



“RBL Bank Limited Conference Call”

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**MANAGEMENT: MR. R SUBRAMANIAKUMAR – MANAGING DIRECTOR
& CEO
MR. JAIDEEP IYER – HEAD-STRATEGY
MR. BIKRAM YADAV – HEAD – CREDIT CARDS**

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

I now hand the conference over to Mr. R. Subramaniakumar, Managing Director and CEO of RBL Bank. Thank you, and over to you, Mr. Kumar.

R. Subramaniakumar: Thank you, ma'am. Good afternoon, ladies and gentlemen, and kindly put up with a sore throat of mine, sorry for that. And thank you for joining us at a short notice for a discussion on announcement made by us yesterday evening. I hope you have seen the Exchange release we made following the meeting of our Board of Directors yesterday.

I'm joined today by Mr. Jaideep Iyer; and Mr. Bikram Yadav, who will address any questions you may have. So before we get into the Q&A session, I wanted to take a few minutes to set the context, and I will talk about two aspects. One, about the discontinuation of the fresh sourcing under co-brand partnership with BFL; and second, on the cards business and collection.

Now on discontinuation of the fresh sourcing. As you all know, RBL Bank and Bajaj Finance embarked on this co-brand credit card journey in late 2016. And today, we have built a co-brand relationship of approximately 3.4 million cards. It has been one of the largest and the most rewarding co-brand partnership we have seen in the country. The success of this partnership has been based on the dedication and the hard work from both the teams, and we acknowledge BFL for being our partner.

We are today fifth largest card player in the country, and this partnership has been critical for us to get to this position. Over the past month, we have been discussing the future of this co-brand partnership, and it was felt that the synergies through have undergone a significant change over the time. Now what does this mean for the portfolio of the cards which have been sourced through the partnership? I want to use this opportunity to reiterate that there is no change whatsoever for the customer who holds the RBL Bank BFL co-brand credit card.

Our bank will continue to service the full portfolio of approximately 3.4 million co-brand credit cards issued under this partnership and will ensure seamless support and customer satisfaction through our various service channels. All the customers will continue to enjoy the same benefits, rewards and offers associated with their existing cards. At the time of renewal of the card, these cards will be re-issued by RBL Bank branded credit cards in normal course.

So effectively, in terms of all the aspects of the card business, be it a customer service, collection, portfolio management, it will continue to be managed by us as it were before, and there is no impact on customer whatsoever. In short, the entire credit card business with underlying customer franchise remains and continues with the bank and the customer, they continue to be RBL customers as they were earlier.

Touching upon what this means for the bank's credit card sourcing plan. On the aspect of new card sourcing, we have spoken on this in the past and what we have done in this regard is as follows: First, we have invested significantly in strengthening our direct sales infrastructure and deepening credit card distribution through our branch network. Currently, direct sourcing contributes 35% of the new credit card issuances. We have plans to scale this to 50% over the next few quarters.

Secondly, our bank has established a new co-brand partnership with institutions, including NBFCs like Mahindra & Mahindra Finance Limited, TVS Finance Limited and consumer brands like Indian Oil Corporation and IRCTC apart from other existing co-brand partnerships. These partnerships, combined with our self-sourcing capabilities will mean we will maintain and grow business volumes while adherent to the more prudent risk reward framework. Credit card as a business will continue to be our largest customer acquisition engine and our sharpened focus to acquire customers in the mass affluent and affluent segments will help us to grow the customer relationship beyond only a credit card offering.

Lastly, addressing the question of any financial impact on our bank due to this decision. On the financial side, we do not expect any significant impact on profitability in any manner from this decision. The co-brand portfolio had seen near-term asset quality challenges during the transition of collection in Q2 of FY '25, but it remains profitable and is trending to return to normal profitability levels by Q1 of FY '26.

The bank has observed improving asset quality trends across buckets and anticipates normalization within the coming quarters. So, the profit pool as such remains intact and discontinuation of the fresh sourcing under this co-brand does not alter our plans for this business.

With that, I will now stop and open the floor for questions.

- Moderator:** Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Raghav from Ambit Capital.
- Raghav:** My first question is, what is the total number of credit cards that were sourced for you by Bajaj Finance during the first half?
- Jaideep Iyer:** We were averaging around 35,000 to 40,000 per month. So somewhere in the 2.5 lakh to 3 lakh range. Is that correct, Bikram, roughly?
- Bikram Yadav:** Yes. That is the range, correct.
- Jaideep Iyer:** Yes.
- Raghav:** And sir, what I understand is after March 2024 when RBI put out some directives with respect to co-branding of cards, I guess, the fees that Bajaj Finance would have earned was only restricted to sourcing and distribution. Is that correct? Because earlier, I think they were also getting incentivized for collections or in some way being compensated for collection. But in 1H

FY '25, whatever they would have earned was only sourcing and distribution. Is that understanding, correct?

