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Synopsis
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"If we talk about book, the spends part, yes, it has come down and that has been a strategy also and going forward now we have seen what RBI intended to do and the regulations, the way they have come in, so we are going to build up our book based on the new guidelines progressively," says Abhijit Chakravorty, MD & CEO, SBI Card.

First, let us talk about the corporate book which went down sharply on a sequential basis. What led to this fall and is it purely due to the regulatory actions which were taken recently or there is some inherent other fundamental structural issue as well?
Yes, the corporate book has gone down during Q4 of last year and that is primarily because of the regulatory guidelines that RBI brought in during mid-February which restricted certain transaction methods.
Once that regulation came, we stopped the corporate specific activity which was bringing in significant spends.

If we talk about book, the spends part, yes, it has come down and that has been a strategy also and going forward now we have seen what RBI intended to do and the regulations, the way they have come in, so we are going to build up our book based on the new guidelines progressively.

So, somewhere around say end of quarter one and thereafter we expect our corporate book to be built up the way we were doing.

I want to talk about credit cost as well, that also went up and if I am not wrong, you believe that we may see some more quarters of an elevated credit cost. Where do you see the stress originating from and what are your expectations then for FY25?
Last year itself, we have been monitoring our portfolio and we were seeing stress in certain accounts and this is not specific to any cohort or anything, but then there is a general stress prevailing in the ecosystem and we found that it was largely due to over leveraging of individuals like after taking the card from us, they have taken multiple trade lines and overall their repayment capability was impacted.

So, we started monitoring the accounts at the individual level and there we have found that based on our analytical tools, there is a possibility of not being able to pay immediately but they can pay of course over a period of time later, but then since we do not see an immediate probability of that account getting paid over a period of time and the actions taken by us, we have predicted the credit cost to remain at the current levels and this is the guidance we gave last quarter also and that is where we stand now also.

But then for the entire financial year, definitely progressively, it is going to improve and we expect that it will definitely be less than the current levels but we expect that it should prevail above seven. Unless we are able to see the repayment capacities increasing, we find that even with the improvement during the later part of the year, it may prevail a bit above 7%.

There is a bit of a stress in the system, call it the over leveraging at the individual level but on the asset quality as well, I think that is the reason that we saw the NPA ratios rise on a sequential basis. What is the comfort level for you with respect to NPA ratios then?
Our NPA ratios stand at around 2.76%. So, we expect these to continue around these levels, marginally there may be variations. As we said because this ultimately reflects on our write-offs but then having said that, our different measures that we have taken of containing the delinquencies, progressively this will get contained over the period of year and simultaneously we have various collection and recovery strategies also in place that will continue throughout the year and we expect that the NPA levels to remain contained.

And would it be fair to assume that the new book coming up to SBI Card will have less NPAs and can we say that we are going to see a turnaround in the NPA cycle from here on?
It is on reducing trend in case of the new acquisitions. So, whatever measures we started taking from say January 2023 onwards, progressively we have taken various actions on our portfolio as well as in the acquisition processes, so we find that the new acquisitions are significantly behaving better than if we compare the same acquisition to the previous years.
So, as we progress and as we acquire new accounts based on our current strategies the mix will improve and that is where we expect that the NPA levels will remain contained.

But the cost of funds are also expected to increase and that would make people believe that perhaps NIMs have bottomed out. Any particular lever that the company has to protect the NIMs in the coming quarters?
Yes, so everybody was expecting the rate cuts, they have not come in, so that is where we think that the rates will remain stable for times to come unless there is a significant ecosystem change. So, if that happens, the NIMs will continue to prevail as per our expectations around the current levels and going forward even if there is a marginal increase in cost of funds, somewhere we will be able to pass it on to our earning assets side.