

Q4FY21

EARNINGS CONFERENCE CALL

Transcript

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Moderator: Ladies and gentlemen, good day and welcome to SBI Q4 Meet hosted by State Bank of India. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pawan Kedia, General Manager, Performance, Planning & Review from State Bank of India. Thank you and over to you sir.

Pawan Kedia: Thank you. Good evening, ladies, and gentlemen. I am Pawan Kedia, General Manager, Performance, Planning & Review. On behalf of the top management of SBI, I extend a warm welcome to all joining us today on SBI Q4 'FY21 Earning Conference Call.

On the call today, we have with us our Chairman – Mr. Dinesh Kumar Khara; Mr. C. S. Setty – Managing Director (Retail & Digital Banking); Mr. Ashwani Bhatia – Managing Director (Corporate Banking & Global Markets); Mr. Swaminathan J. – Managing Director (Risk, Compliance & Stressed Assets Resolution Group); Mr. Ashwini Tewari – Managing Director (International Banking, Technology & Subsidiary); Mr. Alok Choudhary – Deputy Managing Director (Finance) and Mr. Charanjit Attra – Chief Financial Officer.

Before I request our Chairman to give a brief summary of the Bank's Q4 'FY21 performance and the strategic initiative undertaking, 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 circumstance. Actual outcome may differ materially from those included in these statements due to a variety of factor. Thank you.

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

Dinesh Kumar Khara: Thank you. Thank you very much, Pawan. Good evening, ladies, and gentlemen. Thank you for joining this conference call. I want to start by thanking the support of all our stakeholders during these challenging times. Our employees have worked tirelessly to support our customers. We also of

course appreciate the support of our customers. In financial year 21, the bank has delivered a ROE of almost 10% with a slippage ratio of 1.18%. The net NPA is at 36,810 crores which is 0.5 times of our financial year 21 operating profit. In addition to a PCR of 70.88%, the bank has additional provision of 25,376 crores at the end of financial year 21. I would like to highlight that the bank has delivered almost a 10% ROE in a year when the credit deposit ratio is at a cyclical low and when the incremental credit deposit ratio was only 26% due to various one-off factors.

The Bank has demonstrated its resilience in this challenging period. In the long term the commitment of the management remains to demonstrate that this institution can deliver sustainable ROE of 15%. While challenges remain due to the COVID-19 and its resultant impact, we believe that the Bank can weather the disruptions and come out stronger. We will not give a timeline for our ROE target in the current uncertain environment. However, we remain confident that the Bank has enablers in place to deliver 15% sustainable ROE over the long term. In our view, the recent past, from FY16 to FY20, is only a small period for a bank of our heritage of more than 215 years. We believe with the efforts of our team we have put up that period behind us and it should be history now. We have used that period to further insulate the Bank against visible and invisible risk, further strengthened our processes and put in place long term value drivers like digital banking and stressed assets resolution skill sets.

We remain well capitalized with a CET ratio of 10.02%. Given the dynamics of our business, our competitive position, and our value drivers, we believe our current capital and future internal accruals will be sufficient in helping us in achieving our long-term growth and return targets. Further we remain conscious that the cost of equity is a value driver of our Bank and we intend to minimize the same to maximize the value of our existing long-term shareholders who have supported the Bank in very challenging periods. We believe at our scale and the resultant complexities; we have been successful in balancing the requirement of all the stakeholders.

Concluding my opening remarks, I would like to thank you all for the support to this institution. We remain committed to reward your trust in us with superior sustainable returns over the long term. My team and I are now open to taking your questions. Thank you very much.

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

Mahrukh Adajanya: My first question is on your interest reversal. So, what was the total interest reversed in Q4 including interest-on-interest?

Dinesh Kumar Khara: As far as the interest reversal is concerned, we reversed about 2,127 crores during the quarter as the proforma NPA of previous quarter was stamped as NPA. And also, interest-on-interest component is somewhere around 830 crores.

Mahrukh Adajanya: So, both together around 30 billion?

Dinesh Kumar Khara: Yeah. Actually, if we reckon that component, the number which actually is the NII for the quarter will actually look to be an improvement of 4.18% sequentially as against a decline of 6.08 which apparently is looking like.

Mahrukh Adajanya: Correct, sir. Sir, my other question is on inter-quarter netting. So, in the third quarter, we had recoveries of the second quarter proforma slippages of around 60 billion. So, was there any such inter-quarter netting in the fourth quarter, in the gross slippage number?

Dinesh Kumar Khara: Actually since this was a yearend closure and so there was no question for us to have gone for any such recoveries as on 31st of March.

Mahrukh Adajanya: So, this is the complete gross number without any inter-quarter netting?

Dinesh Kumar Khara: Absolutely.

Mahrukh Adajanya: Sir, because the reason I am asking is because if you try to subtract 9 months aggregate slippage from full year slippage then it is kind of a negative number?

Management: Yes. Mahrukh, actually the aggregate NPAs have come down.

Mahrukh Adajanya: Got it, sir. And my third question is on April collection efficiency. Firstly, what is the total number of infected employees currently in the Bank, if you have it?

Dinesh Kumar Khara: Well, of course the number would not be there with me right now. But nevertheless, we have made some efforts. As far as our own infrastructure is concerned, we have tried to convert them into the quarantine centers. Almost

about 1000 odd such number of beds have been created as the quarantine centers and we are ensuring that our employees stay protected and for that we have also got the vaccination done. Almost about 1,10,000 plus employees have already been vaccinated in the Bank. So, that is what the situation is.

Maruk Adajanya: Sir, April collection efficiency and even any color on May collection efficiency that you could give, because the problem started after the fourth quarter.

Dinesh Kumar Khara: April collection efficiency is around 95-96. So, it looks like to be around the same as of now.

Maruk Adajanya: But March would be what compared to this 95-96 in April?

Dinesh Kumar Khara: I think March was little better than this, 20 basis point more it was in March.

Maruk Adajanya: So, there has been no impact of the second wave on your collection efficiency?