Jaideep Iyer:

No. So, Raghav, we had a partnership which had -- which was built on a situation where we could mine their customers. And the way it was built was that the upfront payment on sourcing was relatively lower, and there were payouts across interchange income, annual fee sharing, etcetera.

On the specifically collections front, it was a pass-through cost for us when they were collecting on the customer base. When that moved to agency directly handled by us, that cost effectively comes to us. So I don't think from a commercial standpoint, there has been an impact on this from an income sharing standpoint as such because of the RBI guidelines.

Raghav:

Understood. Just to understand, what is the typical sourcing or distribution fees that you guys would pay to a partner -- to an external partner? Is it somewhere around INR3,500? So say, for example, if Bajaj Finance were to source a card for you, then they would be earning...

Jaideep Iyer:

Yes. So, without getting into specifics, Raghav, the upfront payment to Bajaj would be about a -- between a third and third to half as compared to normal sourcing. And therefore, the arrangement was on a payment across other earnings from the customer.

Moderator

The next question is from the line of Rikin Shah from IIFL Securities.

Rikin Shah:

I had two questions. First one, just wanted to understand the real reason behind the end of this partnership. While the press release does mention that the synergies have changed significantly, but it was still a good sourcing mechanism while we have been diversifying. Is a regulatory nudge one of the reason or change in the collection mechanisms? What is really driving this end of the partnership? That's the first question.

And the second one, while in the opening remarks, if I understand correctly, you mentioned that while the credit cost is currently elevated, we were expecting that it would kind of normalize lower over the subsequent quarters. Now the benefit that we would have otherwise accrued now gets nullified because of end of this partnership. So it's still a financial impact, right?

And I think we would all appreciate if you could give us a bit more color on what the exact financials were, what kind of fee income you would be making, not only fee income, the overall interest income, fee income and how does that change with the end of this partnership?

Jaideep Iyer:

So, Rikin, let me take the second part first. I think as Mr. Kumar elaborated in the opening remarks, the book -- the customer base, the book, the current advances associated with that book, all of that remains with the bank was with the bank and will continue. There cannot be any change because ultimately, the card issuing bank is RBL Bank. And we will continue to service the customers and if required, even cross-sell other products, at least saving accounts.

So that's -- there is no change. And therefore, income from this pool will continue as and when collection outcomes improve, that benefit will come. Right now, as you rightly said, the credit costs are elevated. So there is really no change to the existing book at all for the bank.

Rikin Shah: But I mean we have to focus on the incremental thing, right? So for instance, while the existing book will still be there...

Jaideep Iyer: I'm coming to incremental. So, as I said in the answer to the earlier question, the current run rate of acquisition from BFL has been in that 30,000 to 40,000 cards per month range. And overall, our own gross additions of cards has come down from about 2.25 lakhs to about 1 lakh or so. And I think we will go back to this 1 lakh number in the next, let's say, 3 to 4 months because we have naturally signed up, as mentioned before as well with new card partner, and we are continuously improving the productivity as well as improving the numbers on the direct sales force and launches.

So therefore, if you look at -- if you want to quantify the impact that for the next 3 months or 4 months, we would acquire 35,000 or 30,000 ie 120,000 cards less on a 5.5 million base if you think that is a financial impact, I don't think materially that really makes a difference. That's the point we are trying to make.

Rikin Shah: Fair enough. But how about when you try to replace this origination fee that you earlier paid to BAF. And if I heard clearly, we were paying much lower fees in terms of origination to BAF versus if we were to incur that CAC ourselves. So if you could quantify that impact as well, please?

Jaideep Iyer: Yes. So I think the -- as I said, the overall acquisition -- gross acquisition number for us is itself now in the -- it's going to be in that 1 lakh range plus/minus. And therefore, again, if you look at the numbers, that is also less material, plus when we acquire customers directly through our channels, there is no payout that is required to be done to any partner, etcetera, etcetera, at all, right, because that has been sourced by us. So that continuing stream of sharing will come down. And therefore, effectively, the outcome is very similar.

Rikin Shah: And so while there is no direct cost, but there is still a customer acquisition cost, right? There is only so much you could cross-sell to your existing customer. So what is the typical CAC for direct origination? And if you could quantify that versus what was the fees that we were paying for each card originated via BAF? That's point number one.

And point number two, while I know things will be fluid in the next few months, at least if you could provide some guidance in terms of how the credit card portfolio could be growing. So the overall credit card receivables were growing at around 17% in 2Q. How do you see that playing out in the next few quarters and over the medium term as well?

Jaideep Iyer: Bikram, you can take the acquisition cost one, yes.

