August 2, 2024

The BSE Limited Corporate Relationship Department. P J. Towers. Dalal Street, Fort Mumbai - 400 001	**The National Stock Exchange of India Limited** Exchange Plaza, 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 1Q'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 July 26, 2024 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: 2024.08.02 17:30:45 +05'30'

Payal Mittal Chhabra
Company Secretary & Compliance Officer
Date and Time of event: - July 26, 2024 at around 8:09 PM

"SBI Cards and Payment Services Limited Q1 FY25 Earnings Conference Call"

July 26, 2024

MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day, and welcome to SBI Cards & Payment Services Limited Q1 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 conference call please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Chakravorty, MD, and CEO. Thank you, and over to you, sir.

Abhijit Chakravorty: Good evening, everyone! I am pleased to welcome you to the SBI Card Q1 FY 2024-25 earnings call along with my senior management team. India continues to be the fastest growing major economies across the world. As per estimates, India's real GDP growth forecast for FY'25 is likely to be around 7.2%. India's credit cards market has already crossed 100 million outstanding credit cards, as of June 2024. Monthly card spends have also reached ₹ 1.58 lakh crore in June 2024. As the credit cards industry exhibits promising growth path, SBI Card continues to be the beneficiary, as well as one of the key contributors.

Let us now look at SBI Card's Business Overview in Q1 FY'25

Our resilient and sustainable business model built over the years helps us in achieving profitable business growth.

New Accounts

Our cards in force are at 1.92 Cr. with 11% YOY growth. We continue to be the second largest credit card issuer in the country and our CIF market share is at 18.5%. During Q1 FY'25, our new account acquisition was at 9.04 lakh. This enabled net new card addition to be at 3.5 lakhs, which is 17.4% of the industry. Banca contributed 42% of the new accounts and the balance coming from the open market and co-brands. There is seasonality factor associated with Banca acquisition in Q1. While customer interest continues to stay strong in terms of applicants, we have been further selective in acquiring new customers. These incremental selection parameters have been implemented to further improve new customer acquisition credit quality. We have gone live with Our Instant card issuance journey on SBI's digital platforms, such as YONO and Internet Banking. We would be focusing more on growing and acquiring new customers by leveraging these digital journeys.

Spends

Our total card spends during Q1 FY'25 stand at ₹ 77,129 Cr. with a 4 % YoY growth, despite degrowth of around 66% in the corporate spends. Retail spends remain strong at ₹ 71,880 Cr. with a 23% YOY increase in Q1 FY'25. SBI Card spends market share in Q1 FY'25 is at 15.9 % (As per RBI June 2024 data). During Q1 FY'25, we have seen strong growth across all key discretionary and non-discretionary spends. Jewellery segment has seen strong spends growth rate at 11% YoY in Q1'FY25, influenced by Akshaya Tritiya during the quarter. The consumer durables category witnessed a strong 85% YoY growth during the quarter, with high sale of appliances & mobiles. Online spends continue to contribute around 57% of total retail spends.

50% of our customers make new purchases every month. Instalment based transactions have grown 37% YOY, indicating customer's comfort with affordability options. Corporate spends during the quarter have ended at ₹ 5,249 Cr. It has been increasing consistently month by month, with June month contribution at 45%.

New Products and Initiatives

In Q1 FY'25 as well we rolled out many new customer centric initiatives. A key initiative has been the introduction of our travel-centric credit card – 'SBI Card MILES.' With increasing popularity of travel among Indians, we have introduced this card with an aim to bringing holistic travel benefits to travellers of all kinds – travel aspirers to frequent fliers to travel aficionados. Since its launch it has already seen an extremely positive response from the consumers. Rupay card spends at UPI terminals have grown by 50% this quarter also. Our monthly average UPI spends per active account has been stable at around ₹ 12,800 in Q1 FY'25. Department stores & grocery, restaurants, fuel, utilities, and apparel have been among the top five categories for UPI spends. Tier II+ customers continue to utilize this facility as this facility increases the number of acceptance outlets for RuPay cards. Rupay cards spends on UPI terminals has crossed 1000 Cr per month on regular basis. During Q1 FY'25 SBI Card partnered Apple to launch an offer wherein our cardholders could avail up to Rs. 6,000 instant discounts across different Apple products – applicable for both EMI & Non-EMI transactions. This offer is being extensively advertised across Airports, Television, Print Ads, and social media.

We have continued with varied ESG initiatives during the quarter, including:

Celebrating environment month with employees in June, featuring impactful initiatives including, seed ball making and awareness campaign on biodiversity, waste, water, and renewable energy. Initiating three impactful CSR endeavours by investing ₹ 11.51 Cr. for elderly care, children with cancer assistance, and climate-smart agriculture.

