August 3, 2023

The BSE Limited
Corporate Relationship Department
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Dalal Street,
Mumbai - 400 001

The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex.
Bandra (E), Mumbai - 400 051

SCRIP CODE: **543066**

SYMBOL: **SBICARD**

SECURITY: **Equity Shares/Debentures**

SECURITY: **Equity Shares**

Dear Sirs,

Re: <u>Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript - SBI Card 1Q'FY24 Earnings Call</u>

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 28, 2023 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
Company Secretary & Compliance Officer

Encl:.aa

SBI card

"SBI Cards and Payment Services Limited

Q1 FY 2024 Earnings Conference Call"

July 28, 2023

MANAGEMENT: MR. RAMA MOHAN RAO AMARA – MD & CEO
                    MR. GIRISH BUDHIRAJA – CHIEF SALES & MARKETING OFFICER
                    MS. RASHMI MOHANTY –CHIEF FINANCIAL OFFICER
                    MR. SHANTANU SRIVASTAVA – CHIEF RISK OFFICER
                    MR. AMIT BATRA, HEAD - OPEN MARKET & CORPORATE SALES
                    MS. ANU GUPTA, HEAD - COLLECTIONS

Moderator:	Ladies and gentlemen, good day, and welcome to FY '24 earnings conference call of SBI Cards and Payments Services Limited. 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. Rama Mohan Rao Amara, MD and CEO. Thank you and over to you, sir.
Rama Amara:	Thank you, Yashashri! Good evening, everyone! I am pleased to welcome you to the Q1 FY2024 earnings call along with my senior management team. I also take this opportunity to introduce Shantanu Srivastava, our Chief Risk Officer.
	This fiscal is special to us as it marks a key milestone in the organisation's history. As you are aware, SBI Card celebrated its Silver Jubilee on 15 May 2023. Through these years the company has exhibited business resilience and strength to stand the test of times. Our customers' patronage and trust have been instrumental in our success, and we remain committed to delivering value and growth to all our stakeholders.
	As we meet today, the global economy continues to be impacted by the prolonged geopolitical tension, and volatility in global financial systems. However, India is well poised to sustain its growth momentum. In its annual review report, Ministry of Finance has said that the Indian economy appears to grow more durably than before. India's GDP has grown by 7.2% in FY2023 as against an earlier estimate of 7%, owing to a strong Q4. It is reassuring to know that India continues to be the fastest-growing major economy and should remain so in the next three years. Digital payments continue to grow at a fast pace with transactional volume growth of 56% YoY in FY2023, which is expected to grow four times by FY2027.
	Indian credit cards industry continues to grow at a steady rate. As per RBI June 2023 data, there are around 89 million (around 8.9 crore) outstanding credit cards in the country. In June 2023, credit card spends have been at Rs 1.37 lakh crore, marginally lower than record high INR 1.4 lakh crore achieved in May 2023. Coupled with highly underpenetrated nature of Indian credit cards market, this underlines the continued relevance, attractiveness, and long-term sustainability of the credit cards business. Many progressive regulations have also reinforced the growth prospects of the industry. These have balanced the healthy competition in the industry with customer-friendly measures. RBI Payments Vision 2025 outlines that card acceptance infrastructure will increase to 250 lakh touchpoints, which will further boost transactions in India.
	Being the largest pure-play credit card issuer in India, SBI Card is at the forefront of industry's growth while driving up the penetration of credit cards in the country. As an agile organization, SBI Card continues to assess and explore opportunities that can support the growth momentum. With improving consumer sentiments, and stable macro-economic conditions, our aim has been to leverage this window to test and expand the variety in customer base, while being prudent.

During Q1 FY24 we have introduced Paytm SBI Card on the RuPay network, thus offering more choices to our valued customers. We have started roll out of SBI Card issued RuPay credit cards on UPI platform on a limited number of TPAP's and will soon be expanding it to other Apps. Over a period, we expect this to be a significant contributor to our transaction volumes.

We continue our investments in technology. Our App platform, available both on Play Store and App Store, was revamped this quarter by enhancing the UI/UX to provide ease of navigation with access to several servicing features like digital KYC and cross-sell features. Our App has been downloaded by 13 million gross users with 7 million unique monthly logins by customers. It has been rated 4.5 out of 5.0 on play store and 4.6 out of 5.0 in app store. The app is being revamped in a phased manner, with several more features to be rolled out throughout the year.

Let us now look at SBI Card's Business Overview in Q1 FY2024

During Q1 FY24 SBI Card pursued and achieved strong growth across most key business metrics, once again demonstrating resilience and sustainability of our business model. We crossed the 17 million Cards-in-Force (CIF) milestone. Our CIF stands at 1.73 crore with a growth of 21% YoY. CIF market share is at 19.6% in Q1 FY24. Our new accounts in Q1 FY24 stand at 10.97 lakh with a healthy 22% y-o-y growth. The current quarter, saw a moderation in growth in line with our experience during Q1 for a fiscal. Our share of new accounts sourcing from Banca and Open Market channels in Q1 FY24 stands at 54% and 46% respectively. We continue to leverage the network and customer base that SBI has to offer. We endeavour to keep our market share in net card addition at around 20%.

Our card spends growth has been strong, registering a growth of 24% YoY at Rs 73,913 crore. In fact, spends in Q1 FY24 are the highest-ever quarterly spends for SBI Card, superseding the performance we achieved in the previous quarter. Retail spends have contributed Rs 58,347 crore with 28% YoY growth. Thus, making it the best-ever quarter for us in retail spends. Corporate spends have been stable and have contributed Rs 15,565 crore, with a 10% YoY growth, in line with our measured approach for the segment. Our spend per average card has grown from Rs 1,70,000 in Q1 FY23 to Rs 1,73,000 in Q1 FY24. Specifically, we have seen a healthy growth in spend per average card for our retail spends which have grown from Rs 1,30,000 in Q1 FY23 to Rs 1,37,000 in Q1 FY24. During Q1 FY24, spends growth, have been driven by growth in categories such as, travel, dining and entertainment, apparel, education, and utilities. Online spends continued to be robust with a share of around 55% in retail spends. PoS witnessed faster growth than online in Q1 FY24. Our market share in card spends stands at 17.8% in Q1 FY24. With robust card spends, we have also seen a healthy 30% YoY growth in receivables too. Our receivables have grown to Rs. 43,271 cr. as of June end.

