis from June '19 to June '20 we've actually grown at 14%.

Mr. Anand Laddha: Perfect. And the last thing if you can just repeat what's the total outstanding provision we have on moratorium loan book. Are they Covid related?

Mr. Rajnish Kumar: Rs**.** 3008 crores

Mr. Anand Laddha: Okay. Sir apart from this any other contingent or floating provision you are carrying sir?

Mr. Arijit Basu: No, the accelerated provision Chairman explained that for one large housing finance account we have provided additional Rs. 3,500 crores to each of the projects. So this quarter, we've done accelerated provisioning that is beyond regulatory requirement of Rs. 5,500 crores which need not have been done as per regulatory requirement.

Mr. Anand Laddha: And sir we generally have an ageing related provision. Can you guide us what sort of aging related provision we expect this year for the full year and how much we're providing ….

Mr. Rajnish Kumar: I already explained, net NPA of the book is Rs. 42,000 crore. And the corporate is Rs. 10,500 crore. So whatever aging happens over a period of time, it cannot be more than this. Every quarter we can expect Rs. 4,000 to 5,000 crore provision depending on the ageing and security provision on an average for next seven quarters. And then this book becomes zero as on 31st March 2022.

Mr. Misal Singh: The next question is from Mahrukh Adajania from Elara Capital

Ms. Mahrukh Adajania: Sir so my question was that your moratorium definition would remain unchanged even if new customers opt for moratorium in July, right, because if they're…so say if a moratorium customer was part of moratorium 1 and is also part of moratorium 2, so basically he would have taken moratorium for five months. But even so when you present your moratorium data it will be 2 EMIs or more?

Mr. Rajnish Kumar: 2 EMIs. So once we do on 30th September it will be 2 EMIs.

Ms. Mahrukh Adajania: Okay, so even if it's 2 of 5, right?

Mr. Rajnish Kumar: Yeah that is standstill. So we will just go by the definition of a 90 day overdue or that's all.

Mr. Dinesh Khara: 90 day overdue is a relative term.

Ms. Mahrukh Adajania: Sorry?

Mr. Rajnish Kumar: We're not tracking it like moratorium 1, moratorium 2. It is a quarterly performance. Right? And in the quarter if you've paid zero a month then we presume that you're under moratorium.

Ms. Mahrukh Adajania: Okay. So 2 of 3 EMIs, right? Not 2 of all past dues?

Mr. CS Setty: No, no, Mahrukh, I think let me just clarify. For the period which is ending on 30th June - from the date of moratorium there have been four instalments due. Right? We take this, if somebody has paid two or more instalments he has not availed the moratorium. Okay? And if you're talking about September quarter whereby which July and August also get added, right? And then we will review what parameter will be applied at that time, provided moratorium is extended beyond August. Otherwise it makes no sense because wherever moratorium is availed, availed. And if somebody doesn't pay then it will become NPA as on 30th September one instalment is not paid. So I think for the next quarter it does not really matter who has paid or who has not paid. If he has not paid it will become NPA. 2 out of 1 is what we've considered till June.

Ms. Mahrukh Adajania: Got it sir. Sir and my other question was that just in terms of fees you explained about the loan processing fees, yet your fees have fallen much less than other private lenders. So that's just corporate loan processing or what is it?

Mr. Rajnish Kumar: No, one is that in any case we never got the fees, the kind of fees the private sector banks collect. So when the impact is also there then we would be less impacted.

Mr. Dinesh Khara: It is also the account maintenance charges there's a 40% reduction…..

Mr. CS Setty: Our loan processing charges are very moderate, you must understand that.

Mr. Rajnish Kumar: Yeah. The question is if you earn more then you will be impacted more. If you earn less you will be impacted less.

Mr. CS Setty: But that is one thing. Also I think our personal segment portfolio, esp. home loans and all, we collected the processing fees there.

Ms. Mahrukh Adajania: Got it. And I think the previous person also asked, was there an unusually high amount of balance transfer this quarter or it was similar to what you saw in the last few quarters in terms of home loans?

