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STATE BANK OF INDIA

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CC/S&B/SK/2021/477 **08.11.2021**

Madam / Dear Sir,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcript of Conference Call

Pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015 we attach herewith the transcript of Q2FY22 post results conference call.

Please take the above information on record and arrange for dissemination.

Yours faithfully,

(Sham K.)
Asst. General Manager (Compliance & Company Secretary)

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मादाम कामा रोड,
मुंबई – ४०००२१, भारत

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Shares & Bonds Dept,
Corporate Centre,
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Q2FY22

EARNINGS CONFERENCE CALL

Transcript

03.11.2021

MANAGEMENT:

MR. DINESH KUMAR KHARA
CHAIRMAN, STATE BANK OF INDIA

MR. C.S. SETTY
MANAGING DIRECTOR (RETAIL & DIGITAL BANKING)

MR. ASHWANI BHATIA
MANAGING DIRECTOR (CORPORATE BANKING AND GLOBAL MARKETS)

MR. SWAMINATHAN J
MANAGING DIRECTOR (RISK, COMPLIANCE AND STRESSED ASSET RESOLUTION GROUP)

MR. ASHWINI KUMAR TEWARI
MANAGING DIRECTOR (INTERNATIONAL BANKING, TECHNOLOGY AND SUBSIDIARIES)

MR. ALOK KUMAR CHOUDHARY
DEPUTY MANAGING DIRECTOR (FINANCE)

MRS. S. UMA SHANMUKHI
CHIEF GENERAL MANAGER (FINANCIAL CONTROL)

MR. CHARANJIT ATTRA
CHIEF FINANCIAL OFFICER

MR. PAWAN KUMAR KEDIA – GENERAL MANAGER (PERFORMANCE, PLANNING & REVIEW)

Moderator: Ladies and gentlemen, good day and welcome to State Bank of India Q2FY22 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pawan Kumar Kedia - General Manager, Performance Planning and Review, State Bank of India. Thank you. And over to you, sir.

Pawan Kumar Kedia: Good evening, ladies and gentlemen. I am Pawan Kedia - General Manager, Performance Planning and Review. On behalf of the top management of SBI, I extend a warm welcome to all joining us today on SBI Q2FY22 Earnings Conference Call.

On the call today we have with us:

Mr. Dinesh Kumar Khara – Chairman

Mr. C. S. Setty – Managing Director, Retail and Digital Banking

Mr. Ashwani Bhatia -- Managing Director, Corporate Banking and Global Markets

Mr. Swaminathan J -- Managing Director, Risk, Compliance and Stress Asset Resolution Group

Mr. Ashwini Tewari -- Managing Director, International Banking, Technology and Subsidiaries

Mr. Alok Choudhary --Deputy Managing Director, Finance

Mr. Charanjit Attra – Chief Financial Officer.

Before I request our Chairman Sir, to give a brief summary of the bank's Q2FY22 performance and the strategic initiative undertaken, I would like to read out the Safe Harbor statement.

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

Now I would request Chairman Sir to make his opening remarks.

Dinesh Kumar Khara: Very good evening to all of you. Thank you for joining this conference call. Today I would like to start by thanking the support of all our stakeholders including our customers, shareholders, employees and the broad ecosystem, which has always been supportive of our efforts and initiative. I also take this opportunity to express my heartfelt gratitude to our shareholders and other financial market participants, who have supported and valued the bank through the challenging times in the recent past.

I feel a sense of immense pride for our institutions, as we discuss today, our Quarter 2 financial year '22 results. Today some of our outcomes through this period are industry leading by a fair margin, while others are comparable with the best, especially when normalized for the scale and complexity of our operations. I feel satisfied to see the results of our continuous efforts to improve our credit underwriting process and systems, which have led to significant improvement in asset quality outcomes for the bank.

I am glad to share that we could absorb liability to the tune of Rs. 7,400 crores due to enhancement in family pension in this quarter itself without availing the relief which was granted by Reserve Bank of India in terms of deferring it for five years; without impacting the profitability outcomes of the bank too. This actually demonstrates the strength of our balance sheet. I am happy to highlight that our retail book at Rs. 9 lakh crore, which is the largest in the country, growing at 3-year CAGR of 16% plus, with an industry leading asset quality.