I would like to highlight that our share of interest earning receivables has grown to 62% in Q1 FY24 vs 61% in Q4 FY23. Our revolver assets stayed stable at 24% and EMI receivables were 38% of the portfolio. Most importantly, our receivables per card have grown to Rs 24, 949 in Q1 FY24 vs Rs 23,202 in Q1 FY23.

Coming to the financial performance in Q1 FY2024

Our total revenue in Q1 FY24 is at Rs 4,046 crore, registering a growth of 24% YoY. In Q1 FY24, our revenue from operations is Rs 3,912 crore with 26% YoY growth. Interest income forms a significant share of our revenue from operations which has been growing steadily. In Q1 FY24, interest income contributed 46% share, and has seen a growth of 30% YoY. Our PAT for Q1 FY24, is Rs 593 cr.

Our Cost of funds (COF) during the quarter increased by 37 bps. We expected the short- term rates to be lower and yield curve to normalize, however, higher than expected ST treasury rates and opportunistically borrowing more long-term debt as long-term rates eased off, resulted in our COF being higher by 37 bp Q-o-Q. The LT borrowings, as a result, increased from 35% to 37%. Given the predominantly short-term nature of our assets, we would be comfortable with LT Borrowings at the current level. During the quarter, we were also able to mostly transmit the increase in COF to our asset book, resulting in increase in Yield on loan by 20 bps, helping us keep our NIMs almost stable as Q4 FY23. We expect the COF in Q2 to be marginally higher by 5-10 bps from Q1 COF. NIM is expected to be stable next quarter.

On asset quality, as of Q1 FY24, GNPA marginally increased to 2.41% from 2.35% as of Q4'FY23. Our Gross Credit Cost increased to 6.8% in Q1 FY24 from 6.3% in the last quarter. As we shared with you in the last quarter's earnings call, our credit cost was elevated on account of stress emanating mainly from the 2019 sourcing. We have noticed that the delinquency behaviour for the 2019 vintage has been relatively worse, considering its weightage in the portfolio. The lifetime delinquency behaviour for this vintage, deviates from the expected lifetime behaviour. We have identified the stressed segments and have taken suitable portfolio actions. We have also intensified our collection efforts for this cohort.

While the overall new sourcing quality is within the desired delinquency band, we have pro-actively discontinued sourcing of less-profitable low limit cards, terminated a few pilots based on early signals, increased documentation and verification requirement for certain low bureau score segments and reduced sourcing from certain geographies. We also took portfolio actions on potential high-risk segments by reducing their credit limits and tightened eligibility criteria for cross sell to these customers.

The collection efficiencies for the industry particularly in the later buckets have not come back to the Pre COVID levels which can be partly attributed to change in customer behaviour. We reviewed our collection strategy and intensified field efforts including enhancing the field infra in geographies with higher stressed portfolio. Our collection teams continue to leverage digital tools available.

We are certain that the gross credit cost has peaked in Q1 2024. The improved flow rates in the month of June resulted in lower credit costs as compared to April and May months. Initial trends in July also indicate continued improvement and we expect the credit cost for coming quarters to be on a downward trend.

In addition, the delinquency for our recent sourcing vintages is better and in line with expectations. As the weight of this recent, better-quality vintages increases, the overall portfolio quality will improve.

As you would have noticed, we have increased the sourcing from self-employed and Tier 3 and Tier 4 segments in the last few years. The delinquency behaviour for these segments has shown an improved trend over the last few years.

The increasing prosperity and therefore the increased consumer demand from Tier 3 and 4 cities in India will continue to drive growth for the financial sector. Government initiatives, growing consumption and thriving SME enterprises in these cities support our focus on these cities. Access to the SBI network in these cities gives us an edge over other players. We are closely monitoring the performance of this growing segment and will calibrate our approach as and when appropriate.

With the steps taken in Q1 and encouraged by the results, we still maintain our full year guidance on expected credit costs for the second half of FY24 to trend back into our target range of 5.8-6.2%.

Our Cost to Income for Q1 FY24 is at 56.4%. We saw an improvement in Cost to Income ratio to 56.4% vs 58.1% in Q4 FY23. Our profitability ratios continue to be robust. In Q1 FY24, despite an elevated credit cost, our ROAA was 5.1% vs 5.4% in Q4 FY23. With steps taken to reduce the credit cost and increase share of digital sourcing over the next few quarters, we expect to maintain a healthy ROA.

In Conclusion, India's growth story remains intact, and the domestic consumption is encouraging. At SBI Card, we have always maintained an agile approach and taken well-calibrated measures to ensure sustainable and profitable growth. We embarked on this fiscal year on a positive note, as can be gauged from our strong performance across most key business parameters. Amidst the ever-evolving macro environment, we stay focused to take advantage of the immense growth opportunities that the Indian credit card market continues to offer.

So now we are open for questions.

Moderator:	We have a first question from the line of Mahruk Adajania from Nuvama.
Mahruk Adajania:	Sir, my question is on credit cost. So, the 2019 customers, what would be their rough contribution to current outstanding, any rough idea?
Shantanu Srivastava:	This is Shantanu, here. The current composition in our portfolio is about 16% So, 2019 sourcing is about 16% of our NEA.
Mahruk Adajania:	Okay. And what would be the range of credit cost in the near term? So obviously, you've taken a lot of portfolio actions, so say for the next 2 to 3 quarters for the rest of FY '24, what is the range of credit cost we can expect over the next 3 quarters?

