



“SBI Cards and Payment Services Limited

Q2 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the SBI Cards and Payment Services Limited Q2 FY27 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 and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Salila Pande, MD and CEO, SBI Cards. Thank you, and over to you, Ms. Pande.

Salila Pande: Thank you, Swapnali. A very good afternoon to everyone who is present on the call today. Along with the management team of SBI Cards, I extend a warm welcome and sincere thanks for joining us for the Q2 FY27 Earnings Call.

India's growth outlook remains resilient despite an uncertain global environment. As per RBI, real GDP growth for FY27 is projected to be 7.1%, up from 6.7% projected earlier, reflecting the strength of domestic economic activity. The International Monetary Fund has also recently raised India's economic growth forecast to 7% for both FY27 and FY28, citing resilient domestic demand and strong services activity.

The upward revision reinforces India's position as the world's fastest-growing major economy despite rising global oil prices and persistent geopolitical tensions. Against this macroeconomic backdrop, the growing scale of digital transactions and increasing access to formal credit are contributing to the development of more integrated payments and credit ecosystem.

Digital payments ecosystem continues to scale rapidly with UPI remaining at the centre of this expansion. UPI transaction volumes grew 27% Y-o-Y to approximately 145 billion transactions during the first half of FY27, underscoring the increasing frequency and ubiquity of digital payments in India.

The credit card industry continues to maintain a healthy growth trajectory with cards in force increasing by around 10.5% Y-o-Y to over 124 million as of August 2026. Cumulative credit card spends for the first 5 months of FY27 stood at more than INR10 trillion, reflecting the growing scale of the credit card ecosystem.

The industry continues to witness evolution, both in terms of customer demographics and usage patterns. As per the industry reports, credit card customer base is becoming younger and more diverse. Nearly half of the first-time credit card users are now aged 30 or below, while approximately 46% of the new users are coming from semi-urban, Tier 2, Tier 3 and rural markets.

This reflects the growing democratization of credit and the expanding opportunity to serve customers beyond traditional metropolitan centres. As a customer-centric organization, SBI Card understands this and is well positioned to make the best of these opportunities.

Our strategy is focused on building a more robust credit card business, leveraging differentiated products, strategic partnerships and digital capabilities as key growth levers. During Q2 of FY27, we continue to focus on building a healthy, sustainable and well-balanced portfolio while

maintaining our priorities around profitable customer acquisition, customer engagement, operating efficiency and portfolio quality.

During this quarter, we augmented our co-branded credit card portfolio with the launch of Google Pay Flex SBI Card. This credit card is designed to simplify and elevate the everyday payment experience, delivering a convenient blend of rewards, flexibility and security. We also launched the Advantage SBI Card on SBI YONO to offer a seamless digital journey that enables SBI customers to avail a secured credit card backed by a fixed deposit.

We continue to roll out customer-centric national and regional offers with many revered brands, including Amazon, Flipkart, Myntra, Air India, Bosch, LG, Sony, HP, among others. We continued the long-term strategic partnership with Apple for instant discount across different Apple products, including the newly launched iPhone 18 Pro. We continue to strengthen our AI capabilities across customer engagement, sales and employee productivity.

We are happy to share that CII National Artificial Intelligence (AI) awarded our hyper-personalization program under the innovative category.

Coming to the business performance, our robust business model, disciplined portfolio management and prudent risk management has enabled us to deliver strong results.

Let me share the key metrics. Cards in Force have grown to around 2 Crore 32 lakhs with 8% growth Y-o-Y.

In line with our guidance, we added more than 1 million new accounts during the quarter, witnessing 18% increase Y-o-Y. The net card addition for FY27 till August is at 8.6 lakhs new cards, which is highest in the industry. We will continue to maintain quarterly run rate of more than 1 million new accounts during the year.

Our new account sourcing distribution remains balanced with about 49% sourcing from Banca and 51% from open market this quarter. SBI Card continues to be India's second largest credit card issuer with Cards in Force market share at 18.5%.

As regards spends, as per RBI August 2026 data, our spends market share has grown to 19% in FY27. Totals spend during the quarter reached INR1,10,689 crores with a growth of around 3% year-over-year.

Retail spends reached the highest ever level of INR95,299 crores with a 6% growth Y-o-Y. This is despite the festive sales being in Q3 this year and there being a seasonality impact on the Q2 spend. We have seen robust growth across most POS and online spend categories. Online spends contributed 62.8% of the total retail spend in the first half year of financial year, witnessing strong growth across discretionary categories.

Key categories include consumer durables, furnishing and hardware, apparel, restaurants and jewellery, among others. Corporate spends were at INR15,390 crores during the quarter. UPI spends on credit cards continued to grow 17% quarter-over-quarter, majorly in department

stores, groceries, utilities, fuel, electronics and apparel categories, driven by RuPay and QR acceptance expansion.