Dinesh Kumar Khara: I mean 20 basis point impact which is there and moreover you know there is some kind of a lag between the event and the actual collection. So, that is something which we will have to wait and watch.

Maruk Adajanya: Sir, my last question is on express loans. We already have a book of 1.9 trillion. It has grown 8% quarter-on-quarter and 36% year-on-year, so it is a very sizeable book. So, can you give some more color in terms of number of accounts over which these loans are split and total percentage of government employees who avail these loans including Defence and all? So, all government and government related employees, percentage and also the number of total accounts?

Dinesh Kumar Khara: It would be majorly government employees only these are salaried accounts only. And also, a very significant portion of that is, I think these are 95% salaried accounts as well as government employees around 50% of that would be the government employees.

Management: And 50% are the corporate employees who have salary accounts.

Management: Mahrukh, earlier also we have clarified. Our focus on express credit would be on the salaried class and particularly those employees who have salary account with us under corporate salary package. And today we have about 1.6 crores customer CSP account. And our penetration, if you take only express credit, it is just about 19%. So, we believe that there is a potential to grow this

book further. But yes, we are mindful that we have reached certain base number now. We may not be having 36% growth rate. Slightly could be moderated to 30%-31%. That is our understanding, at least for the current year.

Maruk Adajanya: So, around 19% of 1.6 crores would be the total number of accounts in express loans?

Management: There could be some outside the corporate salary package also. When I am talking of salary account, there are two types of salary accounts where we have a tie up with the corporate where corporate salary package is offered to them. There are other people who have salary accounts with us, they are based on their salary details and all we offer this express credit. There would be much better potential even beyond the CSP, that is what I want. Even CSPs as a group if you consider my potential target group have just got 19% penetration now.

Management: The number of accounts, Mahrukh, we can reach to you separately.

Management: Yes, we can separately give you how many express credit accounts are there.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampurua from CLSA. Please go ahead.

Adarsh Parasrampurua: Question is on the past overall expenses. I see that as we had mentioned that the provisions on employee will now go down. But there is a salary jump that we have seen from 7,000 to 9,400 is materially higher. So, can you clarify is this the run rate or are there some one-offs in the salary expenses?

Dinesh Kumar Khara: As far as the salary is concerned, one-off of course we have paid the arrears this year. So, that is something which has gone out. So, apart from that, we have got a significant proportion of a retiral benefit which is pension, gratuity and other benefits which is there and if we look at that number on a Y-o-Y basis, we have actually seen growth in, base revision is a major component in this which is 78.50% and overall the growth on a Y-o-Y basis is 12.26%. So, the pension has witnessed a growth of about 2.55% and which is again a function of the interest rate movements and so that is something we have to go by the actuaries advise. And other benefits have gone up by about 5.91%. So, that is how it is really stack up. And, when it comes to the salary per se has

witnessed a growth of about 10.86% and the provision for employees have witnessed a growth of 12.26%. So, that is how it is stacked.

Adarsh Parasrampuria: But sir, I will just stick to, if you break up the staff expenses, again when we try and do that, the core cash component of salary moved up from about 6,900 crores to 9,400 crores, it is a 2,500 crores jump. Some of it was expected as cash payout after the wage revisions have increased. But I believe this was not the increase that was expected. So, I think if I remember correctly in the last quarter, it was indicated that will be a 1000 odd crores quarterly increase in the salary number. So, I am just curious if there is anything more or should 9,500 be the cash salary component going forward?

Management: In Q4FY21 the arrears got paid.

Dinesh Kumar Khara: In the quarter four we have paid the arrears. So, I think it would have some kind of a carry forward in terms of if at all positions would have been short or something, that would have been accounted for. So, on an average the increase in salary expense is expected to be 1,500 crores.

Adarsh Parasrampuria: For a quarter?

Dinesh Kumar Khara: For a quarter. As compared to what it was in the past.

Adarsh Parasrampuria: Got it, sir. And sir, the same question on overheads, there is a meaningful increase in overheads in the fourth quarter. We usually had a very tight leash over the last few years on the overhead number. In this quarter they have kind of jumped, so if you can just explain that as well?

Dinesh Kumar Khara: In fact, as far as overheads are concerned, the major jump is coming from the DICGC premium which has gone up because our deposits have gone up and the DICGC premium rates have also gone up. So, that is the reason why there is a growth in the insurance component which has gone up from 3,213 crores in the previous year to 4,348 crores. The other important area where it has gone up is business acquisition and development which was essentially related to our BC channel. It used to be 2,548 crores in the financial year 2020 and in the year 21 it has gone up to 4,107. So, which means that about 61% growth is seen there. So, that is what is explained here.

Adarsh Parasrampuria: And just to understand this better, the full year impact of higher this premium in deposit insurance has come in the fourth quarter only? All of it gets paid in this quarter only.

Dinesh Kumar Khara: It would be as and when; the charges went up this year. But at what point of the year...

Management: DICGC payment paid half yearly. So, you will see the impact in September and March.

Adarsh Parasrampuria: Got it. Sir, the last thing, I have already checked, and which has been a very big positive surprise has been the, how retail has held up for the bank. We made a point over the last few quarters as through COVID that a good part of our book is salaried to government employees, but in spite of that the quality of the book has been 0.4% slippage in a pandemic year is extremely strong number. Just wanted to understand would you consider this a sustainable trend or how should one look at it because you are already very good on retail asset quality and this year in a pandemic it will be even better. So, if you can just throw some light on that?

Dinesh Kumar Khara: Of course, when it comes to slippages, partly it is a function of the underwriting and second it is also a function of the effort to recover. So, I think when it comes to underwriting, we are not likely to dilute it. So, that is something which will give us the edge and going forward we will certainly maintain our efforts for the recovery also, as we have been doing in the past. So, I think going by these two major components we hope that we should be in a position to maintain this quality going forward also.

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

Nitin Aggarwal: Sir, few questions. Firstly, again on the Opex, when you aim for 15% ROE, what levels of cost -to-income or cost-to-asset ratio are you looking at in the medium term?