Mr. Rajnish Kumar: No, normal. Normal.

Ms. Mahrukh Adajania: Okay sir. Thank you so much.

Mr. Misal Singh: We now take the next question from M.B. Mahesh from Kotak Securities. Please go ahead.

Mr. M.B. Mahesh: Sir I wanted to understand have you assessed the impact of the salary hike that is pending, to be provided for?

Mr. Rajnish Kumar: Yes, yes. We're doing at 10%. This quarter we've provided Rs. 1,000 crore because of the hike is now 15%. And we're expecting that in September there will be an actual payment. So this performance, but for this Rs. 1,000 crore, you would have seen that Bank's operating income is 19,000 crore.

Mr. M.B. Mahesh: Absolutely! But have you assessed what is the final impact of this hike and what is pending to be provided for?

Mr. Rajnish Kumar: Yeah, yeah that's what I'm saying. So, at best it won't exceed another Rs. 1,000 crore in September. And we were providing at Rs. 400 crore per quarter. And it will become Rs. 600 crore per quarter. So in October, if I look at what will happen in the third quarter starting from October as compared to the previous year, we will provide Rs. 200 crore more. No, not providing, paying more. And it is well offset. All offset by decline in Overheads. So despite this Rs. 1,000 crore, if you see YOY growth in Staff expenses and Overheads, we're very comfortable.

Mr. M.B. Mahesh: But you'll have to make the retirement related provisions sir.

Mr. Rajnish Kumar: That will come. Retirement we met even last year, I provided Rs. 13,000 crore. So as far as the provisions, the way to look at it is that in March last year because of the drop in the yield there was a very big provisional requirement. And whatever discussions with actuarial reveals, there will be some savings now this year. So that takes into account any wage revision also. The way to look at it is that the Bank's pension liability is Rs. 270 million rupees. But provision for pension is Rs. 130 million. That is almost 50%. That is like a very tricky business but as per pension valuations, we're fully fine.

Mr. M.B. Mahesh: Perfect. Second question sir on asset quality. One, we missed the initial part. Did you give a guidance on slippages? Second on the moratorium that you've given to us, could you also give us how many customers have paid 3 instalments and how many customers have not paid any instalments?

Mr. Rajnish Kumar: Not paid in one, it is there. But further break up if you want that also we will give that how many have given.

Mr. M.B. Mahesh: Or if you can just tell me how many customers have not paid any instalments?

Mr. M.B. Mahesh: No, that is where 9.5% is given.

Mr. Rajnish Kumar: Any instalment, that will come in the 9.5 only, zero or 1.

Mr. M.B. Mahesh: Yes zero, that is customer gave you. Given one you have the data?

Mr. Rajnish Kumar: We've not done the break up. We have zero and 1.

Mr. M.B. Mahesh: Okay. And have you given any guidance on slippages for the year?

Mr. Rajnish Kumar: No guidance because it is very dangerous to give any guidance. But the analysis of the situation which I have given which our normal slippages we've been working on a base point scenario of 1.5 to 1.6%. That comes to around anywhere between Rs. 32,000 to Rs. 36,000 crore. And because of Covid, there may be some elevation in slippages. But that is where I said that last year also we have some elevated slippages one because of failed restructuring, recognition in agriculture and one housing finance company. That itself adds up to Rs. 20,000 crore.

Mr. M.B. Mahesh: One final question. Sir this entire idea behind how much you want to provide for reducing the net NPL and how much you want to kind of move it to the earnings. Have you broadly thought about how you're going to look at it for the next three quarters? Because you can choose to reduce the net NPAs but the challenge is that the market is also kind of looking at your Tier 1 ratio which is on the lower side. Why don't you allow net NPLs to remain where it is and allow the Tier 1 ratio to improve upwards?

Mr. Rajnish Kumar: So we will, now there will not be any gauge for doing any accelerating provisioning. In this quarter, it was a choice because in any case, because of the fraud so in March we took it from reserves as permitted by the regulator. So that entry has got no adjustment. So it will be normal ageing and security provision. We will not do any accelerated provision on the legacy book now. And for the new growth, we have to provide 15% only. There we may take a little bit more aggressive provisioning if required depending upon the situation. But hereafter there's no need for accelerated provision.

