"SBI Cards and Payment Services Limited

Q1FY27 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to SBI Cards and Payment Services Limited Q1 of FY27 Earnings Conference Call. As a reminder, all participants line 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.

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

Salila Pande: Thank you, Danish. A very good evening to everyone. Along with the senior management of SBI Cards, I extend a warm welcome and sincere thanks for joining us today for the Q1 FY27 earnings call.

India's macroeconomic fundamentals continue to provide a strong foundation for the long-term growth. Even amid a volatile global environment, the Indian economy remains amongst the fastest-growing major economies. The GDP is projected to expand around 6.6% in FY26-27, supported by strong momentum in private consumption and services.

Alongside stable economic state, India's rapid digital transformation is reshaping how consumers and business transact, creating a stronger foundation for digital financial services. India's digital payment ecosystem continues to expand rapidly, supported by strong merchant payments growth and an extensive QR network infrastructure.

India has emerged as a global leader in real-time digital payments, with 49% of the worldwide transaction volume and UPI serving as the backbone of the country's digital economy, enabling instant and secure payments on scale. The future of financial services lies in the convergence of payments and credit.

The UPI drives engagement and credit cards deepen customer relationships through credit access, flexibility, rewards and trust. A significant development has been the growing adoption of RuPay credit cards on UPI, which is expanding the role of credit cards. This structural evolution is translating into sustained growth for the credit card industry.

India now has 121 million credit cards in circulation. Looking ahead, the industry is projected to grow consistently over the next decade. The regulatory environment has also evolved significantly, with increased emphasis on responsible lending, customer suitability, digital resilience, cybersecurity and customer protection.

We believe these measures are positive for the long-term health of the industry and will further strengthen customer confidence in digital payments and financial services. At SBI Cards, our strategy remains focused on strengthening our market position through disciplined execution, customer-centric innovation and sustained investments in digital capabilities.

As the industry continues to evolve, we will continue to build a business that delivers sustainable growth while creating long-term value. To support this strategy, following key priorities will define the next phase of growth.

We will grow Banca as a channel and acquire premium customers digitally with high spending patterns and good credit scores; strengthen our diversified core and co-brand product portfolio across all key sectors, including lifestyle, retail, travel, among others; expand our reach in potential growth markets, including Tier 2 and Tier 3 cities, along with the metros.

Continue to invest in next-generation digital capabilities to elevate and simplify customer journey; harness data and analytics to enhance customer insights and engagement; strengthen credit decision making, maintain robust underwriting standards; prudent risk management and reinforce portfolio quality.

Our strong market position, with 18.6% market share in cards in force and 19.5% share in card spends reinforces confidence in our strategy and our ability to deliver sustainable growth in the evolving credit card markets. As a customer-centric organization, SBI Cards continues to focus on various initiatives during the quarter. We expanded our strategic partnerships to introduce relevant national, regional and local offers, broadening customer choice.

SBI Cards' varied initiatives have been recognized and bestowed with many prestigious awards. We were honoured with the prestigious Abby Awards for Best Use of Augmented Reality, and the ET Brand Disruption Awards for most disruptive customer experience and engagement. The awards recognize our continued focus on innovation and enhancing customer experiences.

I'm pleased to share that during the quarter, our core brand BPCL SBI Card crossed the 5 million milestone, making it one of the largest fuel co-branded credit card partnerships in India.

As regards to business performance, building on the momentum from the second half of FY26, we began the financial year FY27 by delivering on our stated objective across business and financial metrics.

I'm pleased to share that as of now, SBI Cards is the second largest credit card player in terms of cards in force, spends as well as transactions. Cards in force have grown to around INR2.26 crores, witnessing a 7% growth Y-o-Y.

In alignment with our stated strategy and road map, we successfully added more than 1 million new accounts in Q1 FY27, with 17% Y-o-Y growth. As per the RBI data released yesterday, SBI Card has made a net card addition of INR4.84 lakhs, which is highest in the industry for the quarter. Our sourcing distribution remains balanced, with about 47% sourcing from Banca and 53% from the open market.

