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THE ECONOMIC TIMES

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Synopsis
Given the kind of low penetration of credit card in India, we work on multiple levers. We are leading player in open market acquisition space. We have our people present in all the premium malls, airports, commercial spaces to source applications. We do have a very profitable partnership with SBI to tap customer base, said Rama Mohan Rao Amara.

Rama Mohan Rao Amara

*Rama Mohan Rao Amara, MD & CEO, **SBI Cards**, discusses the growth of digital transactions over the year due to pandemic and the target strategies for credit-card penetration in India. Edited excerpts from an interview given to ET Now:*

After reaching pre-Covid levels, we will now focus on surpassing industry growth: SBI Card's Boss

Rama Mohan Rao Amara, MD & CEO, SBI Card, discusses the growth of digital transactions over the year due to pandemic and the target strategies for credit-card penetration in India. Edited excerpts from an interview given to ET Now:

ET Now: Given the kind of recovery we are seeing; can we say spends are inching towards pre-Covid levels?

Rama Mohan Rao Amara: I think in Q1, due to lockdown and a very limited economic activity, we noticed that savings were more than the consumption but Q2 reversed the pattern and witnessed rise in consumption demand. The Q3 numbers suggest that we have come out of the economic downturn strongly. India Inc has returned to Pre-Covid levels in November 2020, while we at SBI Card were able to achieve the same in October itself.

If you look at the contributing factors- online has fairly increased, "I think perhaps the positive effect of Covid is digital push that has actually helped the online spend share to increase from 44% to 53.4% as of December 2020. Of course, if you look at some of the segments like travel, restaurants, entertainment etc. continue to perform below Covid levels but we are also able to see some of the other segments like groceries, insurance, utilities etc. which are non-discretionary in nature, getting back to pre-Covid level sales.

ET Now: The general belief is that given the digital transactions have gone higher, there could be a growth of about 40-45% in transactions and 25-30% growth in profit, is that a reasonable assumption?

Rama Mohan Rao Amara: I cannot comment on the numbers and the speculation, but I can only give you a flavor of what is happening in terms of growth. Cost imposed; we have been steadily recording a growth quarter-on-quarter. Year on year growth seen in December 2020 was 15 percent which is better than the industry average and helped us gaining market share of almost 90 basis points compared to last year.

Similarly, we are seeing good Q/Q growth in spends as online transactions have increased over the year. Our marketing campaigns have helped us cross retail spends over Rs 30,000 crore in the quarter and pre Covid levels were achieved in October.

Our loan portfolio was divided equally into three parts between transactor, revolver, and EMI kind of loans before Covid times. However, after RBI RE came into being, as of December RBI RE accounts for around 9%, so this is a shift from a revolver to RBI RE or EMI based kind of loans but gradually as we move forward, we expect the restoration of earlier bracket.

ET Now: Right now, while the RBI moratorium has helped a lot, do you think somewhere in this financial year because of bad loans the credit cost could move higher?

Rama Mohan Rao Amara: Yes, among our different segments of customers, self-employed category and CAT-C employees did witness stress and predominantly it is the pool which has opted for moratorium. RBI's hardship tools were very handy, so lot of booking had happened. We booked around 2,700 crores up to December, bulk of which happened up to October. Some more additions were there in the month of November and December.

This is the first quarter where we have a complete visibility about the performance of the RBI RE because even those customers who opted for RBI RE in November and December their payment will be visible now. It is like a dynamic picture. We continue to work with the customers. We continue to watch the portfolio quality very closely. We have actually intensified the collection efforts because normal collection efforts will not be sufficient in this kind of portfolio, and by the end of the quarter we will be making an assessment.

But to give you some comfort in terms of provisioning and the buffer available to us as of December, we had a management overlay of Rs 1,113 crores over and above a base provision of Rs 940 crores. Even though RBI RE portfolio is not a non-performing asset but still we have provided stage-3 provisioning. But directionally the credit cost will be correlated to the transfusion or composition of RBI RE portfolios. Therefore, as the RBI RE composition comes down, you can witness gradual decrease in the credit cost.

ET NOW: What kind of market share gains are you targeting and how is it that you plan to achieve the same?

Rama Mohan Rao Amara: Given the kind of low penetration of credit card in India, we work on multiple levers. We are leading player in open market acquisition space. We have our people present in all the premium malls, airports, commercial spaces to source applications. We do have a very profitable partnership with SBI to tap customer base under a program called Shikhar, under which we are offering pre-approved cards to eligible SBI customers. The contribution from this channel has steadily been approving, as of Q3 we have gained almost 51.9 percent from the channel. We are very bullish and since the competition is rising in Tier-1 cities, we are setting foot in Tier- 2, 3 and 4 as well.

ET Now: You did mention that the industry is largely under penetrated which segments are you targeting for market share gains?

Rama Mohan Rao Amara: Tier-one will be very intense, existing players are ramping up their activity and we have also heard of new players entering the space but coming to T-2 and rest of the tier four, tier five cities are now contributing to almost 58% of our new customer acquisition. This requires a different ball game because we need to have collection machinery to collect, we need to have right technology tools to service those customers because their requirements will be very different.

Secondly, we are increasingly looking at partnerships in Q3, we have entered partnership with the Paytm which is the largest financial services provider in its own space to cater to a different segment of customers. We have large partnerships across various segments including fashion, mobility, airlines, retail etc. so they may help us in providing a constant source of new outcomes. We continue to be growth focused and we want to surpass the industry growth in the coming time

ET Now: Are we likely to see bigger tech giants coming into the payment space and what is the kind of competitive landscape that you are anticipating?

Rama Mohan Rao Amara: One thing about credit card is that it does have unique value proposition. It has a strong loyalty programme so it would not be so easy to dispel this kind of compelling value proposition, but I do agree lot of competition is building up, new players are entering the digital payment space. Yes, in the short term there can be some kind of impact more on the debit card side, but we look at it in a very positive way because they are creating markets for digital transactions, newer set of people are shifting from a cash to digital space which will enhance our base for customer acquisition, so it is a win-win.

We are mindful of the kind of competition and convenience they can offer and being a 25-year-old player and having invested in technology we can match them in terms of our offerings to the customers.