We are extremely pleased to share that, SBI Card has been recognised and awarded two coveted awards, including, Media Abbys 2024: Silver Award in the 'Innovative Use of Radio' category for the radio campaign on its 25th anniversary celebrations.

Coming to the financial performance in Q1 FY'25

Our focused business momentum has also helped us in registering healthy financial growth in Q1 FY'25. Let me share some key ones:

Total revenue has grown to ₹ 4,483 crore with a 11% YoY growth during Q1 FY'25. In Q1 FY'25, SBI Card has registered a PAT of ₹ 594 Cr., vs ₹ 593 Cr. in Q1 FY'24. In line with strong spends growth rate, our receivables have seen strong growth too. Receivables have grown by 22% YoY in Q1 FY'25 to ₹ 52,705 Cr. Receivables per card have grown by around 8% YOY to ₹ 27,395 in Q1 FY'25.

Our initiatives and focus to increase the earning receivables have begun to reflect positively. The share of interest earning receivables is at 62% in Q1 FY'25.

Cost of Funds

Our Cost of funds (CoF) has increased by 13bps to 7.5% for Q1 FY'25. We expect CoF to remain at around current levels going forward till we see any rate cut action. However, Net Interest Margin (NIM) during the quarter has remained stable at 10.9%. Our Cost to Income for Q1 FY'25 is at 49.1%. This decrease is owing to lower corporate spends during Q1 FY'25.

Asset Quality

Now a comment on the asset quality for the Company. You may recall, in our last earnings call we had indicated that we expected credit cost to remain elevated in the near future, with variations during the year. Our credit cost for Q1 FY'25 has increased to 8.5% as compared to 7.5% in Q4 FY'24. GNPA is at 3.06% as compared to 2.90% in Q4 FY'24. Incremental Provisions are up by Rs 51 crores Q-o-Q. Write-offs have increased Q-o-Q by Rs 105 crores. The primary reasons for the increase in Credit Cost as have been explained earlier is that customers obtained multiple trade lines from other lenders after taking a card, and this overleveraging has impacted their repayment capacity.

Reduced payment capacity has also been seen in customers where life events have led to delinquency. This has been seen with vintage customers having good repayment behaviour until now. We continue to review portfolio and scorecards, across a wide range of vectors to identify accounts requiring special attention. Accordingly, multiple actions have been taken based on portfolio diagnostics and bureau information/triggers. These include refinement in new accounts sourcing, reduction in limits, restrictions on cross-sell and spend trigger based early blocking, enhancements in scorecards and enrichment of predictive models for portfolio management, customer payment – assist programs, and augmentation of collections infrastructure.

Our new sourcing continues to perform better on early delinquency trends. The credit cost continues to stay elevated, despite actions taken as mentioned earlier. The impact has somewhat been offset by the prevailing environmental factors, and industry challenges. Therefore, in response we have further intensified our collection efforts and scope of our portfolio actions. For example, during last three months we have reduced limits across 5 lakhs, in comparison to the 5-lakh done over the previous full financial year. Similarly in collections we have significantly increased the capacity across all channels. Given the present market scenario we expect credit costs to remain elevated. A reducing trend is likely only towards the later part of the financial year.

Our CAR is at 20.6% for Q1 FY'25. In Q1 FY'25, our ROAA is 4.1%. Our ROAE is at 19.1% during the quarter.

In Conclusion, The Indian credit card industry is at an exciting intersection of increasing discretionary consumption, growing digital payments, along with evolving consumer credit behaviour towards EMIs, and greater awareness around credit profile. In the prevailing environment our topmost priority is to be agile and take portfolio actions with speed and ensure that the credit cost comes under control. At the same time, we are committed to build and grow our business for the long-term.

Now we are open to the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: **F**irstly, I just wanted to understand what the levers are we can take to offset credit costs? So, I understand collection part of it but anything on the top line front, for example, increasing the revolver charge from 3.5% to 4%, something like that. So many things I understand are regulated like interchange, et cetera, you can't do much. But what are the levers we can take apart from, say, collections, et cetera, to offset the impact of credit cost?