Tier 2 plus markets have the highest UPI active Cards in Force and UPI spend, adding to the growth momentum. With festive sales and Diwali starting in October and November this year, we expect the spends to pick up further.

Coming to the financial performance for the quarter. Revenue from operations was INR5,141 crores, registering a 4% Y-o-Y growth. PAT was strong at INR778 crores with an increase of 75% year-over-year, mainly driven by improved credit costs.

Operating cost during the quarter was INR2,649 crores, with 7% increase Y-o-Y. The cost-to-income ratio for the quarter was 58.7%, up 193 basis points year-over-year. We expect cost to income to remain around 57% to 59% for the year.

Receivables for the quarter were INR58,376 crores. We continue to focus on building the EMI book. With festive season and sales now underway, spends and receivables are expected to pick up in Q3 of FY27. The interest-earning assets were stable at 55% with the revolver rate at 22%. Portfolio yield for the quarter was 16.1%. The daily weighted average cost of funds for Q2 was 6.8%. The cost is up by 18 basis points quarter-over-quarter.

Net interest margin for the quarter was 10.8%. With cost of funds expected to increase over the next few quarters, we expect NIM to be range bound. We will continue to optimize our borrowing mix to minimize the impact of increase in cost of funds and continue building a bigger EMI-based portfolio to keep the NIM stable.

Speaking about the asset quality, our actions taken over the last 2, 3 years have led to continued improvement in the asset mix with NPAs now being the lowest post COVID-19. Continuing the reducing trend witnessed over the last 5 quarters, gross credit cost has improved further by 98 basis points quarter-over-quarter and 342 basis points year-over-year to 5.6%.

Gross NPA has reduced by 14 basis points quarter-over-quarter and 95 basis points year-over-year to 1.9%. Net NPA is at 0.77%. Slippage ratio is also showing continued reduction. Company was carrying an additional provision of INR70 crores up to the previous quarter.

The prolonged conflict in West Asia and the resulting higher energy prices, inflation and interest rates may impact household cash flows. Accordingly, an additional provision of INR30 crores has been made to prudently provide for the heightened macroeconomic uncertainty.

With this, the company now carries an additional provision of INR100 crores as of quarter ended September 30, 2026. With disciplined customer acquisition, prudent portfolio management, we expect gross credit costs to stay around 6% for the current financial year, subject to any adverse impact of the ongoing geopolitical crisis on asset quality. Our liquidity position continues to be strong.

Our capital adequacy ratio was at a comfortable level of more than 26%. ROA for the quarter was 4.4%, 180 bps higher Y-o-Y, while ROE was at 18.4%, 631 basis points higher Y-o-Y. To conclude, India's credit card industry continues to offer significant opportunities for growth, and SBI Card is well-positioned to capitalize on this.

We will continue to focus on strengthening customer relationships, enhancing our market position and driving sustainable, profitable growth. Our forward agenda rests on 5 levers: expanding our footprint into Tier 2 and Tier 3 markets focusing on Banca penetration, deepening premiumization and spend per card, optimization of credit costs, enhancing our digital and data analytics capabilities and sustained cost discipline.

Now we are open to take questions. Thank you.

Moderator:

Thank you, ma'am. We will now begin with the question-and-answer session. The first question from the line of Anuj Singla from JPMorgan. Please go ahead. Mr. Anuj, please proceed with the question. Due to no response, we will take the next participant. We have the next question from the line of Kunal Shah from Citi.

Kunal Shah:

So firstly, on the overall spend growth as well as that translating into the receivables, we were of the view that 2Q could be an inflection point with respect to the receivable's growth, and maybe spends growth should also get into double-digit kind of a number.

So should we see that traction going forward getting into Q3, maybe Q2 last year had a higher base, and that's the reason that spend growth appears to be still in a low-single-digit kind of a number? And how long would that entire journey take in terms of like spends moving to that level and receivables also improving. So that's the first question.

And second, with respect to overall margins, if we see the cost of funds, it's been up on a daily average basis by almost like 20-odd basis points. We have not seen that kind of an impact on margins in this particular quarter. But if we have to look at it in terms of the margin profile, looking at the rate hikes, which are now expected, how do we see the margin trajectory from 10.8%-odd currently.

Salila Pande:

So Kunal, for your first question, I think, last quarter or the quarter before that, we had given this guidance that because of the festive season as well as the uptick in the acquisitions, which has happened, the receivable growth will be witnessed in the second half of the current financial year.

And we stick to that guidance. You are right about the base being higher last time because the festivals had started as of 22nd of September 2025, along with the GST benefits, whereas this year, most of the festivities have started from 11th of October. So obviously, the spends and their getting translated into receivables will be happening in this quarter.

And actually, we are seeing very encouraging results already in respect of the spends, but it is still early days. And we stick to the guidance that we had given that the spends getting translated into receivables will happen in the second half and will start from Q3 itself.

Kunal Shah:

As just having started the festive period at all, maybe how has been the traction in the first few days. And when we look at it, maybe in terms of that entire trajectory of maybe a double-digit or mid-teens kind of retail spend growth, if we were to look at it, is that very much visible?

