

June 1, 2020

The BSE Limited
Corporate Relationship Department.
P J. Towers.
Dalal Street, Fort
Mumbai - 400 001

The National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex.
Bandra (E), Mumbai - 400 051

SCRIP CODE: **543066**

SYMBOL: **SBICARD**

SECURITY: **Equity Shares/Debentures**

SECURITY: **Equity Shares**

Dear Sirs,

Re: Intimation under Regulation 30 and 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020

Pursuant to the SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 and Regulation 30 and 51 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in continuation of our communications dated March 23, 2020, April 3, 2020 and April 21, 2020 regarding Country wide shutdown due to COVID 19, we would like to further provide business update in this regard. The same is enclosed.

Kindly take the same on record.

Thanking you,

Yours faithfully,

**For SBI Cards and Payment Services Limited
(formerly known as SBI Cards and Payment Services Private Limited)**

**Payal Mittal Chhabra
Company Secretary & Compliance Officer**

Enclosed: As above

BUSINESS UPDATE ON COVID-19

This is pursuant to the SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 and in continuation to the earlier communication dated April 3rd 2020 and April 21st, 2020. Under lockdown 4.0 till May 31st, 2020 the country was divided into three zones to contain the virus and the government permitted limited economic activities and restricted public movements based on the zone classification. Since Jun 1st, 2020, the country has moved to lockdown 5.0 with the centre planning to unlock economic activities in a phased manner.

SBI Card (SBIC) has been focusing on business continuity since the first lockdown and has been continuously scaling up business operations since then. The company has undertaken a detailed scenario analysis of the unprecedented economic situation caused by the COVID crisis and have developed strategies to manage its business impact. This includes entire spectrum of its business model encompassing customer acquisition, generating spends, portfolio monitoring and collections, customer servicing, cost optimization etc. with an objective to sustain/enhance shareholder value.

Summary of the activities undertaken, and an assessment of the business is given below.

- i. **Sales and New Accounts:** The company issued 8.5 lac new cards in Q4'FY20 at a daily run rate of ~10,000 Cards per day till mid-Mar'20. In Apr'20, ~27K new cards were issued primarily from the applications already in the pipeline at a daily run rate of less than ~1,000 cards per day. In May'20 with zone-based relaxations, sourcing of new accounts has gradually increased, and new cards run rate has reached ~2,500+ cards per day.

All sourcing channels are now active, and sourcing of new accounts is being scaled up to the extent possible. Online channels including YONO (digital platform of State Bank of India) continue to remain open for customers to apply. The company is focusing on deploying the manpower to the extent possible and more than ~70%+ of workforce has been deployed. Sales agents have been deployed back in Bank Branches and in the FOS channel, wherever permissions from the local authorities & the real-estate owners exist (our cobrand partners, etc.). The tele-calling workforce has been operationalized through the work-from-home module.

- ii. **Spends:** Credit card as a product has an advantage of continuous customer engagement due to the unique nature of business. As a result, spends on credit cards continued during lockdown through online and merchant outlets open during this period. Post relaxation of lockdown average daily spends in the month of May'20 is trending at Rs. 175+ Cr vs Rs. 290+ Cr for Q4 FY 20. The daily spend level in last 7 days of May'20 is trending at Rs. 200+ Cr. SBI card is now averaging at 60%+ of the pre lockdown daily average spend. Online spends for Q4 FY 20 were 44% of the total retail spends which is trending at 55% of total spends in May. Top online categories are departmental stores & groceries (D&G), utilities & services and top point of sale categories are D&G, fuel, electronics and health and wellness. While certain categories of spends like travel, dining and lodging have remained weak, new categories like education, online health and pharmacies have come up.

The Corporate card portfolio generated ~Rs. 6,000 Cr of spends in Q4'FY20. Considering a significant part of corporate cards spends are travel related, both corporate travel and bulk purchase of airline inventory by travel agents were impacted due to lockdown and government restrictions. The corporate card spends have witnessed a moderate recovery with partial resumption of domestic air travel in the country since May 25th.

SBI Cards and Payment Services Ltd.

(Formerly known as SBI Cards and Payment Services Pvt. Ltd.)

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- iii. **Portfolio Risk & RBI Moratorium:** The disruption of collections process along with payment moratorium to customers has impacted repayments. Following the RBI payment moratorium, as of Mar'20, 8.4% of customers (~16% in balance) opted for moratorium and as at end of Apr'20, 25% have subsequently made repayments in part or in full. As of Apr,'20, 12.3% of customers were in moratorium and out of these customers as of 30th Apr'20, 24% have subsequently paid in part or in full. As of 22nd May,'20, 11.8% of customers are in moratorium.

The company continues to closely monitor its portfolio and is taking appropriate actions to mitigate risk in specific customer segments. The actions range from credit limit decrease, blocking of cards, restricting cash withdrawal etc. The company has tightened its underwriting norms for new accounts in various customer segments that have been impacted by the COVID crisis as per its internal assessment.

In FY20, the company created additional provisions of Rs. 489 Cr to cover probable credit losses that may result in future resulting from COVID-19 economic deterioration and RBI moratorium. On 22nd May, RBI has extended the moratorium for additional three months till August'20. The impact of recent extension of RBI moratorium is still being assessed.