Girish Budhiraja: The lever that you mentioned, which is interest rate with respect to revolvers, that specifically, we would not like to take at this point of time, take action in terms of increasing the interest rate because over a period of time, we have seen that good customer revenue, is coming from instalment lending customer. So, if the customer takes instalment lending, gives us fee, gives us interest income, and does not default, that is a better way rather than getting a higher interest and we are already at 3.5% per month, which is almost 42% APR. So, increasing that is not a good idea. That is point one. Second thing is that, yes, there are other places where you can take actions. But these are more with respect to the fee income with where you are providing a service to the customer and the customer is utilising it. For example, we did that with respect to putting a fee on the rental side of it. We would be looking at certain set of fees over a period of time to defray some of that. However, we have to get the credit cost in control. And that is what our M.D sir was saying is the first primary action. While from a revenue perspective, the action steps will continue to be taken.

Piran Engineer: Okay. Fair enough. Secondly, just trying to understand on your new underwriting measures. Now we've acquired 9 lakh new customers this quarter. Now can you just give us a sense, say, for example, how many are new to credit, how many are new to credit cards?

Girish Budhiraja: While we will give you specific breakup of how many are new to credit and new to credit cards, however, want to detail out that the interest of new customers is consistent. People are applying for the card. We have been more selective about this. 60% of the customers are carded customers, 40% customers are new to credit or new to credit card, but we acquire most of these customers only through our Banca.

Piran Engineer: Okay. The non-carded ones will be through our Banca channel?

Abhijit Chakravorty: Correct, So, new to credit and new to credit card is through Banca channel.

Piran Engineer: Okay. But then, sir, if I may just ask like the problem, essentially is over-leveraging. Now someone has a card, he or she is coming to you for a second card, maybe third card, I don't know. Then why are we giving such customers a card?

Abhijit Chakravorty: We have data with us and our portfolio, we have seen that when we onboard a customer, even an NTC or a customer having zero active trade lines at the time of on-boarding, over a period of time, and we have analysed our written off portfolio, we find that at the time of write-off, they carry a minimum of 1 to 5 going up to 10 trade lines. So, one is the financial position, how many trade lines were there, minimal, Bureau score, Prime, all taken together onboarding not an issue, but post onboarding the behaviour changes.

Piran Engineer: Okay. And then in such a case, could this be a possibility? I don't know if it will be an appeal to the customer or not, but in the terms and conditions you have that if that customer takes another credit card, then his limit will be reduced by, whatever, 25%, 40%, something like -- can we have a rule-based engine out here, which makes the credit exposure for you more flexible depending on the leverage of the customer which is somewhat similar to what microfinance companies are doing in a way. Could something like that be a possibility because there does not seem to be an end in sight for the credit cost problem for the industry?

Girish Budhiraja: You're right, Piran. What is done is that first of all, if we have given a card to the customer and if there is a second financial institution, which wants to give a card or a loan, they should be looking at debt to income and already whatever has been given to the customer. We also continue to monitor even, let's say, after years customer has come to us over a period of time, if more trade lines are getting added, more debt is getting taken. And you're right, action is taken.

We believe that the customer debt repayment capacity keeps going down. And hence, all the credit line decreases, which has been done over a period of time. The good part is after last September, October, RBI's decision of increasing capital adequacy, there were players who were not looking at some of these metrics. Now all the large banks and all the large institutions look at that, and this problem should not be continuing over a period of time.

This is going to get addressed. So that is where we are at this point of time. It is monitored continuously. Models are being run on a regular basis, which is the regular scorecard for your portfolio management. And basis that, if you see a high risk or movement of scores, immediate action is being taken rather than waiting for the default to occur.

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

Mahrukh Adajania: So, in the last concall we had discussed that there are no cohorts in terms of vintage that are contributing to higher delinquencies of costs. They are kind of cohort of vintage diagnostic. So, is it that customers or process cohorts are multi-leveraging as in that even customers that you may have on-boarded say 1 year or 1.5 years ago, is it happening across cohorts? And is there culture really deteriorating or how do we look at it?

Abhijit Chakravorty: We find that the delinquency is moving across the segment. There is still no cohort identifiable. While if we talk about vintage, we have seen accounts which have been doing well for last 4 to 5 years also suddenly become delinquent. And the behaviour part is very unique. Once this account becomes delinquent, PDD, there, not a single penny comes. And that's when we go for collection efforts, we largely find that there has been a lifetime event that has happened. That is one. Another is that, if you leave aside vintage, we have found the delinquencies going across salary, going across self-employed, going across tiers of cities. So, we have not found any specific behavior happening with any specific cohort that could have led us to do some analysis and introduce certain actions.

Having said that, only one indication that was found earlier last year and we have implemented was a geography-based delinquency pattern. When we found that a specific geography was largely behaving abnormally, we took actions, and we stopped sourcing from those geographies based on the pincode identification. Except that, we have not largely found any specific cohort, the delinquency is more on the customer behavior or the inability to pay.

Mahrukh Adajania: Got it. And in terms of opex where -- how long do you see the remaining subdued?