Salila Pande: So yes, as I mentioned, we are seeing very encouraging results the way the EMI offtake is happening, the way the conversion of spends into EMIs is happening. Still early days. Whatever we have witnessed till now, the results are very encouraging. And as of now, as we have said, we will not give a guidance on the asset growth, because we still need to see how the entire quarter will play out.

The guidance we had given was that in the second half, the receivables will grow. We are already witnessing it. And as regards to the spend, we will stick to that in the retail spend category. We continue to see good traction. Festivities have just started, and we are expecting the spend growth to be somewhere from the mid-teens to the high teens for the entire year.

Kunal Shah: Mid-teens to high teens for the entire year?

Salila Pande: For the entire year. We had given a range of somewhere around, I think 16%

Girish Budhiraja: 14% to 16%...

Salila Pande: So we'll continue to see somewhere around the same range from mid-teens to high teens for the whole year. I hope that answers your first question.

Kunal Shah: Yes. Thank you. And the second one?

Salila Pande: The second one for the margins, you're right. Now the thing is that the repo rate has already increased. There's definitely very high expectation of another at least around 50 basis point increase going forward. So as we have been again guiding that we will be working, one on optimizing the borrowing costs. We will continue to do that going forward as well. The second thing is that we have been working on changing the mix of the receivables.

And as we have been indicating that if we can convert more transactors, where we have a negative carry, to EMIs, that will improve the yields overall and will keep the NIM stable. So yes, uncertain days I would say, in terms of COF. But definitely a lot of work can happen and already happening on the yield side. And we will continue with the guidance that for us, we will work on keeping the NIM stable.

Kunal Shah: In percentage terms from EMI in the current proportion of 33% maybe it should get towards 2 to 3 percentage points higher to offset any increase in cost of funds. Otherwise, there would be still the pressure on margins, which will continue. So apart from that, there would be no lever on the yield side apart from the mix Shift

Salila Pande: Yes, you're right. Because as we have said, the revolvers have a negative bias, but revolver has been stable. And on the EMI side, as I mentioned earlier also, we are seeing good uptick.

So one reason is that some of the things like mobile phones have become more expensive. There, we are finding more takers for EMIs as well. All those things are resulting in higher offtake of EMIs. That is the biggest lever.

And Rashmi, you can add.

- Rashmi Mohanty:** Yes, I was just adding to what ma'am said that we can also increase the rates on the incremental book, EMI book that we are building. So the ability to pass on our increased cost of funds on the newer book that we are generating, that also should help us on the portfolio yield.
- Kunal Shah:** Okay. Got it.
- Moderator:** We have the next question from the line of Piran Engineer from CITIC International.
- Piran Engineer:** Congrats on the quarter. Just firstly, on the NIM question again. And if I dissect it in 2 parts, have we started taking any hikes, yield hikes in our EMI portfolio? Or are we relying only on mix from a yield on growth perspective?
- Salila Pande:** Yes, we have already started yield hikes on the portfolio. Girish?
- Girish Budhiraja:** So Piran, if you notice, 3 months back, we were giving subvention, which is the point-of-sale EMI at around 16.5%. That's up to 17% now and close to 6 months to 9 months back, that was almost around 16%. So there have been hikes both on the point-of-sale instalments lending as well as after the EMI before the payment due date when the customer wants to convert their loans into lending, that has also been increased.
- Piran Engineer:** Okay. So about 50 bps. Okay. And on the borrowing side, today, when you say you can optimize your borrowings, what exactly do you mean by that?
- Salila Pande:** So when we say we can optimize, one is what is the instrument that we are looking at, what is the tenor we are looking at and who is the lender. Those are a couple of levers that we continue to scan the market for - For funding, we have certain policy guidelines in terms of what should be the mix of the short term, long term.
- And there, within the policy guidelines, we look at our ALM. Basically, most of the assets are short term. So there, we have a lot of, I would say, headroom to look at short-term lending's. But having said that, we are also mindful that the rates are going to increase. So we have to continue to balance locking the rates at an optimal level so that we are not impacted by a very high interest cost going forward on one hand. On the other hand, to the extent possible, if we can negotiate better rates with the lenders, then we work on that. And as I said, instruments as well. Last year, for example, when we found that there were very attractive rates available on CP, they had even used that as a borrowing instrument.
- Right now, since the CP rates are not so good, we have not been doing it. But at least on the 3 compositions that we have of our borrowing, which is the working capital loan, term loan and the NCD, we keep on scanning the market, looking at what is going to yield the best results for us and accordingly work on the best, I would say, cost of funds. Do you want to add something Rashmi?
- Piran Engineer:** And sir, like today between a working capital loan and a CP, what would be cheaper and by how much?
- Rashmi Mohanty:** At this point in time, it is a working capital loan, which is cheaper by almost about 50 to 60 basis points, actually more 70 to 80 basis points.