Mr. M.B. Mahesh: Okay sir. Thanks a lot.

Mr. Misal Singh: We take the next question from Mr. Prashant Jain of HDFC Mutual Fund.

Mr. Prashant Jain: Sir congratulations on a very good set of results in this situation. So, good to see these results. Sir I've three questions. Mr. Khara said that loan book growth, loans plus bonds etc., total group is 14%. Is that correct?

Mr. Rajnish Kumar: Yeah 14% in the bond 14. So, in the corporate book, the trend always would be on the shift towards corporate bond being very visible. And when we talk about the credit growth, this is one thing which we'll have to account for. And another thing which we have to account for is moving the NPAs from on balance sheet to off balance sheet. That was another Rs. 36,000 crore. So it means that in terms of sanctions and in terms of disbursements, we're doing quite alright.

Mr. Prashant Jain: Sure sir. Sir second question.. Sir you said that Rs. 10,000 to Rs. 11,000 crore recovery you are expecting in the next two quarters. Does that include the housing finance accounts also?

Mr. Rajnish Kumar: Yes. Yes certain.

Mr. Prashant Jain: Sir third question. You have entered into the personal gold loan segment. If you could just describe the product. I was thinking that would you take a one time…….I mean you can take a gold ornament or whatever one time from a customer. Keep it in your safe custody and give it like an overdraft repeatedly on a need basis or every time you'll be taking the gold jewelry and then returning it. How is this?

Mr. Rajnish Kumar: Overdraft is a risky position on gold loans, esp. when the prices are high. But at the same time, we maintain some discipline in the gold loan portfolio.

Mr. CS Setty: The only thing, only one thing Prashant what we introduced is because of this high LTV available now we're giving a top up loan that you know instead of taking a gold back and then taking a higher loan, the gold will remain with us and whoever wants to take the top up is committed back.

Mr. Rajnish Kumar: And one more thing is that gold loan now is available for all the three segments - agriculture, personal and SME. It is getting very good traction in SME also.

Mr. Prashant Jain: Sir last question, if your NIMs are stable as your free income recovers, can we look at a further improvement in the pre-provision operating profits to risk committed assets of the balance sheet as well, going forward?

Mr. Rajnish Kumar: That is visible. And I think and I believe that as far as pre-provision operating profit is concerned which is now Rs. 18,000 crore in this quarter, we can see that it remains stable. One thing which you need to notice is that we never had such a good first quarter. So this time after a long time or maybe first time we're seeing that Quarter 1 performance is equal to Quarter 4 performance or rather a bit better. And that is what shows that the earnings now are very resilient.

Mr. Prashant Jain: Thank you very much sir. And wish you all the best sir.

Mr. Rajnish Kumar: Thank you.

Mr. Misal Singh: We'll take the next question from Manish Karwa from Axis Capital Limited.

Mr. Manish Karwa: My question is on the sustainability of the NIM because in this quarter, all the deposit that has come in has gone in the interest income and looks like the loan growth will take some time to come back. So does it mean that as the loan-deposit ratio reduce our NIMs reduce or we should….

Mr. Rajnish Kumar: No, it will improve. It will go up as currently some of the money is still parked in reverse repo and treasuries. So as the loan growth picks up then our margins would improve.

Mr. Manish Karwa: So as we move from the next quarter, you're confident that margins will get better?

Mr. Rajnish Kumar: Yeah, it should get better.

Manish Karwa: Okay. And second question was from a treasury side, you know given a very large treasury that we run and given that it is also given a group I am sure that we're sitting on significant capital gains on the treasury. Is there any way to quantify that gain?