As per RBI June 2026 data, our spend market share has grown to 19.5% versus 18.1% in FY26. Total spends have reached highest ever level of INR1,18,475 crores in Q1 of FY27, growing 27% Y-o-Y. Retail spend also reached INR94,033 crores with a 14% Y-o-Y growth. We have seen good growth in both POS and online spend across most spend categories. Key ones include consumer durables, furnishing and hardware, apparel and jewellery.

Online spend continued to be strong and contributed to 63% of the total retail spend. UPI on credit card usage has grown further by 13% quarter-over-quarter, especially in department stores, groceries, utilities, fuel, restaurant and apparel categories, driven by rupay and QR acceptance.

Tier 2 plus cities continue to contribute strongly to overall retail spend on the back of UPI on credit card spends. Supported by momentum in customer spend, the receivables have increased to INR58,269 crores, representing a growth of around 2% quarter-over-quarter and 3% Y-o-Y.

Interest-earning assets remained stable at around 55% and revolver rates were 22% in the IBNEA. We expect asset growth to pick up from the second half of financial year 2027, given higher new acquisition from this quarter onwards and festive season in Q3.

Coming to the financial performance. Our PAT for Q1 FY27 has grown to INR664 crores, up 20% Y-o-Y, driven by significantly improved credit cost. The total revenue for Q1 FY27 stood at INR5,205 crores with 3% Y-o-Y growth. Operating cost was higher Y-o-Y, mainly due to business growth.

Despite volatility in interest rates in Q4 FY26 and Q1 FY27, the daily average cost of funds remained stable at 6.6% for the quarter ended June 2027. However, we expect cost of funds to trend higher in line with the market rates. With portfolio yield at 16% for the quarter, the net interest margin for the first quarter was at 10.8%.

Our liquidity position continues to be strong. Our capital adequacy ratio remained at a healthy level of 25.6%. ROA for the quarter was 3.9%, 51 basis points higher Y-o-Y and 26 basis points higher quarter-over-quarter.

The improved profitability and higher ROA put us on track to achieve our stated ROA guidance of 4% to 4.5% in medium term. ROE for the quarter was 16.5%, higher by 72 basis points Y-o-Y and 89 basis points quarter-over-quarter.

Coming to the asset quality, while the external environment continues to be influenced by global geopolitical uncertainties, our current assessment is that the domestic macro fundamentals remain relatively resilient.

Over the last 2 years, we have taken multiple actions to strengthen underwriting, portfolio monitoring and collections, which has led to an improvement in the asset mix, with Stage 2 and Stage 3 contributions in the asset book being lowest post-COVID.

Our gross credit cost has improved by 116 basis points quarter-over-quarter and 301 basis points year-over-year to 6.5%, continuing the reducing trend over the last 1 year. Gross NPA has reduced by 36 basis points quarter-over-quarter and 102 basis points year-over-year to 2.04%.

Net NPA is below 1% at 0.83%, which is the lowest since Q3 of FY23. NPA stock has reduced by INR179 crores quarter-over-quarter and INR544 crores year-over-year to INR1,191 crores. Stage 2 at 3.57% of the asset book has reduced by 10 basis points quarter-over-quarter and 116 basis points year-over-year.

Annual review of the ECL model has been completed in Q1 of FY27. As a result of this, INR180 crores have been consumed out of INR220 crores overlay of the previous quarter. Further, with improved portfolio mix during the quarter, a provision of INR65 crores has been released.

However, we are still carrying forward INR70 crores of overlay, keeping in view the current geopolitical uncertainties. Delinquencies have reduced in this quarter too, as witnessed in the last 6 quarters.

We continue to remain watchful, particularly for any second order impact on fuel prices, inflation, and consequently, customer cash flows. As we continue to maintain underwriting discipline and robust portfolio monitoring and strong collections, we expect the gross credit cost to stay within the current range, subject to any adverse impact of Middle East conflict on the asset quality.

