



# Q1FY24 ANALYST MEET TRANSCRIPT

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- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**

- Good evening, everyone. May I request Chairman sir, MD's and DMD Finance to come on stage please.
- So, good evening once again and Namaste, ladies and gentlemen. My name is Sanjay Kapoor and I'm the General Manager Performance Planning and Review Department of the bank. On the occasion of the declaration of the results of Q1FY24 of the bank, it gives me immense pleasure to welcome the analysts, investors and our colleagues for an in-person meeting. I also extend a warm welcome to the analysts, investors and colleagues who have joined this presentation through our live webcast.
- We have with us on this stage, our Chairman Shri Dinesh Khara at the center, our Managing Director International Banking, Global Markets and Technology Shri C. S. Setty, our Managing Director Retail Business and Operations, Shri Alok Kumar Choudhary, our Deputy Managing Director of Finance Shrimati Saloni Narayan, our Deputy Managing Director heading various verticals, and Managing Directors of our subsidiaries are seated in the first row of this hall. We are also joined by Chief General Managers of different verticals and business groups.
- To carry forward the proceedings, I request the Chairman sir, to give a brief summary of the banks Q1FY24 performance and the strategic initiatives undertaken. We shall thereafter straightaway go to the questions and answer session.
- However, before I hand over to the Chairman Sir, 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 expectations and are subject to uncertainty and changes in circumstances. Actual outcomes may differ materially from those included in these statements due to a variety of factors. Thank you.
- Now I would request Chairman sir, to make his opening remarks. Chairman, sir, please.

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

- Thank you. Very Good evening, ladies and gentlemen. Thank you for joining the analyst meet post announcement of the first quarter result of financial year 24. In July 23 IMF upwardly revised the 2023 Global Forecast to 3% from 2.8% in April. Immediate concerns about the financial stability have been subsided, owing to the resolution of the US debt, ceiling standoff and strong action by authorities to contain turbulence in US and Swiss banking. However, the recent downgrade of the US by Fitch over concerns of country's finances and debt burden could trigger bouts of financial volatility, with risk of reactions from the market. Against this backdrop, Indian economy continues to exhibit stronger than expected growth momentum with robust domestic investment providing the necessary support amidst weaker external sector dynamics. Looking ahead, real GDP growth is expected at 6.5% in financial year 24, aided by the government's thrust on infrastructure spending, traction in domestic demand, revival in corporate investments, and healthy bank credit.
- Headwinds, from prolonged geopolitical tensions and slowing external demand are the key risks to the outlook. On the banking front, credit growth has continued to grow in double digits and became broad based across sectors. During the first quarter of the financial year 23 - 24 all scheduled commercial banks credit grew by almost 16% YoY

and aggregate deposit grew at 12.9%. As demand for credit continues, we expect credit and deposit may grow up by 14 to 15% in financial year 24.

- In the above economic backdrop, let me now highlight a few of the key aspects of the bank's performance in financial year 24, quarter one of the financial year 24. I'm pleased to announce that for the fourth quarter in running, we have posted our highest ever quarterly profit of 16,884 crores. Net profit for the first quarter increased by 178.25% YoY. While operating profit at 25,297 crores increased by 98.37%. ROA of the bank for the first quarter improved by 74 basis points on YoY basis to 1.22%. And ROE improved by 1433 basis point to 24.42%.
- Here also, I would like to mention that first quarter is very unique in its character. In the first quarter, one we don't have the advantage of the carry forward of the recoveries of the previous quarter and second, in the last quarter of any financial year, there are invariably various one offs. So, to that extent, that also inflates the performance in the last quarter of any financial year. So that's why we are comparing our performance on the YoY basis in the first quarter. So, I thought I'll just put across the viewpoint which we have in this context. Most of the core profitability metrics have also improved sequentially. Net interest income for quarter one financial year 24 increased by 24.71% YoY, on the back of the improvement in yields and continuing credit offtake. Domestic NIM at 3.47% has also improved by 24 basis points YoY. Non-interest income has increased by 421.73% mainly due to the MTM right back as well as gains booked in derivative income. Our core income streams, fee-based income are steady and have improved by almost 4%, operating expenses increased by 23.68% YoY, as we have started building provisions for the wage revision, which have fallen due from November 22.
- On the business front, the credit growth has been robust across all segments, domestic advances grew by 15.08% YoY, headlined by retail personal advances which grew by 16.46% YoY and corporate segment which grew by 12.38% YoY. SME and Agri segment also posted a healthy growth in the loan book, it grew at 18.27% and 14.84% respectively. Domestic deposit grew at almost 12% driven by the growth in current account deposits and term deposits.
- Our foreign offices have continued to perform well with good growth in advances as well as in deposit. However, we have generally maintained some kind of a pause in the international book for the simple reason that international economies, global economies, are facing some kind of challenges. And we would like to build up our book depending upon risk appetite in those economies.
- With regard to asset quality, our gross NPA ratio has come down by 115 basis point YoY and stands at 2.76% and continues to be at its lowest level in more than 10 years. Our net NPA ratio has also declined by 29 basis points and stands at 0.71%. Slippage ratio has improved by 44 basis point YoY and stands at 0.94%.
- The consistently improving asset quality is also reflected in our credit cost, which stands at 32 basis points and has improved by 29 basis points YoY. We have a well provided stressed book with PCR showing improvement by 23 basis points YoY, at 74.82%. PCR including AUCA improved by 127 basis YoY and stands at 91.41%.
- Here also I would like to add that when it comes to our loan book being healthy in quality, we are not required to provide for because for the simple reason, one the quality of the book and secondly, we don't have the aging provisions which you need to provide for.

