“SBI Cards and Payment Services Limited

Q4 FY '25 Earnings Conference Call”

April 24, 2025

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Moderator: Ladies and gentlemen, good day, and welcome to SBI Cards and Payment Services Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Salila Pande, Managing Director and CEO, SBI Cards and Payment Services Limited. Thank you, and over to you, Ms. Pande.

Salila Pande: Thank you, Ranju. A very good evening to all. On behalf of the Board members and the management of SBI Cards, I extend a very warm welcome to you. At the outset, on behalf of SBI Cards, I would like to place on record our gratitude to all the stakeholders for their continued support and confidence in the company as we navigated through uncertain times in the financial year '24-'25. I'm pleased to share that SBI Card continues to contribute towards India's growing digital payments ecosystem.

Looking at the digital payments' ecosystem, India's digital economy is a powerful growth engine and according to reports, it is expected to contribute to almost 20% of the GDP by 2026 and surpass USD 1 trillion by 2028. With UPI and Bharat QR, the nation is fast transitioning into cashless economy. In this environment, credit cards remain a vital component of the payment landscape. With nearly 109 million cards in force as of February of 2025, the credit card industry continues to witness robust adoption among aspirational consumers.

As far as SBI Card is concerned, with 18.9% cards in force market share, we remain India's largest pure-play credit card issuer. In December of 2024, we crossed the 2 crore cards-in-force milestone, reflecting our customers' trust and a well-calibrated acquisition momentum. We are committed to expanding our core cards portfolio with a focus on premium segments and co-brand portfolio as well as accelerating digital onboarding to deliver seamless and secure experience to our customers. We see immense potential in Tier 2 and 3 cities and digitally native consumers. In the coming year, we will continue to deepen our partnerships and invest in technology augmentation to enhance efficiency.

Coming to the **SBI Card business performance**, I'm pleased to announce that the company has successfully navigated through financial year '25 with a robust business performance, reflecting the resilience and sustainability of its business model. We have undertaken many key customer-centric initiatives during the year. For instance, with the integration of SBI Card Sprint, a good percentage of banca new account acquisition is now being initiated digitally. This, in turn, has significantly improved the customer onboarding experience.

In our endeavor to provide a diversified suite of products, we have launched key products like SBI Card Miles, a travel-focused credit card, and the KrisFlyer SBI Card in partnership with Singapore Airlines. Hundreds of national and regional offers have been rolled out across all key spend categories in partnership with reputed brands to increase spend and engagement.

As we have mentioned in our earlier earnings calls, SBI Cards has launched hyper-personalization platform to enhance customer lifetime value through personalized customer engagement. Our focus now is to scale up and augment existing capabilities and achieve higher levels of personalization and one-on-one communication through SBI Card mobile app. I'm pleased to share that SBI Card has recently reached the 4 million BPCL SBI Card milestone, making it one of the fastest growing and largest fuel co-branded credit card partnership.

We continue to take various measures to further strengthen our collection capabilities and expand capacity across digital and physical channels to guide customers through timely repayment and provide effective hardship solutions wherever required. We have also refreshed our risk management framework, including policies, procedures, practices, systems and tools in line with the latest industry best practices and regulatory guidelines.

This also includes constant fine-tuning of our models, processes and analytical capabilities. These improvements in the underwriting, portfolio management, collections, fraud risk management and provisioning have enhanced our capability to support prudent business growth and protect our customers.

During the year, we also kept focus on ESG initiatives. We have further reduced paper usage through digital enhancements and actively engaged in tree plantation drives and beach clean-up activities in different geographies, reinforcing our focus on environmental and social responsibility.

We remain committed to creating value for all our stakeholders, and I'm delighted to share that for the fiscal year '24-'25, the company declared an interim dividend of INR 2.50 per equity share.

Continuing with the business performance, we remain the second largest credit card issuer in the country. In line with our strategy, new account acquisition has been steady at around 1 million cards per quarter. We added more than 1 million new accounts in Q4 as well, registering 8% Y-o-Y growth.

Our focus on leveraging the end-to-end digital onboarding platform, SBI Card Sprint, is showing positive results. Our share of new accounts sourcing from banca and open market channel in financial year '25 stands at 51% and 49%, respectively. Overall, we added more than 4 million new accounts during the year.

In terms of spends, according to RBI Feb '25 data, our spend market share is 15.6%. Overall, spends were INR88,365 crores in March quarter with 11% Y-o-Y growth. Retail spends have shown consistent growth due to the increasing popularity of digital payments and the expansion of payment infrastructure. This trend is expected to continue.

In Q4, retail spends were around INR80,000 crores with a healthy 15% Y-o-Y growth. Overall, retail spends crossed INR3 lakh crore mark in the year '24-'25 with a Y-o-Y growth of around 18%.

Our corporate spends have also started to come back steadily. In Q4, the spend reached around INR8,600 crores, witnessing over 60% Q-o-Q growth. Our strategy to diversify our corporate portfolio has proven successful, and we anticipate continued growth. Our retail spend active rate continues to be healthy at around 51% in March '25 quarter.

During the quarter, we have seen momentum in all key spend categories across points of sale and online, especially consumer durables, furnishings and hardware, apparel and jewelry. Online spends have witnessed strong growth with around 58.9% share in retail spends.

