February 03, 2025

The BSE Limited Corporate Relationship Department. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	**The National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G, Bandra-Kurla Complex. Bandra (E), Mumbai - 400 051
SCRIP CODE: **543066**	SYMBOL: **SBICARD**
SECURITY: **Equity Shares/Debentures**	SECURITY: **Equity Shares**

Dear Sirs,

Re: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript - SBI Card 3Q'FY25 Earnings Call

In compliance with the provisions of Regulation 30 read with Schedule III Part A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the Earnings Call held on January 28, 2025 with analysts/ investors, has been made available on the website of the Company at the below mentioned link. Further, the same is also attached herewith for reference.

https://www.sbicard.com/en/who-we-are/analyst-investor-meeting.page

Kindly take the same on record.

Thanking you,

Yours faithfully,

For SBI Cards and Payment Services Limited

PAYAL MITTAL CHHABRA
Digitally signed by PAYAL MITTAL CHHABRA
Date: 2025.02.03 16:00:36 +05'30'

Payal Mittal Chhabra
Chief Compliance Officer & Company Secretary
Date & Time of event: - January 28, 2025 at 07:15 PM

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"SBI Cards and Payment Services Limited

Q3 FY25 Earnings Conference Call"

January 28, 2025

MANAGEMENT:	**MR. ABHIJIT CHAKRAVORTY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER** **MR. GIRISH BUDHIRAJA – CHIEF SALES AND MARKETING OFFICER** **MS. RASHMI MOHANTY – CHIEF FINANCIAL OFFICER** **MR. SHANTANU SRIVASTAVA – CHIEF RISK OFFICER** **MS. NANDINI MALHOTRA – CHIEF CREDIT OFFICER**

Moderator: Ladies and gentlemen, good day, and welcome to the SBI Cards and Payment Services Limited Q3 FY '25 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Abhijit Chakravorty, MD and CEO, SBI Cards. Thank you, and over to you, sir.

Abhijit Chakravorty: Thank you. Good evening, everyone. I am pleased to welcome you to the Earnings Call, along with my senior management team.

Digital Economy & Credit Card Market Momentum

- Projections indicate that the digital economy will account for 20% of the GDP by 2026 and exceed USD 1 trillion by 2028.
- UPI transactions, for example, saw an 8% month-on-month increase in volume to 16.73 billion in December 2024, the highest volume for the digital system since it became operational in April 2016.
- As per the RBI December 2024 data, credit card spends has grown to ₹1.88 lakh crore in value terms, with transaction values exceeding ₹1.14 trillion on e-commerce platforms. This trend further highlights the increasing preference on credit for online purchases.

SBI Card: Key Contributor

- At SBI Card, we understand and remain committed to focusing on the Indian credit card industry's growth potential and increasing digital payment adoption.
- As India's largest pure play credit card player, with a 18.7% market share of cards in force, we are well-positioned to drive the sector's strong growth.
- A significant milestone for us this quarter has been surpassing the 2 crore cards-in-force mark in Dec'24, reflecting SBI Card's expanding customer base and market presence.

SBI Card Business Overview

Let us now look at SBI Card's Business Overview in Q3 FY25. We have sustained growth trajectory with strong business performance, while continuing to focus on customer experience and operational efficiency.

Key Initiatives:

- We rolled out many customer centric initiatives and campaigns. For instance, the 'Khushiyon Ka Utsav' promotional campaign during the festive period (Oct - Nov 2024).
  - 100+ festive offers were introduced across varied categories on an array of brands and segments.
  - Collaboration with e-commerce platforms Amazon and Flipkart were launched to drive high-spend customer engagement & penetration.
- During the quarter we have launched our Hyper Personalization platform and have commenced running campaigns. The platform now gives us the capability to run customized and targeted campaigns.

- The key objective of Hyper Personalization platform is to enhance Customer Lifetime Value through personalized Customer engagement. This will be done through:
    - Scaling up and augmenting existing capabilities to more than ten times.
    - Achieve higher levels of personalization and one-to-one communication through SBI Card mobile app.
- We continue to grow end-to-end digital acquisition capabilities. For instance, owing to integration of SBI Card SPRINT platform with SBI YONO and internet banking, majority of BANCA new account acquisition is now being achieved digitally.
- We have leveraged AI to automate Dedupe stage in application processing journey, bringing in efficiency, cost benefits & error proofing on application decisioning.
- We continue to focus on varied ESG initiatives. Our commitment to sustainability continues to deliver results, as evidenced by our consistent 'A' rating from MSCI (Morgan Stanley Capital International - Registered with SEBI to provide ESG ratings to companies) this year.
- Our ESG Risk Rating of 16.5 from Sustainalytics places us in the 'low risk' category. These ratings reflect our dedication to integrating ESG principles into our business operations.