Dinesh Kumar Khara: Well, I have been maintaining, there are certain cost rigidities which we have in our system. We will have to live with those rigidities. But nevertheless, income is something which is a major focus for us, and we have already started working on it. And hopefully going forward maybe in 6-8 months' time you will probably get to see some kind of an improvement in the income lever which

will help us in reducing our cost to income ratio. Ideally speaking we would like to bring it below 50 and would like to keep it at below 50 levels.

Nitin Aggarwal: And secondly sir, on the cost of deposits. While cost of deposits has been coming off every quarter, but this time the decline is little more moderated. But our cost of deposit though still remains higher than some of the other large private banks. So, what is the reason behind this and what sort of repricing benefits are we expecting here over the next couple of quarters?

Dinesh Kumar Khara: See, as far as cost of deposit is concerned, you will have to probably acknowledge the fact that when it comes to India, deposit is a major source for many of the retirees also when it comes to their income flows and it is always a function of the inflation also. So, I think for all purposes we have come to a situation where to my mind as far as deposit rates are concerned they have already bottomed out. Perhaps it may not go down anymore. But when it comes to franchise value, we have to keep that in mind, and we have to also keep in mind the overall a very large community of that depositors were actually retirees. So, with that in mind there are certain considerations which you have to keep in mind. So, we will try to keep the deposit rates at this level for some time to come. We have already, when it comes to our term deposits rates, we have already brought it down significantly already. So, I think need to retain at that level and see that how long we can stay on that level.

Nitin Aggarwal: And sir, lastly like, our asset quality numbers have been vastly different from our closest PSU players. While this has been so for very long, just wanted to understand is this really a function of the customer profile underwriting or the way we do our monitoring in collections which ensures thus like the borrowers pays up in time? I am just asking because the gap is just too wide between us and the next best PSUs.

Management: In terms of asset quality you mean, the retail asset quality?

Nitin Aggarwal: SMA number.

Dinesh Kumar Khara: SMA numbers involve a very close follow up and it involves a follow up at different levels. So, we have the follow up teams which are there in each of the circles when it comes to retail. In fact in the large corporate book we do not envisage much of a challenge, nevertheless in the retail particularly in Agri and SME we have a situation where we ensure that people in the circles are in a position to follow up and ensure the upgradations of SMA-2s.

Nitin Aggarwal: Sir, any reason that comes to your mind why the difference is so big between us and the next PSU players?

Dinesh Kumar Khara: See, we will not be in a position to comment about other PSU peers, but nevertheless we are maintaining, making all possible efforts to see that we contain these numbers and bring it down at the earliest. So, which essentially means that a close follow up is something which is very much integral part.

Moderator: Thank you. The next question is from the line of Suresh Ganpati from Macquarie. Please go ahead.

Suresh Ganpati: Sir, two questions. One is RBI recently fined SBI for payment of commissions to employees. Can you just highlight what exactly was the issue? That is one, first question. And the second is on credit growth, I mean how much of, sir, do you think this is a demand versus supply issue. In that sense that banks like you becoming bit more conservative and therefore not willingly disbursing credit and also is it a function of the fact that demand is very weak in the economy and therefore the credit growth is so weak? Thank you, sir.

Dinesh Kumar Khara: The first question relating to RBI fine to bank for giving commissions to employees. I think that probably needs to be clarified a bit. We are the corporate agents distributing products of our JV companies. And in lieu of that we get corporate commissions. And out of the corporate commission we have got a system in place where we are incentivizing our employees and that incentivization is not only for marketing of JV products only. That actually is as very comprehensive matrix which we have which covers the Bank's own product recovery efforts and also third-party sales which is actually our JV product. So, based on the evaluation through that mechanism this kind of an incentivization use to happen. Nevertheless, since the regulator has fined us, we pleaded before the regulator, but nevertheless they decided, we have gone ahead and paid for that. But as far as we are concerned, we have done it as per what the overall regulation and the boundary conditions were at the point of time. But nevertheless, they have fined we have stopped doing any such kind of an incentivization to our employees.

Suresh Ganpati: Sir, just to interrupt. Other banks also do this, right? They give incentives for cross selling and third-party distribution.

Dinesh Kumar Khara: I will not be in a position to comment on that because this is a view taken by the regulator for us and I can only convey the viewpoint and the standpoint

taken by us in this matter. So, we respect the regulators decision and accordingly we have started working in this. Second question was relating to credit growth. See, the credit growth, I would like to mention here the corporate credit growth almost about, we had utilized lines stood at 70% in the working capital and also when it comes to the term loan which we had sanctioned almost 28% of the term loans which were not disbursed. So, when it comes to utilization of lines, to my mind it is a function of the demand and as and when the demand picks up, the corporate also start availing these limits. That is one factor. The other very important factor is, as such large corporate are concerned, they have got options available to raise money from the debt capital market and the equity capital market also. And since these markets had flushed with funds, the corporates could find it easier to raise money from these auctions. So, if at all we capture the evolution of our bond book, I would say that the corporate credit growth is almost around 6%.

Moderator: Thank you. The next question is from the line of Aakriti Kakkar from Goldman Sachs. Please go ahead.

Aakriti Kakkar: Sir, first on the potential restructuring of loans which RBI has announced. What do you think, I mean, what could be the potential pool of restructuring that we need to do particularly in the MSME portfolio?

Dinesh Kumar Khara: I think we will have to wait and watch for some more time to come. Because what our last year's experiences when it comes to restructuring book we had a total restructuring applications worth about 17,852 crores. So, how will the corporates or maybe the SMEs will really respond we will have to wait and watch. But nevertheless, we are in readiness to offer them the support if at all they needed. And we have already put in place the structure, the policy is already approved and also put in place the structure. We will be reaching out to all those who are eligible through various SMSs and emails etc. and based on their response we will be in a position to take stock of the situation. So, we are about to begin that particular stage. So, it is too early for us to visualize what is the likely book which will go through a restructuring.