- On the restructuring fund our total exposure under COVID resolution plan one and two stands at 22,666 crores as at the end of financial year, first quarter of the financial year 24. The restructuring book has behaved well, with about 11% of the current exposure falling under SMA one and SMA two category. We are holding sufficient additional provision against the restructured accounts. If you recall, we have been maintaining provision to the extent of 30% as compared to 5 and 10% requirements prescribed by the RBI for such book. The bank remains well capitalized and we have sufficient headroom to take care of the normal business growth. Our capital adequacy ratio has improved by about 113 basis point YoY and stands at 14.56%. CET one ratio has improved by 47 basis point to 10.19%. And both the ratios are well above the regulatory requirement.
- Here in I would like to add with the with the current capital adequacy, with the current capital, we can support the loan book growth to the extent of another additional 7 trillion.
- Digital continues to be an important customer acquisition engine for the bank across asset as well as liability products. During the quarter, we have sourced 63% of savings bank account and 35% of retail asset accounts digitally through YONO. We have recently launched YONO for every Indian in which customers of other bank can now access and experience the seamless UPI journey on the YONO.
- Our subsidiaries have also consistently performed well and continue to create significant value for all the stakeholders and most importantly for the customers. Most of our subsidiaries are leaders in their respective segments. We will continue to nurture these subsidiaries and see them creating value for their own shareholders as well as the shareholders of SBI.
- To conclude, I would like to thank all of you for your continued support to the bank. We consider it as a privilege to be able to contribute towards the growth of our economy. We remain committed to rewarding your trust in us with superior sustainable returns over the long time. I wish everyone here the best of health and happiness. My team and I are now open for taking your questions. Thank you.
- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**
- Thank you, Chairman sir, for the presentation. We now invite questions from the audience. For the benefit of all, we request you to kindly mention your name and company before posing the questions. To accommodate all the questions, we request you to restrict your questions to maximum two at a time. Also kindly restrict your questions to the financial results only and no questions be asked about specific accounts please. In case you have additional questions the same can be asked at the end. We now proceed with the questions and answer session.
- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**
- Sir. I am Ashok Ajmera, Chairman Ajcon Global. Sir at the outset compliments to you for the highest ever profit in the fourth consecutive quarter that every time we are making the higher and higher. My other compliments is on that we are sitting on a non NPA provision of 34,955 crore which is almost about 152% of your entire net NPA, which is keeping the well, I mean, the bank well cushioned.
- Now, having said that, sir, a couple of questions rather your guidance on the number one is on the credit growth. Of course, you said that some of the other parameters, you

know, the figures should not be compared on quarter on quarter, but you know, year back figure become obsolete, especially in the financial sector. So, we will definitely compare with the last quarter only. So, you should look at it that 0.25% or 1.25% growth on the credit and global credit has gone down rather about almost by about 8-9,000 crore, I mean international. And our own domestic book also has grown by I think around 1.4 or 1.45%. So, going forward with this kind of 14 - 15% guidance, are we fully like having the sanctions and the proposals in the pipeline that in next three quarters we run four and half to five percent every quarter, the loan book, this is my first question, sir.

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

- Should I answer?

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- Yes, sir. Then I will ask second.

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

- Okay, fine. Okay. Well, what you mentioned in terms of you should compare the credit growth on a sequential as compared to a year on year. You know, when it comes to the economy, why there's a busy season and the lean season? There are certain reasons because our economy has got certain characteristics. So, likewise, I still stick to my argument, that first quarter, we should compare only on a quarter-on-quarter basis, not on a quarter-on-quarter but on a year-on-year basis. Because the kind of situation we witness in the first quarter of any financial year are very different as compared to the last quarter.

- Now, your second question, when you are comparing the growth in advances on a quarter-on-quarter basis, certainly my submission to you would be that there are reasons why we are not doing it. And it is borne out of what we have seen over the years.

- Now what you mentioned in terms of the, our ability to grow. Retail personal, we have grown at 17% compounded annual growth rate for more than three years. And we don't see any reason that we will not be in a position to grow at this space going forward also. And why I'm saying that is that because we are already seeing that when it comes to home loan sanctions, there are already sanctions are up to the extent of 15%.