SBI Card Financial Performance in Q3 FY25

Coming to financial performance, the results for the company for the quarter are in line with the seasonality of the business. The key financial highlights are:

- **New Accounts:**
    - I am pleased to share that during this quarter we have achieved a significant milestone. Our cards-in-force (CIF) have crossed the 2-crore mark, witnessing a healthy 10% YoY growth.
    - During Q3 FY25, our new account acquisition was at 11.75 lakh with a 7% YoY growth.
    - This is significant, considering our continued focus on selective acquisition during past few quarters, and to grow in a calibrated manner.
    - SBI Card CIF market share in Q3 FY25 is 18.7% (As per RBI Dec'24 data).
    - Share of new accounts sourcing from Banca and Open Market channels stands at 55% and 45 % respectively.
- **Spends:**
    - Retail spends remain strong at Rs 80,792 Cr with 10% YoY increase.
    - Corporate spends are stable at Rs 5,301 Cr
    - SBI Card spends market share is 15.6% (As per RBI Dec'24 data).
    - Retail spends per average card have remained steady at Rs 1.62 lakhs similar to Q3 FY24, despite festival season being spread over sept and Q3 this year.
    - Category comprising of consumer durables, furnishings and hardware, apparel and jewellery, witnessed 36% YoY growth for the nine-month period this fiscal.
    - Online spends are robust, with a share of around 58.5% of total retail spends for the nine-month period.
    - RuPay card spends at UPI terminals continue to grow and have shown a growth of

more than 45% over the previous quarter.

    - Department stores & grocery, utilities, fuel, apparel and restaurants, continue to be among the top five categories for UPI spends.
    - Tier II+ customers are utilising this facility more as it increases the number of acceptance outlets for RuPay card.

- **Revenue:**
  - Total revenue has grown to Rs 4,767 Cr, almost similar to last year. It is higher by 5% QoQ contributed by both interest and the fee income.
  - PAT for the quarter is at Rs 383 Cr, 30% lower YoY.
- **Receivables:**
  - Receivables as on 31st Dec 24, are at 54,773 Cr, registering a 12% YoY growth.
  - Receivables per card is Rs 27,052 vs Rs 26,438 in Q3 FY24.
  - Interest earning asset and revolver rate is stable at 60% and 24% respectively.
  - With newer and quality vintages reflecting a lower revolver rate, we expect the receivables to grow at a lower rate.

- **Cost of Funds:**
  - Cost of funds (CoF) has remained stable at 7.4%.
  - We expect CoF to remain at around current levels going forward till we see any rate cut action.
  - Our Cost to Income for Q3 FY25 is at 53.5%, almost similar QoQ, owing to festive offers during the quarter.

- **Asset Quality:**

Coming to the asset quality for the Company.

  - The refreshed data from the credit bureaus suggests that the Credit Card Industry defaults have remained elevated due to the continued stress in unsecured portfolio.
  - We have been taking several steps to strengthen our New Acquisition, Underwriting and Portfolio Management framework. As a result, we have been seeing a continuing reduction in our flows into delinquency and an improvement in the delinquencies of the new acquisitions.
  - The asset quality composition is also improving and is moving towards higher bureau scores, as indicated by the increased proportion of the Prime and Above Prime segments in the New Acquisitions, as well as the overall Portfolio. This is evidenced in the following:
    - Our GNPA for the quarter has remained stable at 3.24% as compared to 3.27% in the previous quarter. We expect the GNPA ratio to start improving now.
    - The Gross credit cost has increased by 40 Bps to 9.4% from 9% in the previous quarter.
  - We believe we are at an inflection point in our credit cycle. As we further intensify our efforts on tightening underwriting standards, portfolio management, and collections, we expect the credit costs to start moderating. The rate of moderation

will depend on the changes in the unsecured lending ecosystem and macroeconomic factors.

- **Liquidity and Capital Adequacy:**
  - Our liquidity position continues to be strong.
  - Capital Adequacy Ratio (CAR) for the period ended December 31, 2024, is at a healthy 22.9% as compared to around 18.4% in the same period last fiscal. This will support our growth aspirations.
  - Liquidity coverage ratio for Q3 FY25 is 114% as against statutory requirement of 100%.
  - ROAA for the quarter is 2.4%, and for the nine-month period is 3%.

The credit card industry continues to offer growth opportunities. As per reports, the number of credit cards in use in India is projected to continuously increase, as per projections up to 2029. As India's largest pure play credit card player, we realize the potential and are well geared to take advantage of these opportunities.

Thank you! Now, we are open to questions.

Moderator: The first question is from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: Sir, I have a few questions that if you see your write-offs, they continue to increase, and other provisions are declining. So, what would give you the confidence that write-offs would taper off from fourth quarter, because that is what will bring down credit costs, right? Or is it that asset quality will start improving and then credit cost will improve with the lag? I mean how do we view this? When do we see credit costs improving? And what would drive that? Write-offs, they have been continuously rising and sharply. So, will they taper off now? Is this the peak? That's my first question.

Abhijit Chakravorty: Thank you for the question. what we have seen in the financials, the lesser provision is indicating towards a better asset mix, the Stage 2 and Stage 3 composition has reduced, and we are seeing it to continue during the quarter. As we stated just now, we are also seeing reduction in into X that is into delinquency. All this taken together now gives us an indication that things are going to improve from here onwards.