Rama Amara:	As I said in my speech, we started seeing a positive trend, in the sense, we started seeing the decline. We had a little bit of improvement, looking at the entire month of June, which was better than the previous month like April and May. Essentially, it means it has peaked in the first quarter up to May. We are monitoring the credit cost now very closely. So, it started declining. We are confident with the kind of measures what we have taken and initial trends what we are seeing, after September quarter, we will be back to our target range of 5.8% to 6.2%. So, you can estimate, where we will be. We are at 6.8% in this quarter. But after the quarter, we will be in the target range. So, you can estimate how it will trend.
Mahruk Adajania:	Okay, got it, sir. Sir, my last question is on margins. So, see, rates are cut at some point in time, not immediately, but RBI cuts rates, then how will your margins behave, not only from a cost of funds perspective but from yield. So how soon do you pass on rate cuts to your customers in terms of yield? How will the yield side of things move?
Rama Amara:	If you look at our past record, whenever the rates were declining or whenever the rate environment is very benign, we have always been the beneficiary in terms of improving margin. That has been the case because of the lag effect, like the way, what you are seeing now. With the rates are increasing, our liability is getting repriced faster, but it takes some time for us to transmit the rates fully to the asset side, but exactly it will work in our favour when the rates are declining. So, any decline, while I'm not making any guess here, so when RBI will declare, I mean, will reduce the rates, that will be very positive for our margins.
Moderator:	We have our next question from the line of Anuj Singla from Bank of America.
Anuj Singla:	Sir, first question is on, again, the credit cost. So, we talked about, we have identified this 2019 cohorts, where we are seeing stress. So, can you talk a bit about what is the profile of these customers? What went wrong there? And what confidence do we have that the incremental sourcing we have done, maybe in the previous years or the years after that, we are not going to witness the same or similar stress in those cohorts?
Shantanu Srivastava:	So, this is something that we've been very focused on in the last 3 to 6 months. Incidentally, I joined in April, so just about 3 months ago. And ever since that we have been running diagnostics of the problem and collectively thinking about the actions that should be taken, some of them are already underway well before I came. It takes some time to execute, and then result also take some time to show up, but that has been happening and we are seeing green shoots already.
	But to answer specifically what you were seeing in 2019 sourcing was, that the behavior of this cohort was somewhat different from what we noticed in the prior or subsequent cohort, in terms of both peaks that this particular cohort witnessed which is around 30-month path. The level of that peak, and the speed at which that peak was crossed, and the delinquency behaviour tapered out. That took somewhat different trajectory compared to the other cohorts. This is not very different from what we expected from the model, but it took some time for the discrepancy or anomaly to show up because it was coming just after the pandemic.

So, at that point of time, to distinguish the portfolio from the others, was not easy or distinguishing this from the rest of the portfolio from the others wasn't very easy. But as and when we did it, we've started taking those actions in terms of line decreases, increasing collection efforts etc.

In terms of the other subsets of this segment, some of the charts are available in the investor deck. You can see that alongside these portfolios, there is a component of our portfolio that come from self-employed. In the duration of the last 3 or 4 years, the contribution of self-employed segment has gone up by about 4 percentage in the three and half -year period. Similarly, at the same time, the delinquency behaviour of this segment has actually improved. And there are 4 other similar sub-segments of this portfolio that we call Self Employed Vs Salaried, or Cat A, vs. Cat B within the salaried segment, or under 30 vs over 30 of age, in our portfolio. Across all those parameters, we have moved towards the higher risk segment as we have you tried to generate revenue. But the riskiness of each of these segments has improved in the last 3 or 4 years. So that's a heartening trend and as the portfolio matures, and we get a higher and higher component from our more recent sourcing, that we find, is more suitable and is giving us much better delinquency performance in terms of behaviour, we are encouraged that the overall delinquency of the portfolio will improve. And it's on that basis that we are giving you the comfort that we just spoke about 2 minutes ago.

Anuj Singla:	But anything specific here? Was it open market or bank outsourcing with a cohort came from? Any color you can share there, or it's a mix?
Shantanu Srivastava:	It's actually a mixed bag. We can't really point out towards only one component, but whatever sub-segment we're seeing, whatever cohort we identified and the look a likes of those cohorts that we're seeing through our portfolio, those are the ones we're taking actions on from our portfolio actions point of view or from our marketing actions point of view or from our collections point of view.
Anuj Singla:	Got it, okay. The second question is with regards to the growth trajectory. So, Mr. Rao talked about this intervention as well. You've also put in Slide 6 to focus on profitable segments, cutting off credit limits, and also sourcing maybe some of the pin codes, they're not sourcing from. How do we see the 1 million net card addition target per quarter in that context? So, should we be expecting a lower number in the coming quarters?
Rama Amara:	We are still mindful of clocking, that's the 300,000 per month and over a period of a quarter 1 million. As you rightly said, like some of the steps, the recalibration, etc. what we have done and the seasonality of what we've seen in Q1 has resulted in low numbers, but there is no change in our aspiration. But only thing is, it will take a month or 2 before we hit the kind of mark. It is the initial aspiration to reach 300,000 in a couple of months and going up gradually -- increase the run rate, but we'll try to be more careful, and we will try to balance it with how the credit cost is also behaving. So, we'll be mindful of both.
Moderator:	We have our next question from the line of Piran Engineer from CLSA.