To conclude, as we look forward, we believe the fundamentals of the credit card industry remain promising, providing a strong foundation for sustainable long-term growth. Our strategy is centred on balancing growth with profitability, creating enduring value for all our stakeholders and maintaining strong asset quality through disciplined underwriting and prudent risk management. Guided by these priorities, we are very confident of our ability to deliver profitable growth and further strengthen our market position in FY27.

With that, thank you all for your time. Now we are happy to take questions.

Moderator: Thank you so much, ma'am. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question comes from the line of Nilesh Sharma with Monomer Capital.

Nilesh Sharma: Very happy to see the improved market share and improved numbers on business trend. Ma'am, how can we predict or foresee revolvers trend in current financial year?

Salila Pande: So Nilesh, we expect the revolver to continue to be stable where they are right now. As we have been saying that we have witnessed a little bit of a downward bias on the revolver. But they will stay in somewhat similar range. But as I mentioned earlier, that we have seen very good uptick in terms of our credit card acquisitions.

And also, there are a lot of initiatives which have been taken which have led to better IBNEA this quarter, with growth in the EMI portfolio. So all these things are definitely going to add to the revenue in the coming days.

Nilesh Sharma: Okay. And how much EMI portfolio from 33% will grow? Any guidance to increase that portion as well?

Salila Pande: So, we are not giving any guidance in terms of the numbers, But as the festive season is ahead of us, definitely, there will be an uptick in the EMI portfolio going forward.

Nilesh Sharma: Okay. And last question. Considering that ongoing geopolitical situation, how do you see the cost of fund and market spend?

Salila Pande: So, cost of funds, I would say, as of now, we don't expect much change. It should remain somewhere in the similar range. Ultimately, it will depend to a very large extent on the policy action as well in terms of the T-bill rates.

The second question was on the spends, right? So again, we are monitoring the portfolio in terms of how it is going to get impacted by the Middle East conflict. As of now, we have not witnessed anything substantial. But as I mentioned, we will continue to monitor because we are in the business of unsecured lending, and we will stay alert to any significant stress happening, and we'll take quick action if needed.

Moderator: Our next question comes from the line of Ameya Khandekar with HDFC Ergo.

Ameya Khandekar: Yes. Congratulations on a good quarter. I mean, we see that we are now on improving trend. My 2 questions are -- basically, I want to understand, from a credit card perspective, do we have a PL on credit card kind of a product because we see a lot of our competitors having those kinds of products? because that should help us on the EMI side.

And the second part is from EMI itself, how are we improving the EMI share? -- if you could elaborate a bit more on what are the initiatives we taking and how it is panning out over the last one year?

And just last question would be on -- over the past 2 years, we have seen that, we have been very careful in terms of what kind of portfolio we underwrite or what kind of limits that we provide to our customers, and we have been very strict about not going very overboard with respect to increasing the limits of our customers. So, going ahead, as we see that portfolio has seasoned a bit, do we now take some of the initiatives to improve on our spend growth? So if you could speak on that as well?

Girish Budhiraja: On the EMI, as we have stated in last couple of calls also, our focus primarily is on spend to lend. And we are focusing on how the customer converts its spending into the EMI-- either at the point of sale itself or after that. So to that effect, actually, in the last 2 years, there's been a lot of effort which has gone in.

We have understanding and arrangements with almost all the OEM in the country, wherein we have offers for our customers at the point of sale or online. We also work with all the payment gateways, PGs and intermediaries in between, who are able to process the data and be able to give insights to us directly.

Moreover, the kind of offers that we have for our customers, it is the ease of converting your outstanding balance into instalments, which is very critical. So, if you open our mobile app, which is very highly rated. 4.5 and 4.6 on both iOS and Play Store. So, if you open the mobile app at the first instance where there is the pay now button, along with it, it has pay in EMI. It gives the option to the customers to pay in instalments. We see a good percentage of our spend, in double digits, which gets converted into instalments lending every month. So it is a very large number.

Second thing is it is also helped here by the consumer behaviour moving in that direction.