Mr. Rajnish Kumar: *Kuch thoda bahut apne paas bhi rakha rehna chahiye* (Few things should remain with us also). I think State Bank *mein hamesha se concept raha hai* hidden reserves ka. (I think State Bank has always had the concept of hidden reserves). So it's not anything needs to be offloaded. *Thoda bahut toh hamare paas bhi rehne dijiye huh.* (Let something at least remain with us.)

Mr. Manish Karwa: Okay. Because I was just wondering that I guess given the kind of treasury that we run and given the more investment that we've made.

Mr. Rajnish Kumar: No, there is. There is fairly good amount of what you call mark-to-market because there's no mark-to-market provisions headroom available, there's no upside. So unless we sell we don't book the profit. So how much to sell, book the profit, will be decided in due course.

Mr. Manish Karwa: Okay. Okay sir. That's good, thank you so much.

Mr. Misal Singh: We'll take the next question from Kunal Shah from ICICI Securities. Please go ahead, Kunal.

Kunal Shah: So firstly in terms of what we disclosed in the Annual Report regarding the amount of loans which are under moratorium or deferment, that was Rs. 5,63,000 crore. So what would be like to like number currently?

Mr. Rajnish Kumar: We haven't done that analysis because now we have the performance tracking. So it is not compulsory. Because when you have the actual history of payment and that was based on opt in and opt out, I think this one is actual performance of the portfolio.

Mr. Arijit Basu: This is based on the track record of payment. It is the real…

Mr. Rajnish Kumar: Because let's say for example at that time somebody had opted them. But now he has paid me all the four installments. So how do I do the comparison?

Mr. Kunal Shah: Okay sure. And when we're saying in terms of interest deferment, sir that is 11%. Sir that would be over and above this 9.5%?

Mr. Arijit Basu: No, no.

Kunal Shah: We should look at cumulative and even are term loans getting deferred or capitalized?

Mr. Rajnish Kumar: Term loan interest there's no capitalization, right? Because it gets applied to the accrued. It is only the working capital loans where the capitalization happens. And of course this Rs. 44,000 crore is the interest recovered from term loans. But, the capitalization part is all related to the working capital loans. Because there also you keep on receiving credit, so there we thought that whatever is our capitalization figure, that is what is relevant. So, if tomorrow, say from September, we have to recover this amount, I will have to recover Rs. 4,400 crores as of now. In two months we will add another maybe Rs. 2,200 crores. So, Rs. 6,000-6,500 crores is what we will get converted…

Mr. Kunal Shah: If I have to look at it in terms of Rs. 44,000 crores is the only total loan, so working capital deference would also be 11%. So, that would be like 9.5 plus 11 would be something where there is deferment.

Mr. Rajnish Kumar: Working capital loan book is just Rs. 7 lakh crore. The Rs. 16 lakh core is the term loan. There is no demand generation. So, you can understand that on the Rs. 7 lakh crore there is a deferment of Rs. 6,000 crore.

Mr. Kunal Shah: Okay, in terms of the interest on overall book?

Mr. CS Setty: I think comparing the working capital interest vis-à-vis the outstanding is not the correct way. That is why we have not done that. We said that out of total income what at book, how much is actually is yet to be booked or yet to be realized which is a very material figure in my view, which is 10%.

Mr. Arijit Basu: Basically if you see everything is converging on this 9-10% kind of figure, so that's the amount in the moratorium that we will have.

Mr. Kunal Shah: Secondly, in terms of the wage revision, so when we were taking 10% there was outstanding amount of Rs. 8,600 crores which we have provided over last few years. So, now when it is getting settled that 15, should it be higher than maybe Rs. 2,000 crores which we are, maybe Rs. 1,000 crores which we have done this quarter? You said like at max it would be Rs. 1,000 crore in the next quarter.

Mr. Rajnish Kumar: When we talk about 50% there is something called salary component or basic component. Overall impact is not 50%, it is much less than that. It all depends upon what is the loading factor.

Mr. Kunal Shah: Got it. Thank you.

Mr. Misal Singh: We take the next question from Dhaval Gada of DSP. Dhaval can you hear us?