UPI spends on credit card have also grown fourfold in March '25 quarter as compared to March '24 quarter. Department stores and grocery utilities, fuel, apparel and restaurants continue to be among the top five categories for UPI spend. The ability to use RuPay cards and UPI acceptance terminals through QR code is becoming quite popular in Tier 2 and Tier 3 markets, leading to uptick in spend.

Receivables have grown by around 10% to reach INR55,840 crores in March quarter versus INR50,846 crores in March '24 quarter. IBNEA is at around 59% and EMI receivables are at 35% during Q4 of financial year '25.

Our continued robust business momentum also helped us to register **healthy financials in Q4 and in the year '24-'25**.

- Total revenue in Q4 is INR 4,832 crores and has grown by 8% Y-o-Y. Total revenue has reached INR 18,637 crores during the year, registering a 7% Y-o-Y growth.
- Our revenue from operations in Q4 is INR 4,674 crores with 8% Y-o-Y growth. Revenue from operations during the whole year was INR 18,072 crores with a 7% Y-o-Y growth.
- Profit after tax in March '25 quarter is INR 534 crores with a 39% quarter-over-quarter growth. In financial year '25, profit after tax is INR 1,916 crores versus INR 2,408 crores in financial year '23-'24.
- Cost of funds during the fourth quarter decreased to around 7.2%. Net interest margin has improved to more than 11% in Q4, aided by a better yield and lower cost of funds. We expect cost of fund to be on a gradual downward trend in financial year '25-'26, benefiting from the RBI rate action and expect the NIM to be steady.
- Opex for March '25 quarter has been lower compared to the previous quarter, owing to Q4 being a non-festive quarter.

In terms of **asset quality**, as we have mentioned in the last 2 quarters, the macroeconomic environment continues to witness headwinds, leading to stress in the unsecured lending ecosystem.

At SBI Card, owing to several steps taken over the last 5 to 6 quarters to strengthen our new acquisition, underwriting and portfolio management framework, our asset quality has started to improve.

- Gross credit cost improved by 40 bps to 9% from 9.4% in the previous quarter, marking the first quarter of GCC reduction after several quarters of increase.
- Gross NPA for the quarter improved by 16 basis points to 3.08% from 3.24% in the previous quarter. In absolute terms, Stage 3 balances reduced by INR 59 crores to INR 1,718 crores from INR 1,777 crores in the previous quarter.

- Similarly, Stage 2 balances have reduced by INR 282 crores to INR 2,801 crores from INR 3,083 crores during the previous quarter, effectively 5% from 5.6% of receivables.
- 30+ and 90+ delinquencies have continued to reduce in this quarter as witnessed in the previous quarter.

As we continue to refine and calibrate our underwriting standards, portfolio management and collection strategies, we expect the credit cost to moderate in the coming days. As mentioned in the previous quarters, the rate of moderation will depend on the changes in the unsecured lending ecosystem and the macroeconomic scenarios.

In terms of **liquidity and capital adequacy**, with diversified sources of funding, our liquidity position continues to be strong.

- Our capital adequacy ratio for the year is robust at 22.9% and common equity Tier 1 ratio at 17.5% reflects adequate capital to grow.
- We also enjoy the highest credit rating of AAA and A1+ from the rating agencies.

In the end, in the coming financial year, our focus will be on profitable growth path, prudent risk management and long-term consistent value creation for all our stakeholders.

With that, we may now open the call for questions.

Moderator: The first question comes from the line of Anuj Singla with Bank of America.

Anuj Singla: Provision coverage for the Stage 1 to 3, so there has been a significant change on a quarter-on-quarter basis. Stage 1 and 3 have come down where Stage 2 has risen. So, can you just run us through the thought process and what is driving this change?

Shantanu Srivastava: ECL rate changes are an outcome of the model refresh that we do every year. The overall ECL rate has remained within the range that we've seen in the last 2 years. It's changed from 3.6% in the previous quarter to 3.4% now. So, the 3.4% now is a result of full year changes. If you look back at our ECL rate over 1 year ago or 2 years ago, you'll see it moving between 3.2% and 3.6%. So, this number has to be viewed in that context. This is the overall ECL rate.

As you already know, the ECL rate is an output of our ECL model, which is based on IFRS 9 and Ind AS 9, which are international and domestic standards for financial accounting. This model that we follow is validated through an external expert every year. It has got oversight of our internal governance mechanisms and is also subject to scrutiny by several external stakeholders, reviewers, auditors and regulators.

So, what we're producing here has gone through that level of scrutiny and oversight. As we also told you in the past, this model consumes data over a long period of time, and therefore, changes are gradual. And the changes are based on rolling averages wherein data from a recent period gets added on and data from a prior period gets reduced from the calculations. So, what you see is an outcome of all of that.

Coming to the specific question that you asked about what the logic of the changes is, we had noticed last year that we had significant challenges in Stage 2 balances. These are called SICR or “Significant Increase in Credit Risk”. And as per Ind AS standards and also IFRS standards, there's meant to be significant differentiation between our Stage 1 assets and Stage 2 assets.

Until last year, this differentiation was in the region of about 1.25% for Stage 1 and about 4% for Stage 2, roughly 3.5x delta. This, we have increased significantly given the challenges that we've seen. So, it's gone now to about 1% and 20%, or 1% thereabouts for Stage 1 and nearly 20% for Stage 2. This is on account of the experience that we have seen and also because of the requirement to follow Ind AS guidelines in spirit and letter.