Rashmi Mohanty: So, the opex is lower this quarter because of the lower corporate spends and also because of the lower card acquisition compared to previous quarter. As we build our corporate card spends business again and the cards acquisition come back to the range of a million cards a quarter. This should as we've been saying earlier stabilize around the mid-50s level. Obviously, the seasonality is there depending upon the month when we run the campaigns when the opex will be high.

Mahrukh Adajania: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: I just wanted to understand, based on the bureau scrub that we have been doing for the existing customers, what is the watch list pool of customers that we have identified based on the current portfolio where we can potentially expect some stairs or some action that we would like to take?

Nandini Malhotra: Basically, we do the regular bureau scrub. We also subscribe to bureau triggers. So, we get real-time update on the customer situation and test. So, you're right, we do create a kind of a watch list basis our scorecard and what we've seen. And we take actions accordingly.

Rohan Mandora: What I wanted to understand was, if you can give some indication of what could be the poll size to get a flavour on how long can this credit cost continue?

Nandini Malhotra: We can't tell you the number. The thing is that it is a regular action. It is conducted as soon as we get the trigger. So, it is as real time as we can do it. But of course, the good part is that we do see an impact in terms of the inflow delinquency has stabilized. In fact, it has gone down marginally. So, we are going to continue this activity.

Rohan Mandora: And secondly the 5 lakh customers where we have reduced the limit if you can give some sense on what was the exposure that was there to these customers before the reduction of limit. And where does it stand now?

Abhijit Chakravorty: That is something we would like not to speculate upon. But what we can tell you is that the reduction of limits is around 25% of their limits.

Girish Budhiraja: And the average limit has been around close to INR1 lakh. So, you can estimate.

Rohan Mandora: Sure. Because I was trying to understand when we are reducing the limits on these customers, because it would have been in watch list. So, if there were no balances which were worth reducing. Like 25% reduction does not impact the balances for these customers, right? When is it outstanding? So just want to stand the nature of this reduction. Like how -- because the earlier comment that management has given that the delinquencies that we are seeing the customers for 4 to 5 years, they were performing well and certainly, the default and it's difficult to recover anything. So just trying to understand these actions that we are taking to cut the limits or anything else like how do we get ourselves assured that this will have some impact in terms of reduced delinquencies incrementally?

Abhijit Chakravorty: Yes. So how it works is that these customers who are getting identified as high risk or on a watch list definitely, these customers would have utilized their limits. Any customer who has not utilized the limits will not be on the watch list. we categorize them, we wait for that opportunity when there is a headroom available. And then we reduce the limits at the appropriate time. So, we have an operational mechanism for that. So, we do it.

Now does it prevent the customer from becoming delinquent. No. If some of them, not all, some of them do become delinquent, then at least there will be creating a loss less 25% or more the limit that has been cut. That is the best option. That is the best step that can be taken by us, considering that we are already committed to the limit. The limit has been utilized. We wait for an opportunity to reduce that limit. And if the account becomes delinquent and does not pay at all, somewhere we have cut our losses.

Rohan Mandora: Sure. And sir lastly if you look at the share of interest earning assets despite all the efforts that we are taking to increase the share of term lending, it has not moved up in the last 1 year. So, should we continue to expect that it would remain at the similar level?

Girish Budhiraja: The revolver is now stable at 24 and as we have stated earlier if it stays between 23, 24, 25 it is a great thing at this point of time. Second thing is on the assets, because our instalment asset whatever is customer spends and converts into instalment is usually runs off between 9 to 12 months and more instalment asset is getting filled and we are seeing that growth. This as a percentage share good mix would be 38%, 39%. Best case scenario, it can reach up to 40%. 38% to 40% is the range that we foresee in the next 3 to 4 quarters.

Rohan Mandora: Sure sir. Thank you.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential Mutual Funds. Please go ahead.

Roshan Chutkey: Just wanted to understand if you can talk about the delinquency number in terms of number of accounts, how has that moved over the past 4 quarters. Just wanted to understand whether -- is it that there are some chronic cases and the amounts in these chronic cases are increasing or you can ultimately talk about the bounce rates as well. How are the bounce rates doing? And is the bounce rate that you are seeing stable maybe those numbers?

Shantanu Srivastava: I'll take that one. The ECL model consumes data over a long period of time. And this time compared to the previous quarter, we've seen for all 3 stages 1, 2, 3, the rates have come down and this is driven by long-term 8 quarter or thereabouts worth of data. Certain elements of the model are refreshed on a quarterly basis. And one quarter data then gets added on and another quarter's data from previous 2 years gets dropped off. And that is what is causing the change in the ECL rates. This is in line with the IndAS guidelines, and this model is reviewed annually by an external expert and is audited by multiple auditors. So, the model itself is sound. And we've also done a back testing of the model and that satisfies our auditors and regulators. So that's on the model.