We see that from next quarter, the improvement should be visible, to what extent, which will depend on how the larger portion of our Stage 3 will behave. If you strictly speak about write-offs, you will be knowing that we have an NPA pool. We continue to work upon them. The NPA pool has reduced, we continue to work upon them and extract most out of it will depend to what extent the write-offs will be reducing. So, we do see an inflection point, whether it is gross NPA and the credit cost, both concerned.

Mahrukh Adajania: Okay. And so basically, from Q4, it should look better. We don't know how much better.

Abhijit Chakravorty: Exactly. Let me go back to couple of quarters earlier call, where we had indicated that what we are seeing over the quarters with that by year-end, we were expecting the improvements to come up. And today, what we can see is that we will be adhering to what we expected.

Mahrukh Adajania: Got it, sir. And, what kind of receivables loan growth can be built for the next year? What do you think?

Girish Budhiraja: Mahrukh, as you are aware that for last almost 6 to 7 quarters, we have been very selective in our new customer acquisition, and that asset is building up. As you can see that the receivable growth has slowed down. At On a year-on basis, for this quarter, you have seen a 12% receivable growth. Next year, what we are looking at is in the range of somewhere around 12% to 15% as the receivable growth.

Moderator: The next question is from Krishnan ASV from HDFC Securities.

Krishnan ASV: As Girish just mentioned, it's been nearly 2 years since our origination has been tweaked, improved just to get better quality of sourcing. Despite that, the write-offs or the overall credit costs seem to be hitting a record high almost every quarter. Also, it's fairly evident that the collection environment has been fairly tight, has been fairly difficult both for banks and NBFCs. In this, I just wanted to understand what is it that SBI Cards can control other than sourcing because we do a fab job in sourcing now. But other than sourcing, is there anything else in your control because that's what the franchise gets value for. What is it that you're able to control in the rest of the variable?

Nandini Malhotra: So, we've seen and even the market reports suggest that because of the rapid build-up of the retail lending going through a boom, especially personal loans, the leverage has been built up. So, what we have done is, to understand customers who have increase in leverage or who will display tendency to increase leverage basis their behavior, basis their transaction pattern and take prompt actions, so that we can at least reduce our exposure to these customers. So, we can do that, and we have talked about limit decrease in the past as well. we continue to enhance our early warning framework, so that we continue to identify and take action before these customers go into delinquency. Because once they go into delinquency, as you rightly said, the environment is tough. So, we have to cut our losses, before if we identify the right set of customers, we managed through that successfully over the last few quarters.

Shantanu Srivastava: The success of these actions is being felt in the performance metrics that we track. So, for example, for the first time in several quarters, the 30-day delinquency and the 90-day delinquency have come off appreciably by 20 basis points. And, we see similar trends in the industry. And, the performance metrics around our flows into delinquency, as MD sir mentioned, they have been improving. They've been improving consistently over the last 1 year. And this takes time to show up in results, and we're seeing the beginnings of that right now. At the same time, the other half of the equation, which is the flows from delinquent pool into write-off pool that also for the first time in several quarters have started improving.

Krishnan ASV: Okay, understood. Just 1 other question. This was majorly to do with what proportion of your customers have been defaulting. So, 1 is obviously the value that we tend to report in this quarter. But what proportion of these customers are reflecting in that credit cost of 9% last quarter, 9.4% this quarter. How many of these customers are still there in the pool, who can spring a surprise only?

Rashmi Mohanty: We don't disclose these numbers, Krishnan, first. And 2, in case of a product like a credit card, which is revolving where customers can come and pay you any time of the month, it's very difficult to track and at our point in time measure as to how many have defaulted and how many have not defaulted.

Girish Budhiraja: If the average asset is INR27,000, you can calculate that when the customer is defaulting on an overall basis, it's over close to 1 lakh or so. So, you can estimate what is the number of customers.

Krishnan ASV: Yes, that's correct, Girish. I was just wondering whether these are customers who have leverage even more than the average balance. That's what I'm trying to get at. Is that the reason they are defaulting?

Rashmi Mohanty: Obviously, they have high leverage, yes.

Moderator: Next question is from Piran Engineer from CLSA.

Piran Engineer: Just a clarification on what you said as an answer to the previous question, what was INR1 lakh? Is it the average ticket size of an NPA account?

Girish Budhiraja: No. So, this is close to INR1 lakh is you have to take it, it's not an exact number. It's in that range. This is the average what you would say balance of a defaulting customer. The customer gets into a write-off or becomes a defaulter, which is the kind of balance that it is. Otherwise, the average asset is around close to INR27,000, which you can see from the statement.

Piran Engineer: Yes. So, the NPL average is INR1 lakh. The average NPA customer has 1 lakh with you.

Girish Budhiraja: Close. This is not the exact number. That's what we stated. It is brought around in that range.

Piran Engineer: Fair enough. So, my first question is, you all have spoken about how the new customers have lower delinquency trends, the cards that you sourced in the last 1 or 2 years. How are the revolve trends versus earlier vintages that were sourced?