The changes that you see in Stage 3 are on account of better recognition of the recoveries that we are doing. Earlier, we were capping some recoveries in cases where customers would pay more than 100%. That cap has been made more prudent. We first do the discounting of recoveries to arrive at present value and then apply the capping. We were doing the reverse earlier. That is what has caused the change in the ECL provisions.

Anuj Singla: Okay. So, going forward, we should see it as a steady state from here on?

Shantanu Srivastava: Such changes happen only once a year. So at least for the next 1 year, there will be no model changes.

Anuj Singla: Okay. Got it. And the second question relates to the opening remarks by ma'am. So, two things. One is, if I understood it correctly, you said the NIMs are going to be steady from here on. So, should not the lower cost of funding drive a NIM expansion during the course of the year? So that's one.

And the second, while you mentioned the credit cost normalization will be -- will reflect the macroeconomic, how the macro plays out. But when we, let's say, roll forward, let's say, 6, 7 quarters down the line, when can we look at a sustainable level of credit cost? What would that number be?

Salila Pande: The first question about the NIM. There are 2 factors involved over here, as you would know that we also have to be mindful of the kind of yields that we are going to see and what kind of cost of funds we are going to see. So, cost of funds, normally, we reap the benefits after a certain amount of lag.

And in terms of the yields also, as the interest rates have been declining, there will definitely be some kind of an impact on the yield side as well going forward. But our endeavor definitely will be to continue to ensure that the NIM remains steady. And going forward, after a certain period of time, we start seeing improved NIM as well.

Your second question was about credit cost. So, credit cost, 5, 6 quarters, I think, would be too far away to predict at this point of time. We are seeing improvement, as I mentioned during my speech, but there are a lot of unknowns right now in the environment. We will keep a close watch and see that we continue to stay on the right path.

Moderator: The next participant is Anand Dama with Emkay Global.

Anand Dama: Sorry for joining late. So, my question again is on the margin front, which was a question of the previous candidate as well. So, in case of margin side, you are saying that the cost of funds will come down, whereas you run a typically fixed rate assets book and that the interest reversals on the NPAs also should come down as you see in asset quality improvement. And why shouldn't we have an exit margin in FY '26, which should be far better as compared to what we see in FY '25?

Rashmi Mohanty: So, you're right that we have a fixed rate book, but our borrowings are largely short term in nature, given the nature of our asset book as well. As ma'am said earlier that the benefit of any market rate cuts come to us with a lag, as our liabilities mature, or they come for a repricing. So, for example, if you were to take the rate cut that happened in February, we didn't get the benefit of that rate cut in quarter 4 FY '25.

We will get the benefit of that as the liabilities that come for maturity in quarter 1 get repriced at a lower rate. So, which is why there's a lag in getting the benefit on cost of funds. And that's exactly what ma'am said that as the first-rate cut has happened, we'll get some benefit. And as more rate cuts happen, we'll continue to get that benefit during the year with the lag only. At the same time, there are two points around the yield as well.

Number one, that we may also be required to pass on some of these benefits on the rate to our customers as well. And number two, we'll also have to see the mix of our NEA in between IBNEA and the transactor volume as well. So given all that, we are saying that it will be an endeavor to keep the NIM stable with an upward bias.

Anand Dama: Sure. Secondly, the corporate spends have actually gone up during the quarter. Is there any reason why there is a lumpiness in terms of corporate spend or it's more seasonal in nature? And secondly, your depreciation is negative during the quarter. Any reason for that?

Salila Pande: So, I will request Girish to supplement my response on this, but overall, yes, we have basically repurposed and repositioned our corporate card strategy in the last few months and quarters. And this is not a onetime lumpiness. I will request Girish to supplement.

Girish Budhiraja: As we've been saying earlier, we are endeavoring to continuously increase the corporate card spends. There is some seasonality, which is during the March, people end up paying their tax -- large corporates pay their taxes. So, some amount of seasonality is there, but not much. On an overall basis, you will see a growth trend quarter-on-quarter on the corporate spends.

Rashmi Mohanty: Your question on the depreciation, the number is negative or negligible for quarter 4 because we did one lease modification and that impacted the depreciation line, which is why you see a dip compared to quarter 3. It's a onetime -- it's a one-off modification that we have done in quarter 4.

Anand Dama: And lastly, if you can tell us like what's the share of our RuPay card portfolio in our overall CIF?

Girish Budhiraja: So, we have not declared that, but we are in the mid-20s.

Moderator: Next question comes from the line of Shweta with Elara.

Shweta: A couple of questions. So, ma'am, the gross write-off pool continues to remain elevated. Could you just throw light on what is the customer cohort behavior and profiling here? And also, I remember last quarter, you sort of alluded on minimum due balance customers. So, has there been any sort of curtailing of movement from this pool towards write-off or, say, delinquency pool?

That's question number one. And just related to that, so I understand you explained quite in an elaborate fashion. But still why this kind of significant spike in Stage 2 ECL? I mean, has it got to do also with any sort of customer behavior that might potential risk in future? So yes, that's my first question.

Shantanu Srivastava: Yes, I'll take it. So, I'll start with the point about the ECL Stage 2 provisions. As I mentioned earlier, the increase that we are doing in the provision is an exercise in accelerating our provision efforts. So, we try to take provisions early rather than later. That is why we're increasing the rate of provision for Stage 2 and decreasing the required provision for Stage 3.