Piran Engineer: Sorry, could you repeat that?

Rashmi Mohanty: 70 to 80 basis points.

Piran Engineer: Got it. Got it. And then just lastly, on your credit cost outlook. ma'am, you mentioned a 6% number for FY27, but we are already at 5.5%. Is 6% just a number based out of conservatism? Or is it more realistic -- because that implies some inch up from 2Q levels?

Salila Pande: So first thing, if you look at the first half credit cost, it is 6.05%. And coming to this, see there will be certain seasonality impact also once in a while when you have festivals. Overall, we believe that 5.5% to 6% is a pretty good credit cost to have because ultimately, you have to keep on optimizing the risk and the returns.

So that is why we are giving an estimation of around 6%.

Moderator: We have the next question from the line of Anuj Singla from JP Morgan.

Anuj Singla: Apologies, I had some tech issues earlier. So my first question is on the credit cost side. I think if I exclude the INR30 crores provision, which has been built this quarter, we are at 545. So how much scope further do you think we have from here? This is already a very benign credit cost. So how much scope do you -- based on the early delinquency trends, other data which you have, do you think it can undershoot further from here?

Salila Pande : First of all, this is not a provision. This is a write-back that we have done. We have retained INR30 crores as a management overlay, Anuj. But in terms of the credit cost, we would say that more or less stable now.

We have given our guidance of 6%, that this is somewhere we would like to be because ultimately, we are in the business of risk taking as well. And as I mentioned earlier to Piran, we'll have to continue to optimize our risk and return.

So as we grow the assets, there will be certain seasonality's also. So we are comfortable between 5.5% to 6%, and we don't expect the credit costs to moderate much beyond that. That is where I would like to pause right now.

Anuj Singla: Got it. No, that's very helpful, ma'am. The second thing on the mix side, I think can you give us some sense on the revolver side? And I think if I look at the sequential basis, the mix has not changed in the interest-earning assets, but the overall receivables have come down. So the IEA on an absolute basis has come down actually on a Q-o-Q basis.

So my question here is when you look at from a new sourcing basis, what is the quality of assets as you had tightened your risk filters earlier. And obviously, that portfolio has seasoned a bit. So you would be getting some more data points on how the IEA in that portfolio is. Is that portfolio doing better in terms of the book IEA or it's similar or lower? Just to understand how the IEA movement can be going forward?

Salila Pande: So first of all, we have been guiding that we are seeing a downward bias on the revolvers. Actually, we are pleasantly happy to see that the revolvers have been stable for this quarter. We

have been saying that since we have been stringent in the new acquisitions, the revolver rates have been lower for the new acquisitions, and we hold by that.

The encouraging thing that we observed in the current quarter has been that the interest-earning assets have improved moderately. But the thing is, see, I cannot compare Q2 of '26 to Q2 of '27. So right now, we are not comparing, I would say, its not a comparable time horizon.

As I mentioned earlier as well, that we will start getting better clarity in terms of how the interest-earning assets, the receivables are trending by the end of this quarter. But again, on the campaigns, we are seeing very encouraging results on the EMI side. And revolvers are also holding on. So watching the trend.

Anuj Singla:

And lastly, if we were to assume a 70 basis points interest hike cycle, let's say, in this year only from RBI, 25 is already done, let's say, your assessment of 50 also comes through. So what kind of NIM pressure do we see for the next year? Any kind of pro forma numbers or whatever guidance you can provide that will be very helpful.

Rashmi Mohanty:

Anuj, first of all, the entire 50 basis points, even if it comes in, in this particular year, it will come and hit us with a lag. As you know, our book is repriced in about 60 to 75-odd days as we've been telling you. So it will come and hit us with a lag. So the entire cost pressure will not come in this financial year.

Second, as we mentioned that we have the ability to pass on the increased cost of funds on our incremental book and which obviously, as Girish earlier on another question mentioned that we have been doing that, and we will continue to do that as well. But incrementally, whatever book that we are building, we do it at a higher yield as well.

So there are certain measures, as I just said, which would be available to us to make sure that the impact of the 50 basis points additional if it comes in, doesn't come and hit us at day 1 or in one particular quarter. If you remember, in quarter 1, our cost of funds just went up by about, I think, 3 basis points, whereas the market benchmark rate had gone up because we had positioned our liability book in a manner where the maturities were bunched up in a certain way to avoid the pressure in quarter 1.

This quarter, obviously, we felt the impact of the entire cost of funds going up. So there are such levers available to put a lag and be able to adjust our portfolio yield with the increasing cost of funds.

Anuj Singla:

Got it. Any guidance you can provide for next year, Rashmi, FY28, not this year? I understand the dance around...

Rashmi Mohanty:

Not as of now.

Moderator:

We will take the next question from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh:

Just two questions. One is on the spend and the other one is on the receivables and both kind of broadly similar to each other in terms of the question here. If you look at the spend, have you

started seeing the, let's say, the riskier part of the customer cohort starting to spend more than what you have seen in the past?