Roshan Chutkey: Okay. How about your guidance I mean in December quarter I remember distinctly you said two quarters and things should be all. Where are we now?

Abhijit Chakravorty: So, we did say that we were anticipating for two quarters. But then look at the market, the way the market has behaved. What happens is that we create a watch list, we look for the trends. We find that there will be certain accounts which may have a tendency to flow. Now what happens to the certain accounts which further get impacted out of those watch lists itself and add to the delinquency. While our expectations and our actions are based on our models, everything is an indicator. We can only expect the best coming out of the customer behavior. Having a larger impact in the ecosystem if some more customers are unable to pay. This will add to the delinquency.

Roshan Chutkey: Understood. That's all from my side.

Moderator: Thank you. The next question is from the line of Shweta from Elara Capital. Please go ahead. Shweta your line is unmated please proceed with your question.

Shweta Daptardar: Okay. So, I have two questions. First question. Sir, you mentioned that you have added 9 lakh-odd customers or card additions this particular quarter. You also mentioned that we have been selective, and the number of new card additions are also declining each quarter. But we saw that last quarter, we reduced limits for 1.5 lakh customers. And this quarter, in the past 3 months, like you mentioned in your opening remarks, that number has gone up to 5 lakhs.

So, what were the triggers or observations or signals that you observed the past 3 months that suddenly, from 1.5 lakh, this number has to go to 5 lakhs despite the fact that your new car additions incrementally have been coming down. You also mentioned vintage customers having -- and still showing slightly good behavior and also you are being selective. That's my first question.

Nandini Malhotra: So basically, we have been doing limit decreases for our existing portfolio and not new vintages. In the new vintages, we see the performance is satisfactory. So, it's not that we are actually onboarding the customer and over a short period of time reducing the limit at some of the places.

For our existing portfolio, like we had mentioned earlier, we have early warning system which includes looking at the bureau triggers updated, looking at repayment with us. Over time, we have defined, and we have created predictive models looking at further attributes to the customer with us could be his spending pattern etc basis which we have identified a watch list, which we would like to take action earlier. We're also taking actions early compared to the last quarter. And the reason behind that is that we would like to address this problem early on in this tranche of year itself.

Shweta Daptardar: Okay. Sir, just a related question, sir, how do we perceive this 8.5% credit cost going ahead. So basically, we are just trying to figure out trend or any sort of parameter or factor which will help us forecast what we could foresee going forward? So, what could be that parameter or what could be that, say, maybe new account addition come down? Or this reduced limit towards customers that number? I mean, what is it that we should be factoring into sort of get some sense on credit cost movement ahead?

Abhijit Chakravorty: The credit costs cannot be related to the new accounts. New accounts acquisition strategy has been formed and will continue. Based on our experience and whatever actions we have taken on the acquisition front, which is already on record, we have stated how we have stopped sourcing from certain geographies. As far as the credit cost is concerned as we stated that we had expected based on our own analysis and the behaviour of the customers on-us off-us, trade lines all taken together, when we have created and categorize them. We have expected certain delinquency patterns. Now what happens is that over a period of time, we are looking at overall impact of their total borrowing and the lifetime events and those taken together. There is an incremental impact which is increasing the customers. So somewhere while we definitely have our own analysis and expectations, that get delayed by the environmental impact on some larger accounts. So, unless the ecosystem improves further, somewhere these incremental additions, we are seeing to continue for a shorter period.

Moderator: The next question is from the line of Jignesh Shial from Incred Research. Please go ahead.

Jignesh Shial: Yes. Just two questions quickly. One since you indicated that 60% of your customers are existing credit customers and 40% is non credit -- new to credit or non-card holders and all. So where are basically we are seeing more of defaults happening from 60 or 40 just rough cut? And secondly, this existing credit card customers, as you say that balance what is basically coming from Banca Channel.

So how the sourcing happens for the earlier the card customers and is it through more -- through internally or externally or externally, is it how the commission fixer plays out? Because we have to understand how the occurrence or the basically issuances are happening. So, these would be my two questions.

Nandini Malhotra: So, with respect to the sourcing from the Banca channel, I'll take your second question first. In the Banca channel, we basically look at the savings account and their relationship with the bank, and basis that we give them a credit facility. Of course, we have our score cards in place for new to credit and new to credit card customers. And we look at the cash flow information and basis that, we basically take an underwriting decision. So, that is on the Banca channel.