You can see the impact of all of this in the overall stock of provisions, which last quarter were about 110.5% of our NPAs and now it is 110.9% of our NPA. So, the overall provision coverage is actually improving. With regard to cohorts, which cohort is causing this, we spoke about cohorts only once, and that was in June to September quarter of '23. After that, we have not pointed out any cohorts that are causing any significant stress. As and when we identify pockets requiring special attention, we take the appropriate portfolio management actions around those. And this also informs our collection strategy around how to move to different pockets, different segments, different geographies. So, we are using data and analytics to identify our strategy both for portfolio management and collections.

Shweta: Okay. Just a follow-up there. So, are you satisfied with the new customer acquired portfolio behavior?

Shantanu Srivastava: Yes. Our early delinquency for our new sourcing continues to get better. It's better than our previous sourcing vintages, and we've spoken about that in our previous quarters as well. We can measure this in through multiple metrics, delinquencies, flow into delinquencies, improving trends on both fronts.

Shweta: And any color on minimum due balance paying customers?

Shantanu Srivastava: Yes. We mentioned that last quarter. This is a new metric that we've been tracking based on feedback from the RBI, and we see improvements there as well. We call it collection efficiency. That's what RBI calls it and we see improvements there as well.

Shweta: Okay. And my second question is, is the opex benefits on a sequential basis is coming from scaling back of rewards and benefits that has happened 1st April onwards?

Girish Budhiraja: No, this is essentially because of less spends on cashback that we have done in last quarter over the festival quarter.

Moderator: Next question comes from the line of Rohan Mandora with Equirus Securities.

Rohan Mandora: Sir, just on the asset quality, please, I wanted to understand any quantifiable pool that you have in terms of the stressed assets as we speak as of 4Q end? Like how should one look at it on -- the potential stress that will come into FY '26, if we have to get some sense on that, if you could give some color around that?

Shantanu Srivastava: So, to give you more color on asset quality, I can point you towards the metrics that we normally track, and you can see them in our financials. If you notice, write-off has come down, our NPA stock has come down, NPA percentage has come down. Our Stage 2 stock has come down, our Stage 2 percentage has come down. Our delinquency numbers are improving, and our flow rates are also improving. So pretty much all performance metrics are improving between last quarter and this quarter. This comes on the back of similar improvement seen in the previous quarter as well, although write-off did not come off in the previous quarter. So, this is 2 quarters' worth of sustained improvement in virtually all performance metrics with regard to asset quality.

Rohan Mandora: But sir, maybe on the flow rates, if you can qualitatively give from the peak level, how much would it have improved?

Shantanu Srivastava: So, I can talk about 30-plus and 90-plus. We don't give the exact number, but they have -- we have seen improvement between September and December, both for 30-plus and 90-plus, again, repeated between December and March.

Moderator: Next question comes from the line of Zhixuan Gao with Schonfeld.

Zhixuan Gao: Just on your comment on that, we are talking about margin may be stable because on the new side, there may be some changes in mix on the revolver, EMI and transactor. So, I just want to understand on your new sourcing, what's the difference between the EMI percentage or revolver percentage or your new source customers in the last 1 year versus the average portfolio? Any rough quantification on the gap?

Salila Pande: So I will ask Girish to supplement this further, but I would say that the composition has remained more or less the same. If you look at the numbers, the IBNEA has declined from last year to 59%, but overall, in terms of the composition of the revolver and EMI, it's more or less similar to the earlier composition. Girish, do you want to add something?

Girish Budhiraja: Yes. In terms of vintages, as we stated last time also, what we have acquired in last 1 or 2 years, we see a slightly downward bias on the revolving behavior of those customers. While that asset in weightages term has to yet come up, and we have increased the interest rates in last year, November. So, there are counter forces which are working at this point of time. As of now, overall portfolio remains at 24%. But yes, latest vintages have a downward bias.

Zhixuan Gao: So, is the bias say, below 20% or any rough range?

Girish Budhiraja: No, not that much. At a similar point, if I look at earlier vintages, which have matured to 12 months to 18 months, we see a, I would say, 10% to 15% lower in the new vintages. But as you're looking at the asset, it's the overall asset. So, weightages are also very important.

Moderator: Next question comes from the line of Mahrukh Adajania with Nuvama.

Mahrukh Adajania: I had two questions. Firstly, on growth, when do you see it improving to, say, mid-teens, right? Because I guess a bit of discussion on this happened last quarter as well. But what is your view now? When do you see it improving to mid-teens? And there has been already a lot of discussion around margins. But all I want to know is that will you -- I mean, usually, credit card yields are quite sticky.

They don't fall much, and they don't fall very steeply like, say, home loans or other rates. So, are you expecting to cut yields? I mean, how does it -- I know that the investment book can reprice. But just in terms of card yields, are you -- would you be doing major cuts as the rate cut cycle progresses? Or how do we view this?

Salila Pande: So, to your first question, Mahrukh, I would say that we are expecting that we will continue to grow in a calibrated fashion going forward. There are still some unknowns in the economy, and, unless we are sure and we are stable, we will continue to grow at a pace of around 1.1 million per quarter as we have been growing for the last 1 year.

And in terms of the NIM, as you mentioned, that rate action is definitely going to give us a benefit with a lagged effect. Yields, again, as you heard earlier as well that there are components relating to how the IBNEA grows, what is the component of revolver there. So, we will keep a watch. If you want to add something to that, Rashmi?