-- for example, in the last quarter, you would have seen that the prices of consumer durables have gone up. And the moment the large ticket size or consumer durable prices go up, the conversion rate to instalment lending also goes up along with it. So that trend line is also fairly visible. So this is how we are focusing on instalment lending.

On the credit line or on the credit limits piece, as per normal standard we have been increasing and decreasing credit limits based on the risk profile of the customer.

Salila Pande: Yes. As Girish rightly said, we now have a better visibility because we have been enhancing our analytics also off late, and we are in a better position to impute the income of the customer as well.

And of late, we have done a lot of rationalization of limits as well, maybe we were slightly conservative because we were going through a tough cycle. The enablers that are in place today enable us to do that kind of rationalization. And we are already working on it.

Ameya Khandekar: So we should see a reversal in this trend where we no longer need to rationalize it further? Because where I'm coming from is, if you want to have those EMIs increasing, ideally, that will come hand in hand with having a higher limit with the customers because if somebody wants to make a big purchase, I want to convert it to EMIs. He would want to do it on a card where he has a higher limit. That's where I'm coming from.

Salila Pande: So Ameya, let me correct myself. By rationalization, I mean increasing the limit.

Ameya Khandekar: Okay, okay.

Salila Pande: Rationalization can go either way. If some customer is eligible for a higher limit, you will get a higher limit. And you're absolutely right that limit sometime can be a constraint for boosting spend. But if you look at our spend numbers also, we have been doing better than the industry overall. So things are benefiting us overall in terms of enhancing the overall value for the company.

Ameya Khandekar: And on -PL on credit card, if you have any products like that and if there is any pickup for us?

Girish Budhiraja: So as of now, some of our customers carry that asset. But to a new set of customers, at this point of time, we are refraining from offering that. We might look at it in the future. As of now, we are not offering.

Ameya Khandekar: But what is our thought process behind that? because as I understand, this is a quite a good product and you already know a lot about the cash flows and the repayment of these customers. So why would we refrain from having a PL kind of our product?

Salila Pande: We are evaluating it, Ameya, as of now. It's an internal evaluation.

Ameya Khandekar: Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Rohan M with Equirus Securities. Please go ahead.

Rohan M: Good evening and thanks for the opportunity. Congrats on a good set of numbers. I wanted to understand, what would be your guidance on credit cost by the exit quarter of current financial year? And how are we looking at the receivable's growth for FY27?

Salila Pande: As of now, I'm not giving any guidance in terms of the numbers. But as I mentioned, that this trend of credit cost, will see some more moderation going forward. Whatever initiatives we have taken in the last 1.5 & 2 years, basically, resulted in the stock being at such a position that the credit quality will further improve.

And as I gave a guidance earlier - in the second half of this year, we will see growth in receivables as well. I'm refraining from giving any guidance in terms of the absolute numbers or percentage terms right now.

Rohan M: Sure. And like one of our competitor, mid-sized private bank has indicated that by 3Q, they should see the credit cost hover back to 5%. So like we are expecting almost normalized trends by second half. So in that context, I just wanted to know your views

Salila Pande: Normalization can be debated. But definitely, as I mentioned, we will moderate further in terms of credit cost.

Rohan M: Sure. And secondly, if you look at the data that comes out on RBI on the credit by NBFCs to consumer durables, that's been growing at a healthy rate. So does that impact our spend and the EMI book? And like are any steps that you can possibly take to offset that question?

Girish Budhiraja: No. If you look at it over a long period of time, both have been growing consistently. So, from a credit card spend perspective, that is a mix of payment as well as lending requirement, whereas NBFC's loan book is primarily lending requirement.

Rohan M: Right. So essentially, somebody who's taking that loan there and in case they're getting it at a better rate, they will be cannibalizing our growth?

Salila Pande: So you are right. See, 2 things are there. You're right that if there's an option for going for a personal loan, maybe a customer may take -- if he has an option of lower-priced personal loan, he will take a personal loan for that purpose. And that is why -- what Girish spoke about the EMI product which is comparable in terms of pricing is something which we are working on as well. And that is one of the reasons why we have seen a slight reduction in the revolver rates as well.