Piran Engineer:	Yes. I just wanted to understand your delinquency chart on slide 15. So how exactly do I read it? So, all of them are up. They reached their peak in 24 months on book and then go down, but you're also saying this is ever 90 plus. So, shouldn't that just always be increasing?
Shantanu Srivastava:	So, this is the standard industry slide, and you will notice the shape of the curve is very similar to what you might have seen elsewhere.
Piran Engineer:	I just meant that, say the 30-month on book number should always be higher than the 24-month on book, which should be higher than 12 months on book, because this is ever 90 plus. So, I'm not sure if I'm understanding this chart properly.
Girish Budhiraja:	Yes, this is an incremental number. You are right. If you actually do cumulatively, it will continue to grow. But the point here that we wanted to show is that the maximum peak after a buildup of assets happens at around 24 months, and after that the incremental number of people coming into 90 plus keeps on going down and you just manage that portfolio. So that's the chart that's representing along with index. So, it's not the absolute value. It's the index value.
Piran Engineer:	Got it, got it. Okay. So, it's an incremental number of 90 plus, okay. But in that case, the dotted line which is CY '19, now it's been like 4 years, right, since it's CY '19 and that number has come down anyway. So, I don't see why it should impact us in 2023. Am I making sense?
Shantanu Srivastava:	It's about 16% of our assets and about and 20% of our NPAs. So, a slightly disproportionate number. The incremental amount of credit cost that we're carrying because of this particular cohort is about 14 basis points.
Piran Engineer:	No, no, sir, I don't think I've communicated my question well. I'm just saying that, so if I compare the CY '18 line and the CY '19 line, they are probably pretty similar. But last year we did not see any sort of hit due to the CY '18 line, but this year we are seeing the hit from the CY '19 line. So, I'm not really understanding why?
Shantanu Srivastava:	It's the composition of the cohort in the overall asset. So, CY '18 ran off and it is not contributing significantly to the overall credit cost, because it's much smaller in value. In '19, it's 16% in our value.
Rashmi Mohanty:	This chart on the slide, Piran, is, at the portfolio level and doesn't show, as Shantanu pointed out, the percentage contribution in the portfolio. It's the behaviour of putting an ever 90 plus in percentage. When you put this in context to the percentage of this vintage in the portfolio, that's where it starts to show up in a higher rate.
Piran Engineer:	Makes sense.
Girish Budhiraja:	Also, the other point of putting this chart was to also show you that the vintages which are belonging to 2020, '21, '22, which are the latest vintages which we acquired in last 3 years, are almost on an index level at the peak of around 0.59 or 0.6 compared to what we were acquiring earlier. So as these new vintages build up asset, automatically the weighted average will start to come down.

Shantanu Srivastava:	So, the point is that the subsequent cohorts are peaking earlier and tapering faster.
Piran Engineer:	Okay, got it. And the second one just for Rashmi, now if RBI does not hike anymore, cost of funds should be stable, or do we see that increasing? And in the last one year, how much have we increased our EMI yield by?
Rashmi Mohanty:	The yield on our EMI book would have gone up by about 120 to 150 basis points. Even if the RBI doesn't increase rates any further as Mr. Rao called out, we do expect the cost of funds to go up this quarter as some of the other liabilities that come up for repricing, both on the short-term and as well as on the long term as well. Remember our long-term book which you would have borrowed 3 years back is at a much lower price. So, factoring all of that, we called about 5 to 10 basis points increase in cost of funds at Q2. I'm hoping post that, the rates kind of become normal for the second half of the year.
Moderator:	We have our next question from the line of Abhishek M. from HSBC.
Abhishek M:	I had a follow-up on this yield on EMI. How much of the 120 to 150 bps would have translated already and how much would be get repriced as we go along?
Rashmi Mohanty:	The numbers that I called out is the translation of the cost of funds going some -- the increase in cost of funds being passed on the EMI booked.
Abhishek M:	No, I meant, the increase in yield on the EMI book, 120 to 150 basis points, that would be applicable only the book sourced through over the last, let's say 2 to 3 quarters, right? So, there would be a part of the EMI which is not…
Rashmi Mohanty:	That's right.
Abhishek M:	Okay. So, anything....
Rashmi Mohanty:	What you would like to know is....
Abhishek M:	So, what I would like to know is that what part of that EMI book is yet to reprice?
Rashmi Mohanty:	So, we can't reprice our existing book at all. The EMI loans are a fixed rate loan.
Rama Amara:	Abhishek, what happens is, you know the nature of the business is, we extend only fixed rate kind of loans, so they will be fixed for the period or tenure of the loan, but every month we make certain disbursements, spends getting converted into loans or otherwise encash kind of loans or balance transfer, etc. where you have an opportunity to transmit the rate increase. So, it takes a few months for the entire portfolio, because considering the life of the portfolio, which is around may be 11 months or less than a year, it takes that kind of time for the entire portfolio to get repriced.
Girish Budhiraja:	On the FlexiPay and Subvention, more than 80% of the book would have already got repriced because its average tenure is 9 months. So, it's only some of the 18-month tenure book would

have been left and Encash is where the repricing is still continues to happen because the average tenure is close to 33 months.

Abhishek M: Okay. So how much of that Encash book would have been at new rates. Let's put it that way. Anything in the last 2 quarters, basically.

Rama Amara: Actually, less than 12 months is fairly less because personal loan tenure is primarily 24 months and above. So, the new addition into that book or incremental book is at a higher rate, the replacement cycle will continue to happen over a period of time.

Abhishek M: Got it. And what part of that EMI is on encash versus the other 2, like FlexiPay and Subvention?

Girish Budhiraja: We have not declared the breakup of all 3.

Abhishek M: Got it. Okay, no problem. So, that was on yields. The second one was on this collection teams, which were enhanced in certain geographies, etcetera. Do you think this will have a sort of follow-on impact on costs on an overall basis, on opex?

Anu Gupta: So, we are mostly focusing on the field channel. And what we do there is, the full model is based on variable cost. We only kind of pay when the money comes in. So, this addition infra is actually on the field channels, which is basically a variable channel.