Girish Budhiraja: We are able to see after 3 to 4 quarters, we see the revolve trends for vintage more than 6 to 9 months, which we have acquired as of now, but slightly lower than what is the average of the portfolio. We would continue to view them over a period of time and see how they develop further, but they are slightly at the lower end of the spectrum.

Piran Engineer: Okay. Fair enough. And just secondly, in terms of what happens, when an NPL customer pays you back. Do you reinstate the same limit? Or how does it work? Or is this credit card just cut off?

Nandini Malhotra: So, if the customer pays back his entire due and becomes current for some set of customers, we feel now to be creditworthy, we will reinstate, but we may not reinstate at the same limit.

Moderator: The next question is from Shweta from Elara.

Shweta: Sir, I recall last quarter, you were mentioning the strong repayment history led customers also were facing slight difficulties in repayments. And second, the stress was also apparent for customers with higher credit card limits. So how is the scenario now?

Abhijit Chakravorty: The scenario is what we see in our NPA pool continues to be almost the same. We see the mix continuing. So, when we see that our write-offs have gone up, the composition remains varied. As we saw earlier, the mix it will be an older vintage also our customer doing well and being a transactor or being turning to revolver, again, turning to transactor having a good history then defaulting. That trends we have seen and since our NPA pool continues to have this kind of a mix, we will continue to watch them and having a close look at them after having taken whatever portfolio actions, which we could have taken on them.

As I said, that based on whatever portfolio actions we have taken, somewhere the delinquency inflows are lower. So overall, the mix continues to be on a better side. Probably people are able to manage with whatever limits they have. They are transacting within what the limit we give. So, it will depend on what the NPA pool behaves over the next quarter.

Shweta: Sure. Fair point. Sir, second revolver portfolio, although marginal -- has seen marginal spike, and given the current scenario, shall we read negatively into this revolver and potentially this could be an NPA customer or how are the indications for the revolver pool customer behavior?

Girish Budhiraja: No, Shweta. At the end of September quarter, we had very clearly stated that the numbers there because of festival season having started somewhere around 18, 19th of September, you would -- there was a lot of transactor NEA, which got built up. Hence, the ratios were looking slightly different. We had stated in September quarter itself that this would normalize by end of December. So, this revolver has been stable as of now for last 4, 5 quarters.

Moderator: The next question is from Nishant Shah from Millennium.

Nishant Shah: A couple of questions from me. Just a follow-up question first about Mahrukh's question that this quarter we see like a 40 bps rise and you're saying categorically that this is the peak. How should we think about modelling for credit costs going ahead? You've answered this a bit qualitatively that it depends on the macro environment. But any initial kind of like guidance or in a range that you can give that is this something which is like a peak and a plateau? Or is it a peak and a reversal? Like will the normalization be much sharper given the kind of sourcing we've done. How should we think about like the downward normalization of these credit costs? Like say, for FY '26 or '27, more like longer term, if you could give some guidance about how we should think about where the Credit costs should settle? That's question one. I'll ask my next question later.

Abhijit Chakravorty: I will repeat, very difficult to give a firm number of credit costs considering what uncertainties we have seen over a period of time. As I said that the customer behavior has been changing very sharply over a period of time and there is a segment of customer, which, I have stated it earlier also, there is a segment of customer which was flowing into a write-off straightaway without paying me a single penny with all that taken together and on 1 side. On the other side, whatever portfolio actions we have taken, whatever collection efforts that we continue to make on early into the buckets. All that taken together has already given us this has brought us to a stage where we are seeing the Stage 1, Stage 2 composition significantly better even the Stage 3 composition has come down.

Now this should not be related to the present credit cost. When we are saying, if there is an improvement in the asset quality and the stages, definitely, it will translate to the credit cost. How much? to what extent? It will depend. We would like to see it over a period of time ourselves and very difficult to give a guidance for entire FY '26 at this stage.

Nishant Shah: Okay. Fair enough. And the second question also on the ROA piece. So, like around before COVID, we used to operate at a much higher level of revolver and with the new sourcing that you've done, it's some like understandably at like a different revolver mix. How should we think about as like the delinquencies start to come off, hopefully? Should the revolver mix start to inch up from here? Or is this like the new level of revolver that we should kind of like model in that 25% or thereabouts is what like the new normal for the industry or for you guys. Any thoughts around that would be helpful. Initially, if I recall, a lot of reduction in revolver was also attributed to fintech players doing a lot of STPL and small loans, that market seems to have slowed down significantly. So, is there something to think about that's like revolver mix to start slowly kind of inching up from here?

Girish Budhiraja: Nishant, as I was stating earlier, in fact, some of the new vintages that we are getting are as of now showing a slightly lower revolving behavior when the average spectrum that we have, we don't expect the revolve rates to inch up from here at all. If they remain stable or a percentage point down. That would be a good place to be.

We are, however, trying to work more at the point-of-sale EMI conversion and the other product, which is we call as FlexPay, which is where the customer can convert the spend before the payment due date into instalments, so that is the portion on which we are working at and more activity is being done there. We are not trying to induce the customers to revolve at this stage at all.

Moderator: Next question is from Pranav Gundlapalle from Bernstein.