And the second thing, is this -- what we believe is that in India, credit card is a very underpenetrated market right now. We have not still reached to many customers. And now with the kind of data which is available -- it's not that the personal loan product and credit card product cannot work together. There is tremendous opportunity for both.

And you are right that there will be some customers who might have availed a credit card limit earlier as a revolver might be doing a personal loan today, which is fine because there are other opportunities for us.

Girish Budhiraja: Just one thing to add. If it is a structured requirement of money and the customer knows about it in advance and it is a large ticket, then people go for personal loan. So that's the standard. If you look at the average ticket size of personal loan, ranges from anywhere between 1.5 lakhs to 2.5 lakhs, okay?

Tenor sizes are longer. It's 36 months, 33, 34, 35 months or so. Whereas the kind of lending, which is happening on the card, which is the EMI instalment-based lending is 9, 10, 11 months kind of thing. So they are 2 different thought processes and requirements of the customer.

Rohan M: Sure. And sir is it just...

Moderator: I'm sorry to interrupt, but you may please rejoin the queue for more questions.

Rohan M: Sure. Thank you.

Moderator: Thank you. The next question comes from the line of Vikram Raghavan with Moon Capital. Please go ahead.

Vikram Raghavan: My questions have been answered. Thank you so much for the opportunity.

Moderator: Sure. Thank you. The next question comes from the line of Nilesh Sharma with Monomer Capital. Please go ahead.

Nilesh Sharma: My question is on the growth mix between retail and corporate spend. Could you please share long-term outlook for these 2 segments? And, I wanted to understand relative economics of each portfolio in terms of yield, interchange fees, credit cost and ultimately our impact on our bottom line? Thank you.

Girish Budhiraja: So corporate spends, as we have stated earlier also, we would like it to be around 20% of our overall spend. Industry typically has an average of around 20% to 25%. We want to be at the lower end of the spectrum. In corporate card spends, typically -- we don't give lending options there. So the customer has to pay back the full outstanding balance.

So primary source of income is interchange. Interchange varies by the card type, MCC or merchant category and the product type which is being held by the customer.

For profitability -- if you look at ROA because the asset is not there, so return is primarily fee income there, whereas on the retail side, you make fee income as well as you make interest income also. On an overall basis, in the absolute sense, the corporate card profitability is very low. Our profits are essentially on the retail card.

Nilesh Sharma: Okay. Sir, any target to go below 20%? Or is it compulsory to maintain this due to industry nature?

Girish Budhiraja: No. We can take it below 20% also. We like to keep most of our spends profitable. And -- there is obviously a seasonality and customer sensitivity around this. But we will try to keep at 20%. It is kind of the higher end of the spectrum for us.

Nilesh Sharma: Okay, okay. Thank you, sir.

Moderator: Thank you. The next question comes from the line of Rohan with Equirus Securities. Please go ahead.

Rohan: Thanks for the opportunity again. I just want to understand the employee opex increase that has happened Q-on-Q?

Rashmi Mohanty: So, the employee opex increase in this quarter is on the account of the provision increase in our past services cost, the liability that has been added on account of the change in the new wage code.

Rohan: Sure. And lastly, just in terms of the customer behaviour in terms of the slippage, those were slipping into NPA. Like a few quarters ago, it was explained that people don't spend much time in revolve. And as soon as there's some delinquency they slip into NPA. So are we seeing any change there or that behaviour continue?

Girish Budhiraja: No. Not these days if you look at our entry rates, they are almost, I will say, decadal low. So the entry rates into the first bucket itself are very, very low. And you have seen already the credit cost is at this level and it will get moderated further.

Rohan: Sure, sir. Thanks.

Moderator: Thank you. The next question comes from the line of Ankur Gupta, an Individual Investor. Please go ahead.

Ankur Gupta: Hi. Thank you for the opportunity. My question is related to operating and other expenses. Can you explain like why is it going up every quarter? And do you see going up further given the festive season coming ahead?