Rashmi Mohanty: So Mahrukh, while, of course, you are right that the book is sticky in terms of the revolver rate yield is not changing frequently, but we do adjust the yields on our EMI book based on our cost of funds, and there are other parameters as well that go into fixing the benchmark for our EMI book. So, if that benchmark changes as a result of the cost coming down, then in that case, automatically, there could be some marginal pricing difference that can happen.

I was just making a general comment that we'll have to be watchful, mindful of how the cost behaves and how that impacts key benchmark and therefore, the yield on the EMI book. I agree that on the revolver, yes, it's sticky, doesn't change, but on the EMI book, which is why I clarified that we expect the NIMs to be stable but with an upward bias.

Mahrukh Adajania: Got it. Got it. And just one clarification. There is no regulatory nudge on credit card yields as such, right?

Rashmi Mohanty: No. As I said, I will repeat what I said earlier on the EMI book. The regulator requires us to calculate a benchmark of which our EMI book gets priced, but there is no regulatory cap.

Moderator: Next question comes from the line of Punit Bahlani with Macquarie Capital.

Punit Bahlani: Just on the new sourcing mix, the 4Q mix towards Banca is like 63%. and it's like the highest ever seen. So, is this like a new strategy where we are shifting towards more banca mix? Or is this like this quarter, we took a break from our sourcing or something like that? Any comments on that? Yes.

Salila Pande: So, Punit, first of all, if you look at our overall acquisition for the year, almost 51% of the acquisition has happened through banca channel and 49% has happened in the open market. And yes, we have seen an uptick during the last quarter because we got some fillip from our digital acquisition strategy on banca. The endeavour going forward will be to continue to have a mix of around 50% to 55% on either side and acquire high-value profitable customers. So that's the strategy.

Moderator: Next question comes from the line of Hardik Shah with Goldman Sachs.

Hardik Shah: I have two questions. First is on the cost side. Why is the opex on an absolute basis higher in 4Q versus 3Q? I understand cost to income is lower. But on an absolute level, why is it higher?

Salila Pande: 4Q opex is higher?

Rashmi Mohanty: Lower Hardik. Which page are you looking at and what number are you looking at? Can you read out the numbers? Because I have some numbers showing a downward trend only.

Salila Pande: Operating cost for Q4 is INR2,073 crores.

Rashmi Mohanty: That's the management number. Where are you picking up the number from?

Hardik Shah: I am looking at -- so it's INR2,074 crores versus INR2,058 crores. This is from your update that you've given out.

Rashmi Mohanty: So, the numbers come down from quarter 3 to quarter 4, right?

Hardik Shah: Okay. This could be maybe because of restatement. Okay. And this could be because of restatement. I will look into this.

Rashmi Mohanty: Girish mentioned earlier, Hardik, that in quarter 3, it's the festive quarter, we do a lot of cashback campaigns. And that always takes our cost, operating expense higher in quarter 3, always every year because of that. And then, of course, the opex dips in quarter 4 because there are no such large cashback campaigns that we run.

Hardik Shah: Understood. Okay. And my second question is on the Stage 3 coverage being lower. So, I understand the logic of increasing the Stage 2 coverage, but what's the logic of reducing the Stage 3 coverage?

Shantanu Srivastava: I'll explain that. So, in Stage 3 computations earlier, we were not reckoning our recoveries in the right way in the sense that we were capping them artificially at 100% and then discounting them to arrive at present value. We've changed that to first do the discounting and then do the capping, which is the more correct way of doing it.

And that is what is driving this change in number. The overall provision ECL rate has not moved as much. As you can see it's moved from 3.6% to 3.4%, which is within the range. And you can also see overall provisions as a percentage of NPAs increasing from 110.5% to 110.9%.

Moderator: Next question comes from the line of Himanshu Taluja with Aditya Birla Sun Life AMC Limited.

Himanshu Taluja: Sorry, I joined the call a bit late. There's another company. If you have already indicated, can you just repeat your comments since you have mentioned that slippages have improved, flow rates are showing improvement, Stage 2, there's an improvement in the Stage 2 numbers as well as well as some bit of the pace of write-offs is also showing, by when -- so how do you expect the credit cost to behave in the coming quarters? And second, by when do you expect you can reach a normalized credit cost between 6% to 7%? So that's my first question.

Salila Pande: So Himanshu, on the credit cost, as you mentioned several metrics, since all of them are looking good, we expect the credit cost to moderate in the coming quarter. For answering to your second question and supplementing the first question, there are still several unknowns in terms of the macros. So, we will keep a very close eye and see in the coming days, I think you mentioned 7%, right? 6% to 7%?

Himanshu Taluja: Yes.

Salila Pande: Yes. That is still far. We are looking at calibrated moderation going forward in the credit cost in terms of the kind of strategy we are following right now.

Himanshu Taluja: Sorry, ma'am, I'm not expecting 6% to 7% credit cost in FY '26, but can you give some color, can we expect the similar trajectory around this trajectory in FY '27?

Rashmi Mohanty: As ma'am said earlier as well, I think it's too early to predict a number for 4 or 5 quarters from now. At this point in time, we've seen the credit costs come down quarter-on-quarter. I'll repeat what Shantanu said as a reply to the earlier question that the metrics are looking good, but there are still certain unknowns that we'll have to see. So, I think it's too early for us to give any indication as to what that number is going to be for FY '27.

Himanshu Taluja: Fair. And second question is, since you're acquiring customers around 1 million new card addition or the new accounts addition every quarter, how do you expect this trajectory going ahead? And lastly, how should you expect the cost-to-income ratio to settle around?