Rashmi Mohanty: While the absolute collection cost will go up, but there are obviously benefits coming in as well as better collections and better recoveries as well. So, we are mindful of that numbers.

Shantanu Srivastava: And also, better collection efforts that lead to lower LGDs as well that helps with our credit cost.

Moderator: We have our next question from the line of Bhaskar Basu from Jefferies.

Bhaskar Basu: Yes. I just had a follow-up question on this 2019 cohort. I just wanted to understand, I mean, before these accounts slipped. And I assume that these are spends made by those customers now. They would have ideally slipped into a revolver book and then subsequently become an NPL. So why haven't really been seen any impact on revolvers because of this whole slippage and why do they continue to be there in the system? I mean they should ideally probably reject out after they become an NPL? That's all from my side.

Girish Budhiraja: So, I think Bhaskar, the kind of behavior what we have seen with regard to this cohort is, while they have been bearing some payment record, the moment they become stressed, particularly with the moment they cross 30+, we have seen behaviour, it is straight flow practically. That means our ability to normalize from this segment was limited. That is what we have noted. So, that means you will not see the revolver rate as it is not like a regular revolver, they continue to pay maybe more than 5%, 10%, 20%. But it's just like an inability to pay, which will be more like a wash in the revolver. So that way you won't see a significant increase in the percentage of revolver because asset is also growing on the other side. So, it won't be a kind of a very big increase on account of it. But it is only the segmental behavior when you track only, then only

we'll come to know that there is some, it's not a regular revolver, it will more like a deliberate revolver.

Bhaskar Basu: And the fact that we continue to see that stress, does it mean more and more borrowers from that pool continue to default? Is that how it works or is it the same borrower making some payments, continued to make higher spends. Is that the reason why this number continues to be elevated?

Rashmi Mohanty: So, for the last 2 quarters, as we had identified these accounts, we did see some increase, but if you look at this slide which talks about the credit actions that we've taken, obviously we've taken steps to now make sure that their utilization of the credit card limit, and therefore the addition to the stress reduces. And that's where we are hoping that as that stress reduces and the collection efforts help us in recovering the already lent out money, is where it will help us to reduce the credit cost.

Girish Budhiraja: So, we are very careful about 2019 segment. So, and there is a deeper cautiousness, as, if a customer has to revolve, we go after that customer at the initial stages itself. As Sir said, they are going through higher collection efforts, try to identify look alike, do credit limit declines in some of those segments. So, there are multiple actions which are happening. We are restricting ourselves from cross-selling products to these customers at this stage. And that's how the whole asset percentage has come down to mid-teens for this segment. And it will continue to go down in weightage as we grow the good assets, which is coming, as you can already see from that slide 15 which is coming from 2020 onwards vintages. So that is the way that we're looking at it. Those new vintages as you see, they are peaking at a lesser rate, but that also along where it goes that revolve rates are also lower which we are fine with, because the idea is to keep the revolve rates if we have the revolve rates at 24% and the get credit cost within control, we can continue to grow from that by working on the term lending portfolio.

Moderator: We have our next question from the line of Shweta from Elara.

Shweta: Sir, any sale to ARC this quarter or anything anticipated in near future?

Rashmi Mohanty: So, we keep looking at these opportunities as and when we think it makes more sense to fill up our portfolio to the ARC, we will do that.

Shweta: So, nothing as on today?

Rashmi Mohanty: So, if your question is, did we do anything this quarter, the answer is no.

Shweta: Okay. And my second question is somewhat pertaining to the previous question. So, look, if I look at systemic delinquencies on the credit card portfolio, they have been clearly rising at least for the banks. So, in such a scenario. I mean we did highlight the fact that incrementally the new portfolio has been showing a decrease in delinquencies. But then in such a scenario generally it tends to be like that, in a scenario where delinquencies tend to raise, your revolver book tends to pick up. So, can you just give us colour on how the revolvers look like from your own?

Rashmi Mohanty: Your question is that the delinquencies are increasing and therefore the revolver should go up.

Shweta:	Yes.

Girish Budhiraja:	So, who is a revolver? Revolver is a customer who pays up to 5% or more on the outstanding balances. These are the people who are current also and they pay interest. So, they are the people who are good revolvers and that is what we have been stating in earlier calls also that these days even that revolve behaviour has changed. Earlier people used to be revolving, 6, 8, 9 times in a year. Now people revolve, maybe 2 or 3 times as and when the short-term fund requirement is there. People who keep moving from transactor to revolver, revolver to transactor, so that happens. If the customer becomes delinquent. In any case after a point of time, whether it is a 45th day or 60th day, the card gets blocked. And we will not allow the customer to spend further onto the card if the earlier payments have not come. And in any case, after 90 days, it becomes Stage 2, Stage 3. So that is a very different value compared to the overall amount that you look on revolver. So, revolver is a very different ballgame all together.

Shweta:	Okay. Then how is the colour on the revolver book going forward? We are currently at 24%. we have been around that percentage for a while now. So how do you see this going forward?

| Girish Budhiraja: | So, good point. on the revolver book, what we have seen is that even when we look on a month-on-month basis, it is stable there is not much variation. It is hovering at around 24% or so, plus minus 20 bps, 30 bps in that scenario. We have seen -- as the new portfolio is also maturing, because as you'll see it was 2020, 2021 good customers maturing. This is a trend, which was shown in slide 15 of 90 plus, but we are seeing revolving behaviour in those segments also.

And this time the revolving behaviour is that the customer would revolve for one or 2 months and then again become a transactor, which is a very good sign. So, it is stable at 24%, at this point. We don't foresee much change at least going further in next 3 to 6 months. And then we will keep you people posted at if we see changes in that behaviour on the positive or other side. |
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Moderator:	We have next question from the line of Prashant Kothari from Pictet.

