SBI card

MAKING LIFE SIMPLE

May 03, 2024

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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 Q4'FY24 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 April 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: 2024.05.03 15:54:05 +05'30'

Payal Mittal Chhabra
Company Secretary & Compliance Officer
Date and Time of event: - April 26, 2024 at 7:35 PM

"SBI Cards and Payment Services Limited Q4 FY24 Earnings Conference Call"

April 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 Q4 FY '24 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'm pleased to welcome you to the Q4 FY '24 and FY '24 Earnings Call, along with my senior management team at SBI Card. India has sustained its growth momentum and surpassed all projections despite issues on global fronts. The second advanced estimates placed real GDP growth at 7.6% for FY '23-24, the third successive year of 7% or higher growth.

The urban consumption stays buoyant. Credit cards have been significant contributor to the overall digital growth in the country. 21% growth in the number of cards in H2 2023. And credit card transactions value stood at INR9.39 trillion and saw a rise of 11% during the same period. Total number of credit cards in the industry crossed 100 million in February 2024. Spends have seen an impressive growth with over 27% year-on-year increase in financial year FY '24. Spends have grown from INR1.4 trillion during '22-23 to over INR1.8 trillion in '23-24.

In financial year '24, many new customer-focused implementation, regulatory measures have been introduced and implemented. These include offering of card network options to customers, rollout of master directions on internal Ombudsman mechanism and regulatory entities and other implementations relating to billing, account closures, etc. Risk weight for unsecured lending was also increased during the year. These measures are crucial for the long-term stability of industry as the credit card penetration in India is increasing.

At SBI Card, the agile nature of our organization has allowed us to adapt and implement these regulatory measures and remain compliant while maintaining a strong growth momentum. As you are aware, financial year '24 has been a significant year for us as we completed 25 years of successful journey in the Indian credit card market during the year. During this journey, SBI Card has continuously set new benchmarks and achieved new milestones with each passing year. This trend of growth journey continues as we have achieved robust business performance across all key parameters, even in financial year '24, too.

As always, we continue to create value for our stakeholders, and I'm pleased to share that we declared an interim dividend of INR2.5 per equity share for financial year '24 in the month of March 2024. During financial year '24, our new card acquisition was 4.4 million. We have added 1.03 million new accounts during Q4. We have been selective in new acquisitions. And maintained the new customer acquisition volume between 1 million to 1.1 million. We intend to continue this at around this rate for the next 2 quarters also.

Our cards in force stand at INR1.89 crores. We continue to be the second largest credit card issuer in the country. And our CIF market share is at 18.6% during financial year '24. Card spends have grown to INR3.3 lakh crores during financial year '24. Retail spends are now at over INR2.6 lakh crores, which is a strong 27% increase over financial year '23.

Our total card spends in Q4 of financial year '24 stands at INR79,653 crores with 11% year-on-year growth. Out of this, retail spends have contributed over INR69,189 crores with 25% year-on-year growth in quarter 4 of financial year '24. This is a contribution of around 87% to the overall spends during the quarter. It is noteworthy that our retail spends per card has also increased by around 9% year-on-year in Q4 of financial year '24. We continue to maintain number two position in the spends market share at 17.8% for financial year '24.

During Q4 of financial year '24, we have seen good growth in both POS and online spends across all key spend categories including departmental stores, health, utilities, education, travel, entertainment, restaurant, among others. Our online spends continue to be strong and have contributed 58% of total retail spends in financial year '24. We have always maintained that a higher customer spends active rate is vital. And at SBI Card, our retail spends active rate has been over 50%, including during the year, financial year '24.

With new guidelines coming into play, corporate spends are at INR10,464 crores during the quarter. B2B spends were completely stopped from mid-February, as the vendors now are slowly getting set up as merchants by acquiring banks, billing volume will return. We expect that this should normalize by June, July of the next year.

We expect retail spends and NEA to grow in tandem at around 23% to 25% in FY '25.

Driven by customer centricity, we have rolled out many new initiatives during FY '24. We had introduced the functionality of UPI on SBI Card issued RuPay credit cards, which enables SBI Card users with RuPay cards to make transactions using UPI-enabled apps. Our monthly average UPI spends per active account has increased to around INR12,500 in Q4 of financial year '24. Departmental stores and grocery, restaurants, fuel, utilities and apparel have been among the top five categories for UPI spends. Tier 2 and beyond customers are utilizing this facility more than Tier 1 as this facility increases the number of acceptance outlets for RuPay cards.