- The other very important component of the economy is the corporate sector. The growth rate which is envisaged for the economy is 6.5%. And it is riding on the basic few critical sectors, which are going to lead this growth, it starts from infrastructure where perhaps when it comes to the financial closures, we don't see any competition. When it comes to core sectors, additional capacities being created. There also for the financial closer, we are the one, who are the preferred banker. When it comes to our ability to underwrite, we feel quite confident and that is I would like to add that even as on date, we have got our pipeline to the tune of about 3.5 trillion out of which about 1.2 are already sanctioned and another 2.3 are in pipeline. So, this is about the corporate sector. So corporate sector, when it takes a lead, it shows up into all other sectors of the economy. The more prominent among them are the SME and the retail. Agriculture sector is a function of the weather gods. Unfortunately, the rain if at all, we look at the long-term average for the rainfall. It seems to be better than previous years. So

hopefully, we'll get to see a decent traction in the rural economy also which will give us enough opportunity to support that growth. This is the broader economy.

- The next comes our ability to respond to such challenges. For last couple of years, we have been very mindful in terms of strengthening our structures so that we are in a position to deliver. To address the retail last year, we added almost 140 RACPCs. And similarly for SME we have significantly built the muscles of the bank for addressing the SME and that is something which you have already seen. Now, we are growing even this quarter YoY we have grown at 16% in SME. Rural again, we have grown to the extent about 12 to 13% and many of you who are tracking the bank for many years would have seen that rural we were almost stagnant and when we are growing there, we are very, very mindful about the quality of the book which we are underwriting and that is a reason why from somewhere around 15% of NPA, in the rural book, it has come down to 11 and we are very clearly targeting this to be in the single digit in this financial year. So, I think our focus is when it comes to growth, we are very mindful that the growth should be in sync with our risk appetite and growth should not be reckless growth, that is something which I would like to add.

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- Sir, when you referred here of the competition now with this grand merger of HDFC and HDFC Bank, which has become a behemoth now, and I think the credit book is also almost of our size or maybe I have not just compared.

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

- I don't think so, I think you're not updated.

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- Not updated. Okay. So now that big bank is again a private sector that is coming in. From the competition point of view is there any particular working, any action plan to take on them with this changed scenario.

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

- They are focusing on the physical branch expansion, and we are focusing on digital as well as physical as well as other channels. And as I mentioned that we are very mindful about in terms of strengthening our structures on the ground because, you know, when it comes to mergers, we have also handled the merger of 8 banks. So, it is not merely adding the balance sheets, it is ensuring the integration of the culture and also ensuring that the control structure is effective enough. So that is what my learning is from the mergers, but yes of course as a leading bank we have to be very mindful of what the competition is doing, and we are ensuring that we should stay ahead of the curve. Yeah, please.

- **Mr. Alok Kumar Choudhary – Managing Director – Retail Business and Operations, State Bank of India:**

- Bank is basically people, right. Customers and the people who serve the customers. So, if you see State Bank of India, what is the number of people who leave us. Every year hardly 1000 people may be leaving us. Right. What is the attrition in the market,

the people who are going to serve, the marketing people, the servicing people, I don't want to quote the numbers, right. But if you can find that there is a behemoth, you used the word behemoth I think that word suits us more. So, with this that people who are to serve the customers, people who are to market they are all a solid block, not leaving the shape. And you are comparing with somebody or people where the main people who are going to serve are themselves at a very high rate of churn. So that is one. Number 2 is the number of customers we acquire as a bank, the number of customers we acquire is much more than what anybody else acquires. And the number of millennial accounts that are opened is also more than 50%. New customers are millennials, up to the age of 30. So, both the sides, people who serve they are a solid block, totally committed and the number of people who repose faith in us, they are also quite large in number. So, from that perspective I don't think that this would be any challenge.

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- Point well taken Sir. Just one.... Just one thing. Sir, you have given the split of the AUCA numbers, 10 year and old 5,300, 5 year and old 68,481 crores and less than 5 years 1,02,471 crores – just a ballpark, just .....like these are all 100% provided for accounts. So, what as per your analysis, since you have given a detailed analysis of the break up, the aging wise, what can we roughly take as a recovery maybe in the next coming 2, 3 years or 5 years out of this 1 lakh 76 thousand crores Sir?

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

- The recovery in AUCA is a function of the available security. So, there cannot be any ballpark figure for which we can ascribe for the recovery in AUCA. It is actually case to case basis and that is why our stressed assets resolution group is now actually addressing how to make the maximum possible recovery from these accounts.

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- But any assessment of the .... because when this analysis was done the security also must have been .....

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

- That's why I am saying that it cannot be aggregated. It would be more at a disaggregated level. The approach will depend upon the security which is available in each of the accounts.

- **Mr. Ashok Ajmera – Chairman, Ajcon Global:**

- Thank you. Thank you very much.

- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**

- Please move on to the next one. Here please.

- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**

- Sir, this is Anand Dama from Emkay Global. Sir, my question was on margins. For this quarter if you look at a quarter on quarter basis we have seen a 27 basis point contraction in terms of margins.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Again, quarter on quarter, let me just put across when it comes to NIM what will you do for the one off that you get on the last quarter.
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- Sir, agreed. But if you take out the one off then still we have 15 odd basis point contraction. That is there.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See again, I think you have to understand how the increase in interest rate will show up in the deposits or the increase in advances will show up in the loan book. So, there is always a trajectory which is followed. So, I think it is not a linear way of really looking at things. Anyhow please carry on with your questions.
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- So, coming to your stuff, YOY basis if I look at a full year basis where do we settle in terms of margins when we....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- I expect that we should be having 3.47 should be our effort to retain this kind of a NIM.
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- Sir, secondly on your slide no 15, basically the margins that you show over there, that I believe are like cumulative margins. So there is a difference between what you show on slide no 22 and what you show on the slide no. 15, particularly in the first quarter even if you look at the cumulative margin should not be different than what you show on slide no 22, right. So why is this wide difference between what you show on slide no 15 and slide no. 22?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- What is the difference? Slide no. 22 also 3.47 is the NIM for domestic and when it comes to...
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- If you look at the whole bank, Sir.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- 3.33 and 3.33 there also.
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**

- Sir, last quarter was 3.37 over there..
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No, 3.37. I really don't know, what..3.60 ...3.84..... Anyhow please reconcile this.
  
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- Secondly was on the PSLC fees. So, we saw in case of Canara Bank there was huge fees that came from PSLC. There are other banks also who are exploring the PSLC fees. Any opportunity that we have in terms of.....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See our corporate book is growth is... we have got a corporate book which would be as high as about 15 trillion or so. So, on a 15 trillion, I mean we have to actually depend upon purchasing PSLC's. We don't have a situation like that. So, they have some earnings, but if at all they may grow on the corporate side maybe they may not have those opportunities going forward. But yes of course considering our book which is about 33 trillion, out of these 33 trillion about 15 trillion would be the corporate book and about 12 trillion would be the retail book and our rural is somewhere around 2.6 and SME is somewhere around 3.7. So that is the kind of composition which we have. In any case we have to...I mean if at all we grow at about 14% or so for our corporate book, then we may not have opportunity for organically growing in PSLC's priority sector. We will have to look at PSLC's only.
- **Mr. Anand Dama – Head BFSI – Emkay Global Financial Services Ltd:**
- Okay. Thank you, Sir.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Or alternatively till there is a change in the definition of the priority sector. Because today it is also being talked about can the solar be part of the priority sector. Because we have about 40,000 book which we had done for the renewal of the energy itself and ideally speaking it actually qualifies for the priority sector. Hopefully there could be some consideration on that.
- **Mr. Siddhant Dand – Additional Director, Goodwill warehousing Private Limited:**
- Hi, I am Siddhant Dand from Goodwill. Sir, we are seeing a lot of products come on the savings account side, CASA side. The SA side where you know they are disrupting the market, like when Kotak came down with their active money, IDFC and other small private sector banks having much higher rates of interest. So, at what point 2 years, 5 years you think the bridge between the FP and the saving account will come much closer even for big sector banks. You think that will happen? And secondly you know the interest rates in PSU banks and even for current accounts which are at zero is kind of hitting when inflation is higher. So, are you seeing a gradual drop in CASA over the years. Will you see that?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- Well CASA the behavior, if at all you will look at the CASA pre-pandemic and during pandemic and post pandemic, these are the 3 stages in which CASA should be looked at. Not in this light, I am just describing to you otherwise. Pre-pandemic CASA used to be somewhere around 40% in the system, during pandemic it went up to 44% and post-pandemic it is somewhere around 42 – 43%. This is the macro level picture of CASA. What you talked about the CASA and most of the SA for most of the various public sector, private sector banks like Kotak it may be termed as CASA, but I would say that SA is actually term deposit. So, from the cost point of view SA is actually term deposit. It should not be looked at, CA yes of course, we have to be very cognizant of the CA component of various private sector banks. And therein I would like to say that the current account market as such has undergone a change. Earlier a significant portion of the Current account market almost 55% of the total current account market used to be Government accounts. They started SNA, CNA now they are thinking in terms of just in time, which very clearly means that the float that used to be available in the current account in the past will no more be available. Having recognized this reality, what we started doing for last about 6 months plus, we have started focusing on the current account from Trade commerce industry, Trusts etc etc. And I am happy to share with you that up to March we were growing faster than any other bank, June we were growing faster and even July we are growing faster. So, it's not that it is in the natural course, we have made certain efforts we have tweaked our strategies and that is something which is helping us. So, our effort is going to be CASA in the real sense of the word, lowest possible cost of resource and I am quite confident that the initiatives that we have taken will further enhance or strengthen our position as far as CASA is concerned. But having said that macro cannot be ignored and also the other reality to be seen is during inflation invariably we have seen that there is trend to the term deposit. Money moves to the term deposit and whatever increase in cost of deposit we have seen in this quarter is essentially because last year in the second half of the previous year in certain buckets we had increased the interest rates. Whenever the renewal of those term deposits has happened, all that has been factored in already. And fortunately, in the last policy also there was no increase in the policy rates. We expect with the kind of inflation trends which are seen, hopefully there should not be any increase in the interest rates as far as the policies are concerned. So, if at all that is the situation then hopefully as such cost of deposits are concerned it should stable around this level for some time to come.

- **Mr. Siddhant Dand – Additional Director, Goodwill warehousing Private Limited:**

- My second question is as you know cross sales numbers are improving at 17%, but for a bank of our size, with the subsidiaries we have it should ideally be growing higher. So, have you considered open architecture instead of closed architecture when it comes to cross selling?