And two, when you look at, let's say, that translation into the receivable side as well, either in the EMI side or on the revolver side, if you could just kind of broadly comment what is the texture of the book that is kind of being built at this point of time? Any trend that is worsening, remains the same or improving? Thank you.

Salila Pande: I will ask Girish to respond to the first part of the question. But as far as the portfolio is concerned, again, we are very comfortable right now. And we have a very diversified portfolio, and we are not seeing anything which concerns us as of now.

Girish Budhiraja: And Mahesh, spend per customer, per account, per card, all of it is going up. So the only reason that you see the data in Q2 FY27 versus Q2 FY26 lower is because of the festival in the baseline. Otherwise, on the retail spend, we see a continuous increase. –The overall growth of spends is actually coming from both the factors, the increase in number of cards and the spend per card, both going up.

M.B. Mahesh: Sorry, if I can just step in there. The question is more about what is the kind of customer base which is now starting to spend in the book? Are these a lot more of the traditional better rated customers? Are you starting to see some of the slightly riskier cohorts even they're starting to spend more than normal? I'm just trying to understand as to what is the kind of spend that is coming through in terms of customer profile?

Girish Budhiraja: So Mahesh, the scenario has slightly changed in the last 3 years, since the time RBI has put in guidance that any customer who is inactive for 12 months, you have to get them out of your books. So if you actually look at 12-month activity on the customers, it is almost close to 100%. So whatever is inactive in the 13th month, we have to ensure that, that customer is exited out of the portfolio.

As far as the increase in the spend portion is coming, what we see typically at this point of time is that people who are taking RuPay UPI cards is where the spend is increasing, and it is just that because their number of options or outlets for using the card has gone up. So we have figured out that trend almost 1.5, 2 years back. That trend still continues. And this trend is even more significant in Tier 2, Tier 3 cities.

Salila Pande: Yes. So basically, what Girish is trying to say is that in terms of the spend patterns, in terms of the categories of the customers, there's not that the riskier cohort is spending more and the less risky is spending less. The pattern is more or less same.

The increase which is happening in spends is also attributable to the RuPay cards, which were not there in the ecosystem 1 or 2 years back. And now that is an additional mode via which we are seeing a contribution. This quarter itself, INR21,300 crores of spends have occurred through UPI.

M.B. Mahesh: One last question. For a brief period, a couple of years back, the predictability of cohort in terms of slippages was something which you said that was getting difficult for you to identify. Have

you seen any normalization of trend in those things that the recent cohorts are better as compared to the earlier cohorts? Are you seeing that trend or it's still all over the place?

Salila Pande:

So predictability of cohorts -- I didn't get your question--But I'll try to respond. We categorize our customers into different risk categories. on the basis of what we are seeing within our portfolio, within our own customers spend behaviour. And we also look at the ecosystem, what is his borrowing and how he's behaving outside in the market. And basis that, we categorize them into different risk categories.

We find that the models are working very well. And because of the early actions that we have taken in respect to the risky customers, we have been able to save quite a bit of loss as well for the customers who defaulted later. So I believe that we have a pretty good understanding of the portfolio right now.

And that is the reason that you are seeing the GCC where it is. And that has also enabled us to understand which kind of customers to acquire, what are the indicators that we should look at. And in addition to that, the kind of tools which are available now. See, account aggregator, I don't know 2, 3 years back, how much dependency was there. We were hardly using account aggregators to understand even if he is not my customer how he is behaving. So all those things are available with us now. We are utilizing it, and that is enabling us to understand the overall portfolio better. Hope that answers your question.

Moderator:

We will take the next question from the line of Pranuj Shah from 3P Investment Managers.

Pranuj Shah:

Just one thing. I think your interchange income or your spend base income to your spend has risen quite materially in this quarter. So what is driving that?

Girish Budhiraja:

Yes, interchange income has increased in this quarter. On certain categories, networks have increased the interchange rates, which is showing up in the benefits that we have got through this quarter.

Pranuj Shah:

So this 1.35%-odd number that you're getting this quarter is sustainable going forward?

Girish Budhiraja:

Within a range, I would keep it because there is seasonality variation, which keeps on happening, but there is a definitive increase from the past trend line.

Moderator:

We will take the next question from the line of Chetan Gindodia from Mahindra Manulife Mutual Fund.

Chetan Gindodia:

Just wanted to understand that credit cost you said is likely to be in the range of 5.5% to 6%. So do you expect that given all this macro situation, you expect that credit cost has sort of bottomed out and from here on, it would stay the same and there will be marginal inch up? Or is this more because we'll be utilizing some of the lower credit cost to create additional provisions as what we have done this quarter? Any sort of color on this, if you can add.

Salila Pande:

So first of all, see, this -- as we have -- I spoke in my speech also that the Middle East crisis has been more prolonged than what it was expected initially when it started. It was expected that the

issue will be resolved in a couple of months. But now this has stretched beyond the initial expectations.