- iv. **Collections:** In the initial phase of lock-down, the field and tele-calling channels were impacted. Since then, the company has operationalized ~ 80% of its tele-calling infrastructure by enabling resources to operate remotely. While field collections continue to be impacted, the resources have been redeployed to tele-calling operations. Additionally, digital modes are being used to build the communication intensity with the customers. The company is continuously monitoring State notifications on lock-down and with easing of restrictions, the field activities are gradually getting operationalized.
- v. **Customer Servicing:** Customer services at SBI Card is primarily driven by digital channels, where customers have access to best in class digital platforms including AskILA (chat bot), website, mobile app, Interactive Voice Response system & automated short messaging systems which are independent of human intervention. Essential customer services like chargeback and dispute management, lost/stolen reporting of card, transaction fraud management, responding to customer emails, management of banking ombudsman related activities, emergency call services etc. are being managed remotely. Relevant disclosures/information has also been communicated to customers that certain services shall not be available during the lock-down period.
- vi. **Operations:** The lockdown restrictions impacted the logistic-dependent processes restricting customer verifications, card embossing and physical card delivery. Since partial relaxation of lockdown, ~140K+ physical cards (including renewals and reissues) have been delivered and 70K+ customer verification has been completed. Further, 100K+ new accounts have so far been booked during the lockdown period through remote operations.
- vii. **Business Continuity:** The company has opened offices across various locations, as per the guidelines / approvals from MHA / State Govt / District level authorities with limited staff while ensuring compliance with the required social distancing norms. The same shall be scaled up in accordance with future guidelines.

The company has a Work from Home (WFH) policy to ensure continuity of critical business during the COVID crisis and a majority of employees have been enabled to work from home. A Quick Response Team (QRT) comprising senior functionaries has been created at the head office to respond quickly to emerging COVID scenarios on an ongoing

basis. The QRT is empowered to take actions related to business readiness, health & safety, and employee communications.

- viii. **Technology and Digitization:** The digital transformation through investments in technology over the years have ensured that the core services and operations continue with minimal business impact while still safeguarding company's data and assets. The company has provided laptops and remote logins to over 2,400 employees. The company's systems are being monitored remotely and have been available 100% of the time.

SBI Card primary datacenters are running in high availability mode and we have had no instances of service disruption. Adequate arrangements have been made to ensure onsite availability of support staff during the lockdown and all infrastructure is being monitored regularly. In addition to primary datacenter, the company has a fully tested Disaster Recovery (DR) datacenter to provide business continuity in the event of any service disruption from the Primary datacenters.

- ix. **Information Security:** The company is cognizant of heightened risk of cyber-attacks in these times, especially with most of its workforce operating remotely. The Security Operation Center (SOC) continues to monitor all IT systems remotely. The monitoring protocols are in place to effectively safeguard data and IT assets. Advisories received from CERT-IN, RBI, SBI and our own Threat Intel Partners have all been implemented in a timely manner. Malicious IPs and Domains are being blocked. Security information and event management (SIEM) use cases are being fine-tuned and enhanced in a fashion to cater the current threat landscape. Focused campaigns to enhanced customer and employee awareness toward Cyber security awareness.
- x. **Financial Reporting and Control:** The annual audit of the company was completed on time with the results declared on 8th May'20. The board of the company has declared 10% interim dividend to its equity shareholders for FY20. The company reported Profit after tax (PAT) for FY20 at Rs. 1,245 Cr (Ex-COVID Rs. 1,662 Cr) at a YoY growth rate of 44% which translates to 92% YoY growth excluding COVID impact. For Q4 FY20, reported PAT stood at Rs. 84 Cr (Ex-COVID Rs. 500 Cr) which showed a decline of 66% on reported basis but however translates to 101% YOY growth excluding COVID impact. COVID impacts include additional COVID provisions of Rs. 489 Cr and late fee reversals amounting to Rs. 90 Cr following RBI payment moratorium.
- xi. **Liquidity and Capital Adequacy:** The liquidity position of the company is comfortable with diverse funding options available. Presently, the company has ~35% of total sanctioned banking lines as unutilized limit available for drawdown. The unutilized lines are sufficient for meeting the future short-term requirements. Capital Adequacy Ratio at Mar'20 stood at 22.4% and Tier 1 at 17.7%. Treasury operations are running normal and all contractual obligations are being serviced including repayment of principal and interest.
- xii. **Cost optimization:** The company is critically looking at all cost lines to optimize operating expenses. This is being done by deferring or eliminating non-priority expenditures, direct negotiations with vendor partners, third party service providers and landlords of leasehold properties to negotiate discounts on current payouts. Redeployment of employees / resources is also being looked at to optimize employee related costs.
- xiii. **Update to investors/Stock Exchange :** The company has made periodic updates to stock exchanges on Apr 3rd and Apr 21st on the emerging situation and business impact. The said updates are available on our website. Further, post declaration of results, the

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company has also been holding interactions with investors and analysts for management discussion and analysis of FY20 results. The details of calls done in this regard are also available on our website.

Due to the COVID crisis, the company foresees adverse impact on its revenues resulting from lower spends and disruption in new account acquisitions which may not be compensated through higher interest income following the payment moratorium offered to its customers. The company believes that credit costs in the near term may be higher and has accordingly provided additional provision in FY20 based on our internal assessment with an objective to cover future losses. It is also assessing the external situation closely and its impact on portfolio and may revise this credit provision if there is a significant change from its previous assessment.

The company has stood firmly with its employees, customers, investors, government authorities and the society during the crisis. As the lock-down is being relaxed, economic activities being resumed, the company is focused to regain the momentum to create value to all stakeholders. The company is compliant with all regulatory guidance, advisories and instructions issued from time to time

Stay safe, stay healthy.

Thanking you,

SBI Cards and Payment Services Limited

**SD/-
Hardayal Prasad
MD & CEO**

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