We have also forged strategic partnerships with leading brands in the country to roll out full co-brands, including **Reliance SBI Card**. This card has been launched in partnership with Reliance Retail, India's largest retailer. Reliance SBI Card has been crafted to meet the varying needs of a wide spectrum of customers, right from mass to premium. Customers have given us a very positive response. The card has already crossed 1 lakh cards millstone since its launch.

Titan SBI Card - This card has been launched in partnership with Titan Company Limited, a leading player in jewellery, watches, eyewear and ethnic wear categories and has been designed to address the consumers' aspirational spending needs. Since its launch in March this year, we have been receiving positive feedback on it. We will continue to assess, curate and launch more such customer-centric products.

Our focus and investment in harnessing the power of technology continues. We have extended SBI Cards end-to-end digital acquisition platform, SPRINT to YONO and Internet banking of

State Bank of India. This allows the customers of State Bank of India to digitally apply and get a new SBI Card on successful approvals and KYC verification.

We roll out hyper local and national offers in partnership with leading brands throughout the year. In line during festive season in financial year '24 also, we have rolled out around 2,200 offers across 27,000 cities to enhance festivities of our customers.

We have continued our focus on ESG efforts with focus on areas of environment and employee welfare. Our commitment to environmental, social and governance principles has been at the forefront of our operations through our Impact 360 program. Since the fiscal year 2023, we have diligently adhered to the reporting requirements outlined by the Securities and Exchange Board of India through business responsibility and sustainability report. In addition, I'm pleased to announce that we are fully prepared to embrace enhancements, introduced in BRSR framework, including the incorporation of core metrics and assurance requirements.

Some of our efforts in ESG include continuous focus on paperless communication to customers and tree sapling plantations under 'Pehel' program, financial literacy workshop for women employees undertaking of new projects to set up Mother and Child Hospital at Uttarakhand and many others. During the year, we have also added rural development as a new focus area for our ESG efforts with an aim to enhance the quality of life in rural communities through skill development and improved healthcare.

In our endeavour to further strengthen information security posture, we continue to enhance security controls and practices. We have upgraded our PCI DSS accreditation to the latest standard that is PCI DSS version 4.0. Considering the ever-evolving threat landscape, we will continue to invest and enhance our security posture to improve our cyber resilience and bring agility in business decisioning.

I am proud to share that this year, too, our all-round efforts have been duly recognized. SBI Card has earned various prestigious recognitions in different areas. For instance, SBI Card was recognized as Super brand for the year 2023 in the credit card category for the second consecutive year. We also received Golden Peacock Award for CSR and Best CSR Excellence Award in healthcare by ASSOCHAM in their healthcare summit. SBI Card has been felicitated with DSCI Excellence Award under the category of best security practices in nonbanking finance company. This award reflects our relentless pursue to enhance information security posture at the enterprise level. Our sound business momentum has also helped us in registering healthy financial growth in quarter 4 of FY '24 and for the FY '24.

Some of the key metrics are:

Our total revenue has grown to INR17,484 crores, with a 22% year-on-year growth during FY '24 setting another benchmark. Our revenue from operations too stands strong at INR16,968 crores with a 24% year-on-year growth during FY '24. Strong spends growth has resulted in the healthy growth of our receivables. Our receivables have reached INR50,846 crores with a 25% year-on-year growth in FY '24. Our receivables per card have also grown and are at INR26,918 in Q4 FY '24 versus INR24,293 in Q4 FY '23.

In financial year '24, SBI Card has achieved a profit after tax of INR2,408 crores, registering a 7% growth over financial year '23. In our Q4 financial year '24, our PAT has grown at INR662 crores, registering 11% year-on-year and 21% quarter-on-quarter growth, respectively. We have been focusing on growing our overall interest earning receivables.

The share of interest earning receivables is stable at around 61% in Q4 FY '24. The percentage share of revolvers in the receivable mix has increased marginally and stands at 24% in Q4 '24. It has been growing in absolute numbers.

Our cost of fund was around 7.4% for Q4 '24. As we had indicated in our last quarter's earnings call, that the full impact of the increased risk weight on bank borrowings for NBFCs will be held in Q4. And with the increased bank borrowing costs, the cost of fund was higher by 20 basis points this quarter.

Given the uncertainty around interest rate cuts, we expect the rates to be stable or marginally higher over the next quarter. This could make cost of funds increase marginally for quarter 1 of FY '25. However, we feel comfortable in being able to absorb this nominal increase through transmission onto the asset side and keep our NIM stable.