I am also glad to share the progress we are making in the digital banking. 62% of our savings bank accounts opened in the first half of financial 22 were through YONO. We opened almost 27,500 Savings Bank account on a daily basis, through YONO in the Quarter 2 financial year '22. We think these outcomes demonstrate the resilience of the bank underpinned by our process oriented culture, the quality of our employees and the expertise and the vision of our leadership team.

While we are happy with the outcomes in the current quarter, we are also mindful of areas that require further improvement. With the country crossing the milestone of 1 billion vaccination and hopefully the third wave not being there or being far less disruptive the wheels of the economy picking up speed we should see higher credit uptake in the near future.

On the liability side, we continue to focus on increasing our share in current accounts, while maintaining our leadership position in savings deposit. We believe from a P&L perspective, the bank is at an inflection point. As credit growth improves, the bank will be able to better utilize its strength on the liability side. Further operating costs are likely to lag income growth as operating leverage kicks in, which would also give a more normalized picture of the cost ratios.

Our aspirations from our current position of strength is to consistently deliver a ROE of 15% through various cycles. Hopefully as the economic growth picks up, we should be able to deliver on our targets sooner than expectation. However, we remain cognizant of the uncertainties of the word we are operating in. And therefore, we believe that it is still early to give a timeline for reaching our targets.

Concluding my opening remarks, I want to thank you all for your support to the bank. The bank, while pursuing its own progress, contributes to the progress and economic growth of the broader ecosystem. 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.

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

Mahrukh Adajania: My first question is on recovery. In the last con-call, you had said that probably you had recovered 40 to 45 billion of 1st Quarter slippage already and that was in August. So, the recoveries of the 1st Quarter slippage would have increased only after that. So what would be the total recovery from the 1st Quarter slippage we have so far would you be able to give that number again 40 to 45 billion you had given last quarter.

Management: I would say that we have I think when it comes to recoveries of course, whatever was the asset situation in 1st Quarter for our retail book and we could pull back all and we have further I would say that Rs. 8000 crore worth Rs. 8000 crore worth of recoveries are also affected over and above out of --

Management: Mahrukh, Rs. 15,000 gross slippages, out of which Q2 pulled backs were around Rs. 8000.

Mahrukh Adajania: And this Rs. 8000 would be netted from the gross slippage figure of Q2 right?

Management: Mahrukh, if you see our notes to account Serial #5 that makes amply clearly that the figure of the quarter is a balancing figure between the figure of 30th of September and the published figure of 30th of June.

Management: So between two dates, whatever is the difference that is the recovery which is as stated in our notes to accounts.

Mahrukh Adajania: Was there any tax refund or recovery income going through NII this quarter?

Management: Yes we do have some passive funds, which is there. And it is about Rs. 1922 crores and it has been there in the past also in 2021 it was Rs. 1517 crores. So I believe it's almost like annual feature which is there.

Mahrukh Adajania: This quarter it was how much?

Management: Rs. 1922 crores.

Mahrukh Adajania: And in the 1st Quarter, we did not have much tax refund right, though in the full year FY21 we did have?

Management: No.

Mahrukh Adajania: One last question in terms of retail restructuring, would you be able to give a breakdown of how much was restructured on Express and how much was restructured on the home loans?

Management: I think in the Express there was hardly any restructuring it was all in the home loan or in SME vertical.

Moderator: Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global Services. Please go ahead.

Ashok Ajmera: I have got some small query points #1 The Rs. 7418 Crore which you have provided for because you had sufficient room here this time, because the slippages also came down to 4176, it was 15000 crores in the last quarter will it be available for the tax benefit also, because the dispensation was for five years and you have provided the entire in the one year itself, will we get the benefit of the entire provision in the income tax also?

Management: If you see the RBI letter in this regard and approval, RBI basically wanted that the bank should take it into the quarter itself, they should not amortize it but they had also given B, if some bank doesn't have the room they can amortize it for five years.

Management: I think it was an option which was given by RBI either to defer it for five years and also carry out the treatment which they had prescribed or absorb it in the first year itself in the quarter concerned. So, since RBI dispensation has given both the options, I am sure tax authorities will be in position to comment on it.

Management: It's an actual evaluation so, there is no tax angle involved with it.

Management: To the extent it is cost it will be allowable cost.

Ashok Ajmera: For these SMA-1 and SMA-2 you have given above Rs. 5 crore of Rs. 6690 crores for this Slide #31. What is the total figure even if you take less than Rs. 5 crores also, the entire amount.