Pranav Gundlapalle: 1 question on your sourcing shift that you have done, you look back pre-COVID, you had a certain model for sourcing, which hasn't helped on the underwriting front, but it did allow you to grow or maintain a certain market share. Now that you have tightened your sourcing strategy, do you think the growth will be a lot lower versus the industry? Or is it more you have now throttled it down because of the environment. But even with this new approach, you'll be able to grow at the same pace as you did pre-COVID, let's say?

Girish Budhiraja: You are wanting to ask whether we will continue to keep growing our market share.

Pranav Gundlapalle: If you're sourcing better customers, can you still grow at the same pace as what you used to do in the past?

Girish Budhiraja: The growth rate at this point of time, in the near future, in the next 3 to 4 quarters, what we are looking at is that the growth rate will slightly come down. So, it will not be at the rate of 30% or so, which was happening earlier. But it is spends are looking at around 18%, 20%. So, this is how we are looking at the growth rates as of now in the near future. But we will continue to add new customers and maintain market share and grow market share.

Moderator: The next question is from Roshan Chutkey from ICICI Prudential Mutual Fund.

Roshan Chutkey: I wanted to understand how the minimum due paying customers, just about minimum due paying customers, not necessarily the entire revolver pool, just the minimum due paying customers, how has that been trending for us past few quarters?

Shantanu Srivastava: We don't share that data.

Roshan Chutkey: I don't want the data around it, just the trend of it, if you can talk a little bit about it?

Rashmi Mohanty: Yes, that is improving. So, we can just share that the number is improving.

Abhijit Chakravorty: It's a combination. you have to look at the combination. It is the minimum due being paid or entire due is being paid, all that together has contributed to the improvement that you are seeing now. It's not a stand-alone activity result that where only minimum due is being paid out. It's a combination of both the entities, minimum dues as well as the total dues being paid, all that taken together has contributed to the improvements what we are seeing.

Roshan Chutkey: I asked the question was essentially because if the pool of customers is just about paying minimum due, that means probably they are stressed, right? That is an indication of stress in some sense, right? So that is the reason I've asked this question. But if you are saying that things are increasing, it's good to hear, sir.

Abhijit Chakravorty: Not necessarily. They also get converted over FlexPays and the EMIs also.

Roshan Chutkey: Right. Understood. Okay. And the other question I had is, just sir mentioned that the –the incoming pool into the written off bucket is improving. But when I look at the data to 22% increase sequentially, right? What was 90-plus for us at the end of Q2 has probably been written off at the end of this third quarter now, right? If that is an increase of 22%, how are we saying that the write-off pool is also improving?

Shantanu Srivastava: The metric we spoke about earlier, there were 4 metrics that we wanted to allude to. One was the flow into delinquency. The second was delinquency to write-off. So, the first has been coming down sequentially month-on-month almost for the past 12 months. But the second part of the equation, which was the flow from delinquency into write-off. That flow has not been coming down, it was actually increasing for the better part of the last 12 months.

In the last 3 months, however, it has been coming down. So that reversal or that change in trend has happened about 3 months ago, and that is what is contributing to the outlook that we are giving to you right now. It's also measured by 2 other metrics, which is 30 plus and 90 plus. Both have been coming down for us and also for the industry over the last quarter.

Moderator: The next question is from Dhaval from DSP.

Dhaval: A couple of questions. First is on the credit cost. So, if you look at the sort of normalized level of credit cost for the business was about 6%, 6.5%. And if you look at the 9-month number is about 8-odd percent net credit cost, do you think based on the current metrics that we are seeing next year credit cost should be around the 9-month level? Or do you think there is scope that it can fall even further from where we are. Like qualitatively, if you can just think about when we should normalize basically, that's the eventual question. So that's the first one.

And the second is relating to cost-to-income. Any thoughts that you have on where the business is headed with this change in the underwriting that we've done. What's the cost-to-income sort of steady state that one should think about for the current underwriting that we are doing?

Abhijit Chakravorty: The first one, I already stated that it's very difficult to give a number and predict a number, I mean, we will see how it goes. But then, as I said, we are seeing a gradient, an inflection point reached and then it should improve here onwards. it's very difficult to give a credit cost number, the aspiration can be anything. But then having seen so much happening in the market and in our portfolio, impacting our portfolio over the last almost 4 to 5 quarters, it will be unfair to give a number without really seeing how the gradient takes shape.

Dhaval: As an external investor, what should one look at, to get confident that we'll be closing to 8% for next year or 6.5% like, what is that 1 or 2 metrics that you think we should look at so that you can get comfortable as an investors? It's a sort of very important question. When you say peak is understandable, but it can be like 100 bps reduction and thereafter stabilization like Nishant asked and it can be like a sharp fall. So that's what we're trying to get through.

Abhijit Chakravorty: You have to go back to a couple of quarters, when early into the year, when we had stated, that it will not be a sharp fall. We are on record on that because it can never happen that anything can improve overnight. Then if something improves overnight and then something was wrong in the entire system. So, no. What we are saying is we'll wait to see how it happens, and then we will together see, how it improves. But then we are projecting an improvement. That's what we will continue to say as of now.