We continue to monitor the market developments and align our funding strategy accordingly. Net interest margin during the fourth quarter stood at 10.9% despite high cost of funds. For FY '24 as a whole, it stands at 11.3%.

Our cost to income for quarter 4 of financial year '24 stood at 51%. This has improved owing to non-festive season and lower corporate spends proportion. Cost-to-income ratio shall be in the range of 58% to 60% for financial year '25. And due to lower corporate spends targeted to grow gradually shall remain subdued around 55% in the first quarter.

Gross NPA is at 2.76% in quarter four of financial year '24 as against 2.64% in quarter three of FY '24. Our gross credit cost is at 7.6% at quarter four of FY '24 as against 7.5% at quarter three of FY '24. As stated in the previous quarter, the industry has been witnessing stress in the overall card segment over the last few quarters, driven by macro factors like higher leverage and growth in advances, which were also taken note of by RBI and factored into regulatory actions.

We had pointed out that some customers had obtained multiple trade lines from other lenders after taking a card from us and that this overleverage has impacted the repayment capacity, which in turn had impacted our portfolio. We had also indicated that our credit costs would remain elevated around current levels for next two quarters. And that future trends would depend on how the ecosystem improves based on the corrective actions taken by RBI.

We are now observing that in the overall industry, delinquency trends of 30-plus and 90-plus have remained elevated in December '23 at the same levels as of September '23. In response to this, we are taking a wide range of actions covering the entire product life cycle, including sourcing, underwriting, marketing, cross-sell campaigns, portfolio management actions like credit line decrease and blocking of cards, intensification of collection efforts and also offering restructuring via flexible payment plans to reduce overall credit costs. We are also refreshing, upgrading and continue to leverage a large number of analytic capabilities in order to create sharper insights, early warning triggers about our portfolio.

We leverage a large amount of variety of data across the card life cycle stages from onboarding to collections, recovery, account aggregator. We leverage data from GST, EPFO, etc. It is a continuous effort. We have also reduced limits of more than 1.5 lakh accounts last quarter taking the total limit reductions to over 5 lakh accounts over the last financial year with focus on intensified collection efforts on these accounts. We will continue to fine-tune our policies and processes across the customer life cycle.

As previously mentioned, the industry has experienced challenges in the card sector due to macroeconomic factors such as increased leverage and advance of growth. Recoveries typically spread over a couple of years. And noting the current microenvironment, we expect a slightly elongated period of recovery for our write-off pool. At the same time, we note that our more recent sourcing has been continuing to perform better as stated in last quarter, too. As the share of this resourcing increases, the overall portfolio quality will improve.

We expect our credit costs to remain elevated in the near future with variations during the year. The interventions already implemented should help in improving credit costs later during the year. We will continue to keep an eye on the environment and portfolio performance to take appropriate actions and expect the average credit cost for the financial year '24-25 to be lower than the current levels, but it may prevail above 7%.

In financial year '24, our return on average assets is at 4.7% as against 5.6% in financial year '23. During quarter four financial year '24, it has been at 4.7%. Going forward, we expect return on average assets to be around 4.5%. Our ROE is at 21.7% as against 25.3% in financial year '23.

We look forward to financial year '25 to continue our growth trajectory and scale of the business in a profitable manner. The company has grown its CIF base at CAGR of 13.5% in the last five years. Our overall spends have grown strong at CAGR of 20.3% in the last five years. SBI Card is actively working on many initiatives to increase customer focus, and thereby grow CIF and spends in future as well. We expect the business to continue delivering higher profits at a healthy ROA and ROE.

Our liquidity position continues to be strong during Q4 of FY '24. The company raised INR1,275 crores of Tier 2 bonds to augment its capital adequacy ratio this quarter. With this issuance, our CRAR is at 20.5%, up from 18.4% as of December 2023. Our liquidity coverage ratio for Q4 of FY '24 is at 105% as against the statutory requirement of 85%.

So, India continues to have a strong consumption story, which is an encouraging sign for us. We are all geared to take advantage of the vast growth potential at India's growing credit card market offers. Now we are open to questions.

Moderator: We'll take our first question from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: So, my first one is that you did give a commentary around credit costs and even delinquencies December versus September at sector level, but is there any sign or any data that you've picked up that they are improving in Jan, Feb, March? I know that published Bureau data may not be available for the March quarter, but in general, your market intelligence.

Shantanu Srivastava: We like to comment on published information, and we don't really have anything available so far.