Management: See I can do, but it's not a significant number at all.

Ashok Ajmera: Some items on the expenses and income some small queries are there. The miscellaneous expenses shot up to Rs. 1789 crores from 1000 crores at the same time, the miscellaneous income came down to only Rs. 365 crore from Rs. 1981 crores. Can you throw some light on this? One is that miscellaneous expenses going up by Rs. 600 to Rs. 700 crore and miscellaneous income is coming down by Rs. 700 crores effect of almost about Rs. 1400 crores.

Management: Yes in case of miscellaneous expenses, what do you have pointed out if you see that 1013 to 1709 kind of figure, actually, the development in this regard is that the expenses have gone for GST increases there because GST operating expenses increased a bit So, GST increased. Then we had some increase in the donations also like we give donations to our SB Foundation and then we made other donations during this year also. So, that is also an increase of around Rs. 100 crores. Then law charges, audit fee, then security, GST and some of the other expenses which are numerous and many, so average all these things they make up for this difference.

Moderator: Thank you. The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: First question is on yield, not the overall interest income, but particularly yield on advances. So if we calculate that has also gone up. So was there any element of interest recoveries out there in this? And where should we finally see the yield on advances stabilizing? So that's the first question.

Management: Yields on advances, Yes, there is a component of some of the write-backs which we have had. And also, the other aspect is, the lower amount of interest reversals also would have an impact on, maybe the yield on advances.

Management: In the yield of advances, there is no one-off.

Management: Only the write-offs, I think

Management: Yield on advances, basically if you see the last quarter, slippages was Rs. 15,166 crore. So there is a reversals.

Management: Yes, interest amount which has not happened, so that’s why it is, it seems like this.

Management: And this quarter the slippage has been very less. So we have got, again, whatever reversals happened last quarter, those reversals were then again booked. And this time reversals were very less.

Management: So I think it’s a reflection of asset quality.

Management: Yes, it’s the reflection of the asset quality.

Kunal Shah: And any recovery from DHFL or anything which is getting recognized, so this will be entirely DHFL will be entirely in provisioning.

Management: So DHFL, we have not written-off. So that's why that has not come in here. It is only, it has affected the provisions.

Kunal Shah: Secondly, in terms of growth, so again, on the corporate side, there is still deleveraging, and that's the only segment which was down quarter-on-quarter and that to 4% odd. So, last time, you were highlighting in terms of the underutilization of the limits and all, but finally, I think we need to see some corporate growth coming back for the industry as such. So, what would be your outlook in terms of some indicators, lead indicators are suggesting that it should be prepared for investment related CAPEX, but from SBI's side are we seeing that over the next couple of quarters we should see it coming back.

Management: See, as of now also the capacity utilization stands at around 60% only. So, when it comes to the corporate credit, it is a function of the capacity utilization first of all. But only one thing which I must mention that we already have got unavailed term loan and unutilized working capital, almost about Rs. 450,000 crore. And we have got some pipeline for the new proposals also which are as I said about Rs. 115,000 crore. So, that is a kind of a number. But in the month of October we have certainly seen some traction, in terms of corporate credit growth.

Ashwani Bhatia: Yes, so, we have seen a pickup in the first month of this quarter. You are absolutely right that in the quarter ended 30th September, corporate loans were below the March levels. As we get into the busy season we are already seeing more inquiries, higher utilization, this utilization may also come from oil companies. At the same time, we are seeing some deleveraging happening as far as iron and steel industry is concerned. But from the iron and steel industry, we are also getting proposals for Greenfield, Brownfield expansion at the same time. We are getting inquiries from IRDAI and others assets. We think the pipeline right now as the Chairman said is steady.

Kunal Shah: And International is going on strong, I think this quarter again there was further rise. So I think the overall demand for quality Indian corporates in some of the countries that is very much on.

Management: So, in fact in the overseas operations we are generally having exposure to all the well-rated corporates. And because all these economies are doing very well so, it has opened up a huge opportunity. We are quite confident of building a healthy book in the international space.

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

Mona Khetan: How much would be the non-COVID MSME restructuring in our book, that was under the earlier relief scheme?

Management: Total restructuring is Rs. 38,000, Rs. 30,000 is on account to Restructuring 1 and 2. Rs. 8,000 crore is a legacy restructuring.

Management: Out of which about Rs. 3,700 is the SME.