Rashmi Mohanty: So the operating expenses have been growing in line with the business growth, both in terms of new card sourcing that we are doing quarter-on-quarter higher and also the spend that the customers are making, there's a cost associated with that as well. Yes, we do expect that as the festive season comes in, these expenses will be higher.

Ankur Gupta: Understood. And one suggestion on the same, given it is a large chunk of the expenses, if you could give a breakup of the same in your quarterly updates?

Rashmi Mohanty: We'll evaluate that. Thank you.

Ankur Gupta: Thank you.

Moderator: Thank you. Next question comes from the line of Rajiv Mehta with YES Securities. Please go ahead.

Rajiv Mehta: Thank you for the opportunity. How should we look at your portfolio yield from where we are? I mean the cost of fund is a function of market rates. But on the yield side, what are the interventions that we can do or what are the introductions that we can do such that -- assuming that the overall mix of product in receivables remain stable. Still, would we be able to hold the yield? Or would we be able to kind of improve the yield? What is the strategy here so that we get some outlook on the yield?

Girish Budhiraja: So there are multiple strategies that you can follow for interest income. And to go back to the conversation, which has been happening. In fact, increasing credit lines, for example, is one such strategy for people who are already holding an instalment lending book, so that they can purchase more.

So there are various strategies that we follow. We can do that. At this point of time, as we had guided that we will continue to keep the yield in a broad range.

Rashmi Mohanty: Plus, any increase in cost of funds, also through benchmark change gets passed on to the incremental book that is being done.

Rajiv Mehta: Okay. And -what we see in terms of the ECL rates having gone up Q-on-Q for Stage 1 and Stage 3, and that is the, outcome of the annual ECL review and refresh. So when we go into the next year, having seen the recent pool behaving much better in terms of flows and delinquencies, because I think the flows are indeed improving for us. Is there a chance that next year, we may also get some tailwind from the ECL model and refresh working in our favour?

Salila Pande: So, there are 2 parts to it. One is the model itself. The other is the refresh of the data. As you rightly said, the way we are seeing improvement in the asset quality, the data refresh will lead to the release of ECL, which is already happening. Our model refresh or review, which we do once in a year, we may go for some enhancement.

Normally, we will not relax the model. At most, we may do some kind of an enhancement. But right now, we are very comfortable with the review that we have done, and we feel that we have a very robust ECL model right now. Whatever changes will happen during the year will happen because of the data refresh.

Rajiv Mehta: Got that. And the INR70 crores of extra provision or additional provision, -- is it a part of any of the Stage 1, 2, 3 provisions? Or is it sitting outside from that?

Krishna Kant Bishnoi: If you can see our presentation, we have clearly mentioned that there is a write-back on account of good asset quality for the quarter, INR35 crores. So asset quality or provision for Stage 2, 3 is not part of that. INR70 crores, we are just carrying it for the Stage 1. It is in Stage 1 only.

Rajiv Mehta: Got it. So it is a part of Stage 1. Okay. Okay. So earlier, it was INR220 crores as of March 2026 as a part of Stage 1 provision. Then you consumed it for the ECL review and refresh. And now the remaining additional provision is INR70 crores, again sitting in the Stage 1?

Krishna Kant Bishnoi: Yes. It is in Stage 1 only.

Rajiv Mehta: Okay, okay. Yes. Thank you.

Moderator: Thank you. The next question comes from the line of Nilesh Sharma with Monomer Capital. Please go ahead.

Nilesh Sharma: My question, again, that follow-up question on corporate and retail spend. In last quarter, corporate spend percentage was 21.92% and now it is 20.33%. So can we assume that this declining trend in corporate spend will continue?

Girish Budhiraja: We have given a range. It will be 20% plus minus, and this is where we will be. because these are customer-based thing. You can't monitor and you can't get the customer to spend if he's wanting to spend on the 31st of the month, okay?