Prashant Kothari:	Yes. Just wanted to understand the lifecycle of the customer. I mean why does it takes so long time to even kind of understand that this was the kind of the bucket of customers, which is going bad like the portfolio, which kind of started in 2019. It's 4 years old and now we are understanding, recognizing, realizing that this was a bit of a weak bucket. Why feedback mechanism is so kind of slow. And secondly if this the case, that will take about 3, 4 years --

Rama Amara:	Sorry, we couldn't get the last part of your first question.

| Prashant Kothari: | Yes. So, the question is, why is the feedback mechanism so slow? Because what I -- as your feedback would be very fast in the credit card business that you will know which customers are bad or good. And therefore, you can take corrective actions much sooner. But why is it so slow? So that's the first part of your question.

And second, related to that is, if the feedback mechanism is slow really, then how do we kind of keep the incentives aligned in the business? Because people are getting rewarded maybe on, I |
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don't know maybe on monthly, quarterly. yearly, performance, but if the problem takes whether 3, 4, years, actually to emerge properly, then how is the incentive system lined in internally?

Shantanu Srivastava: I'll take the first part of the question if I understood correctly. Your question was, why does it take so much time to identify the problem areas and for the actions to be taken, and the results to be seen? If that's the question, that's especially true for the 2019 vintage from the cohort that we were just looking at. And I explained some of reasons earlier, but I will elaborate further.

Until the time that 2019 portfolio was peaking, in particular between 24th and 30th month period, the aberration wasn't there. The aberration was, the way that curve has flattened or come down and that was an aberration and that we should have picked up some time in '22, but because we are coming out of the pandemic, remember '21 was still the pandemic year, which is a year in which the second wave happened.

So, the early part of '22 is when we could have potentially found the problem and then acted on it. –But it wasn't so apparent at that point of time because the entire portfolio was showing some stress at that point of time. This aberrant behaviour became more apparent and bigger in the year and that is when the action took place. So that slight delay is on account of coming from the pandemic period to non-pandemic or normal situation. I hope that answers some part of your question?

Prashant Kothari: Yes. And how do you keep the incentives aligned? I mean if it is taking 2, 3 years for us to understand, where the underwriting is right or wrong. How do you keep incentive aligned?

Girish Budhiraja: You are asking about the incentive for the salespeople?

Prashant Kothari: Yes, incentive for the salespeople and incentives for the underwriting team that they are taking the right decisions, when they are getting new customers?

Girish Budhiraja: Okay. So underwriting teams are not on variable incentives or anything.

Rashmi Mohanty: So, on incentive, the salespeople are on incentive and there is strict metric that we measure their performance on, and their payouts are made only after 3 MOB -- 4 MOB performance of the accounts that has been sourced by them. The underwriting team is not on incentive, but there is no individual decision that's happening in the underwriting team. There are scorecards and models that are being used for underwriting our customer.

Moderator: We have our next question from the line of Gao Zhixuan from Schonfeld.

Gao Zhixuan: Just some data keeping questions on this 2019 cohort. Just want to understand there has been more. So can you provide us with number one, what's the revolve rate of that cohort as of this quarter. And number 2, what's the credit cost of that 16% book for this quarter, please?

Rashmi Mohanty: The second question is you want to know what the credit cost is for this 16%, 2019 cohort. We didn't get the first question. You want to know as to what is the --

Gao Zhixuan: What's the revolver rate. So, book number?

Rashmi Mohanty:	Revolving rates in 2019, credit cost in 2019? We do not usually give out revolvers by vintage. I think that's something that we won't be able to share with you.
Shantanu Srivastava:	The second part of the question is, we have answered earlier as well. The 2019 vintage contributes about 16% of our assets and over 20% of our NPA, and it is adding about 14 basis points to our credit costs as we speak in the current quarter.
Gao Zhixuan:	Okay. So, on the revolve rate on a cohort. Appreciate it. You can share that number. But are there any -- is it higher or lower than the overall book level?
Girish Budhiraja:	Give us time. We will look at the data and tell you. Just give us time.
Rashmi Mohanty:	Somebody from the Investor Relations team will reach out and share the data and questions with you.
Moderator:	We have our next question from the line of Rahul Jha from Bay Capital.
Rahul Jha:	Yes. My question is, the guidance that you've given on credit cost, is it on the gross basis or net basis?
Rama Amara:	We are talking about gross. gross basis.
Moderator:	We have our next question from the line of Saurabh from JPMorgan.
Saurabh Kumar:	Sir, just wanted to know what is the approval rate right now for new credit cards sanctions, in the open market book? And what was at let's say, pre-COVID? That's the only question.
Girish Budhiraja:	So, we usually don't give segment wise or open market versus Banca approval rate. Yes, we can tell you that the open market approval rates are higher. They run anywhere between on an average 55% to 65%. They will continue to go in that range. And they are broadly similar to what we had pre-COVID numbers.

Now, you have to also look at this in light of that the sourcing pattern and the way the customer acquisition happens, has completely changed now. At the initial stage it, after taking some for 4 or 5 filled, from the customer, we are able to either give a soft approval, soft decline or a referred status to the customer. Now after that, once the application is fully filled, then you look at what is the status of the customers. So, it is not about -- it becomes a 2-step thing to be able to start digitally to reduce the cost. So, approval rate, that can be looked into very different line all together. |
| Saurabh Kumar: | Okay. And during 2020 and 2021, fair to say that this would have been maybe lower 30%, 40%? |
| Girish Budhiraja: | No, nothing of that sort. Actually, these days, the filtration, we try to do upfront itself. The modelling status and then we try to do after 4 or 5 filled, if a customer is credit tested or he has a CIBIL score already, whole lot of models go upfront itself, to be able to see whether we want to go ahead with that customer or not rather than waste our time, that we don't want to do. |