Mahrukh Adajania: Okay, sir. And sir, if you see excluding the standard asset provisioning also, there's probably a slight uptick in credit costs. I mean the delinquencies would have risen somewhat quarter-on-quarter? Or how do we view that?

Shantanu Srivastava: So, in the last quarter, the increase in credit cost comes from worsening of write-offs, but incremental provisions that we've taken in this quarter are lower than the incremental provisions taken in the previous quarter. And recoveries are also somewhat better. And that is evident in the slide that we have given in the deck. If you read closely, you can make that out.

As regards flow rates, our experience with flow rates is in line with the industry experience as it is published. And that's what we can say for the moment. But the flow rate or the early delinquency performance of our new sourcing, as we mentioned last time, continues to be better. And as the composition of the new book improves, we think it will start having a material impact on our overall delinquency numbers.

Mahrukh Adajania: Got it, sir. Thank you.

Moderator: Thank you. We'll take the next question from the line of Anuj from Bank of America.

Anuj: Good evening, everyone. Thanks for the opportunity. The first question is from Slide number 28. So that you talk about taking a more cautious view on new sourcing. But if I look at the market share across various parameters, cards, spends and transactions, we have seen a significant decline over the last 12 months or so. So, can you talk about maybe the strategy around that? Would it be taking precedence over the growth in the near term, and we could see this trend in the next coming years as well? Or is there some strategy to have a reversal there?

Girish Budhiraja: Good evening, Anuj. Regarding the market share, our strategy has always been, and we stated earlier also that we would like to maintain or grow the market share. With respect to cards in force, we are at around 18.6%. As we stated, two quarters back, we had done some cleaning of our portfolio where there were inactive accounts and there, we were unable to get some KYCs from the customers, so closed those accounts.

On the spends piece, in fact, we were doing better till quarter three, RBI data is published. Until quarter three, we are doing quite well. In quarter four, the impact has come essentially because of the business-to-business payments which we stopped from mid-February. If you see the data, this brought the share of the corporate spends on the overall spend mix down. And because of this, you see a decline in share. We would get this back on track from June-July onwards. We have already started working on this front. So, you should see at least the baseline coming back very quickly and growth from there.

On the transactions piece, we are betting on UPI, and you have seen the RuPay data, which has also been put across. So, in Tier 2 plus towns, we see a far better pickup of RuPay customers using it on UPI terminals. So, these are the three action points that we are taking. But on a strategic basis, we would want to maintain and grow market share on all three fronts.

Anuj: Got it. And just to delve a bit more on the guidance. So, the two parameters, one is credit cost and NIM, I think, which are of interest. Firstly, on the NIM side, is it fair to assume this is the bottom? And unless there is a further rate hike by the regulator, we are not going to see any further NIM deterioration. And second part on the credit cost. So, sir, talk about Y-o-Y decline and -- but still elevated at 7% plus for the next year. So how do we see the trend line in the second half? Like should we see a number closer to 7% and maybe declining below 7% in FY '26, if I were to take extrapolated to the next year?

Rashmi Mohanty: I'll take the first question, Anuj. On the NIM, we've said earlier that we do expect the cost of funds to be marginally higher but also expect that we should be able to transmit that increased cost, whatever marginal increase that might be there on the asset side as well. So, I expect the NIM to be in the around the same level, plus, minus obviously, depending on where finally the cost of funds happen, how soon can we transmit that on the asset side, but around these levels only. And this is, again, I'll qualify based on the current understanding of when the rate cuts are going to happen, nothing in the first half of the year for sure, and this is based on that understanding.

Abhijit Chakravorty: Coming to the credit cost part. We had stated in the previous earnings call also that based on the portfolio analysis and an account level scrub, we had identified, and we have been monitoring closely the accounts, which are having early trends of delinquency. And we have taken actions on that part. Now what happens is that as the recent acquisition component increases and the portfolio mix stabilizes, definitely, there will be improvements and that's where we are seeing that there will be a reduction. But whether it will come down below 7%, it will be difficult to estimate and comment as of now.

Anuj: Okay. Got it, sir. Thank you very much.

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

Nitin Aggarwal: Sir, I have two questions. One is on Opex, where in the cost ratios have improved considerably this quarter, which we have attributed to the lower corporate spends and this being a non-festive quarter. So how should we view the corporate spends now in FY'25? And any color around the cost income ratio for the year?