Dhaval: Got it. Got it. And on cost-to-income...

Rashmi Mohanty: Dhaval, the numbers in the last 2 quarters, have been around 53.5%. These two were the festive quarters, so the number was higher. Quarter 4 number on the cost-to-income will be lower. But on average, as we've said earlier as well, the number should be around that 50%, 55% in a very broad range, but around 52% kind of a number for the year.

Moderator: We take the next question from Manan Agarwal from ICICI Securities.

Manan Agarwal: Yes. I want to ask about the collection efficiency for the last part of December.

Rashmi Mohanty: We don't disclose the number, Manan. The trend is improving. As I think a lot of data points, otherwise, we have been sharing between MD sir and Shantanu and Nandini they've shared a lot of other data points, which indicate that the collection trends are improving.

Manan Agarwal: And I attended all the con-calls of microfinance companies. It is estimated that Q4 will peak out for the microfinance industry for credit cards and all. So, what's your take on FY '26? In particular about the credit cost and ROA?

Rashmi Mohanty: As we've been saying, and I'll repeat whatever has been said by the speakers earlier that we are saying there is an inflection point. And I think we'll have to wait for the quarter 4 results to come out to be able to give you any direction for FY '26. The indications from whatever metrics at Shantanu and Nandini have shared, they are showing a positive trend. But the quantum, etc., is something which we still will have to wait for the full quarter results to come out.

Moderator: The next question is from the line of Bhavik Dave from Nippon Mutual Fund.

Bhavik Dave: Just a question, again, I'm circling back to the credit cost or the write-off comment that you're trying to address here. So, if I do a very simple math, where I take your gross write-offs and if I divide it by 3. I get a number of INR450-odd crores that we may be doing, obviously, do not like exactly, but that will be the number that we'll be clocking monthly. And you were like doing INR350-odd crores previously in the previous quarter is what I see, if I divide the gross write-off number by 3, right? Very, very basic math.

Are we saying that this INR450-odd crores monthly that we were maybe writing off, that number has significantly come off because without data point, just like qualitatively talking about this number going down makes little sense, right? Because if you give us a trend line that this number is like coming back to that INR300-odd crores level, and that's the way to think about it. It will be great if you could just help us with this, that where are we going in terms of monthly write-offs because unfortunately, we're not seeing any like good trends in terms of slippages because when I see our slippage numbers that are still like on the higher side. So just wanted to get a sense on this one here.

Abhijit Chakravorty: So again, I will repeat. So, it's too early to give any numbers, too early to predict what will be the reduction. We have to see a scenario, where there is a segment of customers, who are sitting in an NPA pool. And proceeding towards write-off unless we are able to collect from them and/or hold on to them wherever they are. So, it's a combination of all these actions taken together will define how many of them will get written off and what will be the amount. So, it varies quarter-over-quarter. But as we said, that since we have seen a lesser inflow into stage 3 altogether. Somewhere, it will result into a lower write-off.

Shantanu Srivastava: Also on the performance metrics, slippages have actually improved in this quarter and so has the PCR rate and the ECL rate and also the GNPA rate, although up marginally.

Moderator: Next question is from Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal: Sir, firstly, if I look at the proportion of salaried customer, like this quarter in terms of new sourcing has come down. So, while you mentioned that, we are pretty much close to the peak in terms of credit cost and things should likely improve. So how do you really compare between the self-employed and salaried in terms of their repayment behavior? That's one.

And secondly, where you said that revolve rate, we are not expecting any improvement from here. I just wanted to like check on as to how is the revolve rate difference between UPI and non-UPIs, because UPI is something which, while it is small today, but it is growing fairly fast. So how should one look at it in the medium term?

Nandini Malhotra: So, in terms of salaried versus self-employed, so in self-employed definitely the focus more is to look at the cash flows. And whatever sourcing we do, we do look at their bank account information. Whether it is from the account aggregator channel or if the sourcing is from the Banca channel and the sourcing from the Banca channel has increased in this quarter. So basically, it's an underwriting, which understands the profile, understands the credits and debits in the account. And accordingly, we give a card and give a limit.

Nitin Aggarwal: I was saying that because this number has trended down, but still UPI does not suggest that things are likely to get better from here. So, this is the reason I ask this question. Because the general notion is that salaried segment performs better than self-employed. So now with this mix coming down, should this not cause like continue to cause worries as such in terms of incremental delinquencies?

Nandini Malhotra: No. Because you see when you're underwriting, you're looking at the customer profile in general as well as, like I mentioned, is cash flow information. So, this should not result in an increase in delinquency. And through the account aggregator channel, we are able to see the transactions in the bank account and as said, the cash flow of the customer. So, I don't think that is a worrying signal. A lot of these customers come with their bank statement...

Moderator: Next question is from Jignesh Shial from InCred Research.

Jignesh Shial: I have one data keeping question quickly. We are seeing a surge in the investment sequentially. Anything to read into it?