Mona Khetan: Yes, so when we look at the GNPA movement this quarter, and the DHFL recovery, so of the Rs. 10,000 crore of DHFL exposure, Rs. 4,000 which has been recovered will go through the upgrades and recoveries line of Rs. 7,000 crores in total, whereas the rest of Rs. 6,000 will go via the write-off, is that a correct understanding?

Management: No actually, see what happened we have provided for fully in case of DHFL. And having provided for fully to the extent we have got the recovery. Of course, it was not written-off in our books. Since it was not written-off in our books to the extent of the recovery, we could reverse back the provisions. And the remaining of course, since it is not resolved, so many will have to be written-off loan.

Mona Khetan: So of the Rs. 7,000 crore of upgrades that we reported?

Management: As far as the provision is concerned, because we are holding access provision for that.

Management: If I would request your attention on Slide #30 of our presentation, real issue of write-off would be an entire half year it is Rs. 3,164 crores. Because for the purpose of NPA and AUCA, we consider any movement from NPA and AUCA as a part of our book only so the real write-off in this entire half year is Rs. 3,164 crore as showed on Slide #30.

Mona Khetan: Just finally, again coming to the movement of GNPA, when we look at the slippages as you mentioned, the pullbacks of previous quarters are netted off in this quarter. So, ideally if we have to look at the broad slippage and recoveries Rs. 8,000 crore or so will be added to both slippages as well as recoveries and upgrades, is that a correct understanding?

Management: I think, you save the Slide #30 and see, like say you have every day some slippages, right and some upgradation. So, if you do cumulatively like this that in 365 days, maybe the numbers would be ballooning like anything, right. So, at the end of the year, what is your total slippage is the numbers on the previous 31st March, and the number as on the current 31st March. So this is our how it is calculated. This is the balancing figure as on 30th September what has been reviewed and published by the bank minus already published figure for the previous quarter. So this is how this goes and this is a concept which should be understood.

Mona Khetan: And is it possible to get the breakup of fresh slippages, segments wise?

Management: I think, you can do this with Investor Relations.

Management: Investor Relations Department will share with you.

Management: But mostly its corporates only.

Management: It is not retail, majorly it is all corporate.

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

Rahul: This is Rahul here. It's a follow-up on this slippages question. So even though it's a sort of a net slippages during the quarter, is it fair to assume that the NBFC account which was in the news, has already been accounted for in this quarter?

Management: It is fully provided for.

Management: It's accounted for an NPA and provided.

Management: It is accounted for and fully provided for.

Rahul: Second clarification question is, can you just share what would be the loan duration of these restructured loans? When would these accounts start coming out of the restructuring phase?

Management: See in case of Home Loans, most of the people availed a moratorium ranging from 18 to 24 months. But what is interesting is that many of them probably would start paying off. It is basically what we have seen is that many of them are having a high CIBIL score, probably they have just taken as a safety measure. Most of them will not, may not avail the full moratorium ticket.

Management: It has actually hedge against the possible risk of the third wave or disruption in the cash flows.

Management: So technically, the moratorium is for 18 months, but I think at the end of one year, we may see many of them becoming normal.

Rahul: What about SME loan? And how is the stress in general for the SME accounts?

Management: So the restructured book, because there is a moratorium we have yet to assert anything. But there is a turnaround in the sector, some sectors are doing well, particularly second season as all aware, they have taken that restructuring. So hopefully, I think they will also be able to come out before they complete the two-year moratorium.

Management: Actually, this restructuring, there is a characteristic difference, because this is essentially a function of the disruption in cash flow. When the cash flows are getting repaired and restored, people would like to come out of the restructuring tag that is what we have generally observed. So I think this is what we expect to witness going forward.

Rahul: Just two more questions on the growth side, you talked about corporate still have not availed of the of the credit limits. But when we look at Slide #10 of your presentation deck, we see the loan book reduction across many industries. Is this because of the repayments, there is a competitive pressures that you are witnessing. Can you just throw some color on that and how do we kind of start kind of, if you are seeing the competitive pressures, how do we kind of respond to that?

Management: See the point is, when we look at this particular slide, wherever we have seen like iron and steel, etc., it's all deleverage. Similarly, aviation and airports also, we had one account got repaid, that is what it is, that is the reason. Likewise, in case of tourism and hotel also. So in fact, there is hardly any reason for us to really visualize that it has gone to the competition, it is not really so. And similarly, part of it is also an account of the repayment which were due, and which we have received on time. So, that is also the reason, but it has not been replaced by the fresh disbursements in the sector, that is the reason. So, it has not really attributed to the competition taking over our accounts.