Girish Budhiraja: So, we are working on getting our corporate spends back to maintain the market share and grow it. This would take this first quarter to get us back to almost close to normalcy. So, from second quarter onwards, you can estimate, as was stated in the opening remarks also, we will grow back to the 55% plus opex to CV ratios. This quarter, you would see a lower number.

Nitin Aggarwal: Okay. And secondly, on margins, while we have said that the cost of funds has gone up, but sequentially, like 7.6% from there, it has come down to 7.4%, but the yields have also come down by 40 basis points.

Rashmi Mohanty: Nitin, I would suggest that instead of looking at the 2-point average, which is where it is showing at 7.6% to 7.4% on page number 31, we have also given the weighted daily average cost, where you will see it's gone up from 7.3% to 7.5%. And that is a true reflection of where the cost of funds is.

Nitin Aggarwal: Okay. And alongside on the yields then, that...?

Rashmi Mohanty: The yields dropped marginally by 10 basis points, 11 to 10.9 on a like-to-like basis monthly average basis.

Girish Budhiraja: So, yield actually went up.

Rashmi Mohanty: Sorry, not yield. NIM.

Girish Budhiraja: So, yield went up from 16.6% to 16.7%. And cost of funds went up from 7.3% to 7.4%. The NIM from 11% to 10.9%.

Rashmi Mohanty: 10.9%, yes.

Nitin Aggarwal: Okay. Got that. And lastly, if you can share some color on the UPI spends because if you look at the monthly UPI spends that is running very close to the overall average spend per card. So, whatever, let's say, RuPay portfolio is there, how is the non-UPI spend on those RuPay cards? How is that trending?

Girish Budhiraja: So monthly average spend per customer is in the range of INR 1,48,000 which comes to around INR12,000, INR13,000 per customer per month. But because 50% of them are active every month, spend per active customer goes up to INR25,000 - 26,000 per month. So, this INR13,000 that you see is an active customer spend. These all customers are active. So like-to-like these customers are spending INR13,000 on UPI and the balance INR12,000, INR13,000 is happening on the card.

Moderator: We have a next question from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Congrats on the quarter. Just a couple of questions. Firstly, sir mentioned that you are resorting to restructuring of loans, I think I heard something like that. Can you just elaborate a bit more on that?

Abhijit Chakravorty: So basically, we provide them some headroom to pay out. So basically, it will be converted into EMIs. And like any amortized loan, it is allowed to be paid over a certain period, can vary up to 12 months or more also. So that depending upon their own cash flows, they are able to pay us out comfortably without asking for the entire delinquent amount to be paid upfront after they have turned NPA.

Piran Engineer: Okay. Sorry, these are before they turn -- these are like Stage 2 customers?

Abhijit Chakravorty: No. These are Stage 3 customers.

Piran Engineer: Stage 3, okay. Okay. Fair enough. And sir, secondly, I just wanted to understand what parameters network incentives depend on. Because I see this year, retail spends are higher, but our number of card sourcing is lower, and our network incentive seems to be lower than what I thought would have come through.

Girish Budhiraja: Piran, network incentives depend on various variables, but they also vary from network to network. We look at, essentially, there is a cost of using a network and then there is an incentive with kind of a return back for certain performances that we do, which we get from the network. Essentially, we are interested in the net cost. Net cost for us for all 3 networks, which is Visa, MasterCard and RuPay is broadly similar. RuPay, as a network, last year, if you see, we have done many more cards on RuPay. We have increased the total volume to almost close to 3 million plus. Given that scenario, in case of RuPay the network incentive amount is lower, but the cost of RuPay network of using the RuPay network is also fairly low. So, you don't see that in the cost line, but you don't also see that in the network incentive line also. Net cost wise it is all similar.

Piran Engineer: But sir, the interchange would also be lower, right, then?

Girish Budhiraja: Yes. It will show in a cost line also.

Piran Engineer: Got it. Fair enough. And just lastly, in terms of rental spends we used to track about 10%, 12% of our total spend used to be rental-related spend. Has that sustained, has it come off and are we still charging INR200 bucks per transaction on that?

Girish Budhiraja: We are still charging a fee for every rental transaction. However, rental-spend growth has reduced considerably. So, if the overall retail spends has grown close to 27% year-on-year, rental spends growth rates would be half of that.

Moderator: We'll take the next question from the line of Nishant Shah from MLP. Please go ahead.