Mr. Dhaval Gada: Thanks for opportunity. I had three questions. One, just in the current quarter we have seen further increase in the equity capital. But do you think there is a need to raise further equity capital for the rest of the year? Second, on the moratorium side, can you give the breakdown of home loan and personal loan? And the third is on the voda-idea what is the latest exposure and what is the provision that we are carrying?

Mr. Rajnish Kumar: We have never commented on the individual accounts and largely these are non-funded exposures, so that is one. About the break up housing loan is Rs. 32,000 crore in this, SME is Rs. 23,000 crores and Rs. 11,000 crores. And what was the first question? Capital raising typically I don't feel the need. We have an enabling resolution of Rs. 20,000 crores. If required then we will go to the market otherwise if not required we will not go. We have lot of levers available to keep our capital adequacy ratio intact.

Mr. Dhaval Gada: Perfect sir. Thank you so much and all the best.

Mr. Misal Singh: We will take the next question from Jayant Kharote of Credit Suisse.

Mr. Jayant Kharote: This is Jayanth from Credit Suisse. Actually, I just wanted one number. You have given zero and 1 EMI at 9.5. Can I have the number for people who've paid 2 EMIs out of four?

Mr. CS Setty: 2 EMI out of 4. We will just tell you.

Mr. Rajnish Kumar: We will just tell you that. Any other question?

Mr. Jayant Kharote: No, that's it from my side.

Mr. Misal Singh: We will go with the next participant - Udit from Khazana Capital.

Mr. Udit Gadia: Just two questions, thank you for the opportunity. Are Double B and below in corporate has moved up from 13% in the last quarter to 15%. Which sectors have contributed to it and can you please also possibly provide the sectoral breakup for the double B and below book?

Mr. Rajnish Kumar: We will provide that but sectoral breakup in any case we have provided. It is hardly 14-15%, 1% here and there benefits can happen. BBB has come down. 1% of the loan book it is not such a material thing.

Mr. Arijit Base: Broadly BB consists of MSME and the government…many state governments undertaking are also there which are not rated and they are in sovereign state guarantee.

Mr. Misal Singh: We will take the next question from Bhavik Dave from Nippon India.

Mr. Bhavik Dave: My question is regarding your home loan portfolio where we had like somewhere around 20% percent of moratorium last quarter which is now down to 4.5% as you mentioned. So, if you look at the number last quarter was around Rs. 90,000 odd crores which was under moratorium for home loan. What is the number now you give that is Rs. 32,000 crore is it?

Mr. Rajnish Kumar: Rs. 32,000 crore in respect of home loans

Mr. Bhavik Dave: Sir any colour on how the book or the accounts are behaving like the salaries are coming through, they have a reasonable amount of balances where the accounts have not paid you?

Mr. Rajnish Kumar: Yeah, Home loan we have no concern, because my LTV ratio is 60%. Everybody will pay and two things, one mostly our home loan is to salaried class and that too within the governments. Second LTV ratio average is 60% or above. Third is home buyers, first time homebuyers is 92% and so these are not investment properties. So these are the three features which makes our home loan portfolio is very smooth.

Mr. Bhavik Dave: Out of this Rs. 32,000 crores there will be not many under construction properties is it? People would be staying in individual houses.

Mr. Rajnish Kumar: There may be some but as I said that the three features and general it would also be from the approved projects. We don’t approve projects just like that, we approve project with lot of due diligence.

Mr. CS Setty: These are all the moratorium where the repayment has started, so under construction projects obviously will not have those

Mr. Bhavik Dave: One last question on your personal loans we had some Rs 10,000 odd crores which were in the moratorium period, what would be the number now? I missed it.

Mr. Rajnish Kumar: Rs. 11,000 crores.

Mr. Bhavik Dave: Thank you Sir.

Mr. Misal Singh: We will go to the next participant Mr. Jai Mundra from B&K Securities. Jai you can go ahead if you can hear us.

Mr. Jai Mundra: Sir I have a couple of questions, if you can first tell us the MSME disbursement for the Credit Guarantee scheme, what you have done?

Mr. Rajnish Kumar: Rs 21,000 crores.