Rahul: This sanction limit of Rs. 4 lakh crore plus you talked about in your presser, what percentage can really fructify from this and over what period?

Management: See, eventually, as I mentioned that it is a function of the capacity utilization. So, there are many moving parts. But our expectation if at all I can put it like this, as of now, we have seen the credit growth about 6.17%. So, I hope that the kind of availments which will come in and kind of disbursements which will be availed in the term loan, we should perhaps see the growth in somewhere around 10%.

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

Mohit Surana: If I try normalize the performance of this quarter for the family pension that we've provided upfront basis and adjusted for like one-off recovery from the NBFC, it looks like we've already crossed our threshold of 15% ROE and given the trend that we're seeing in asset quality it looks like we certainly will undershoot credit cost in the near term at least the next few quarters or couple of years at least. So, in that sense it looks like the bank is quite well positioned to kind of deliver more than what you have indicated you're already at 15% ROE come in just out of the Base 2. So just wanted to understand that is this thought process correct and what is the risk to that?

Management: I think your assessment is quite correct but we do believe that whatever cost or risk we can perceive, we should be rather prepared for meeting out all that well in time. We have the elbow room available and we have done that. Hopefully because we all operate in the uncertainties, what uncertainty will hit from where one really does not know. We have to ensure that while we have time when we have resources to our side we should rather provide for it.

Mohit Surana: The second question I had was on the core net interest margin or core NII. We reported a 31,000 crores approximate number. Out of that there is some refund that's where some maybe because of asset quality. From a forward-looking perspective what should the adjustment to get the core NII of the bank which is like more a recurring number that one should work with?

Management: Actually, when it comes through NII, well of course every year there would be something or the other, this is what we have seen in the past. I think those one-offs will continue and those items are not as significant in number considering the overall incomes. I think perhaps I will not be in a position to give you any kind of a normalized number because it has been there in the past also, it has happened this year also. There will be marginal differences here and there. For instance, I'll just share with you that in the year '21-22 we have the income tax refund of interest on the income tax refund of 1922 crores, in 2021 it was 1517 crores. So, likewise we have seen that on a year-on-year basis there's always one-offs are there.

Mohit Surana: The whole of this income has come in this quarter itself?

Management: Yes, this quarter itself. We recognize that we receive, that's all.

Mohit Surana: What's your outlook on margin? We are at a decent point in terms of margin. It looks like rates have kind of clearly bottomed out and depending upon how much RBI once they tighten liquidity it can go up. What would be NIM outlook let's say next 12-18 months, not one of the quarters?

Management: Our effort would be that we should be range bound between 3.20 to 3.33.

Moderator: The next question is from the line of Abhishek Murarka from HSBC.

Abhishek Murarka: A couple of questions, one what is your exposure to be Calcutta based NBFC and whether that is now fully provided for, so just what is the exposure to that group? And secondly if you can share the incremental yield on express credit and home loans that would be useful.

Management: Well as far as the Calcutta based NBFC is concerned, it is fully provided for and as regard the yield on the express credit and home loan this concern, I would not be in a position to share the data because I'm not keeping it with me. Maybe you can get in touch with our investors relations.

Abhishek Murarka: What would be the exposure to the Calcutta based NBFC, is it around 2000 crores?

Management: Yes, over 2700 crores. The entire amount has been provided for.

Abhishek Murarka: Your recovery from DHFL, did any part of it flow through interest income, just trying to clarify that?

Management: No.

Moderator: The next question is from the line of Nilanjan Karfa from Nomura.

Nilanjan Karfa: Just a question on capital. I mean we are doing quite well and hopefully the growth is in front of us. Is there a possibility you want to raise capital over the next 12-18 months?

Management: We still have elbow room for about 4000 crores of AT1 to be raised. Board has already given us the approval for that. And the current kind of a growth of about 13% odd, we can easily support with our existing capital. For all purposes we have already raised 6000 crores in the month of October, in the AT 1 if we add that we are at about a 14.22%. So, 14.22% capital, we will be looking at the growth opportunity and if need be we will be tapping the market. But that will be at the opportune time keeping in mind the interest of all the stakeholders.