Aakriti Kakkar: But sir if we look at last years' experience and this number of 17,500-18,000 odd crores, how much of this would be on account of MSMEs and I guess we had also done it last year also something because this SME restructuring which has been there for some time?

Dinesh Kumar Khara: Last year, out of this 17,852 about 2,000 odd crores was in SME. But the last year and this year situation seems to be little different, but I think we will have to wait and watch because normally what happens is that SMEs are also very mindful of the fact that if at all they avail the restructuring it will have an impact on the ability to raise resources at cheaper rates. And so, I think we will have to wait and watch and see that how situations are and maybe then only we will be in a position to give some kind of a color on that.

Aakriti Kakkar: Sir, this SMA-1 and 2 data that we gave which is for loans more than 5 crores, would you also be able to share some sort of a DPD breakdown for the retail and MSME portfolio less than 5 crores?

Dinesh Kumar Khara: I think below that would be, the collection efficiency should be a good indicator. I do not think, we will not be in a position to share below that, below 5 crores. Collection efficiency being around 95%-96% could be a derivative number which can give some kind of a color on the book.

Management: And also, just to add to what Mr. Khara is saying, our collection efficiency is based on the fact that we consider 7 day overdue, through 89 DPD. So, the whole gamut of DPD is covered in this one single number what we are giving and also it covers up across the business segment. So, I think that is a better indicator as we said instead of actually getting into the DPD and we have been consistently giving this number every quarter.

Aakriti Kakkar: Just to understand. So, you are saying this is 95%-96% is based on 89 day DPD.

Management: No, 7 days to 89 days.

Aakriti Kakkar: And this would also include agriculture, I guess?

Management: Other than agri.

Dinesh Kumar Khara: Agri is a seasonal repayment. Whenever there is a harvest then only there is a repayment.

Aakriti Kakkar: Sir, one more question on the NARC which has been operationalized as per the media articles. Can you share with us what would be the broad contours how much of portfolio you were looking to transfer? I can see it already carrying provision. So, will we need to take anymore cash recoveries in the back of this, any color you can share on that?

Dinesh Kumar Khara: We are in the process of finalizing the account. But as far as any more provisions to be taken I do not expect. That is one. But yes, of course, we will certainly be transferring the accounts and we are quite convinced with the concept and we are quite hopeful that it will be very positive development when it comes to resolution of the stress asset in the economy.

Aakriti Kakkar: Sir, this is with regards to the investments in technology. So, based on the NPCI data, our technical declines seem to be on the higher side compared to the peer banks. So, how would you view that, and would it mean that we need to up our investments significantly in the technology side, including hardware and data centers etc.?

Dinesh Kumar Khara: It is an ongoing process, but that we are quite confident of the fact that we have to keep on investing into technology and we have to make a very robust database and also very robust systems and platforms. That is something which we are quite committed and maybe I will ask Mr. Ashwini Tewari to comment, who looks after technology and...

Ashwini Tewari: Just to supplement what the Chairman said actually he is right that the investment is a continuous thing, and we are mindful of the fact that the digital transaction especially UPI has really been setting all records in terms of numbers. So, therefore, there was a lag of investment in the infrastructure which has now been done and if you notice the latest figures which have come out in February and March from RBI, there our technical declines have come down significantly from what they were in November-December. So, improvement has already taken place and we are hopeful that with this continuous investment and monitoring we will be equivalent or better than the peers.

Aakriti Kakkar: Sir, the reason why I asked this question is because one of the large private sector bank, of course, all of us know, they were banned to onboard new credit card customers plus launch any more digital businesses. So, given that our number is on the higher side, do you think this is something that can perhaps you know impact us also and in that regards what measures can we take?

Dinesh Kumar Khara: I get your point. Actually if you talk about our core channels which is Yono and the Internet Banking, so we had some issues in November-December where we had problems, but I can give you the data of May which is not in public domain yet in the sense that we had zero down time in internet banking till 20th of May and we had about some 13 minutes in Yono unplanned downtime. So,

therefore, lot of improvement has already happened in these channels. In UPI also the technical declines have come down to below 1% for the latest available data. So, we have seen improvement. Of course, we have to see whether this sustains. So, we are continuously working on this and hopefully we will not have an occasion where...

Management: Our effort is to ensure that it remains sustainable and whatever we have done in the recent past for strengthening these delivery platforms, we continue to be very focused on ensuring a delivery which is without any disruption.

Moderator: Thank you. The next question is from the line of Mahesh MB from Kotak Securities. Please go ahead.

Mahesh MB: Just two questions from my side. What would be the, you said if you look at the recoveries, we had about 17,000 crores of recoveries from the NPL line and about 10,000 crores of recovery in the noninterest income line. If you could just give us some color outside of the one NBFC which is sitting there, what are you seeing in terms of your recovery from the NPL/return of pool?

Dinesh Kumar Khara: I do not think we would have much of chunky accounts left out now. But we will be actually resorting to compromise settlements, etc. But maybe I will ask Swaminathan, if at all he can give some color on that.

Swaminathan J.: Just to supplement to what chairman said, as far as recovery is concerned more or less, the numbers would remain in line with what we had achieved last time. But only difference will be that in the last couple of years, there were certain chunky accounts which got resolved. Today, the recoveries for this years and going forward will have to happen across many accounts. So, we are working on those granular details. But also, it will depend on how fast the second wave settles down, so that our recovery efforts can get intensified. So, at this point in time, we are not giving a specific number for recovery that we are budgeting for this year. But maybe over the next four to six weeks we will come up, maybe as part of the Q1 call, we may be able to give you guidance in this matter. Thank you.

Mahesh MB: Sir, just one what classification here. This commodity rally that you are seeing out there has this resulted in a better interest for those stressed assets. Or do you think it is an over expectation given the fact that these assets may have significantly deteriorated on the top?