Rashmi Mohanty: This is in line with the regulatory requirements. There was a graded increase in the requirements for keeping HQLA, which is highly liquid assets for LCR purposes. And we've been adding on to that number based on the requirements. And also, our liability book also growing. There are 2 reasons to that. It's a function of how your liability book is growing and the second one was the regulatory requirements. So, our liability book is growing as well as the regulatory requirement required us to keep adding about 10% on a regular basis in a phased manner and that's the reason.

Jignesh Shial: Understood. And just a trend on fee income side. I think it's more or less flat. If you see sequentially, and overall trend has consistently been declining if I see on a Y-o-Y basis. So how do you see the -- with more co-lending cards coming up together, along with it, obviously, online spends coming, which basically needs -- we take a little lesser cut on it. So how do you see the fee income trend going forward? Do you see that improvement can come up? Or what's the view?

Rashmi Mohanty: The fee income actually is made up of 3 parts. The composition that we put out in the investor deck on Page 11, it is a spend base, instance-based and subscription-based, is the split on the fee income side. There has been some bit of a moderation on the fee income, one because, on account of the number of cards that we are doing. That obviously is an important factor as to what makes up the subscription-based fee income. The trend base has a seasonality attached to it. I would think that as we do more cards and as the amount of spends increase, this number should go up. Whereas we might see a bit of a moderation would be in the instance based. That could see some bit of a moderation, but the other 2-line items should see it growing with the business growth.

Jignesh Shial: So as your issuances increases, so fee income will be increasing going forward. That's a fair assumption, right?

Rashmi Mohanty: That's right, yes. And of course, the spend will also grow. So that part of the fee income will also increase.

Moderator: The next question is from Rohan Mandora from Equirus Securities.

Rohan Mandora: I'm sorry to touch on that flow rate question again. So, if we look at your Stage 2 plus Stage 3 in 4Q FY '24 and the percentage or absolute amount and in 3Q, 3Q is still higher. And the comment that we gave in 2Q was still that in the first half of current financial year, the flow rates have improved. So, what you said in the call today also is that the flow rates into delinquency is lower delinquencies to write-off is higher. But this is not reflecting in the Stage 2 numbers that we are seeing right now.

So, if you can share what is the 30 plus, how is it moving the last 2, 3 quarters? And also, what is our share of exposure in, say, very high risk and high-risk category of Bureau rating customers. Something around that would have helped to get some sense on how the improvement is happening.

Shantanu Srivastava: Yes. So, the 30-plus and 90-plus number as we mentioned earlier, they have come off significantly in the last quarter, quarter ending December was quarter ending September.

Rohan Mandora: Sir, if you quantify these numbers, that will help.

Shantanu Srivastava: We can't, we don't disclose those numbers in that level of precisions.

Rashmi Mohanty: Sorry, can I first, Rohan, ask you a clarification before we further answer your question. You've just mentioned that if Stage 2 and 3 put together, you've not seen an improvement. And where have you taken the numbers?

Rohan Mandora: On the presentation data that comes out. So, I'm comparing 4Q versus 3Q, 4Q '24 versus 3Q '25, right?

Rashmi Mohanty: Yes.

Rohan Mandora: If you look at numbers was 5.7 plus 2.8.

Rashmi Mohanty: If you look at the quarter 2 FY '25 and quarter 3 FY '25 and you calculate the percentages to any number given at the top and you add the Stage 2 and Stage 3, you will see a reduction in the stock of Stage 2 and Stage 3 for quarter 3 as compared to quarter 2.

Rohan Mandora: There's margin improvement on 2Q, even in absolute amount from 2Q to 3Q, but what I'm saying is, in the previous quarter also, the commentary was that flow rates into delinquencies have been coming down. So, if I'm comparing and this was the commentary for the first half as well of current financial year. So, if I'm trying to look at from the 4Q FY '24 numbers, bearing our Stage 2 and Stage 3 was 5.7 and 2.8, respectively, and if you look at Stage 2 plus Stage 3 combined, it was around INR4,300 crores. That thing has now gone up to around INR4,900 crores. So that flow rate coming down does not match with the data, if you're comparing with the year-end number and the 9-month for the current financial year.

Rashmi Mohanty: Rohan, we'll probably have to go back and check, but I don't recall that we've ever said that the flow rates have been improving in the last 2 quarters. We've just said if there was a mention made on the delinquency numbers, it was to do with the sourcing that has been done in the recent past. There, we said, yes, we are seeing a better performance compared to the older portfolio. But this time, we are calling out and saying that our 30-plus and the 90-plus numbers are looking better. As I mentioned, if we do a total of Stage 2 and Stage 3, even that number is lower. And as we mentioned earlier as well that what flows into write-off is nothing but the stage 2 and the stage 3 going into write-off. And this is a number, which is improving and the flow rate in addition for the earlier buckets are improving, which is where we've been able to make a comment saying that we think we are at an inflection point.

Shantanu Srivastava: Just to clarify, in last quarter, there was a specific question around this point. And the answer we gave was that while into x delinquency is improving, the next leg, which is delinquency to write-off. That was worsening. And that is mentioned very clearly in the FAQ from the Q&A transcript from last time. And this time, there is a reversal. For the first time we are saying, the second half of the equation also has behaved properly, which means improvement.