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

- You know typically speaking we have to be very mindful of the kind of customers who walks into our branches and when we offer the product, we have to keep in mind what they expect. So, our assessment of the ground level situation is customers who walk into State Bank of India's counters, they are looking at the product from State Bank group. They are not looking at the product from any other entity. So that is the strategy which we are following. But hopefully this number in the first quarter is not always all that great. We always know that insurance gets sold only in the last quarter of the financial year. So again, this is not a linear trend which we will get to see, quarter on quarter it will keep on changing. And last year we had seen a growth of about 30% and

I am quite confident that this year also the growth will not be less than 30%, it will be rather more.

- **Mr. Siddhant Dand – Additional Director, Goodwill warehousing Private Limited:**

- Perfect. Thank you.

- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**

- Next person please.

- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**

- Hi Sir - Sameer from JM Financials. Thanks for the opportunity. Sir, if I see other lines of fee income on a YOY basis, we kind of see bit of sluggishness with respect to loan processing charges etc. So how do you think the fee income lines moves through the year?

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

- Loan processing charges, of course when we are looking at the quality book to be underwritten, the market dynamics actually forces to do that and not that it is going to be there forever. But yes of course, I would say it is more of a temporary situation.

- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**

- Okay. And secondly if you could provide.....

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

- And also last year there were some one-offs also, which was in the first quarter itself. So that is the other reason why it is looking flat.

- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**

- If you could provide the slippage break up across segments?

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

- Slippage break up across segments...Yeah, I will just provide it...just one second. Our slippages were to the tune of about 7659 crores and retail personal was about 2400, Agri was 2300, SME was 2400 and out of this we have already recovered, pulled back about 700 crores in retail personal, Agri about 300 crores and 600 crores in SME.

- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**

- So, the recoveries are in 2Q basically or in the same quarter?

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

- Yeah recoveries have happened in the month of July.

- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**

- Okay. Fair enough. Thank you.

- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- This is what I wanted to say that when we recon slippages, we do so at a point of time, but the fact of the matter is SMA 0, 1, 2 that also our teams on ground keep on recovering and at times it is attributed to some kind of a cash flow mismatch with these entities, so we do get decent recoveries out of SMA's.
- **Mr. Sameer Bhise – Executive Director, JM Financials Ltd:**
- Thank you. Thank you, Sir and all the best.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Thank you.
- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**
- Next one.
- **Mr. Kunal - Citi:**
- Hi, Kunal over here from Citi. So particularly with respect to the growth in couple of sub segments. One is in terms of the Xpress Credit so the sequential growth is lower now. We are getting towards almost about 20 odd percent YOY growth compared to a much higher run rate. So, what would be, maybe any early delinquencies which we are seeing and your view in terms of RBI indicating to go bit conservative on the....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Nothing like that. Let me jump into this issue right away, when it comes to Xpress Credit you would have seen that the quality is perhaps as good as it used to be in the past. We have no challenge. I will repeat once again that 94% of our Xpress Credit is given to the salary earners. And they are the salary earners who are working with either State Government, Central Government, Central forces, Paramilitary Forces, Public Sector Enterprises, only about 4 – 5% is with the corporates, and they are well rated large corporates. So, we don't experience any challenge in express credit, whatever little GNPA you are seeing here is also essentially attributed to the fact that when people are not getting their salaries in some of the State Governments, that is the reason why it is showing up like this. And apart from that unfortunately those who are no more they are the ones who are contributing to this kind of NPA otherwise there is nothing like stickiness in this particular portfolio. And the other question which you had about growth is not tapering to be about 25 – 26%, there are reasons when we look at the leverage on the end user balance sheet in the economy that is around 25 – 26%. So, we feel that we will try to keep it at this level and maybe during festive season we will get to see some kind of blip in this.
- **Mr. Kunal - Citi:**
- Sure. Secondly on corporate lending, so we have one of the lowest MCLR but still when we compare we have always highlighted in terms of the ....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- Unfortunately, people are quoting for term loan they are quoting T Bill rates. I don't want to venture into such kind of luxuries if I may say so, more so when if at all people don't see interest rate risks and if I see interest rate risks, I would rather be cautious than to be sorry.
- **Mr. Kunal - Citi:**
- Okay. And in terms of excess SLR now what is the.....
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- We have got excess SLR to the tune of 4 trillion.
- **Mr. Kunal - Citi:**
- 4 trillion, it is a similar number like last year.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Yeah, yeah.
- **Mr. Kunal - Citi:**
- And MCLR re-pricing we are not seeing any benefit coming into the yields, was there any impact of interest reverse on the yields?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- It has come up now. Yield on advance have gone up it is essentially on account of that.
- **Mr. Kunal - Citi:**
- No sequentially when we look at it...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Sequentially of course what will happen is MCLR re-pricing will show up only when the renewal of the accounts happens. It will not be sequential.
- **Mr. Kunal - Citi:**
- So when should we ideally see that happening would it be Q2, Q3, how..?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- So, from 8.10 to 8.78 it has already come in the MCLR
- **Mr. Kunal - Citi:**
- But 8.1 was full year again, if we go it was 8.8.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- So, it has to be seen on the full year basis.
- **Mr. C.S. Setty- MD, International Banking, Global Markets and Technology, SBI:**
- You see year on year.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Again, you see year on year only.
- **Mr. Kunal - Citi:**
- Okay. Thank you.
- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**
- Next person please.
  