Salila Pande: So, we expect in the near term to continue with the similar acquisition. And as we ramp up going forward, we might see higher costs because the last year, we saw lower acquisition and spend costs. As the acquisition and spends increase, we are expecting our cost to income to be in the range of around 55% to 56%.

Rashmi Mohanty: We've always mentioned that our yearly number would be between 55% to 57%. You will obviously see some seasonality given that we spend a bit more around the festive quarter. But for the year, the number should stay around 55% to 57%.

Moderator: Next question comes from the line of Tanuj with JP Morgan.

Tanuj Jain: So, I would just want to circle back to the -- an earlier question where you said your revolve rates on your newer vintages are around 10% to 15% lower. So, like if we take that to be at around 20.5% to 21.5% revolve rate, so should we see this 24% slowly inching up to that particular level, if your tightened underwriting standards that you have had over the last 1 year remains? And do you see any reason why the tightened underwriting standards would reverse going ahead? That's my first question.

Girish Budhiraja: So, in this, that estimation is not correct essentially because what I said was this is the early vintage behavior that you see at between 12 to 18-month period, okay. The portfolio for revolve maturity starts happening between 24 to 30 months. These segments that we have acquired in last 4 to 6 quarters have not reached those levels as yet.

That is point number one. Second thing is even in these vintages, while we see some bit of lower revolve, but we see slightly more inclination of term lending behaviour in this portfolio. The mix is also dependent on the weightages. So, while we said that it is with a lower bias, but not as much bias as you mentioned. I would say that in the next 3 to 4 quarters, we have always stated that it can be either 23% or 25%, depending on month end transactor, if there is a seasonality or if there is some amount of changes.

But for the last almost, 6 quarters or so, we have been constant at 24% apart from a couple of quarters where it went down to 23% but again stabilized to 24%. So that is the way to look at it about the revolving behavior from here onwards.

Tanuj Jain: Okay. Understood. So as the vintage of these newer acquisitions increase, you still expect your revolve rate to settle between that 24% mark on average over time.

Girish Budhiraja: It could be slightly lower than 24%. We see those newer vintages slightly lower than 24%. But ultimately, we are interested in overall interest income, okay. So, we are trying to get those guys to take term asset, term loans. However, that said, last 6 quarters new acquisition, as was being mentioned by Shantanu also, is showing better behavior. And when you look at better behavior, there is a slightly more transactor bias in that portfolio compared to revolving bias.

Tanuj Jain: Okay. Understood. my second question is, I think your spend-based income, which is largely interchange, has seen a strong increase Q-o-Q. So, is the primary reason for that is that you have higher interchange on your corporate spend relative to your retail spend?

Salila Pande: You're right.

Girish Budhiraja: Yes, you're right.

Rashmi Mohanty: And higher corporate spends contributed to a higher spend-based income.

Girish Budhiraja: Correct.

Moderator: Next question comes from the line of Mohit Jain with Tara Capital Partners.

Mohit Jain: Ma'am, just wanted to ask regarding the growth we are expecting in our receivable balance considering the fact that the revolver may be slightly lower, and we'll continue …... What kind of growth we expect….

Salila Pande: It's not very audible. Your voice is not clear.

Girish Budhiraja: Are you asking about the growth in receivable balances?

Salila Pande: Mohit, is your question about the growth in the receivables number?

Mohit Jain: Yes, yes ma'am. Yes, ma'am. I was asking as to what the rate is we can expect in terms of the receivable growth for the next year, considering the fact that revolver may be slightly lower, and the credit card addition rate is going to be at the same rate of 1.1 million. So, what kind of a growth should we expect?

Girish Budhiraja: So, as you have seen, receivables last year has grown by close to 10%. The growth rate has moderated. This year, we expect it to grow anywhere between 12% to 14%.

Moderator: Next question comes from the line of Rohan Mandora with Equirus Securities.

Rohan Mandora: This is more on the spend growth at an industry level. So, if you look at the first 9, 10 months, it's been around 15% overall. And our spend growth is also at around 15-odd percent if you look at it. I just want to understand with some players going slow on credit cards, is there a likelihood of we gaining spend market share? And second, over the next 2 to 3 years' timeframe, what kind of spend growth are you envisaging for the industry?

Salila Pande: So, you're right, Rohan, that the spend growth has been at slightly lower than last year at around 15%. If you look at our numbers, if you look at the retail spend, we have grown almost 18% in terms of the retail spend. Corporate, we saw a slowdown during this year. And we anticipate that we will grow in the range of a similar range for the next year as well.

And overall, for the industry, yes, the bigger market players are seeing an uptick in terms of the spend. And there's a little bit of a caution by the smaller players because of which we are seeing lower spend at their end. Anything you want to add, Girish?

Girish Budhiraja: Yes. So, our estimate for our growth, we are looking at 18% to 20% or so. As you would have noticed, we lost some market share when the corporate card spends went off in last year February. We are hoping to regain that slowly in a cautious manner. We want to get it in a profitable manner also. So, we are on that path. As the corporate card spend gets closer to the normal number that we used to have earlier; we will gain that share back.

Rohan Mandora: Sure, sir. And sir, second was on what was the share of UPI-based spend in total retail spend?

Girish Budhiraja: Can you just repeat that?

Rohan Mandora: UPI spends on -- in total retail spends. Share of UPI spends.