Nishant Shah: So, I just want to go back to this cost bit a little again. On the P&L summary slide which is slide number 12. So sequentially, we've seen a fee and other revenue decline of about INR300 crores. So, from INR2,500 crores down to INR2,200 crores. And the operating cost is down from INR2,400 crores down to INR1,900 crores. So, about INR500 crores. What part of this is attributable to corporate spends coming off? If you could help understand that? Because I'm trying to understand that what part of this cost reduction is more sustainable. Is it to do just because corporate spends came off so the cost came off the moment they are back, the spends come -- like this opex comes back or is there an element of like higher promotional costs during the festive period in the base and like net-net to the fee income and the cost income of corporate cards and spend is about similar. Could you help me understand that a bit, please?

Rashmi Mohanty: I think the way to look at it would be, look at the cost-to-income ratio for a non-festive quarter and this quarter because that's comparable. Don't compare to quarter 3 cost-to-income to a quarter 4 cost-to-income because quarter 3 is any way influenced by higher cash back spend that we do for the various campaigns that we do which is where we said earlier that we expect that the cost-to-income ratio for the full year to be in that range of 58%, 59%, 60%.

This quarter will be lower because as we pick up the corporate spend it will be around 55-odd percent or maybe a little lower than that as well. So, 51% reported for quarter 4, we're talking about 55% kind of a range for quarter 1. That should just give you an idea in terms of if the corporate spends come back. What element of the operating expense will be back with the spends back.

And also, one last comment on the fee income. The fee obviously is lower because of the, as you mentioned the corporate spends were lower and therefore the interchange also goes lower. So, to that extent as the corporate spends come back this number will go up as well.

Girish Budhiraja: Usually, the interchange that you receive on corporate spends is 1.9% to 2.1% depending on the kind of spending. So, for every, let's say, INR1,000 crores, it's close to INR20 crores worth of revenue line which you can add there and that will also give you the sense of drop because of the corporate card spending from a quarter-to-quarter revenue.

Abhijit Chakravorty: Yes. But simultaneously you need to add it to the cost also.

Girish Budhiraja: Simultaneously, you need to reduce the cost there. Just one more point. You should look at our interest income growth on quarter-to-quarter that has grown. So that's going to go stable because that is a baseline asset buildup which has already happened in that sense. And this particular part if the revenue comes in then the cost will also come in and both are very directly linked to each other.

Nishant Shah: Got it. And that’s perfect. That's clear. And our second question, one of a small, midsized private sector banks mentioned in their call that they're expecting a circular on credit cards. So, it didn't really specify what that was around, but like if you've been engaging with the regulator, could you comment about what's in the pipeline in terms of regulation because the comment was also that it's perceived to be a little more stringent whatever that means. So, if anything in the pipeline could you just talk about it what nature of this regulation is coming in?

Abhijit Chakravorty: No, we won't venture into regulators’ area. It is for regulator to come out with whatever guidelines. They have been coming out with various guidelines and we fall in line, we complied with them. We won't like to speculate on what regulator would like to do.

Nishant Shah: Okay. Yes. The context of the question was just like there is a heightened regulatory scrutiny around that and there are monoline company. So, the anxiety levels are a little higher. All right. Perfect. Those are my two questions.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Philip Capital. Please go ahead.

Shubhranshu Mishra: So, when I look at the job openings on SBI Cards websites, I think almost 50%-50% of the job openings are either for recoveries or collections. Is this because of heightened delinquencies, a sticky delinquency of very high churn and those deals that's the first. Second is also around credit cost, I think has been much spoken about it. We are speaking of close to 7% kind of credit cost in our credit card business where we get so much of data in one spend versus say when we look at other business models like microfinance where there are hordes of new to credit customers and we get a slightly lower credit cost of similar credit cost and the quality of customers also would be different based of the income levels.

So how do we compare these two business models, microfinance and credit cost and the demographic cohort should also be different and it's just a bit overwhelming to get similar kind of credit cost?

Abhijit Chakravorty: I'll take the first part first. The second part, I was not very clear. The first part regarding jobs. Well, there are jobs to offer, jobs to be taken in the entire industry. So, people join us. We do need people; we do need hands at various point of time. So, job openings will keep on coming, and we are part of the industry. There will be some amount of churn, some amount of heightened business activity. So, it's a combination of all taken together where we require people, and we keep on augmenting our strength as and when wherever we require. So, I won't be able to join you in your assessment whether to what extent this is linked to attrition or the credit cost part of it. But then this is about process. The second question, I could not understand.

Shubhranshu Mishra: Sir, second question is why our credit cost is comparable to a microfinance business where the income level and demographics cohorts is inferior to the income level than the demographics that we offer. And there will be a lot more new to credit customers in the microfinance business system?