Rashmi Mohanty: So, while the into X continues to improve, where we are now seeing is an improvement in the Stage 2, Stage 3, which is where we are now saying that the write-off number should be lower, and therefore, the credit cost should be moderating.

Rohan Mandora: Got it. And just to reconfirm, for FY '26, any guidance that we've given on receivables growth or spends growth?

Girish Budhiraja: We just stated we'll be looking at somewhere around 12% to 15%.

Moderator: Next question is from Shubhranshu Mishra from PhilipCapital.

Shubhranshu Mishra: So, the first question is around the management position. So, you've got quite a few people as directors from the parent SBI, why do we need someone as MD, who may or may not have requisite professional experience in cards business. Why don't we hire a professional MD, CEO from the credit cards industry to run the business, whereas we can have Board member representation from the parent, will be first?

Second is, through cycles, what has been the recovery from write-off accounts in year 1, year 2 and year 3? And third is the number of customers who have 2 cards, number of customers who have 3 cards and number of customers who are 4 plus cards?

Abhijit Chakravorty: The first one, I think we need not comment.

Rashmi Mohanty: The second one, you asked for, Shubhranshu, too granular information. We don't disclose that at that kind of a level where we kind of disclose as to how many customers have 3 cards, 4 cards, and 5 cards. I don't think anybody in the industry discloses that number, and we will not do so as well in the future. I haven't done that, and I will not do it as well.

On the recovery, as you asked the question that how much we are recovering from the written-off pool. We did see a bit of a dip in the recoveries from the written-off pool in the last 1 or 2 years. There is some, again, green shoots. Again, we do not share the exact numbers, but the recovery numbers as you can see for this quarter was higher from the previous quarter. The recovery numbers did get impacted as per the overall environment that was there for the last 12 to 18 months, but we have seen a higher recovery number for this quarter compared to the previous quarter.

Shubhranshu Mishra: What I'm asking is that through cycles, what percentage have you recovered from the written-off pools, not in the last 12, 18 months? Through cycles, what is that number?

Rashmi Mohanty: We don't share that number, Shubhranshu.

Shantanu Srivastava: What we do share is that we do get recoveries for a long time after write-off, and that's been the case.

Rashmi Mohanty: And we have said that as well in the past, and we will maintain that, that we do continue to get recoveries for a longer period from the written-off pool. But in full transparency, we had shared as to what the number -- the recovery number has been quarter-on-quarter.

Moderator: The next question is from Pranuj from JPMorgan.

Pranuj: Sir, one thing you mentioned was that you constantly monitor the leverage levels of the customers and take corrective actions if you see increase in stress. So just a clarification, is the corrective action that you can take only in terms of limiting the spends limit that the customer has or limiting the credit limit that you give to the customer? And second is on the frequency of scrub, I think, previously you guys issued it monthly. Will you be shifting to fortnightly now that the regulations allow for that?

Nandini Malhotra: Yes. So, the actions, yes, are reducing the credit limit, reducing certain kinds of spend doing early blocking. So, all these actions are taken. And secondly, with respect to the bureau pool, we get a bureau trigger product we have subscribed to, which means that whenever the information is updated in the bureau for a certain set of accounts, we get information on T+1. So, if there is an increase in leverage or inquiries or there is payment, etcetera, happening. So, we get to know, and we accordingly plan our actions. With respect to the 15-day window, so while everybody has started the process, since we subscribe to this product, we will anyway get the information. But yes, we are looking at how we can reduce our bureau pool period with the new updates, which are happening fortnightly.

Moderator: We'll be able to take one last question. We take the last question from Rohit Jain from Tara Capital Partners.

Rohit Jain: Yes, my question is that this guidance of loan growth for next year, 12% to 15%, given that we are now incrementally sourcing better vintage customers, and a lot of poor-quality customers would automatically get weeded out because of the stress over the last 2 years. Is it fair to say that this now seems like more sort of a medium-term trajectory, and this is how it would be for the next 1 or 2 years?

Girish Budhiraja: So, this projection is for a period of next 12 months -- in 9 to 12 months, things can change. If we see that the credit cost trajectory is very different, things are different on a macroeconomic perspective, things can change both either way. It will depend on how we see the macro environment and our portfolio behaving over a period of next 3 to 6 months. This is a growth trajectory as of now looking at the future environment being suggested.

Rohit Jain: And I have one more question. On the cost-to-income, you said for the next year, the broad range is 52 to 55, but in an environment where, let's say, growth picks up, would it be fair to assume that cost-to-income would also go up?

Rashmi Mohanty: Yes. Yes, it's a function of how many cards that we do, if growth picks up, absolutely. And that number that I gave you about 52, 53 was for this year, but you're absolutely right. The growth will determine the cost-to-income ratio.

Moderator: We'll take that as the last question. I would now like to hand the conference over to Mr. Chakravorty for closing comments.

Abhijit Chakravorty: Thank you, Venu, and thank you, everyone, for your continuing trust and confidence in SBI Cards and have a fabulous year ahead. Thank you.

Moderator: Thank you very much. On behalf of SBI Cards and Payment Services Limited, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.