Swaminathan J.: Absolutely, in fact, we have seen renewed interest saddled with this cycle getting better. We in fact got better realizations in a few accounts. And we are hopeful that this upside cycle will be beneficial to us in terms of improving the recovery percentage of these stressed accounts. And there are interest coming in the Brownfield assets, we are working on this. And would like to make full use of this upside that is now visible.

Mahesh MB: And my second question is on the net NPAs today your corporate book is carrying approximately 90% coverage. Could you also tell us what would be that in terms of absolute the net NPAs?

Swaminathan J.: Net NPA and corporate book is almost down, it is Rs. 8,000 odd crores. And the total net NPA about Rs. (+36,000) crore, the corporate book is about Rs. (+8,000) crores.

Mahesh MB: So, this year you would expect most of the provisions only for your retail and MSME / agri book. Is that a fair assumption?

Swaminathan J.: MSME / agri would major, retail is also not much.

Dinesh Kumar Khara: Yeah. Retail is also holding on well. It will be MSME and agri will be the space to watch out and that is a space we are also very mindful in terms of keeping track.

Mahesh MB: Perfect. And in that context, can you give now guidance to provisions for next year or you think it is going be challenging.

Dinesh Kumar Khara: Too early at this point in time. We need to size up maybe another four weeks to six weeks' time, it will take for us to estimate the impact.

Dinesh Kumar Khara: We do not want to give any estimation or guidance which we rather believe in 100% as promise is concerned I would like to deliver better than the promise.

Moderator: Thank you. The next question is from the line of Aditya Singhania from ENAM Holdings. Please go ahead.

Aditya Singhania: Sir, I actually wanted to clarify on the provisioning question that Mahesh just asked. I understood from your TV interview that you guys did that credit cost could be similar in FY 2022 to FY 2021. And in that context, your credit cost mentioned in the presentation is 1.1%, which is the provision number.

Dinesh Kumar Khara: No, I mentioned that it will be within 2%. This has been my guidance even in the third quarter. It has been made consistent guidance always. So, I think, our effort would be to keep it at 1.12%. But nevertheless, to keep it below 2%. Ideally speaking, we would like to keep it at 1.12% where it is this quarter. But in any case, less than 2% by all means.

Aditya Singhania: So, sir, just in that context if I could ask, you are already sitting at 70% provision coverage ratio and an additional buffer due to COVID with the with the strong corporate net NPA, the low corporate net NPA as well. So, where would you expect such a large provision number to come from if at all?

Dinesh Kumar Khara: As just mentioned that SME and agri are the areas to watch and that is something which we are ensuring that the quality should to hold up. So, the very important aspect is we are a little unsure about the current COVID wave, how will it really pan out? And what all impact will it leave? It may so happen that it may not leave much of impact. But nevertheless, I think we should rather be better prepared for any kind of eventuality.

Aditya Singhania: Right, sir. Thanks. And just one more clarification, if you could talk about any plans for listing of your subsidiaries the general insurance and asset management.

Dinesh Kumar Khara: We do have plans, but much of it will depend upon how the capital market continues to evolve and we will be very mindful and at the appropriate time we will be coming to market.

Moderator: Thank you. The next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Sir, (a), if you can share the ECLGS loan that the bank has which the bank has disbursed. But more importantly, if you can share the outstanding loan which is linked to this ECLGS disbursement book, in a way if you are keeping track of the principal as well, as in how that moved. So, (a), the ECLGS amount and (b), the principal which is linked with the ECLGS disbursement?

Management: Rs. 25,000 crore is the ECLGS book which you have created last year.

Management: Jai, if you are talking in terms of the overall exposure, which is linked to the GECL we do not numbers as of now. But you must also remember that GECL repayment does not begin. So, that will be from June onwards. So, how the

GECL linked principal outstanding will behave probably we will come to know from June onwards.

Management: GECL is 20% of the exposure so if it is Rs. 25,000 crores you can do a reverse work, but that is not a concern at this point in time, that will have to be looked at later.

Jai Mundhra: Right. So, broadly that number should be 5x plus the disbursed amount, right? Assuming there is no significant repayment as yet?

Management: Yeah, absolutely.

Management: The repayment has not started. And some of them might avail the lesser...

Management: No, it was maximum of 20%. Some people could have drawn only 10% - 15%. But if you want a ballpark figure, I think you have maybe around 20% that will five times of it.

Jai Mundhra: Sure, sir. And the second question is on staff costs, I think this question was asked earlier. But just to just to be very sure, I think we had also seen that PSU banks, it looks like there has been some performance based incentive that has been given by at least few banks. Is that the reason why the salary cash component has risen from Rs? 7,000 odd crores to Rs. 9,400 crores or it is just the earlier as mentioned earlier.

Management: So, this was because if at all that has to be paid that will be paid based on this year's results and we would have only made a provision for it, it would not have been cashed outgo. So, that would not have been booked like that. But nevertheless, as was mentioned that Rs. 1,500 crores are the quarterly expense which is expected.

Jai Mundhra: Right, sir. And the last thing on SMA book again, can the retail below Rs. 5 crores SMA because other bank's data suggest that the overall SMA including Rs. 5 crores number is running into double-digit number. I mean, for SBI you had clarified that you are not looking at the below Rs. 5 crores number. But somehow any perspective, sir?

Management: Perspective on what below Rs. 5 crores?