Saurabh Kumar:	Okay. So, your approval rates haven't changed through 2020-2021 even today?
Girish Budhiraja:	The point I'm trying to make here is that they have changed, how the context and the situation has completely changed. If you look at completely online, the approval rate would be in the range of 10% to 15%.
Rama Amara:	Other thing, to just to supplement Girish. In addition to the bureau scores, we also started looking at some alternate data as well, where it is available, may be through the partnership or otherwise. Now, at least we have started looking at account aggregators. So that's why the percentage (approval) is that much, but underwriting has changed as compared to pre-COVID period. The kind of extra due diligence which we do for some segments, having low score etc., we do that extra due diligence in terms of validating the information or being sure about the profile.
Moderator:	We have our next question from the line of Dhaval from DSP.
Dhaval:	Yes. Just one clarification. So, you said about 14 basis point is due to the 2019 cohort. Is that correct? So, about INR60 crores.
Shantanu Srivastava:	That's right.
Dhaval:	And the other point was just the next quarter, you expect somewhere between 0 to 14 basis points, as the impact and the following quarters, it should be back to BAU, so about 6.2% to 6.3% kind of gross rate cost?
Girish Budhiraja:	Yes. So, this quarter -- after this quarter, we expect to come back to our target range. That's right. Current quarter. September quarter.
Dhaval:	Okay. Right. So, my point is that the 14-basis point is the maximum impact that we can see in the September quarter, is that's the point I'm trying to get.
Rama Amara:	I think the trajectory wise credit cost will only be coming down. In order to reach even the target range, it has to come down in this quarter itself., which we shared like in month of June, we have seen good rate (credit cost) and again July also it is holding good. So, this gives us the confidence to say like a September quarter overall gross cost will be lower than June quarter, but reaching the target range will happen only by OND. So, we believe it has peaked in the month of May and it just started to come down.
Moderator:	We have our next question from the line of Krishnan ASV from HDFC Securities.
Krishnan ASV:	Yes. My question is partly related to what Prashant asked earlier which was about the feedback mechanism being too long compared to what conventionally we would think given the kind of signs and the kind of analytics that is now available on credit cards. I thought this feedback loop would be shorter. Having said that, if you say that this was indeed not something that you will see. I mean to one of the earlier questions by Anuj, you said there wasn't too much different about the 2019 cohort in terms of origination. It was a mixed bag, both open market and Banca. So, the cohorts that we originated thereafter, did we get them right just by pure accident or I

mean, it seems that if there was nothing different about the 2019 cohort compared to the others, and what is it that we got right and how accidental or was that?

Rashmi Mohanty: 2020, if you recall, was the COVID year. And therefore, like every other organization, we also had tightened up credit norms. And therefore, you will see that '18 and '19 behaved almost similarly. '18 peaked a little higher than '19 and is now obviously came up earlier and the percentage contribution was lower as that. But the benefit that we got that COVID made us all tighten our credit norms. And as a result, you see '20 performed better, learning from '20 helped us fine tune and we also fine-tuned our models post the COVID once the market opened up and we also started sourcing from the market. We fined tune the models, taking in the inputs from the COVID period and prior to that as well and that helped us in the quality of the portfolio post that being better.

Krishnan ASV: So, it's all right, Rashmi. I think my limited point was. given that much of the market has matured towards early warning signals, right? Four years past is kind of far too long for a portfolio to be, I mean, bleeding and us not knowing about it in terms of why 2019 cohort is behaving very differently. What is it that we did and where is it that you tweaked it tighter? That was the limited point I was trying to get to, given, I mean all those....

Rashmi Mohanty: It's not that we did not see the EWS. Obviously, we have a strong EWS mechanism, and we do work on that but as Shantanu pointed out that the early years on this particular portfolio, it was also colored by the COVID behavior. Remember that we were required to give restructuring to our customers, etcetera. And as a result of that, that behaviour in a way -- because of the restructuring and the COVID, it camouflaged the real behaviour of this portfolio. And last year as well, and we called that out in the early -- in the previous earning calls as well, that end of last year -- calendar last year is when we realized that the signals of EWS for this particular portfolio is hitting us, telling us that the behaviour is not as per where it should be for the MOB and that's where we are partly taking actions on it. So, through the cycle of the customer, we do keep monitoring the EWS but as we said it got camouflaged under the RBI RE and the COVID period.

Moderator: We'll move on to the next question from the line of Shubranshu Mishra from PhillipCapital.

Shubranshu Mishra: So, when we speak of the Tier 3 and other cities, how many total cities are here? Do we plan to change these Visa or Mastercard cards with RuPay credit cards which is acceptable on UPI, given the lack of peers' infrastructure in these cities? That's question one. Second is, in the open-source customers, how many customers already have a credit card? And if we have a similar number for SBI sourced customers? Thanks.

Amit Batra: On second one, the sourcing strategy of open market is to leverage the existing carded customers. Primarily, we target customers who have been carded by the industry. We do not really disclose, or we do not really publish the data around the percentage of carded customers in either of the segments. But primarily, the strategy is to use the digital channels, to use the co-brand sourcing channels, to provide these customers with an alternate value proposition, which is compelling enough for them to have an alternate card in their wallets.

Similarly for the Banca channel, the strategy is to also reach out to some of the non-carded segment because of the relationship with the bank, which makes it compelling for the Bank to have another relationship apart from CASA or any other relationship that they have.

Girish Budhiraja: On the Tier 3, Tier 4, we are already giving cards there which are RuPay cards. with the new draft guidelines of RBI, the customer preference will also get taken into consideration and as MD sir mentioned in the opening remarks, that we are already going live with UPI on RuPay cards. We are testing it. We have not opened it for the large TSPs. for RuPay portfolio, the testing is taking place. Once that happens, we believe that it will get more transactions in Tier 3, Tier 4 towns from these customers.

Shubranshu Mishra: How many Tier 3 and other cities are we catering to? That question is still unanswered. How many cities are there?