And obviously, as the conflict is getting prolonged, we are seeing certain inflation print. We are seeing the interest rates rising as well. The good thing is that, as I mentioned, the GDP continues to be very resilient to all these factors. So we are watching the environment. This is something I don't think anybody has complete clarity on how this whole crisis is going to play out.

The thing that the company could do and is doing is how do we buffer ourselves against, first of all, any adversities which might happen in the macros. And to that extent, we have tried to look forward, build INR100 crores of management overlay. If we believe that the situation is worsening, we will take a call at that point of time.

Right now, as I mentioned earlier that looking at where the credit cost and our portfolio, we are pretty comfortable. And yes, we do believe that now this credit cost has more or less reached a level where there's not much of a scope to reduce it further.

Chetan Gindodia: Understood. Got it and lastly, in the new cohorts of the new acquisitions that we have done, where would be the revolver and the EMI as a mix for you? Would it be materially different compared to the current book, which is 33% and 22%?

Salila Pande: As we have indicated earlier also because in the last, I would say, 1, 1.5 years, we have been a bit stringent in customer acquisition. And because of that, the new cohorts have been lowered in terms of the revolver offtake. But EMI, we see equal takers from the new cohorts as well as the old vintages.

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

Bhaskar Basu: I just had one question. Since your liability side is mostly linked to T-Bills and T-Bills are already up 50, 55 bps over the last 1.5 months. How should we think about cost of fund? I mean, is the Repo the right number to look at? Or it's basically the T-Bill which we should look at from -- for modelling the cost of fund going forward?

Salila Pande: I will ask Rashmi to respond, but see, it's a mix. Our borrowing has both the reference rates, both T-Bill as well as Repo. And I don't think we divulge the numbers specifically, and it's a moving number. But as of now, we also understand that T-Bills have already risen in the last quarter itself, Repo again increased during the recent MPC.

So overall, yes, as you can see in our numbers also that around 18 basis points of cost has already increased. And that is why we will focus, as I mentioned, on our borrowing strategy in terms of the mix, the lenders, the players, the instruments and overall work towards the stable NIM. Anything else, Rashmi?

Rashmi Mohanty That's it.

Moderator: We will take the next question from the line of Ameya Khandekar from HDFC ERGO.

- Ameya Khandekar:** Congratulations on a good set of numbers. My one question is on the corporate spend. I mean, we have seen them growing Q-o-Q, Y-o-Y for the last few quarters. But this quarter, we have seen some dip. So just anything to highlight here? Thank you.
- Girish Budhiraja:** So Ameya, nothing to highlight here. As we had said earlier also, in principle, we would keep corporate spends as less than 20% of our overall spend. And also, we go for margins. So it is an opportunistic play here. We will go for spends to increase our margins. And this quarter, - we have let go of certain spends and continue to build certain other spends for the margin purposes.
- Ameya Khandekar:** Okay. Just another one on -- so you have recently launched this Eternal credit card. So I just wanted to understand what is our thinking over here because I think over -- in the last few years, we have not tied up with Amazon, Flipkart likes of those e-commerce players or what other competitors have done. So this is for the first time we are launching such kind of cards. So I just want to understand what is our thinking here? And how are we thinking in terms of spends coming in from these kinds of cards?
- Salila Pande:** So we have a couple of co-brand partnerships. Some of our co-brand partnerships are pretty strong. Flipkart, we already have a tie-up. We tied up last year with Google Pay also. In fact, one of our strongest co-brand partner is BPCL.
- And towards that direction, to capture the different lifestyle needs and the spend requirements of these customers, we have been selectively going for co-brand partnerships. And that is part of our strategy in portfolio since long.
- Girish Budhiraja:** So on the new customer acquisition, on the first wave of 4 years, 5 years back, when Amazon and Flipkart went with co-brand partners, we did not participate for profitability reasons. This time now, when some of them have come for renewal and others, we have looked at them again. We have a co-brand with Tata Neu.
- We have co-brand with PhonePe, we have co-brand with Google Pay and Flipkart. So these are the 4 prominent ones. And the latest in that line is Eternal. Our customer base is going digital. We also want to acquire our customers digitally. And co-brand partnerships, wherever we get a product where we can create great customer value and profitability for us, we will definitely go for that.
- Moderator:** We will take the next question from the line of Meghna Luthra from InCred Equities.
- Meghna Luthra:** I just have a few questions. One is despite a fall in our corporate spend, our opex has not declined substantially. My understanding is that corporate spends carry a higher opex. Is it that we have shared a little extra to for retail acquisition?
- Rashmi Mohanty:** So the opex has been flattish quarter-on-quarter, Meghna. You're right that given that there's been a slight dip in the corporate spend, there should have been a marginal dip in the opex as well. But there have been investments done for the business growth. You are right about that, yes.
- Meghna Luthra:** Okay, fine. Thank you. And on Slide 14, actually, there's a refinement in account classification, which has bumped up SBI's share to 46% in CIF. Can you explain a little bit on this, what has changed?