Shantanu Srivastava: So, I think you should look at all the metrics together, not just the credit cost number. Look at the net interest margin that other businesses deliver. And finally, the proof of the pudding is the ROE that we deliver and the kind of capital base that we have. So, we deliver 20% plus ROE on 20% plus of capital adequacy.

Moderator: The next question is from the line of Gao Zhixuan from Schonfeld. Please go ahead.

Gao Zhixuan: Congratulation on the quarter. Just wanted a little more on the comments of the new vintage is better. First of all, which vintage are you talking about? Is it FY '24 vintage?

Shantanu Srivastava: Yes. The vintage is '22, '23, '24. That is now contributing to about 45% of our book. This number used to be about 40% in the last quarter.

Gao Zhixuan: Yes. So, when you say new vintage is doing better, are you just referring to FY '24 vintage in the last 12 months?

Abhijit Chakravorty: This is 23-24.

Gao Zhixuan: Okay. So - and also, do you mind elaborating a little bit on what do you mean by new vintage is better?

Abhijit Chakravorty: I will complete, why '23-'24 because somewhere during the beginning of calendar year '23, we started initiating the corrective actions. So that's where the recent acquisitions are helping us out.

As we have stated out in our call also that after we have initiated various steps beginning from the calendar year of '23 we have now getting the results out of it, and we expect that to continue. Sorry, I interrupted you, but I thought I will complete that.

Gao Zhixuan: Thank you so much for that. So just wanted to understand when you say the new vintage is better, do you mean that it's better than the average credit cost, let's say, the new vintage credit cost now is better than average credit cost of delinquency or you mean it from a vintage analysis basis because if I recall correctly, the credit cost takes about 24 months in which peak delinquency and the start is pretty benign. So, just wondering whether you can share more color on that?

Shantanu Srivastava: Yes. So, this is a like-to-like comparison of the early delinquency performance of the new sourcing versus the performance of sourcing done in the prior period at the same point of their life. So, this is called the M6 30 plus, 6 months on book, 30-plus delinquency it's a standard industry metric. That's performing better for our new sourcing versus the sourcing done in the prior period.

Gao Zhixuan: Got it. And the magnitude of how much better, is there any way you can share the magnitude with us?

Shantanu Srivastava: We don't provide that level of detail in our disclosures.

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

Shweta Daptardar Thank you sir for the opportunity. Sir, you did mention in the opening comments that we have been taking corrective actions with respect to the customer cohort, which has availed multiple credit lines and later on added to our delinquency. But have you revamped or rebuilt predictive analytical models wherein customer data or cash flows that are easily available to us sort of give us some early warning indicators and therefore, there might be certain credit cost guidance that we can provide. So, are we sort of working on these lines?

Abhijit Chakravorty: Yes. So, I will invite my Chief Credit Officer to respond.

Nandini Malhotra Shweta, we have rebuilt all our models right from acquisition to portfolio to collection, using the spends, repayment and cash flow data that is available for these customers. And we have started utilizing these models to take corrective actions, whether it is in terms of better selection of customers or in terms of identifying existing customer segments for corrective actions, which could be limit reduction, which would be basically early payment reminders, et cetera., to also looking at customers who are delinquent, so that we can identify the right type of offers for them. We talked about hardship. We talked about reaching out to them in a slightly different manner. So, we are doing all those actions basis newly developed predictive analytical models.

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

Rohan Mandora Good evening, sir. Thanks for the opportunity. So just wanted to understand, have you got any recommendations from the regulator on any corrective actions? Similarly, considering the fact that recently, a lot of entities have got some updates from the regulator. That was one.

And second, from a strategy perspective, if you look at it, right now, whatever actions have been taken on card industry, the competitive intensity is reducing because many players are going slow on that business. So how should we look at SBI Card over the next 2 years, would you look to aggressively gain market share or would like to be conservative given the macro environment right now?

Abhijit Chakravorty: The first part first. Answer is no. We do not have a anything from the regulator, which is a red flag. As you all are aware, being a regulated entity, we are subjected to periodical oversights. That continues. We submit our compliances, that's a regular process. Beyond that, we don't have anything else.