- **Ms. Rati Pandit – Nirmal Bank Institutional Equities:**
- Hello, this is Ms. Rati Pandit from Nirmal Bank Institutional Equities. Thanks for the opportunity. We have seen that your international NIMs have gone up significantly. I've also looked at the slide where you've given the split of the business and other parameters. So, if you could just elaborate more on the business outlook over there and the margins?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- International, we are very cautious. One, of course, because of the scenario in the global economies. And, one of the other reasons is, when we look at our international book, the India linked loans which are seen lower, is essentially on account of the fact that we had some... some oil companies had these revolving lines. So, they have not availed and that is one of the reasons. But, we are very very mindful in terms of the quality of risk. If at all I may say so, we go for cherry picking in our international book, which is not like our domestic book. And, there we operate absolutely like a corporate bank. And, asset and liability both are priced... they are linked to the variable rates. So, we have already seen the kind of movement in the FED rate, etc. So, SOFR and SONIA all are getting influenced by that, and that is one of the reasons why we see the kind of NIMs which we are seeing. But I would say that, over a period of time it will get normalised also, it will not remain at this level for the rest of the year.
- **Mr. C.S. Setty - MD International Banking, Global Markets & Technology (IB, GM & T), State Bank of India:**
- I think one is of course, the moment under reference rates moving. And, we are also focusing on the margins even if the business is not coming up. That is what you see in lower growth rate, what you have witnessed in the finance. Our focus on growth in margins and the underlying reference rates moving is contributing to that. As the Chairman said, they're going to moderate as we go forward.
- **Ms. Rati Pandit – Nirmal Bang Institutional Equities:**

- And usually, what is the difference in the yields we get from India linked and non-India linked corporates over there?
- **Mr. C.S. Setty - MD International Banking, Global Markets & Technology (IB, GM & T), State Bank of India:**
- ECVs are generally, slightly better priced i.e. India linked. And the local... we normally focus on high quality... we do only investment grade. So obviously, the yields in the local loans are less.
- **Ms. Rati Pandit – Nirmal Bang Institutional Equities:**
- Okay. And my second question is similar to repricing on loan, what Kunal had asked. So, what proportion of our book is fixed rate, and a significant part of it is already repriced? And what is the average tenure?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- I think our floating rate, which would be MCLR, everything put together, would be somewhere around 70%... 75%, and 24% is fixed.
- **Ms. Rati Pandit – Nirmal Bang Institutional Equities:**
- Okay. And average tenure would be 1 year reset?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- 6 months would be a significant portion in MCLR. EBLR is anyway REPO linked.
- **Ms. Saloni Narayan – DMD Finance, State Bank of India:**
- So, MCLR is 50-50 sir. 6 months and 12 months.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Hmmm.
- **Ms. Rati Pandit – Nirmal Bang Institutional Equities:**
- Okay, that's it from my side. thank you.
- **Mr. Vishal – UBS:**
- Hi sir, this is Vishal from UBS. I'll ask a YoY question for you. On the overhead expenses, there is a decline of 48% in business acquisition side. So, is there something which is changed in terms of...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No, I will just explain to you, because earlier for the PSLC whatever we paid, we had booked in the 1<sup>st</sup> quarter. That is one reason. And this time, we have amortised as per our accounting policy. That is one. Secondly, last year in Q1 we were not having provisions for wage revision, which we have started doing from the month of November onwards @500 crores per month. So, the wage revision has fallen in the month of November of the previous year, so that is something. So, these are the reasons.

- **Mr. Vishal – UBS:**
- And sir, how much is the PSLC which got amortised?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- ... I would not have that. We'll provide that to you separately.
- **Mr. Vishal – UBS:**
- Okay, no worries. And, another item, which is standard assets. So, there is a reversal in that line instead of a positive number of 430 crores or something. So, that reversal is on account of...? Because, I think standard assets actually have grown QoQ also.
- **Mr. C.S. Setty - MD International Banking, Global Markets & Technology (IB, GM & T), State Bank of India:**
- We made some specific provision in the past on some of the accounts in the Q1 last year, which was not there this year.
- **Mr. Vishal – UBS:**
- Sir, how much did we reverse? Because, I'm sure if it was a positive standard asset number, we would've reversed something bigger, to the tune of maybe 1,500... whatever number that is.
- **Mr. C.S. Setty - MD International Banking, Global Markets & Technology (IB, GM & T), State Bank of India:**
- Some of these standard asset provisions which is held as an ad hoc basis, even if it slips, for example, that gets reversed.
- **Ms. Saloni Narayan - Deputy Managing Director (Finance), CC Mumbai, State Bank of India:**
- Also from the restructured book. We have reversed because the accounts are being used.
- **Mr. Vishal – UBS:**
- So, what is the number ma'am? Is that number there?
- **Ms. Saloni Narayan - Deputy Managing Director (Finance), CC Mumbai, State Bank of India:**
- I'll give you the number.
- **Mr. Vishal – UBS:**
- No worries. Thank you. And, if I may ask one last question on term deposit repricing, which is anyway the topic of debate, how much of our TD book is kind of repriced? Any sense on that?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**