Nilanjan Karfa: Any color on a potential IPOs of two of our, the general Insurance and mutual fund, is that also probably factoring in your calculations?

Management: No, we have not factored the IPO of our subsidiaries. As I've mentioned in the past also, we have been nurturing these entities and it's not a compulsion of our raising capital which has really pushed us for taking them to IPO route. It will be rather meeting their own ambitions and aspirations because when they become the industry leader in their own right they should get listed. That will be something their guiding principles. We are already engaging with our JV partners and in case of one of the subsidiary and at the material point and at the opportune time will be sharing that information with you.

Nilanjan Karfa: On going back to that movement of NPL, just wanted to reclarify this. For example, if there was Rs.100 which slipped in Q1 and we managed to recover 50, basically what we are reporting in Q2 is basically a net of 50. Basically, what you're reported is either cumulative Q1 and Q2 number. Is that right?

Management: This is a slippage part which you are saying?

Nilanjan Murarka: Yes.

Management: This is how we reckon the slippages. On two different dates, in this particular case 30th September and prior to that 30th June, so whatever was the slippage number as on 30th June and whatever is the slippage number as on 30th September, the difference between the two would be the slippage.

Moderator: The next question is from the line of Saurabh from JP Morgan.

Saurabh: One is on the COVID proper drawdown from 9000 crores to 6200 crores, that's on account of the NBFC?

Management: No. See the point is that when we did the COVID provision, it is more like ad hoc one, that's not a specific provision. In any case we have got the obligation unless and until the general provisions will have to account as on 31st of March. That's the accounting norm. The other factors as I mentioned that in the first quarter whatever slippage is we had seen we have been in a position to pull-back almost all. That is the reason whatever additional provisions we have got in we have already reversed it also because we don't see the possibility. The other thing is that our total restructured asset are aggregated to about 30,000 crores and we have looked into the PD computation of our legacy book. We have seen that generally about the difficulties to the extent of 30% only. If we go by reckoning those numbers, we don't need more than 9000 crores in any case. Also, I would like you to consider the other fact that, this restructured book is behaving very differently as compared to the legacy restructured book because it is attributed to the cashflow disruptions as and when cashflows are getting repaired, we have seen the customers coming back and repaying also. So, in view of that we have kept about 20% kind of a provision on the total book. But as we see we will have a visibility of the behavior, if need be, we will strengthen these provisions also.

Saurabh: The second question is on your ROE-ROA targets, so the point is that if your credit cost normalizes and your ROAs exceeding this 0.8% to 1% range you have, will it be fair to assume that you could possibly decrease your net interest margins to kind of compensate, kind of push up the growth?

Management: I think we'll react to the situation when we come to that.

Moderator: The next question is from the line of Sumeet Kariwala from Morgan Stanley.

Sumeet Kariwala: I had a question on margin progression and how should we think about it as the interest rate cycles are compared to past cycles this time, if I look at the share of repo linked loans are higher given the regulatory changes, the savings deposit rates are much lower. So, should one expect margins to improve quite meaningfully as the rate cycle changes?

Management: When it comes to the behavior of deposit and liabilities and the asset, the repricing at what periodicity it can happen will actually decide this particular aspect. Since we have our, when it comes to the interest rate sensitive deposit, they are essentially our fixed deposit and they are normally contracted for about our maximum deposit and the fixed deposit are in the one-year category. I think maybe for some time we might have some opportunity but MCLR as and when and about 29%-30% of our accounts are EBLR raised, I think when it comes to our advances and almost about 12% are in the fixed costs. So, about 37% of our book is either fixed or EBLR. And if at all EBLR also, it is as soon as benchmark link. If the interest rate movement happens, we should be in a position to take care of our yield or our internet earnings. That is something that's what we expect. But yes of course as much of it evolve, as and when we will reach towards those stages but this is what how I look at the situation.

Sumeet Kariwala: This is early days but if I were to ask you, how should one think about SBIs deposit rates over the next or 1-2 years, as interest rates move up is there any framework that you have in mind?

Management: I think it's a very dynamic situation and we have to remain vigilant of the situation on the ground and be responsive to the needs of the customers and also the market.

Moderator: The next question is from the line of Manish Shukla from Citi Group.

Manish Shukla: My question was an RWA density, RWA to total asset. That has been steadily falling. How much of it is driven by the demand and how much of it is maybe caution or risk aversion on part of the bank?