You're right. Competitive intensity has reduced in the last quarter or so. Our stated position is that we would want to maintain and gain market share. In the next 2 quarters, we are looking at close to 1 million to 1.1 million only. This has to be done in a balanced way. We will want to increase our new customer sourcing and gain share. But while getting our credit costs at a much more reasonable level. So, these are both the things will go hand in hand. It cannot be that we, in the pursuit of market share, we will not look at the credit cost. So, both things will continue to get balanced. As our Chief Credit Officer was mentioning, new models have been developed, new work has happened on some of these areas. We should be able to have much better selection of customers with these actions.

Rohan Mandora: As just a data driven question, sir. You alluded to that on the corporate spend the interchange is between 1.9% to 2.1%. How should we think on the cost and that will come up and the spend comes up? if you can bolt a guide on that? And secondly, on the 30-plus DPD flows during March at a portfolio level, how would that be vis-a-vis in the December quarter?

Girish Budhiraja: On the first part, it's a deal-to-deal basis. So, it is dependent on what kind of deal you've done with which partner. So whatever return goes out of that, which is called pass back or return back to the customer is deal-to-deal dependent. It is a confidential information. So really, we don't declare that particular line.

Rohan Mandora: Ballpark range, average?

Girish Budhiraja: Won't be, but it's a competitive number. It's a market -- proprietary information.

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

Abhishek Murarka: Hi, good evening. I just wanted to understand that you've been saying that you've been reducing limits of, let's say, 1.5 lakh accounts last quarter and so on. Can you help me understand what -- maybe 1 or 2 attributes that you observed, which gives the trigger for you to cut back on limits. So how do you go back identify that, let's say, for somebody who's been given a card 12 months back or 15 months...

Nandini Malhotra: We are looking at their spends and repayment behaviour with us. We do look at if there are any issues that we see in the Bureau records. We also see if there is an increase in leverage of that customer and we feel that even if there is no stress that observe right now, it could be ensuing stress because of the leverage that is building up. So, these are some of the key features, besides we have also started looking at the transaction spend with the customer, seeing how if there is any shift in the transaction pattern over a period of time, which may indicate that there are some signs of economic stress.

Abhishek Murarka: And to get this data apart from the transaction data, which of course you get automatically, but to get the other data of leverage, et cetera., how often do you have to hit the Bureau, or maybe do you have to ask the customer for consent? How does that work?

Girish Budhiraja: So, for all our customers, we get the Bureau data at least once in a quarter. These days, we have increased the frequency of Bureau hits for a certain set of customers, as per our model, becomes high risk. Apart from that, there are a lot of triggers that we take from Bureau. So, if the customer takes another trade line or takes suddenly 3 or 4 personal loans, all that information comes back to us as trigger and gets fed into these models.

Abhishek Murarka: And that happens on a quarterly basis?

Girish Budhiraja: No. Triggers are on a daily basis.

Nandini Malhotra: Triggers are on whenever the Bureau gets updated.

Abhishek Murarka: Okay. All right. Got it. Thank you so much.

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

Saurabh Kumar: I am on the Slide 15 of your Presentation. So, just a question on this open market channel. So now you have a history of more than 6 years of this business. Given the delinquency, given the operating cost of the channel, do you think that the profitability of this channel is better than the company average? Or it will be lower than the company average?

Girish Budhiraja: It is similar to company average.

Saurabh S. Kumar: Despite the higher sourcing costs and the delinquencies here?

Girish Budhiraja: If we have higher sourcing costs, it has slightly higher delinquency as this one, but it has higher revenues.

Saurabh S. Kumar: Yes, I understand. So, the revolve basically is on the interest...

Girish Budhiraja: Higher spend, higher fees, higher interest income, more premium.

Moderator: Thank you. The next question is from Pranav G. from Bernstein. Please go ahead.

Pranav G.: Hi, good evening. Thanks for taking my question. You have guided on the credit cost for next year, that it would be about the 7%. Would you also be able to provide a sense of where your Stage 2, Stage 3 numbers, the share could trend to by end of next year?

Shantanu Srivastava: We don't give that level of detail in our disclosures.

Pranav G.: Okay. No worries. Thank you.

Moderator: Thank you. We'll take that as a last question for today. I now hand the conference over to Mr. Abhijit Chakravorty for closing comments. Over to you, sir.

Abhijit Chakravorty: Thank you, everyone, for being with us and interacting with us. SBI Card has continuously proven its metal to achieve strong growth and set new benchmarks. Going ahead to, we will ensure that SBI Card continues its sustainable and profitable path. 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: Thank you, sir. On behalf of SBI Cards and Payment Services Limited, that concludes the conference. Thank you for joining us, and you may now disconnect your lines.