Girish Budhiraja: So, we grew more than close to around 200-250 cities in overall scenario. So, these days, the definition of Tier 1 and Tier 2 is that Tier 1 is a top 10 and Tier 2 is the state capitals. And beyond that we say Tier 3 and Tier 4.

Amit Batra: Also, a graded approach, so, it's not that you are fully operational in every city. And we keep revisiting that strategy every now and then, depending on the penetration and the portfolio quality.

Moderator: We have our next question from the line of Abhishek M and from HSBC.

Abhishek M: Yes. Just on this business development incentive income, like last quarter, also a lot of conversation happened and what I want to understand is, when does the measurement start? Does this start at the beginning of the year? And then, your partners, see how much volume you are generating for them and then they pay you an incentive. So, from when does this measurement start?

Girish Budhiraja: So, on the business development incentives with these partners, some of these deals are long-term deals which are 4, 5 years in period. There are certain set of milestones. On Achievement on those milestones, there is a set of income streams, which follow. That is how it typically works. We have usually constructed those deals so that we are able to achieve at least one milestone in a year or so. So that's how it gets constructed. But there are some deals which -- where we are able to get business development incentives for some specific activity to be done, let's say, in 3 months or 6 months or 9 months.

Abhishek M: Okay. So, the reason for this kind of fluctuation would be that you've got a big milestone payment maybe in the fourth quarter and then you are now getting the usual regular payments, is that correct? And then as you progress through the year, it should take a higher trajectory, or it could go lower as well.

Girish Budhiraja: So, we can't give you estimate around that. Usually what starts to happen is that there is some amount of evening up (Smoothening) which happens, because as per IndAS , if you look at a whole period and look at income streams in that way, but there are some opportunistic

arrangements for business development that you can get for a period of time, that we also keep on lookout for.

Moderator: We'll move onto the next question from the line of Pankaj Agarwal from Ambit Capital.

Pankaj Agarwal: So, these cohorts originated post CY '20, are they behaving differently in terms of spends and revolve rate as well?

Girish Budhiraja: So, you are right. The spends that we are getting from these cohorts is higher. And that is what, how you are able to see our average spend per customer, continuing to go up. The revolve rates are lower, but they are still happening. So, we are now stabilized at 24% on the weighted average portion. So, this is how the behavior is. Higher spend slightly, lower revolve. But we are getting good EMI traction in these cohorts.

Pankaj Agarwal: And second, this competition in the sector, is it leading to…

Moderator: Mr. Agarwal, I request you to strictly ask one question. Participants are requested to stick to one question, please. We have our next question from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh: Yes. Just one question. This chart on exhibit 15, you do it by number of customers or is it by outstanding loans or by spends? How do you do this?

Rama Amara: Which chart are you referring to?

Rashmi Mohanty: Which chart are you talking about, Mahesh.

M.B. Mahesh: This delinquency is ever 90+ plus data that we all have been asking, how do you make this chart?

Girish Budhiraja: I think this is value-based chart.

Shantanu Srivastava: It's the value.

Rashmi Mohanty: It's the value.

M.B. Mahesh: How do you do it in value, because the customer has been -- could be a revolver, he could be EMI customer, he could have been -- generally been a normal customer who is paying on time. How exactly have you created this chart?

Girish Budhiraja: So, Mahesh, I think as Shantanu has been saying earlier also in the call, these customers are behaving as usual, if you look at the chart, 2018, 2019 broadly look similar. It looked similar till the time 30 month and that time COVID was also happening. So even though there were warning signals, but whether it was because of RBI RE or because of the customer behaviour, it was not evident. And it is 6 months back, we were very clear that this is the segment, which is causing us issues. The last call we declared that, and the actioning has already been all on these customers and as Sir was saying, I think it is, we believe that it has peaked out in May, and it is now on a

downward trend. So, we should see that in the next quarter. The automatically, the overall thing should start coming down.

M.B. Mahesh: Okay. Sir, just one question, is there any possibility that we could have also, what is the kind of customer base that was acquired during this period, in a sense that during that period, was the activity levels of origination more towards the below prime segment, which has cost this problem? Or you think that they transferred into below prime eventually after COVID hit them?

Girish Budhiraja: So, Mahesh, I think as Shanthanu has been saying earlier also in the call, these customers are behaving as usual, if you look at the chart, 2018, 2019 broadly look similar. It looked similar till the time 30 month and that time COVID was also happening. So even though there were warning signals, but whether it was because of RBI RE or because of the customer behaviour, it was not evident. And it is 6 months back, we were very clear that this is the segment, which is causing us issues. The last call we declared that, and the actioning has already been all on these customers and as Sir was saying, I think it is, we believe that it has peaked out in May, and it is now on a downward trend. So, we should see that in the next quarter. The automatically, the overall thing should start coming down.

Moderator: We have our next question from the line of Ajit Kumar from Nomura.

Ajit Kumar: So, if you can quantify what percentage of your card base are let's say, less than INR30,000 and whether that proportion has increased or decreased in the last few quarters? That's it.

Rama Amara: Can you repeat the question?

Ajit Kumar: What percentage of your card base are having limit, let's say, less than INR30,000 and whether that proportion has increased or decreased in last few quarters?

Rama Amara: So, we have not declared the credit limit breakup of our portfolio. I can only tell you that the average credit limit of the customer is more than INR90,000 for the full portfolio. So that's where the average is. Medians are slightly lower, but that's where they are.

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

Rama Amara: First, let me thank our shareholders, investors and business partners for their continued trust and support. I would also like to thank my colleagues at SBI Card for their unwavering commitment to ensure the company's success. SBI Card has and will continue to steadily move ahead on the path of sustainable, profitable growth. While we cannot control the external factors, but we do believe that our strong business model, our agility as a business, and adaptive approach equips us well to keep fuelling our growth in the future. Thank you!

Moderator: Thank you. 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.