On the carded customers, they can come from the open market channel or Banca channel. We have specific scorecards for existing carded customers, where we take into account their card behaviour outside and accordingly, we take a decision. Do you want to know the process?

Jignesh Shial: Understood. This is really helpful. But for the 60 what will be the channels from which you're sourcing; 40 I am assuming is fully Banca, majorly Banca. So, this 60 will be then through what sources how much will be Banca, how much will be others and all, can you give us some colour on that?

Girish Budhiraja: So, 60 out of that 60% close to 10 would be Banca balance close to 45 to 50 would be open market, in open market, out of that close to around 40% would be our co-brand partners we work with -- there are a lot of co-brand partners that we work with. We have digital acquisitions through Paytm. We have Reliance as our co-brand partner where we position our people. So, on the Reliance stores that is there. Some 30%-40% comes from our own stores and kiosks that we put up in the market. So, it is different sources that it comes.

Jignesh Shial: Understood. And the default should be from 60-40, how the default should be playing out not the exact numbers?

Abhijit Chakravorty: No, defaults are spread around.

Jignesh Shial: Okay. the new to credit and old credit you are seeing the default across everyone the same.

Abhijit Chakravorty: Yes. Defaults are spread around as I said it does not indicate any particular group or cohort where it is spread around.

Jignesh Shial: Understood. That's quite helpful. Thank you so much.

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

Puneet: Sir, just on the opex bit I understand you said it's low one because of lower card additions and your corporate spends have also been low. Do you expect this to recover going forward?

Abhijit Chakravorty: Yes. Corporate spends we expect to recover. As we stated in our last call also that this quarter, we are expecting it to go up. And Q3 we expect it to be on close to original numbers, but we expect it to recover and hence the opex would increase accordingly.

Puneet: Okay. And another thing your last quarter I remember your credit cost guidance was around 7 percentage and on the current trends that you're seeing would you revise it or what do you expect any comment on that?

Abhijit Chakravorty: We had given a guidance of upwards of 7%. So, we do see a downward trend during the latter part of the year. And as of now we can only assume it to remain between 7% and 8%. We will continue to hold on to that to be between 7% and 8%.

Puneet: That's it from my side. Thank you so much.

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

Ajit Kumar: Thanks for the opportunity. Just wanted to check on your ECL coverage and method to calculate it. If you look at a stage-wise PCR on Stage 1 and Stage 2 asset coverage has been coming down from past few quarters, even on a stage 3 our coverage has come down in this quarter versus last quarter. So why is coverage going down especially on the Stage 1 and 2 assets when it has been going up from a fairly long period of time like from last 8 to 9 quarters. And will you consider ramping up coverage ratios going forward?

Shantanu Srivastava: **T**he ECL model consumes data it over a long period of time. And this time compared to the previous quarter, we've seen for all 3 stages 1, 2, 3, the rates have come down and this is driven by a long-term 8 quarter or thereabouts worth of data. Certain elements of the model refresh on a quarterly basis. And one quarter data then gets added on and another quarter data from previous 2 years gets dropped off. That is what is causing the change in the ECL rates. This is in line with the IndAS guidelines, and this model is reviewed annually by an external expert and is audited by multiple auditors. So, the model itself is sound. And we've also done a back testing of the model and that satisfies our auditors and regulators. So that's on the model.

Ajit Kumar: Sure. That's it from my side. Thank you.

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

MB. Mahesh: Just one question. When are you seeing the recovery efforts on the ground, and you see borrowers with multiple defaults on the bureau is how easy or difficult has been to put SBI Cards as a first point of repayment from a customer's perspective?

Abhijit Chakravorty: So how does one predict? So, what do we do it? We try to find out as to the best of the possibilities of trying to find the source of income if any. If we try to -- if we get that and if we find a pattern on that then definitely, we identify and we try to be there on the doorstep on the date of the cash flow. But that is for the customers who are going to pay. What we are finding is that customers are unable to pay at all. In case of multiple delinquencies also, if we look at the bureau data, we find that a high percentage of our delinquent customers are off-us delinquent too. So, it's not a question of how I get my payment first. The fellow doesn't have money to pay. And wherever there are cash flows available, wherever we find that there is a possibility of payment we have a promise to pay scenario, we are there on the doorstep on the cash flow. So, we do have those mechanisms in our collection efficiency. But as I said there are customers who are beyond that.

MB. Mahesh Okay. And one clarification on this incrementally are you seeing the slightly larger ticket size cards also showing delinquency or there are no trends in that as well?