- Rashmi Mohanty:** So on that one, we keep looking at the tagging of the classification of our cards in the entire portfolio. As we looked at the entire portfolio and a little bit more granularity in terms of channels, etcetera, we realized that certain classifications, the way the accounts have been classified need to change, and that is what was carried out in quarter 2. And the result of that has been incorporated in the results this time as you see it.
- And we have also stated that for previous quarter-- if we were to do the same classification in the previous quarter, the numbers between bank and open market would have remained the same.
- Meghna Luthra:** So I mean, last quarter, I think it was 36% CIF that was SBI. And this quarter, the CIF is now 46%. So the realignment is due to...
- Rashmi Mohanty:** 10%, yes, 10% of the portfolio, we had to reclassify them based on the granularity as we looked at the account features, parameters.
- Meghna Luthra:** Got it. And just lastly, what is the proportion of RuPay linked credit cards in CIF?
- Girish Budhiraja:** It is more than 1/3 of our base
- Moderator:** We have the next question from the line of Anand Dama from Nuvama.
- Anand Dama:** Congratulations for the great set of numbers. My question was on the Slide 7, where the spend per card has been around INR167,000-odd for a while now. Is there any strategy that we have in mind where basically we would want to increase the spend per card because even if we add up card – in - force meaningfully, I think under sense if the retail spend goes up, I think the spend growth will remain largely muted. And as we basically rely more on the corporate spend, I think that is not going to bring in much profitability. So any thoughts over there?
- Salila Pande:** Yes, Anand. So first of all, as I mentioned earlier that if we are comparing Q2 to Q2, it would not be a right comparison because the spends will start growing in the current quarter. Festivities have started in the current quarter.
- The second thing is that the customer acquisition has -- in the last 2 quarters, we have done better than what we have been doing in the past. And after the acquisition, the spend will start building up. So there's a little bit of a lag effect over there. We totally agree with you that ultimately, if I'm acquiring a customer, the idea is to engage, enhance spends and the next step would be to enhance the receivables.
- So a lot of initiatives are being taken towards this end. And corporate is definitely not something that we look at in terms of the customer, I would say, this is a retail spend that we are speaking about over here. On the corporate side, we look at it with a different lens in terms of the margins, in terms of the profitability.
- And these numbers, when we look at them, 167k, this is the number that we look at in terms of the customer engagement. And having said that, it's not so that this engagement is not happening. If you look at the market share slide, you will see that we are one of the players where the transaction volumes market share has also grown.

This will only happen when we are engaging more with our customers. So we are not just growing in terms of the market share in terms of the spend, we are also growing in terms of the transaction volume. And this is something that we will continue to work on. And as we have acquired more customers in the last 2 quarters and with the festivals already underway this quarter, you will see better numbers in the next quarter.

Girish Budhiraja: I just want to add one thing, Anand.

Anand Dama: And then second -- Yes.

Girish Budhiraja: I just want to add one thing, Anand. If you look at the chart below that on the same page, 30-day spend active rate is at 53%, and this is without the festive season. Last year, with the festive season, it was 53%. So that itself shows the increase in the engagement of the existing customers and hence, the spend per account that we are -- increase that we are getting from existing customers.

Anand Dama: So maybe in next quarter, where should we basically look at this spend per card? Should it be somewhere about 170 -- more than 170 or so? What is broadly our expectation, how that spend will basically convert into overall? I think mid-teen growth is what you have guided on the spend.

Girish Budhiraja: If it is 167 for this quarter, next quarter, it will definitely be above 170.

Anand Dama: Okay. And have you guided on the receivable's growth for FY27?

Salila Pande: No, not as of now, but we have said that we will start seeing growth in the second half.

Anand Dama: Should we assume a single-digit, mid-single-digit kind of growth

Salila Pande: As of now, its early days, Anand. And we would like to get more clarity before we give any guidance. See, 45% of the portfolio is transactor. And transactor volumes can move overnight. So, it's too early to give a guidance in terms of the growth. But definitely, there will be a growth, going forward.

Anand Dama: And this GS2 increase, which has happened on a quarter-on-quarter basis, which is very minor. Does that worry you? Is there a trend or like it's more seasonality and basically, it will come back?

Salila Pande: What did you say?

Anand Dama: Stage 2 assets have marginally gone up.

Krishna kant Bishnoi: Yes. Anand, if you see Stage 2 marginally is up there. But if you total the Stage 2 and Stage 3, it is the same spread. So it is like you can say the quarterly seasonality.

Salila Pande: See, one thing is there, Anand, now I think we have more or less plateaued in terms of the credit cost. So there will definitely be certain months where we will see more spend happening, a little bit of payment delays happening. As long as we are in a range of, say, 5.5% to 6% in terms of

the credit cost, we are comfortable. And we think we have a pretty good grip over the portfolio. So we will continue to monitor that.