Mr. CS Setty: Disbursement is Rs 15,000 crores, Rs 21,000 crores is sanctioned.

Mr. Jai Mundra: Sir, in slide 26 is the understanding correct that this quarter you had Rs. 44,000 crores of interest accrual. So, out of that Rs 39,000 you have received in cash.

Mr. Rajnish Kumar: Yes, you just subtract 4884 from this.

Mr. Jai Mundra: Correct. So whatever you have capitalized that is where you have accrued but not received, but the other you have received in cash.

Mr. Rajnish Kumar: Yes that's right.

Mr. Jai Mundra: Third thing is we used to have some floating provisions both putting around some Rs 3,200 crores, is that still there, right?

Mr. J Swaminathan: Yes, that remain unchanged

Mr. Jai Mundra: And last question Sir, what is the RWA for the first quarter FY 21 and thank you Sir.

Mr. Rajnish Kumar: We have given in the percentage terms that the RWA has come down to 51.60% that number we can email to you. And about this moratorium also maybe we will give further clarification or anything if required. We thought that our disclosure in regard to moratorium is perfect. No one has given this kind of disclosure and clarity as far as the moratorium is concerned.

Mr. Misal Singh: We now go to the next participant, Ravi Singh from HSBC.

Mr. Ravi Singh: My question is on deposits growth, I mean quite healthy growth there both for term deposits and savings despite the rate cuts. So what is driving that and any view on further rate cuts there?

Mr. Rajnish Kumar: One is that of course we are aligning our deposits and advances rates based on whatever RBI announces, so that is one. And the growth in savings bank and current account is being driven by the fact that we have a huge distribution network. Lot of money has also come in through accounts on account of the DBT. That is also a fact. And the third is bank's technology platform, YONO, there also we are seeing a lot of traction. So what has happened and that is my assessment of the situation, not everybody may agree, that in terms of the quality of the customer service, in terms of the digital technology capabilities and coupled with the fact that in any case there is more liquidity today in the system. So SBI is getting a major chunk of that and benefiting out of it.

Mr. Ravi Singh: Okay Sir, thank you Sir.

Mr. Misal Singh: We will take the next question from Ashish Agarwal from Jefferies.

Mr. Ashish Agarwal: Thank you so much for the opportunity. I had these two questions, one is in the nature of clarification. So just to understand, we have about Rs 32,000 crores of total loans which are under moratorium as we speak and out of that about Rs 3,008 crores has been provided for, is the understanding correct?

Mr. Rajnish Kumar: No, you're talking about which number let me see so that there is no confusion around it. Please if you can repeat your question.

Mr. Ashish Agarwal: So basically it was a slight giving the breakup of moratorium loan book.

Mr. Rajnish Kumar: Yes slide number 26.

Mr. Ashish Agarwal: Yes. According to that, so that's about Rs 16,00,000 crores I'm sorry.

Mr. Rajnish Kumar: Yes, its the term loan portfolio?

Mr. Ashish Agarwal: Yes term loan portfolio, so 1.6 lakh crores is roughly which is under moratorium.

Mr. Rajnish Kumar: Absolutely.

Mr. Ashish Agarwal: And out of that we have provided cumulatively Rs 3,000 crores roughly.

Mr. Rajnish Kumar: No, let me clarify that. That's important to understand. Rs 3,000 crores we have provided in respect of the accounts which were SMA as on 1st of March or was Rs. 42,000 crores and there is Rs. 13,000 crores in respect of those accounts which were SMA as on 1st March. Rs. 13,000 crores out of Rs. 42,000 crores is where either we have received one instalment or we have not received any instalment. There we have made a provision of 15%. But we have said that if RBI standstill was not available then this would have become NPA. As far as this book is concerned, this is about all regular accounts and this may include that Rs. 13,000 crores also. And this book 90.5% so about Rs.1,55,000 crores and we have given a breakup that how much is the private corporates AA or AAA, private corporates other than

AA and retail and SME. On the standard regular accounts where this 9.5%; other than that Rs. 13,000 crores we have not made any provision.