- Normally, we had come out with some 500 days...
- **Mr. Alok Kumar Choudhary - MD Retail Business & Operations (RB & O), State Bank of India:**
- Every month the churning of TDR would be to the tune of 1.2 to 1.4 lakh crores, every month. Now, depending on the rate at that particular point of time, there will be repricing. And, most of the deposits, as you know in the market, that people are quite savvy in terms of managing their interest, so the deposits you used to hear of 7-10 years, nobody comes there. People are mostly either in, up to 1 year or 1-2 years, that kind of thing. So, you're seeing our TD book... almost in 1 year the entire book gets repriced.
- **Mr. Vishal – UBS:**
- Okay, thank you.
- **Mr. Param – Nomura:**
- Hi sir. Param here from Nomura. Sir, on the corporate loan book growth, you gave some colour on the pipeline for growth growing ahead. But, as far as CapEx led demand is concerned, both private and public sector, how do you see that panning out, say over the next year, and especially, private capex. Because we are in such a sweet spot, do you see that playing out, say after elections? What's your sense on that?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No, I think what I mentioned about the number, out of that, about 2.7 trillion is from the private sector, and the remaining is from the public sector. So, private sector is significantly higher than the public sector.
- **Mr. Param – Nomura:**
- Do you see that building up going ahead?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Oh yes, very much.
- **Mr. Param – Nomura:**
- Okay. And sir, within your corporate book, the fastest growing piece that we can see is the NBFC book. Even for the sector as a whole, I think it's growing at 30% plus. So, that's the main driver. So, do you see that...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Apart from that, we are also seeing growth coming in from the renewable sector. And also when it comes to even the NBFC sector, the growth is essentially happening in the well-rated NBFCs only, quite well-rated, I would say. And, apart from that, infrastructure, road, construction, etc, there also we are seeing the opportunity. Infrastructure is one of the major ones. Going forward, we expect to see growth coming in even from some of the steel and those kinds of entities also.
- **Mr. Param – Nomura:**

- Okay. Thank you sir.
- **Mr. Nitin Agarwal – Motilal Oswal:**
- Hi sir. Nitin Agarwal from Motilal Oswal. Two questions sir. One is, on the proportion of bank employees that are there on defined contribution, how much is that number and how has it changed in the last 3-5 years? And, what is the outlook on cost to income ratio that we can have? If I look at the cost to core income ratio, we have been about 54, 55. And, while you have highlighted many times in the past that the bank has very limited levers to reduce cost to income, but the other large private banks is now talking of a 30% cost to income over a 10 year period. So, as SBI benefits from this defined contribution and the other operating leverage related benefits, how do you see the cost to income ratio panning out?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- For us, when it comes to defined contribution, that number has moved up by about 1%. It is now about 60% that are into the defined contribution, about 40% are into the defined benefit. So, defined benefit number has come down by about 1% in a year's time. What you have asked in terms of how do we have to reduce the cost to income ratio, on that we are very clear, that we will address it by shoring up the income, and also improving the productivity of our staff on ground. So, that is something which we are very clearly focusing on. And the cost to income ratio, if we look at in the current quarter, it is somewhere around 50%. So, I think, what we have done in the last year or so, it is started showing up. Digital sourcing is one lever. Our SBOSS is another lever which we are leveraging. So, all this put together will help us in addressing the cost to income ratio in the medium term. But, you know, when it comes to other banks stocking off... private banks reducing to 30%, I would not like to comment on that. The kind of churning which they have, they should actually be worried about, as compared to reducing their cost.
- **Mr. Nitin Agarwal – Motilal Oswal:**
- That's a very long-term 10-year guidance.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- No. In fact, if at all the churning continues at this pace, that should be a cause of worry for them. Because eventually, all said and done, banking sector is based on knowledge.
- **Mr. Nitin Agarwal – Motilal Oswal:**
- Right sir. And, if you could also share what is the AS 15 liability that we have to provide for based on the wage hikes, and any provision that we have made towards the...
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- Actually, that has not been crystallised, because the negotiations are still on. But, however, we have provided at the rate of 10% increase, if at all they will be. If at all we have some visibility in terms of the actual number, we would ensure that we provide the further remaining amount also. Quarterly actuarial valuation, we are ensuring that we get it done on a regular basis, and whatever additional provisions are required, that we keep on providing on a Quarter on Quarter basis. There is no deferral, it is all fully provided.

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

- Okay sir. And sir second thing I want to take you view on, if you look at the branch count, most private banks are expanding branches at a very aggressive run rate. And PSUs overall, have been more or less, static, in terms of the branch count over the last many years. So, how do you look at the expansion on that front in the coming years?

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

- We are looking at expanding digital. And even when it comes to physical, we tend to add about 300 odd branches in the current year, depending upon the potential where the branches are required. But yes, of course, we are not only looking at the branches and digitals, we are also looking at the BCs. We are understanding what the customer needs are, and accordingly we are providing vehicles which will help us in serving them better.