Management: When it comes to, of course it is partly attributed to, it's a very conscious effort in terms of our underwriting principles which we follow and partly attributed to our policies. And having said that I would also like to mention that our express credit, which is considered to be unsecured, it has gone up. But yes of course it's eventually what we are only keeping in mind, there is some kind of a risk reward relationship in terms of risk and what all reward it should generate. With that in mind it's kind of a trajectory you see. So that's how I would like to answer your question.

Sumeet Kariwala: So express credit will have a risk rate of 100%, right?

Management: Yes of course.

Sumeet Kariwala: My question is that I'm assuming that there would have been good benefit of NPA decline over the last one year on the RWA front. Now incrementally if NPA decline were to moderate and express credit continues to grow at 2X we were all retail, do you see RWA density inching higher?

Management: I think it will go up marginally but will remain within the tolerable limits.

Moderator: The next question is from the line of Jay Mundra from BNP Securities.

Jay Mundra: First question, we used to discuss disclosure segment wise slippages, this quarter maybe there is a inter-quarter letting off slippages that we've done. But if you were to show the segment wise slippages like we used to do earlier, retail, corporate, agri, SME that would be very helpful.

Management: See what happened, we used to show segment wise earlier because of the slippages were matter of concern. Now it has come down significantly and we feel that maybe if at all somebody would need it on a segment wise maybe you can reach out to our VP investor's relation. Those details will be available but it is nothing too great, too bigger number. That's why we have not given the segment.

Jay Mundra: Secondly on ECLGS book, if you can quantify it how much is the outstanding ECLGS and how would you read the health of this portfolio because just wanted understand when the moratorium book will come out of moratorium in this loan, how do you read that progression here?

Management: Early days but still maturation has yet to happen. Nevertheless, as of now it is behaving okay and about 26,000 is the ECLGS book. About 25,078 is the book. 26,360 and as of now only 2% we have seen which has got classified as NPA in the GECL.

Jay Mundra: So, when this 2% of the loan slips the entire corresponding, the main facility will also be classified as NPA, right?

Management: There's a total impact of that. There is a total impact of NPA in the GECL book.

Jay Mundra: Otherwise, you are seeing the portfolio behaving reasonably in line with other part of the book, non-ECLGS?

Management: Yes, otherwise we don't see much of challenge in this.

Moderator: The next question is from the line of Abhishek Khanna from Jefferies.

Prakhar: This is Prakhar. Just one request, if you will reconsider going back to the asset quality disclosures on a drop basis because as we get into the third and the fourth quarter, it will become even more difficult for us to understand the quarterly performance and most of the peers had mostly are all on daily stamping and drop quarterly disclosures. So, we'll humbly request if you could reconsider switching back to the drop disclosures next time.

Management: No, it has been consistent. Whatever disclosures that you have seen in the previous quarters are also the slippages are net-off pullbacks that happened during the quarter. So that's how it is getting reported. Maybe this quarter being such a small amount of 4000 crores, this is attracting a lot of attention. Otherwise, the way in which it is always conflated is the opening balance at the beginning of the quarter and the closing balance, the portion that slipped and remained is what is disclosed at the slippage, because as.

Prakhar: May I just reconfirm, were you also in the past you were reporting on inter quarter adjustment also like something that slipped in 1Q, but recovered in 2Q was that also netted off in the past?

Management: It has been done in the past also, it has been a consistent practice all through.

Management: All banks do that.

Management: And other banks as I understand are also doing likewise.

Management: Because in any banking almost as the DMD Finance explained everyday, there could be one or two account slipping and then within two, three days they will be getting pulled back. So, in case we have to keep aggregating these numbers that will be kind of will not reflect the true position. So, it's always a comparison between the opening and closing position, the slippage that all slipped and remained in the slippage category is what is disclosed at the end of the quarter. So there has been no change in the disclosure practice as far as this particular item is concerned.

Moderator: Thank you. The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: Sir, I just wanted to re-clarify one thing again on DHFL. So, basically the entire exposure, including loans and bonds would have passed through the recovery or right off line in the moment of GNPI, is that correct?

Management: That's right.

Mahrukh Adajania: It is around 100 billion, because some banks show only GNPL, but you show GNPAs so bond and loan both and in terms of what is accounted for in the recovery line and what is accounted for in the right off line, would that be 40:60, 40 billion and 60 billion, is that the correct?