- Jai Mundhra:** Yeah. I mean, broadly as you said that one minus collection efficiency is a derivative. But just to just to be confirming that it cannot be a double-digit number right for SBI?
- Management:** We can only repeat what was said already. Retail asset quality or DPD is depicted in the collection efficiency, Rs. 5 crores and above as per the current data.
- Management:** You want to confirm, we can confirm that it is not double-digit.
- Moderator:** Thank you. The next question is from the line of Manish Shukla from Citigroup. Please go ahead.
- Manish Shukla:** The loan processing charges for the full year are up 20% when loan growth is 5%, so why that disconnect?
- Swaminathan J.:** The loan processing fee has gone up by 20%, slight about 28% while the loan growth is 5%.
- Dinesh Kumar Khara:** See, the point is that loan growth is actual avilment, loan processing fee is the limit sanctioned which I mentioned also that there is avilment of just about 70% of the limits have been utilized. And similarly when it comes to term loans also almost about 28% is unutilized portion. So, that is a reason that why the loan growth is appearing to be muted as compared to the loan processing charges.
- Swaminathan J.:** Yeah. Converting also if I can add is that loan processing charges also collected on the renewal. That means without any new facility being given, even if the annual renewal is there, that also the loan processing charges will be there.
- Manish Shukla:** But sir, in case of an annual renewal, the fees would have been there in your base last year also, right? Unless you are charging more on the same loan?
- Swaminathan J.:** This year we have recovered but it cannot be as much as what we recover at the first.... okay, Y-o-Y in a way yes, I think what Chairman has said is right.
- Dinesh Kumar Khara:** That is where it is.
- Swaminathan J.:** Typically in term loans it is paid up front, while the avilment will be over a period of time. These two numbers cannot be necessarily related to each other.

Dinesh Kumar Khara: These would rather always be independent. Growth is the actual gross and that is the limitation.

Manish Shukla: And going to overheads what is the exact nature of this business acquisition and development expenses because that has gone up 60% for the full year, the quarter it is up 2.5 times Y-o-Y and Q-o-Q?

Dinesh Kumar Khara: Yeah. Because we have significantly ramped-up our BC network, so that is a reason why this has gone up significantly.

Manish Shukla: Is this for origination for collection or where does on the business side...

Dinesh Kumar Khara: BCs are for carrying out operations and since we have got a huge network of BCs, which you have added in last one year. And also now we started using them for collection purposes also. But that has been started only very recently.

Swaminathan J.: And this also includes the home loan sourcing...

Manish Shukla: Of course, home loan sourcing.

Swaminathan J.: So, with the margin fall we are witnessing in home loan feet on street has been increased.

Manish Shukla: Okay. The other question sir is on the loan book. Now, your retail loan book as of March 2021 is larger than corporate. Obviously, retail has grown at a very fast pace over the past few years compared to corporate. So, how do you see the incremental shift happening for you between retail and corporate over the next few years?

Dinesh Kumar Khara: If at all the economy will start growing at about (+10%), 9% is something which has been talked about by various economists and we have a chance to grow at about 10%. The growth will come from SME and corporate.

Manish Shukla: Okay. But in the absence of that retail will still continue to grow faster.

Dinesh Kumar Khara: Retail will continue to grow because there is a scope. There is opportunity which is available. And we would like to tap all that opportunity.

Manish Shukla: Okay. Last question, sir, in your opening remarks you talked about capital requirement over medium term. But where things stand right now for the next year or so, how do you see your capital requirements?

Dinesh Kumar Khara: If at all, it is a 10% of the asset growth, perhaps we can live with the current situation. But we will probably assess the situation once the COVID 2 is behind us and maybe that will be a point of time when you will have a better visibility of growth and that will be a point of time and we will decide about the capital.

Moderator: Thank you. The next question is from the line of Saurabh from JP Morgan. Please go ahead.

Saurabh: Sir, three questions. One is why is the current account number so high this quarter both quarter-on-quarter and Y-o-Y? The second is on this provisioning slide, I mean up on the standard asset provision there is this Rs. 4,900 crores of other provisions, the standard assets, what does it relate to? And generally, do you have a policy on how will you draw down on your standard asset provisions, can we expect a drawdown in fiscal 2022 against the SME slippages? And thirdly, can you just quantify the technology spends in the Bank both OPEX and CAPEX? Thank you.

Dinesh Kumar Khara: Sure. First I will take your questions relating to this current account. Current account we have opened, there was a sharper focus on opening up new current accounts in the bank and that is something which has paid off in a way and we have seen the kind of growth which you have seen. Can you please repeat your second question?

Saurabh: Sir, this was on the Rs. 4,900 crores of the standard assets provision.

Dinesh Kumar Khara: Yes, standard asserts what within your standard a set provision, we maintain 0.25% of our standardized asset as a provision. So, that is something which is there. And to use that if at all those standard asset turns into impaired assert then only those provisions are used, otherwise they remain as it is.

Saurabh: No, sir. My question was on Rs. 6,300 crores and the Rs. 4,900 crores, the additional provisions you have made over and above this?

Dinesh Kumar Khara: Rs. 4,900 crores and Rs. 6,300, okay, fine that is additional COVID-19 provision of Rs. 6,300 and which we have kept, that is essentially to meet the contingencies if at all it arises. Now, post COVID 2 that is one. And Rs. 4,900 crores again they are the other provision...

Swaminathan J.: It is a fixed kind of provision plus the restructured provision to be kept on the COVID restructuring that is implemented so far.

- Saurabh:** Okay. So, stressed standard assets plus the restructures.
- Swaminathan J.:** Yeah, standard assets as per the regulatory requirement various rates are maintained. We also maintain some additional provision in respect of structures identified as stressed. And then also now the new addition during the quarter is the restricted assets under the COVID package.
- Saurabh:** Okay. And sir, on the technology spend?
- Dinesh Kumar Khara:** Technology spend, we will give you figure. Give us few minutes, we will just get the figures.
- Saurabh:** Okay, sir. And just on this current account one, was there a benefit because of this RBI circular in October?
- Dinesh Kumar Khara:** No, not really. So, it was a change in the effort which was initiated for some time and we have strengthened our CMP also cash management product facilities which we are offering. So, current account is a function of various add-ons. That is something which you have offered.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.
- Ashok Ajmera:** Please accept my compliments on the fantastic number of results. In fact you have brought the whole sentiment in the entire banking stocks and the financial stocks up today, which is kind of result with the NIM growing 3.26% CAR is 13.74% handsome profits, good ROA 0.48%. so my compliments to the entire team. Having said that, sir, I have got a couple of information points and some data points. Sir, in our note number 13, Rs. 830 crores are the interest reversal as per the Honorable Supreme Court's order. So, this entire Rs. 830 crores have been in this quarter only naturally because the order came in March 2021. So, it means the interest which was charged up to the last quarter that is December quarter also everything has been revised now in this quarter, is not it?
- Dinesh Kumar Khara:** Yeah, that is right. Apart from that there is unrealized interest also which was about Rs. 2,100 crores, which was also reversed.
- Ashok Ajmera:** Yeah. So, that is again in fact a plus point as far as this quarter otherwise the results would have been.