Abhijit Chakravorty: I saw this discussion around two, three quarters back or also in the domain that the delinquencies probably were happening in the low-ticket ones. So, we stated earlier also that we found it spread across, and we still find it spread across. We find delinquencies at the lower limits as well as the mid. When we say higher limits say going up to say INR3 lakh to INR4 lakhs also.

MB. Mahesh: And there's no change in this trend?

Abhijit Chakravorty: No. It's absolutely as per our analysis, as per our reverse feedback from the ground based on the collection team's feedback. We find that this has more to do with the inability to pay, irrespective of the vintage or the limit I mean, it's happening across the portfolio.

MB. Mahesh: Okay sir. Thanks.

Moderator: Thank you. The next question is from the line of Yash Agrawal from UBS. Please go ahead.

Vishal: Vishal here. Thanks for the opportunity. See two questions from my side. One you yourself indicated that there is more default in the industry and the segment is facing some stress. Now how comfortable you are growing your book at 20% plus if you are seeing this stress in the industry? That's question first?

Girish Budhiraja: Yes. You're right. We are -- be careful while growing the book. So, if you have noticed, we have already stated that we are not looking at increasing revolve. We are not increasing the revolver book. The book which is getting increased is the instalment lending book where the customer has already spent on the card which we have always stated that is a very good book that we have built. Second thing is if you look at the number of customers or the CIF growth that is in the range of around close to 11% or so. Asset growth is more. So, we are not looking at adding more customers and growing from those more customers. We are looking at our existing customers and trying to get more engagement with those customers and building the book there. So, these are the two things that we are doing.

Vishal: Should we not expect like the receivable growth to slow down there in the near term?

Abhijit Chakravorty: Slowdown in?

Vishal: Basically, your loan book. Should we not expect it to slow down to more like mid-teens also if you're trying to be conservative here?

Girish Budhiraja: So we have always stated, in fact even in earlier calls we have also stated that we expect the card growth to be around 15% to 17% and another 5% to 7% coming from our existing card customer -- when you're looking at spend growth from a spend per account usually between 20% to 23% is the spend growth that we have always been stating. And the asset growth lags that by a bit. So around anywhere between 15% to 18% is the asset growth. So, we will continue to deliver those growth numbers and that is what we have indicated. The only thing is that we are looking at delivering these growth numbers from low-risk segment categories spends which are more converted into instalment lending because they give us interest and the credit cost also has to be monitored accordingly.

Vishal: Okay. And the second question is actually on the Banca or SBI channel. Now when I look at your delinquency it's basically 19%, 20% lower for SBI customers, but that also appears pretty high when we look at the SBI data. SBI has been reporting very good asset quality even on the unsecured segment. So how are you getting this adverse selection from their book? So, what is going wrong there?

Abhijit Chakravorty: We can see card behavior will be slightly different from an unsecured loan behaviour, number one. Another thing is that for SBI every unsecured loan may not be an NTC for them. And as I said, not only SBI but across the industry if you look at the unsecured loans specifically the personal loan segment, they will definitely be doing better even from interstate between the bank itself wherever the card business is part of the bank between the same bank the personal loans will be behaving better than the cards. So, you yourself can analyze it and you will see the difference.

Vishal: Yes, the gap is generally lesser, but that's okay. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Krishnan ASV from HDFC Securities. Please go ahead.

Krishnan ASV: So, this is partly continuing from what the previous two queries there by both Vishal and MB. Are we reaching a stage now where you necessarily need to prioritize asset quality stability over the growth. Is it reaching a stage where it is becoming difficult to manage both because that's the perception that now seems to have, I mean, given the swing purely in terms of our inability to manage the credit cost. I mean these are getting elevated almost in the quarter. So, if you did take the kind of product actions and interventions that you mentioned, it's very difficult to imagine why this should continue to stay elevated. Why the credit cost should continue to stay almost record highs almost every quarter, right? And plus, we are still saying it will remain between 7% and 8%. It's not like a onetime -- so there is obviously something with the behavior of customers, which I understand. But does that necessarily mean that now you need to take a step back to take a pause, as maybe prioritize quality and stability because I'm sure the regulator is also looking at these things. We don't want to give an impression to the regulator that's becoming difficult to manage asset quality, right?

Abhijit Chakravorty: I will not exactly agree with you. Asset quality can be a cyclical event also. While asset quality will need to be managed, it doesn't mean that one has to fold and hold up the shop and not do business at all. But it is definitely important how do we do business, what business do we do? So, when we do the new business, new acquisitions, expand our loan book, how we do it is more important. So that's what we have been doing, and we'll continue to do that. Simultaneously, work on the delinquencies, work on the credit cost. That is a separate thing to be handled and we will continue to handle that, and the business will continue the way it is. There is no stepping back.