Management: Mahrukh we can provide you more granular detail.

Management: Granular details are not readily available right now, maybe we can.

Management: But as a matter of principle as you would know, you were aware of the question that we had in both loans and the investments. And this was an account which was fully provided for both the loans as well as bonds, and the recoveries are also in public domain. So when the provision is returned back, it is returned back to the extent of recovery, the balance of provision is utilized for writing off. So there has been no change in the accounting treatment for this account as compared to any other account. But if you need the granular details, I'm sure our investor relation will be able to provide you bilaterally.

Mahrukh Adajania: Thanks a lot. And sir just one more question in terms of slippage for the quarter. So you said almost entire is corporate so basically two to three accounts slipped is it?

Management: No, we didn't say almost entire is corporate, major part is corporate.

Management: It's largely corporate and you also know one large account is known to public

Mahrukh Adajania: And other than that account there was no other corporate slippage is it?

Management: There were a few account but a lower rate.

Management: But, in terms of number, it may not be as large.

Management: 4176 and 2700, both numbers are available with you. So the remaining cannot be anything chunky.

Moderator: Thank you. The next question is from the line of Jignesh Shial from InCred Capital. Please go ahead.

Jignesh Shial: I just wanted to check there have been a lot of noise happening around on the digital lending segments all together, though it is a smaller segment compared to what SBI does in general. But can you throw some light on how you're seeing this particular space and some more details about your YONO app and all, that will be pretty useful. Thank you.

Management: Yes, as far as YONO is concerned a pre-approved personal loan is something which has become very popular and it is end to end digital and we are generally underwriting about 5000 crore worth of PAPL almost on a quarterly basis. The first quarter of course was little subdued. So that side was about 2500, 2,800 crore that kind of a number. So, already YTD we have done about 7875 crore as far as pre-approved personal loans are concerned in the current financial year YTD and quite hopeful that the remaining two quarter we can easily do at least +10,000 crore plus in the pre-approved personal loans. So, that is one part of it, apart from that we are using this for doing our KCC reviews also almost about 3.65 lakh crore worth of portfolio got removed with the help of YONO and also we are using it for opening of the accounts about 27,000 odd accounts are getting opened on a daily basis in the current quarter of this financial year. Sold almost 5000 crore worth of mutual fund with the help of YONO. And our total registration as of now is about +4 crore, 4.4 crore. And we have an online banking facility which we started offering way back in the year 2001 which is 20 years old facility there our total registration is about +9 crore, there's a new offering where our total registration is 4.44 we are seeing the average daily log in about 1.20 crore kind of a number on YONO. Even no- life policies also about 22 lakh policies have been sold in the current financial year till now, in the first half of this financial year. So, that's what it is and even in the gold loan we are actually leveraging it as a very big way. And it actually helps people to have the convenience they can apply for the gold loans, they can have it sanctioned only the physical delivery is to be done by using a particular reference number and worth about 10 lakh, 60,000 crore worth of gold loans also could be dispatched with the help of.

Jignesh Shial: Understood sir. And this is really helpful, there have been a lot more large peers are coming up, though the overall quantum is pretty smaller see in the form of the DNPN and all, are you guys seeing it up that this particular segment can become gradually over a period of time a very tough competition. As far as consumer lending or MSME lending is concerned or how do you see that particular space growing up, what's your stance over this?

Management: See, when it comes to the commoditized product, they can be easily rolled out and offered through the YONO, this is what the strategy we are following. And our effort going forward would be that as many as commodities product, we should be in a position to offer through this channel. So maybe it is the banking or maybe our financial superstore where we're efficient to sell the products of our various subsidiaries also. So that's what the strategy would be.

Moderator: Thank you. Ladies and gentlemen, we will take one last question from the line of Praful Kumar from Dymon Asia. Please go ahead.

Praful Kumar: Just to conclude on the YONO, where do you see the platform in next couple of years, is there any plan to benchmark the valuation for YONO as well, because given the franchise and kind of work you're doing on YONO it's much more than appreciated, much broader community. Thank you sir.

Management: At the material point of time, we will consider but as of now, we intend to ensure that we make it robust, and so that it should be efficient to fetch the right value. As and when if we decide to monetize it.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you very much. Wish you all very, very Happy Dipawali, may it be very happy, healthy and prosperous for everyone. Thanks a lot.

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