Mr. Ashish Agarwal: Got it. Thank you so much. And my second question if I may. So we understand that the industry has been lobbying for some kind of one-time restructuring for some specific industries which would be stressed maybe like Aviation, Hospitality and Real Estate, so could you please give us an understanding which sector do you think would be stressed in this nature and what is our exposure to those industries?

Mr. Rajnish Kumar: Aviation and airports, we are hardly having any exposure which is about Rs. 6,933 crore which would also include a government guaranteed debt. Tourism and hotel is just Rs. 9,500 crores. So 0.34% of our loan book is in aviation and airports, including government guaranteed and tourism and hotels is Rs. 1.7 crore. Another could be Commercial Real estate where this is Rs. 41,880 crore but of this, 95% would be Lease Rental Discounting and that too from very high quality tenants. So that will like in this book. Overall real economy impact that is something different but the exposure to the stress sectors in that sense what we are talking about, has very minimal exposure.

Mr. Ashish Agarwal: So when we are speaking about LRD there would be predominantly offices or there would be retail malls as well?

Mr. Rajnish Kumar: No retail malls, all offices. And top quality tenants, multinationals, IT companies, banks, insurance companies.

Mr. Ashish Agarwal: And typically what would be balance tenure on an average in for that LRD book. Three or four years would be a good estimate?

Mr. Rajnish Kumar: No it would be more than that; average would be around 8 to 10 years.

Mr. Ashish Agarwal: Okay. And just one last thing the clarification on textiles, do you see some kind of a stress in that space as well because that seems to be a large…

Mr. Rajnish Kumar: It is not much. Because textile had its own problems and lot of bad loans were recognized. So if you look at this slide and the portfolio distribution, there is no disproportionate share of stressed assets.

Mr. Ashish Agarwal: Got it. Sure sir and thank you so much and wish you all the best.

Mr. Misal Singh: Now sir we have some questions from the chat window. So one question is mainly about how do we look at scaling of our subsidiaries and unlocking value. So there is one set of question is around subsidiaries and how we think they will add the value for State

Bank of India. There is second question which is essentially on how we have managed to reduce our risk related assets over a period of time and how do we look at capital for the bank? So these are the two sets of questions. There are other questions but mostly we are answered all of them.

Mr. Dinesh Kumar Khara: As far as scaling of subsidiaries are concerned, of course our subsidiaries are doing well but as far as opportunity is concerned there is a huge opportunity. So I think one of course the existing subsidiaries will keep on growing and we are very mindful in terms of going to market at a point of time when they have reached a particular level. So we are building up the companies which have not yet reached the market and I am sure may be in another two years time, perhaps we will have two more companies which will be ready to hit the market and they will create value for the Bank. And I would like to also mention that in all there are about 12 odd companies and some of them are into the retail, two more are into the retail and apart from that there are some companies which are into factoring and some into broking. So all these companies are doing very well in terms of their profitability and in terms of value creation. They have started leveraging the State Bank's distribution channel too. So I think going forward considering our reach in the distribution where we are in a position to really reach out our product with the help of the Bank's distribution network to the nook and the corner of the company and where the whole potential exists. So that's how the complexion is as far as the subsidiaries are concerned.

Mr. Misal Singh: Then we take a question on capital. How will we have reduced our risks assets over a period of time?

Mr. Dinesh Kumar Khara: Okay risks weighted assets have been reduced because there has been conscious efforts on the part of the bank to really go for the rated entities. So that has been a very conscious efforts to improve the quality of the credit under rating and that is something which has helped us in reducing the risk weighted assets.

Mr. Misal Singh: So, I think that answers some of the questions that all of you may have had. I will give it over to our General Manager, Performance Planning for conclusion. And you can get in touch with any of us if you have any more clarifications.

Mr. Pawan Kedia: I trust all the questions have been addressed. If we have no more questions, in the end we thank you all sir, the top management team, the analysts, ladies and gentlemen.

Mr. Rajnish Kumar: Thank you very much.