Girish Budhiraja: We have not given that number, but what I would say is that at least for our portfolio, it is now coming close to double-digit number.

Moderator: Next question comes from the line of Piran Engineer with CLSA.

Piran Engineer: I just had one simple question. Out of our loan book of INR55,000-odd crores, how much would come from customers acquired in FY '25?

Girish Budhiraja: As I was mentioning earlier, the asset -- usually, what happens is that the asset growth starts to happen only after 12 months or somewhere around 9 months onwards into the book because till that point of time, what the customer does is initially when the customer comes in, they will spend on the card and they will pay back almost fully.

It's slowly that they start becoming comfortable with the product, they start utilizing it either for revolving or loan or a term asset book. So, there is an evolution in which -- how the customer life cycle moves over a period of time. So as a percentage for the last year, the asset out of that would be fairly low. We don't declare vintage-wise asset percentages, but that would be low. It builds over a period of time.

Piran Engineer: Okay. But let's say, something acquired 2 years back, that would be -- would have reached a sort of steady state in terms of, say, spends per month and revolve share translating to loans per card?

Girish Budhiraja: Two to 3 years is what you can look at. So typically, I would say, anywhere between 24 months to 36 months, that becomes stable.

Piran Engineer: Understood. And is there a way I can think about, let's say, drop-off rate or fatigue rate that, say, 5 years later, people switch to another card? I'm just trying to back calculate what percentage of your book comes from what vintages. That's my exercise. For example, something you acquired in 2015, if you acquired 1 million cards in 2015, for example, how many of them would still be with you and how many would have dropped off?

Girish Budhiraja: Okay. So typically, the attrition rates, you can calculate through the numbers that we give you. They are anywhere between 10% to 13% in the range. Some of that is voluntary. However, some of it is involuntary. Involuntary is all the write-off numbers that you see essentially is those involuntary attrition numbers, okay. So, customers do drop off there. Asset also drops off there. However, we will not be able to do that on there unless until that number is declared by us.

Moderator: Next question comes from the line of Anirvan Sarkar with MLP.

Anirvan Sarkar: So just one question. I have joined the call a little late, so I'm not sure if it has been answered earlier, but did you disclose the net slippages number for 4Q and how it trended versus 3Q?

Girish Budhiraja: Anil, your voice is not clear.

Anirvan Sarkar: Yes. Sir, I'm asking, have you disclosed this number as to how have net slippages moved in 4Q versus 3Q?

Shantanu Srivastava: Yes, slippages numbers we've given. They've improved from 2.2-odd percent to 2.1%.

Anirvan Sarkar: This we are talking about net slippages or gross slippages?

Shantanu Srivastava: Say that again.

Anirvan Sarkar: No, are we talking about net slippages or gross slippages?

Shantanu Srivastava: These are -- slippages are our NPA number. They are not adjusted for provisions.

Anirvan Sarkar: . So, I'm asking net of recoveries, net of recoveries and upgrades, what would be the slippages number for 4Q versus 3Q?

Shantanu Srivastava: We don't disclose that.

Anirvan Sarkar: Sorry, sir. You're not audible.

Shantanu Srivastava: Yes. We don't disclose net of provision slippages.

Anirvan Sarkar: Net of recoveries I meant sir.

Shantanu Srivastava: Recovery number is given separately. We disclose recoveries. That you can see.

Moderator: Next question comes from the line of Krishnan ASV with HDFC Securities.

Krishnan ASV: I had a couple of queries. One, what are the levers available, Girish, to improve corporate card profitability? When the mix does reflate, what are the levers available with SBI Card to be able to pull back or lift your IRRs there?

Girish Budhiraja: So, Krishnan, corporate card spends typically happen in 3 categories. One is the category of travel and entertainment, which your company gives you for usage on hotels and airlines. There, usually the profitability is very decent. The second category is when the company uses it to pay its vendors or their partners where the expenses have happened. There you get interchange, but a large majority of that interchange is passed back as a pass-back.

So -- and there is a cost of fund arbitrage also which needs to be taken care of. So, there are those plays. And there is a third category where the companies these days also pay their statutory payments like taxes, utility bills and all that stuff, they can pay through the card business. Then the profitability is there, but it is marginal.

So, it is a mix thing that people work with. Profitability is low. As I would say, absolute profit would be lower, but profitability is high because there is usually no asset here. So, ROA would be fairly high, yes. But you're not lending in this scenario. You are only essentially making it through from a payments perspective.

Krishnan ASV: The reason I'm asking that, Girish, is you said you voluntarily let go off some market share there because you were trying to recalibrate your own approach and strategy as well?

Girish Budhiraja: No, no, no, we didn't say voluntarily. We said RBI came out with a guideline, which was a BPSP guideline, okay, which is business partner solution provider. So there, what used to happen was, for example, company A wants to pay its vendor and in between, there were some third parties through which the payments used to happen. That model was stopped by RBI, okay. So once that got stopped, we have stopped that immediately. That's it. So, it was because of that, and we took that opportunity to start looking at rebuilding our business in a more profitable fashion.

Moderator: Next question comes from the line of Hardik Shah with Goldman Sachs.

Hardik Shah: My next question is on the fee income growth. Given your corporate spends growth has increased and even cards in force growth have increased, what explains tepid fee income growth of 5% Y-o-Y? And how should we think about that in the next year?