Moderator: We have the next question from the line of Anuj Singla from JP Morgan.

Anuj Singla: So one thing is on the opex side. So I think if I look at the levers there, you are pushing new card addition, which tends to be opex intensive. And I think the festive season is coming as well. So do you think the opex guidance, which we have articulated earlier, we could be at the higher end given you might need more engagement from the customers, a need for more promotions maybe. So how do you see the trajectory maybe going forward in the quarters and the FY28 as well?

Salila Pande: Q3, definitely, as you are also aware, opex does increase because most of the spends will happen. But we will adhere to the guidance that we have given that cost to income will be in the range of 57% to 59%. Anything else, Rashmi on the opex side?

Rashmi Mohanty: Nothing, as of now the same here.

Anuj Singla: Okay. Okay. Great. And lastly, on the fee income side. So we have seen across the various lending entities as well, there has been a lot of regulatory focus on cutting down the fee income. So can you just give us some handholding on how to see that line maybe for FY28 and '29.

Is it going to, let's say, the receivable growth? Or should we anticipate a low-single-digit? Any kind of colour you can give given that we have seen that across the lending entities, that seems to be a bit of moderating at the moment? Thank you.

Girish Budhiraja: So Anuj, on the fee side, there are 2 fees, interchange fees and the rest of the other instance-based fees. What we have said earlier also that interchange is going to grow along with the spend typically, that rate has been constant or slightly increasing over a period of time. So that growth along with the growth of spends.

On the instance base fees, last time we said that it should grow in line with our cards growth. So whatever is the number of cards that is growing, it should grow similarly in line with that. So these are the 2 things that we have stated. On the third part of the receivables, we have not given any guidance as of now.

Anuj Singla: So just to clarify, Girish, this would be growth in CIF,

Girish Budhiraja: Yes, broadly growth in CIF.

Moderator: We will take the next question from the line of Nitin Aggarwal from Motilal Oswal Financial Services.

Nitin Aggarwal: Congrats on good set of numbers. I have 2 questions. First is on the origination metrics like now that there has been a fair bit of improvement in credit costs over the last more than a year. So should we look, or rather do we look to relax some of our origination criteria and the underwriting standards, to grow the, cards at a faster rate? And do you also track what is the card rejection rate? And how has that changed over the last couple of years? Any color around that?

Salila Pande : First of all, Nitin, thank you for the compliments. The team has worked for the last, 1 or 2 years to reach here in terms of the profit numbers. Coming to your first point, as of now, we have not relaxed the risk filters. We do pilots. We keep on looking at cohorts which has better income. More in terms of overall profitability rather than just looking at the risk. So that is something we are working on.

We have been working for almost a year now. And we don't consider as we've been saying earlier, there's any dearth of applications. There's no dearth of eligible customers. As we have been able to sharpen our underwriting skills, we continue to get good applications, and we continue to underwrite them. And despite our guidance of 1 million plus, I think this quarter, we have done 11,06,000 cards.

If we get a good customer, we will definitely look at them. We will definitely approve the cards as well. And yes, to your second question, rejection analysis, yes, the rejection analysis, the reasons, improving the journey, those are some things that we continuously work on, we have a very close eye on. We don't speak a lot about it, but that is something -- which is basically something very critical and important for us, and we continue to monitor it very closely.

Nitin Aggarwal: Right. Got that. And second is on the opex, like while you have indicated a slight rise in cost to income? But if I look back over the last 4, 5 years also, our margins has come a long way over these years. But still, we have maintained cost-income ratio in the 50s. So that is something like very commendable as in maintaining such a narrow range.

But now that margins will be a little bit more under pressure probably as the funding cost increases, banks pass on the rate. And at the same time, you are looking for a better growth -- asset growth also. So how should one look at cost to income ratio for next year now? Any colour around that?

Salila Pande: See for this year, we have given a guidance of 57% to 59%. As of now, we are not giving guidance for the next year. But definitely, we -- I mentioned earlier in the call as well, that on one hand, we will continue to work on profitable acquisition of customers. On the other hand, we will also ensure cost discipline. So that as you mentioned, in the last couple of years, we have been able to maintain the cost to income. And if possible, we will reduce this further going forward.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question for today. And with that concludes the question-and-answer session. I now hand the conference over to Ms. Salila Pande for the closing comments. Thank you, and over to you, ma'am.

Salila Pande: Thank you, Swapnali. I sincerely thank our shareholders, customers, partners, employees and everyone who is present in today's call for their unwavering support, continued trust and confidence in the company. Thank you once again for your time and participation. On behalf of the entire SBI Card team, as we start with the festival season, I wish you all seasons' greetings and a very happy Diwali. Have a good evening. Thank you.

Moderator:

Thank you, members of the management. On behalf of SBI Cards and Payment Services Limited, we conclude this conference. Thank you, everyone, for joining with us today, and you may now disconnect your lines. Thank you.