Krishnan ASV: Like I mean the only reason I'm probably harping upon this is -- we have gone from about 6% credit cost nearly 2 years back. I'm sure that itself was a bit elevated at the time. We have been actually doing a lot of these portfolio intervention. Despite that these trade costs are not coming off. I mean, I understand what you're saying that there is a system wide issue around some of these things and you can't be oblivious to that, you can't be immune to that completely. But my only point was does it reach a stage where you then say okay fine instead of us trying to manage both the engines now? Can we focus on one over the other and you're saying that's not necessarily yet?

Abhijit Chakravorty: So, as I stated I already made myself very clear. And another thing is we have been -- we did not start the portfolio actions 2 years back. We started doing it during last financial year when the signal started coming off. It's not that for 2 years we have been doing portfolio actions and then we are at this stage. The delinquency started somewhere previous financial year and they have continued an overflow to this financial year also and somewhere we find that we are not the only one to have seen this kind of a behavior. Now my data is in public; standalone data is available. So that's why I'm subjected to more scrutiny, but beyond that it doesn't mean that I should not be doing business. I will be doing good, prudent, good business, continue to do business while working on the collections and recovery efficiencies also.

Krishnan ASV: Understood. So, I completely take your point. These credit card delinquencies are beginning to show up in a lot of other lenders. So, you are obviously not alone there. I mean I take your point.

Moderator: Mr. Krishnan, may we request you return to the question queue for any follow-up questions. The next question is from the line of Hardik Shah from Goldman Sachs. Please go ahead.

Hardik Shah: I have only one question which is can you explain how this index 30 plus delinquency are computed? Just wanted to get some sense.

Shantanu Srivastava: The indexed delinquencies are points of time indexation. So, for example if you look at the chart on the bottom left which is our open market to SBI sourcing, the overall number is taken as one and the relative difference of SBI to that number is then indexed. Likewise for open market. So, in this example when it says 1.07 that means the open market channel is 7% more than the overall average and the SBI channel is 19% better.

Hardik Shah: Understood. Clear.

Moderator: Thank you. We will take the last question from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi Girish. Thanks for this opportunity. Two questions the first one is what the treatment of GST recovery is. Do we add GST to the principal outstanding on the NPA account or we excluded that is 1st. And what is the NUNP as of this quarter versus last quarter this year -- sorry this quarter last year?

Girish Budhiraja: So, I'll answer the NUNP question first. So, NUNP numbers now after the RBI guidelines of 37 days in active you have to close is almost nil. Those numbers which used to be at one point of time in the industry with pre-card floating around very high with this RBI guideline and we are charging fee base card that's hardly anything.

What we see is that almost close to anywhere between 95% to 97% of the cards we are able to, within 37 days, get them active in one way or the other and engage with us. So NUNP problem after last MDC circular is not there.

Rashmi Mohanty: So, Shubhranshu on any account there is a certain hierarchy that we follow whatever amount that we collect from the customer get applied in a certain hierarchy. And of course, the statutory payments are definitely prioritized over the other payments.

Shubhranshu Mishra: So, do we add the GST to the principal plus the fees that we charge, how do we -- what would be if I ask for GST?

Rashmi Mohanty: Yes absolutely. When we calculate the total outstanding all of the dues including the statutory dues, interest payment etc is calculated. And then based on whatever we recover from the customer the application is made as per the hierarchy.

Girish Budhiraja: As per the latest regulation the minimum amount due, full GST is included in that.

Shubhranshu Mishra: Understood. And if I could just squeeze in one last question. What percentage of our customers pay MAD on a quarterly basis?

Girish Budhiraja: So, Shubranshu we have not declared that number whereas what you can look at is at almost 24% of our assets is a revolving asset wherein the customer pays between 5% to 100% not 100%, but 5% to 100% and usually the revolving balance per customer is usually 2x to 2.5x of a normal balance. So, if you calculate you will get the numbers.

Shubhranshu Mishra: Thank you. This was very helpful. Best of luck for the future quarters.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question for today. I would now like to hand the conference over to Mr. Abhijit Chakravorty for closing comments.

Abhijit Chakravorty: Yes. Thank you everyone for being with us and having the fruitful discussion. We have experienced a good positive start for FY'25 with the first quarter. SBI Card continues with its journey of achieving sustainable and profitable growth. SBI Card is committed to the highest standards of governance, ethics, and integrity for ensuring business sustainability. I would like to share my gratitude towards our shareholders, investors and business partners for their continued trust and support to SBI Card. Thank you!

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