Nilesh Sharma: Okay. Because from where our profitability will affect very much. In Q1 financial year '26, this ratio is around 10% to 11% only. Now it is around 20%, 21%. How is management targeting this? And -- main question is how we can increase the retail spend? What management is doing to increase the retail spend part?

Girish Budhiraja: Good. So I'll try and answer both. So if you look at the 10%, that was also because of the BPSP action, which had happened in February. Before that, if you go back 2 years, it used to be in the range of around 20% or so. While corporate remains around that, our key endeavour is to increase the retail spend. So retail spends also, if you have looked, have grown by almost 14% year-on-year,

And from an industry perspective, not only retail spend has increased, but the transaction share has also gone up, and we have been stating that consistently, it is because of the conscious, I would say a very focused strategy that we have employed towards the RuPay cards, where we have increased the number of RuPay cards.

Those RuPay cards attachment on the different PSPs has been done. And now we see the benefit of that in terms of number of transactions, spend increase. Our focus on Tier 2, Tier 3 markets - these all have helped us do all this stuff. And finally, last one thing which we have done is a large tech investment in the company last year, which we spoke about earlier, on hyper-personalization.

So the ability to contact the customer individually, give offers. And in fact, if you look at the data, the active rate of the customers has gone to 53% from existing customers, which is up by 1 percentage point. So, this helps increase the retail spend, and that will be our primary focus.

Nilesh Sharma: Okay. Okay. And last question, sir. In this current year, monsoon is not so good. So how we are expecting this quarter? And after this quarter, festival season will start. So how we can expect Q2 in terms of retail spending?

Girish Budhiraja: So as of now, we see the retail spending to be fairly strong. It continues to –remain strong, festival is still far away. Because of rains and monsoons, the final net result is yet to be seen. But whatever impact it has, as ma'am was also mentioning, the number of credit card penetration in the country is not that high as of nowWe have hardly 52 million to 55 million customers in the country, and typically in Tier 1, Tier 2, Tier 3 cities. In the rural areas, there are very few customers or minimal customers there. So the impact would -- might not be seen immediately in the Q2, Q3, in fact, it is running very strong as of now.

Nilesh Sharma: Okay, sir. And sir, last question, although we are tracking your company since very long. One question is always in our discussion that, what is the total addressable market for credit card? How much number of customers that whole industry is targeting? Is there any number?

Girish Budhiraja: There are 2 ways to look at this addressable market. The first thing is because we are a subsidiary of State Bank of India, and the bank has almost 53 crores plus customers. And even if we take out people who are Jan Dhan accounts and where the support is being given to -- or the lower limit financially dependent customers.

So, you still end up with at least 1.5 crores to 2 crores customers of the bank, which are cardable in that sense. The bank also has a large base of corporate salary package accounts, large base of home loan customers and some of the data is in the public domain. So this is family silver that we work with.

The other part, which is the open market, you would have recently read that we have co-brand with Flipkart, which we tied up recently -- I'm just giving one co-brand example. Flipkart itself has close to more than 500 million customers on their transacting customers. So this is one part of the story from an addressable base perspective.

The other thing is how many of them are credit tested and how big the files are. So, if you look or talk to the credit bureaus and check with them, you will see that there are at least 350 million to 400 million customers, where the files –and where the data is available, you can credit score those customers. So the idea is to cross tabulate. The credit card industry is -- there's a lot of growth possible and available in the next decade.

Nilesh Sharma: Okay

Moderator: Thank you. Our next question comes from the line of M.B. Mahesh with Kotak Securities.

M.B. Mahesh: Sir, just one question. We have seen that the rental as a business model has started to come back. If you can just clarify as to whether this has opened for you as well? And correspondingly, how long should we wait for the instance base fees to start moving higher? Thank you.

Girish Budhiraja: So Mahesh, rental, the reason it got stopped was because there was no KYC being done of the end recipient, which in this case, is the landlord. So in between gateways or PSPs, all acquiring banks have started doing KYC and are getting the landlords accepted, there the rentals have started, but that volume is very minimal.