Dinesh Kumar Khara: Yeah, I will give you the number, interest reversal was Rs. 2,127 crores during the quarter apart from Rs. 830 crores, which was interest-on-interest component. The other factor is that then the NII for the quarter is improved by 4.18% sequentially instead of a decline of 6.08%.

Ashok Ajmera: All right, sir. Sir, this RBI has recently announced one COVID loan scheme of Rs. 50,000 crores for taking the repo report and then getting that benefit of 0.40, 40 basis point if you again, put the money back to the extent of the loan given. So, whether the bank has come out with its policy for this COVID loan for the medical purposes? And if yes, whether it is implemented and how much has already been sanctioned under this scheme? Or what the bank plans to do for the remaining period?

Dinesh Kumar Khara: Ajmera, sir, first of all, thank you very much for your compliments. And now the other pieces relating to this health infrastructure related COVID book, which is expected to be created and we have internally we have thought of that we can create a book of somewhere around Rs. 10,000 odd crores. We already have what some exposure to pharma sector, which is to this to this extent already. But we will be very aggressively supporting the hospitals and nursing homes or augmenting their oxygen, oxygen facilities. and also in the pharma sector also, if at all there would be demands, we would more than happy to support their initiative.

Ashok Ajmera: Sir, would you be considering the NBFC's also for the onward lending in this particular area?

Dinesh Kumar Khara: Yeah. We are quite open because our RBI schemes permit us to do that also. So, we will be quite keen to support any such initiative. And what you mentioned was in terms of we may not avail the facility under repo. But we will be happy to avail the reverse repo facility and also, the most important factor for us is the priority sector component. The priority sector is something which we are very happy to look at it.

Ashok Ajmera: Sir, now coming to this credit growth for 10%. Sir the corporate book as such is not growing much, I mean overall I think it was just 6%. In the personal loan, the slippages have come down from Rs. 4,507 crores to Rs. 3,287 crores in this year as compared to 2020. But at the same time, the personal loan books have already grown, I mean, all the retail personnel, they have already growing, and every bank is chasing. So, where do you see basically the loan

growth coming in the 2021 - 2022? And how are you so hopeful of growing your book?

Dinesh Kumar Khara: I am hoping that SME would be a good opportunity apart from that, even in the corporate sector also. See corporates' all these years set an option to go to the debt capital and the equity capital market. Because the markets are flushed with liquidity for the reason that the West was not looking as good. Now having in fact that in the West practically all the economies are vaccinated themselves well. So, I expect that there will be huge growth opportunities there. So, perhaps some money which used to flow in here, it may not be available. So, that kind of a liquidity may not be available in the system and corporate' might come back to the banking system for drawing their funds, so that is how I look at.

Moderator: Thank you. The next question is from the line of Nilanjan Karfa from Nomura. Please go ahead.

Nilanjan Karfa: Probably repeat of few questions. So, on the AUCA this quarter, can you confirm that we basically took in the Bhushan recovery is it?

Dinesh Kumar Khara: Bhushan recovery was Rs. 4,032 crores, four-zero-three-two.

Nilanjan Karfa: That is accounted in this quarter, right?

Dinesh Kumar Khara: Yes.

Swaminathan J.: Yes.

Nilanjan Karfa: Okay, good. And this is for clarification, so in the note 17 that table is basically what we have implemented, right? And what is happening under application is that Rs. 17,000 odd crores. So, that is the broad data.

Swaminathan J.: Yes it is implemented.

Nilanjan Karfa: And related sir, I mean, you have already talked about the wave two impact that you do not want to hazard a guess, I guess I can understand it. But every new slope does seem to suggest that tier III onward, the impact has been particularly severe. Any initial feelers you have in terms of, while it is such a humanitarian crisis. But as initial feelers about can things, specifically that agri and agri related retail can get really bad? And in that context, I mean, we had such a great performance. Why are we just carrying, about 60 basis point

additional other than standard provision, that is a 60 basis point additional provision, should we not have taken maybe another 50 odd basis points? I mean, it would have given a lot of confidence around the balance sheet, sir.

Dinesh Kumar Khara: See, the point is that the wave two is a bit of uncertainty, which we are living through. And with what is being talked about is the wave three also. So, I would say that we have moved up on the learning curve, but nevertheless, the spirit of wave two is something which has actually hampered the life for many. So, we are actually sort of going through a very, very uncertain phase right now. So, because if at all we got such a lot of uncertainty, the better way out is to keep as much cushion as possible to really tide over such uncertainty.

I think as I mentioned that maybe by end of June, we will have a much better visibility. So, that is a point of time when we can probably take a call. And in any case, since as a philosophy, we believe in strengthening our balance sheet, we do not want to compromise on that principle.

Nilanjan Karfa: Sure. So, sir, broad feedback is that June will probably take that call.

Dinesh Kumar Khara: Yeah, in June we will take a call.

Nilanjan Karfa: Okay. And a quick data point, sir, out of that Rs. 25,000 crore ECLGS, roughly how much was the ECLGS package II?

Dinesh Kumar Khara: ECLGS package II, just give me a minute we will revert back. We will just let you know. But in the meanwhile there was one gentleman who had asked me about questions relating to IT, CAPEX and OPEX, IT CAPEX spend is about Rs. 1,300 crores, OPEX is about Rs. 5,800 crores.

Moderator: Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

Mona Khetan: I have two questions. Firstly, in the corporate segment, your nine months pro forma plus reported slippage were around Rs. 3,000 crores and that has now increased to about Rs. 7,700 crores in the current quarter. So, is it fair to say that a large part of slippage during this quarter came from the corporate segments? And if so, could you just throw some light on whether it is related to potential restructuring or in terms of the size of those accounts in the sector?