– **Mr. Alok Kumar Choudhary - MD Retail Business & Operations (RB & O), State Bank of India:**

- See, how this narrative changes is, some years back we were always saying the branch is dead. That was the normal narrative, right? And the physical branches that we had, were supposed to be a drag in terms of cost. But now, people understand the ecosystem that we are in a Phygital country, where both physical and digital is required. So, when you're already at 22,000 places with 78,000 CSPs, which are mini-branches in some soft, of course, all the facilities will not be available. So, with this kind of footprint, what we're more interested in, is deepening relationships with existing franchise, and sweating the assets which we already have. So, somebody is building an asset, we already have an asset and we're trying to sweat it out. So, our strategies will have to be different, because somebody who is already 216 years old, with all systems, governance, etc. will have different priorities than somebody who is new to the industry and trying to make greater footholds.

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

- Otherwise also, our digital transactions are now about 87%. And, when it comes to transaction outside the branch, as I hear, is about 97.5%. So, I think, we are ensuring that wherever there is a requirement, we must have the branch. But yes, of course, it's not a... I think, each bank will have to have their own strategies. Perhaps, the competition cannot guide each other's strategies.

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

- Right sir. Thanks a lot.

– **Mr. Sanjay Kapoor - General Manager, State Bank of India:**

- We'll have one last question.

– **Mr. Hardik Shah – Goldman Sachs:**

- Hi sir. This is Hardik Shah from Goldman Sachs. My first question is on deposit rates. We note that SBI is offering higher term deposit rates versus top private banks, despite having lot of buffer on the credit to deposit ratio. So, what are your thoughts on this?

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

- See, as I have said in the past also, it's not uniformly that we're offering higher deposits; we're offering in some buckets. And, the intension is that we intend to take care of our depositors' interest also. It is not merely a commercial consideration. We are a bank which is almost more than 217 years of existence. So, we have to nurture our customers and we have to be mindful of our relationship with them. So, that is the reason why, in some of the buckets we increased, which actually addressed our commercial requirements also, ALM requirements as well. But, not universally, because we are very mindful that overall how much impact it will bring in in terms of the cost.
- **Mr. Hardik Shah – Goldman Sachs:**
- Okay. And sir, my second question is on home loans, particularly, we have lost market share. Our YoY growth is lower than the industry growth. So, what are your thoughts on that?
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- See, home loans, again... you know, when you go for lending, you reduce the interest rate, you can increase the growth. I'm not into that. I'm accountable to each one of you quarter after quarter, and for many many more years. So, my life does not come to an end after one quarter. So, that's why, I have to be very mindful that whatever pricing strategy I put in place, that I should be in a position to sustain it.
- **Mr. Hardik Shah – Goldman Sachs:**
- Understood. Thank you sir.
- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**
- Thank you. We have a few questions coming in through the online webcast. These will now be addressed by the Chairman sir.
- **Mr. Dinesh Khara – Chairman, State Bank of India:**
- The first question is coming from Mr. Arun. He's asking, is there any plan to make AMC business go public? It's not on the cards, as of now. We may consider if at all there may be any priorities in a future date.
- The asset quality is stable, but how do you see that balance of slippage and recoveries? As advised, as on 30<sup>th</sup> June, the fresh slippages were to the tune of 7,659 crores, and out of this, the pullback of more than 1,500 crores has already happened as on 31<sup>st</sup> July, which is amounting to about 20%. And, our effort and endeavour is to contain the slippages in the coming quarters.
- A question on deposit competition. The health of banking sector is strong and excess liquidity in the system has been used up. All banks are competing hard for deposits. Will SBI look to compete and keep its current market share on incremental deposits? Our expectation is that the ASCB deposit should grow at about 12-13%, and advances to grow at 14-15%. Our growth in deposit and credit is also expected to be almost on similar lines. And, we certainly don't experience the kind of pressure which, perhaps, others might be experiencing. One, of course, when it comes to our credit deposit ratio, we still have enough elbow room available. And secondly, we have got excess SLR available to us. But yes, of course, we remain mindful of the interest of our depositors, and we don't want to shortchange their interest.

- When can we see an IPO of SBI MF? I've already explained.
- Any plans for value unlocking in case of YONO app? For us, YONO app is a distribution platform. Maybe tomorrow, some analyst might start asking when are you spinning off your branches. I think without branches, the bank does not exist. Even private sector banks are thinking in terms of adding branches. No idea of spinning off YONO.
- Can you continue with 15% loan growth in FY24? In all likelihood, yes.
- Can you please provide a breakdown of your loan book in terms of how much is fixed, floating, etc? As indicated, about 26% is fixed and the remaining 74% is floating.
- Thank you.
- **Mr. Sanjay Kapoor - General Manager, State Bank of India:**
- Thank you sir. I trust, all the questions have been addressed. We'll be happy to respond to other question in offline mode. Let me end the evening with thanking the Chairman, the top management, the analysts, ladies and gentlemen. To round off this evening, we request you to join us for high tea, which is arranged just outside the hall. Thank you.
- **END OF TRANSCRIPT**