And we are not seeing any growth in that category. In fact, some of the cash out, moved to certain other categories like education and a couple of other categories where we started levying fees also. So that has happened. The idea is not to let this become large and keep them under control. So this was not an idea of making a fee income from these things. This is more of us stopping an incorrect activity, which has happened.

M.B. Mahesh: Perfect. And the direction of instance-based fees?

Girish Budhiraja: So as of now, the instance-based fees is down primarily, the reason is late fees, and which has a consequent benefit which we will see later. Once the base effect starts to come in, in H2 onwards, you will start seeing it go up but not on account of late fee. Late fee will continue to remain at the level that it is.

M.B. Mahesh: Perfect. Just one clarification. Across all the ticket sizes that you typically capture on your card portfolio, do you now see consistent improvement in asset quality across the board? Or are there still some pockets which still worries you? That would be all.

Salila Pande: Overall, the portfolio is showing resilience. There's no cohort per se, which is giving us concern as of now.

M.B. Mahesh: Thank you!

Moderator: Next question comes from the line of Rajiv Mehta with YES Securities.

Rajiv Mehta: Yes. Just one follow-up. What will be the outlook on cost to income for the whole year? Because there are multiple moving parts in the cost of funds. Your acquisition is increasing of new customers. There is opex associated with it. And plus, the festive is coming. So you would have planned for your reward and associated costs. So what will the broader range for the cost-to-income ratio for whole year?

Rashmi Mohanty: So obviously, the festive season will definitely see a higher cost to income, which is why we don't give you a quarter-on-quarter expected number on the cost to income. We'll give you a yearly number, which is an average of all the 4 quarters. So it should be -- and we indicated that in the last quarter, that should be in the range of about 56% to 58%.

Rajiv Mehta: Got it! Thankyou

Moderator: Next question comes from the line of Anand Dama with Nuvama Wealth Management.

Anand Dama: We've been hearing that, particularly in Southern India, we see a lot of salaried IT people losing jobs. Any stress which you see over there?

Salila Pande: No, Anand, we also heard it. We also analysed our portfolio. And as I mentioned earlier also, there is no cohort where we see this kind of stress. And even for the IT sector, we did a separate analysis also. As of now, we are not seeing any concerns. But we monitor, we are monitoring.

Anand Dama: Yes, because on the ground, whatever check that we have done with multiple lenders and collection agencies, they tell us they are basically about 300 to 400 basis points, bucket delinquency has gone up in that pool.

Salila Pande: We have not seen in our book.

Anand Dama: Okay, nothing for you. And then secondly, my question was on the margin front. We have seen margins come off for quarter-on-quarter. Where do we settle in terms of margins, As currently -- we have a pause on the rate as of now. So whether it should come down further. Anything that we can do in terms of increasing the yields and try and protect our margins?

Rashmi Mohany: So in terms of protecting the yield we keep on doing a lot of interventions, and we will continue to do that.

Salila Pande: See, one -- what Girish mentioned is that even when you are increasing your EMI component, the transactor portion is going down, that also adds to the yield overall.

So there are continuous monitoring and initiatives that we keep on undertaking.

Rashmi Mohany: I would say NIM should be around this range only, Anand. With the actions happening on the portfolio and smartly managing the costs of funds, we should maintain the NIM around these levels.

Salila Pande: , In last quarter also as you know, treasury rates hiked up quite a bit. But I would say that the company could manage the cost of funds pretty well that way. And we keep on doing those kinds of things, looking at what is the source of funding, which is the best pricing that we can get, what are the terms? And we will continue to scan the market accordingly and protect the NIMs going forward as well.

Moderator: Thank you so much. Ladies and gentlemen, that was the last question for today. I now handover the conference over to Ms. Salila Pande for closing comments. Thank you, and over to you, ma'am.

Salila Pande: Thank you, Danish. I'm grateful to all our shareholders, customers, partners and employees for their unwavering trust and support to SBI Cards and look forward to the same continued support in the current year. Have a great evening. Thank you so much.

Moderator: Thank you, ma'am. Ladies and gentlemen, on behalf of SBI Cards and Payment Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.