Dinesh Kumar Khara: Can you please repeat your question?

Mona Khetan: Yeah. So, when you look at your nine pro forma slippages for corporate segments, pro forma plus reported slippage, they were about Rs. 3,000 crores in the last quarter and that now increased for the corporate segment to about Rs. 7,700 crores. So, an addition about Rs. 4,700 crores in the corporate segment this quarter versus total slippage is for the quarter at about Rs. 5,600 or thereabouts. So, essentially a large part of slippages during the quarter have come from the corporate segments. So, just some color there.

Dinesh Kumar Khara: Which slide are you referring to?

Management: She is referring to the nine-month slippage numbers.

Dinesh Kumar Khara: Okay, nine-month slippage. Okay. Quarter four is Rs. 6,558 crores, so about Rs. 3,000 crores. Do we have some color? I think we will have to look into that. And as of now we will have to look into, what are the accounts which have contributed to this. Normally we do not give specific accounts. But nevertheless, whatever was there, we have already taken care of. I do not have the ready information on this.

Mona Khetan: Okay. And secondly, on the restructured book, so we have a restructured book of about Rs. 18,000 crores including potential restructuring, what is the kind of provisions that we hold against this?

Dinesh Kumar Khara: For a restructured book, our requirement would be, we would be holding 15%.

Swaminathan J.: Already restructuring implemented, note number 17 carries the restructured book as well as the provision. Rs. 1,126 crores against Rs. 6,525 crores. Note no 17 not slide no 17. And then for the remaining application for which the process is on, we have made a 10% provision upfront, so they will become specific once the restructuring package is implemented. I hope it is clear to you.

Mona Khetan: Yeah, just one on the restructuring, again. So, you have given a potential plus restructured total number of about Rs. 18,000 crores. So, this includes the non-COVID related MSME restructuring as well?

Dinesh Kumar Khara: This Rs. 17,852 contains all types of restructuring as the segment breakup wise also available in slide number 18. So, you will see SME Rs. 2,118 crores there. Out of the Rs. 17,852 crores, Rs. 6,125 crores are already implemented for which the provision is already created, that is there in the note number 17.

For the remaining Rs. 11,000 odd which is under process, your 10% provision is already created that will become specific once the restructuring is implemented.

Moderator: Thank you. We take the last question from the line of Saumya Agarwal from Smart Karma. Please go ahead.

Swaminathan J.: Yeah, before Saumya ask, I think there was some question on the ECLGS. The ECLGS I we had disbursed Rs. 23,000 crores; ECLGS II we have disbursed Rs. 2,200 crores. Yeah, now Saumya, you can go ahead.

Saumya Agarwal: Just want to understand some trends here. Since SBI is the market leader in the banking space. It has been widely conquered that agricultural has been the largely resilient segment amid the pandemic. But if I look the fresh slippages for FY 2021, almost Rs. 9,500 crores or 33% is coming from the agri book, even in terms of gross NPA, it is the most stressed segments at around 15% NPAs. So, what explains this dichotomy? If you could share some light on this?

Dinesh Kumar Khara: See the point is that agri, traditionally we have seen how this particular book is behaving. But when it comes to SME, yes, of course, we have seen a very different trend. But maybe, I will request Mr. Setty to have better color on this.

C. S. Setty: Yeah. Last quarter I also I think many of the analyst had asked if the rural economy is doing very well how is that your book is. If you see, much of the slippages have happened in the first two quarters in the current trends here. We have also explained that the agriculture slippage happened for non-renewal of the crop loan. So, when you do not renew the crop loan, it will be classified as NPA. First two quarters we were not able to do. The slippages have been higher. Subsequent two quarters, not only that lockdowns have lifted, but our people were also able to approach the villager, farmers and the real percentage has gone up. So, aggregate slippages in the later two quarters has been much lower than the first two quarters. Again, it all depends on the composition of our agriculture portfolio out of Rs. 2 lakh crores, we have got Rs. 1 lakh crores crop loan and Rs. 70,000 crores gold loans which is a safer portfolio for us. In these crop loan, it is season and as well as you know debt relief measures announced by the state government, which will impact the renewal percentage. The moment that debt relief scheme like for example, Maharashtra we have issued almost Rs. 5,000 crores of debt relief where the NPA levels have dramatically come down during the current financial year. So, it is all one year to another year, the agriculture portfolio behaves differently.

The last year has been that in the first two quarters, we had a tough time in terms of crop loan renewal, which had contributed to slippages. We were able to pull back some, we are still working on that and I think the improvement in the agriculture portfolio is visible in the last two quarters. Hopefully, that will continue only as Chairman initially pointed out, because of the smaller centers and villagers are also getting impacted by COVID there will be some stress on the agriculture portfolio going forward.

Dinesh Kumar Khara: Also, I would like to add the very structure of agriculture book is about Rs. 20,000 crores would be to SHG and normally they have got a very good repayment behavior. So, actually Rs. 20,000 crores plus Rs. 60,000 crores which is gold loan, so there is not much of concern. The major concern is out of this Rs. 1 lakh crores and there also if at all we succeed in doing the reviews and then, the quality is not as much of a challenge. But yes, of course COVID has restricted mobility that is the fact which we need to keep in mind. And also, this happens soon after the harvest when people have to go for sowing, the review renewal happens around the same time. So, actually it is a seasonality and if at all at the material point of time, if at all, there are any restrictions on mobility that causes problem in the agri book.

Ashwani Bhatia: Regarding the earlier question on slippage is in the corporate book of Rs. 6,558 crores there was one account of Rs. 3,650 crores that was purely on technical reasons, so that we will get into standard within this financial year itself. There was another chunky account also, there also, I think we will be able to recover. So, out of this Rs. 6,500 crores; Rs. 4,500 crores will move into standard within this year itself.

Moderator: Thank you. Due to time constraint, that was the last question.

Management: Okay.

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