Girish Budhiraja: So, there are some headwinds there also. One is the late fee is not growing with that rate. So that is one part. Second is we have seen on the rental spends also; we had levied a fee last year. So, rental spends have also started to moderate. So, both the fee elements from these 2 have started to moderate. This year, from a fee income growth perspective, Rashmi, have you given any guidance?

Rashmi Mohanty: We don't give a guidance on individual revenue.

Hardik Shah: Understood. Okay. And one clarification again on the previous question that I asked. So, with the Stage 3 coverage going down, does that imply your loss given default was lower with these ECL refresh?

Shantanu Srivastava: Yes. So, the Stage 3 ECL rate is your portfolio loss given default rate. As I mentioned earlier, we were capping the recoveries at 100% and then discounting them to arrive at present value. We've reversed that sequence to first discount and then cap. That is what is driving the change in our ECL rate for Stage 3, which is the portfolio LGD.

Salila Pande: So, in summary, Hardik, you're correct.

Moderator: Next question comes from the line of Zhixuan Gao with Schonfeld.

Zhixuan Gao: Just a couple of follow-up questions. Number one is the cost to income 55% to 57% you're talking about for FY '26 because for FY '25, we are at 52-odd percent, right? So why would there be such a big jump?

Rashmi Mohanty: This year, if you look at our card, the new acquisition that we did, we actually ramped up the number only in the second half of the year. The first half of the year, the new acquisition number was lower. We're expecting a higher -- and we've already shared with you earlier, Girish has talked about the business growth and ma'am also spoken about the growth of about at least 1.1 million new cards that we're going to be doing, which is why we expect the cost to income to go up for FY '26.

Girish Budhiraja: One is that. The second this is the corporate...

Rashmi Mohanty: Corporate spend will go up, yes. The corporate spends also impact the cost to income. We expect that the corporate spends are going to be higher than what we have achieved in FY '25.

Zhixuan Gao: Got it. And next one is you say you're not giving quantum of improvement from a Q-on-Q basis in terms of 30-day flow rate or 90-day flow rate. So -- but in terms of the rate of improvement, if you compare this quarter's rate of improvement versus last quarter's Q-on-Q rate of improvement, how does that compare? Is the rate of improvement accelerating, getting faster or is it similar or it's actually diminishing?

Shantanu Srivastava: So, in the previous quarter, we had shown improvement in our NPA stock and our Stage 2 stock, both in absolute terms and percentage terms. We had shown improvement in flow rates. We had shown improvement in delinquencies. That overall trend continues. And this time, apart from these, write-offs have also come down. So, in a sense, what we're seeing this quarter is the accumulation of what happened in the previous quarter as well as this quarter.

Moderator: Next question comes from the line of Krishnan ASV with HDFC Securities.

Krishnan ASV: This one is on cost of funds. Last time around when you saw low interest rates in the system, SBI Cards had benefited disproportionately. I'm just wondering structurally, has anything changed between then and now in terms of elasticity on cost of funds.

Girish Budhiraja: No, structurally, nothing has changed. We remain -- I think what has changed is the percentage of revolver mix has changed. The percentage of our asset mix has changed. Otherwise, structurally, we were giving fixed interest term loan rates earlier. We are still doing that. Our revolver used to be at a fixed interest rate. That still continues to be there. The rate has increased.

Rashmi Mohanty: That increase happened in November of 2024.

Girish Budhiraja: But otherwise, structurally, there is nothing that's changed.

Krishnan ASV: And on the liabilities side, then versus now, there is not much of a structural change, right? Because you benefited immensely in that stage of the cycle then. I'm just wondering is there any reason why you may be --

Rashmi Mohanty: No, no structural change on the liability side as well, nothing.

Moderator: The last question comes from the line of Vikram Subramanian with Marshall Wace.

Vikram Subramanian: Am I audible?

Salila Pande: Yes Vikram, you are.

Vikram Subramanian: It pertains to gross Stage 2 and gross Stage 3. Basically, if I look at the trajectory of gross Stage 2 from first quarter, it's been going down steadily. And in fact, we have had a reasonably significant improvement in this quarter. This is on gross Stage 2, but Stage 3 is kind of sticky. So how should we look at this? What could be the outlook? Should we expect Stage 3 to remain at these levels, but Stage 2 to continue to reduce at the pace?

Salila Pande: So, you're right, Stage 2, we have been seeing improvement. And as you mentioned, yes, there is a much more tougher collection environment right now. And we have experienced that there has been some stickiness in terms of collections, and there has been a bigger flow from Stage 3 to write-off. But right now, as I mentioned earlier also, it's very difficult to predict. There are a lot of unknowns right now. So, we'll stay vigilant, and the metrics look positive, but difficult to predict right now.

Shantanu Srivastava: But Stage 2 is also coming down between the 6-month period that we're reporting right now, from June to now. There's been steady improvement in Stage 3 as well, 1,821 was the number in September 1,777 in December and 1,718 now.

Vikram Subramanian: My question properly. My question was this reduction in Stage 2, is there also some non-business reason, meaning some kind of reclassification?

Shantanu Srivastava: No.

Shantanu Srivastava: The definition of Stage 2 and Stage 3 have not changed.

Moderator: Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to Ms. Salila Pande for closing comments.

Salila Pande: Thank you, Renju. I'm grateful to all our shareholders, customers, partners and employees for their unwavering trust and support in SBI Card. And as we close this call, I wish all who are on this call a very successful financial year 2026. Thank you very much.

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