Bikram Yadav: Okay. So, acquisition payout when we do through our own channels on a blended basis is x, what we were probably paying to BFL was 0.75x. But there was a trail payout in case of a BFL, which is not there when we acquired through our own channels.

Rikin Shah: Sorry, what's the second part of the statement, please?

- Bikram Yadav:** So if I acquire directly through my own sales efforts from an open market channel, I pay -- I incur an expense of x. When it was coming through BFL, it was 0.75x.
- Rikin Shah:** Yes. And I think you made additional comment that there is one more expense which you...
- Bikram Yadav:** But there was a -- there is a -- in case of a co-brand partner, you have to give a trail payout, which you don't have to give when you source it through your own channels.
- Rikin Shah:** Fair enough. Got it. And on the credit card receivable growth guidance?
- Bikram Yadav:** So in credit card, now we are -- see, we already have reached a size where economics of scale and all other advantages are already digested. From here onwards, will range bound grow between 10% to 15%.
- Rikin Shah:** Got it. And to Kumar, sir, please, if you could really allude to what is driving this termination of this partnership? I mean, when you say the synergies have changed, if you could elaborate on that? Was there any regulatory nudge angle involved here? Because what we understand is that the co-brand partnership was supposed to be allowed until at least December '24, the RBI had allowed that. So what really is driving the termination of this partnership, please?
- R. Subramaniakumar:** See, first thing is this is a mutually agreed, mutually accepted way of parting it. For the first simple reason is that our changed dynamics are not pushing for us to have a card in the range of 2 lakhs plus per month, which we have gained and then we wanted to bring it down to 1 lakh. Under those circumstances, the existing partners and these partners, the number naturally to be sourced is coming down.
- So, we mutually thought that by making 30,000 or less than 30,000, it doesn't make -- they may not be in a position to continue the same efforts what they were doing at 1.2 lakh cards. So naturally, it felt that when that the flow -- the funnel which is flowing into it is just shrinking, that is it is going to make them disadvantage, so they have just gone ahead.
- Second important thing is BFL has decided to exit this line of business itself. It is not only with us, it is with them. That is exactly -- that is one of the major reasons for them to look at alternate business lines. They have -- they must be having other business lines. They are moving out of this particular business line. So, it is a mutually agreed one. Yes.
- Moderator** We'll take the next question from the line of Jai Mundhra from ICICI Securities.
- Jai Mundhra:** Sir, just a previous question, you mentioned that Bajaj, they have decided to close this business line. Sorry, if you can elaborate this? I mean, does this mean their other partnership would also end? Or how does this work?
- Jaideep Iyer:** See we understand that they are going to exit it because I don't have -- our discussion between Bajaj and us is that it is exiting the sourcing business from us. So, we understand that they must be exiting from others also.
- Jai Mundhra:** Understood.

- Jaideep Iyer:** Yes. They have only one other co-brand partner. So...
- Bikram Yadav:** So -- and the intimation during discussion was that they are exiting this line of business in totality. So, the inference that Mr. Kumar has just said that we understand that they are exiting this category altogether is true.
- Jai Mundhra:** Right. Understood. Understood. And sir, I mean, just to get this clear, few months back, we thought that maybe there is an issue in the collection mechanism, which could have some regulatory concerns. So, we changed that, right, in the last 2 quarters only. We also increased headcount. We also saw some delinquency. But now there is a rethink that this will not continue at all, right? I mean...
- R. Subramaniakumar:** No. There are two different questions here. The first one is the collection. See, as per the revised master guidelines, the co-brand partner is expected to do only two things. That is a marketing and sourcing, and nothing beyond. It is the first point of contact for the customer for grievance. So naturally, outcome of that particular guideline is that the collection should be with us, although it was being done by one of their other firm within the group. But with all the letter and spirit, we had to take over, which we have taken over. So, it is nothing beyond.
- And when the collection has been taken over and everything has been taken over, the complete control of the cards and other things are with us, right? Master Direction Compliance is one of the directions for taking over their collection with us. That is a major thing. With regard to this particular discontinuation, they are two independent activity.
- I don't think that we have to link it together. Not to have this business ahead is their business decision. Not to increase the card beyond 30,000 is our business decision. So both synergized to made it to face them, it is better to have it as a -- not to continue with this sourcing model.
- Jai Mundhra:** Right. Understood. And sir, just lastly, is there any sort of a no poaching agreement that the customers which are there, right, the outstanding customer base of a few millions. I mean these customers as of now, of course, once they renew the card, they would be RBL Bank customers. But in the meanwhile, I mean, fair to assume that these are -- I mean, there is no poaching agreement as such, right?
- R. Subramaniakumar:** Mundhra, one point you have to understand. The moment a card is issued, it is RBL card. Co-branded with them, they're sourcing it. Customer is RBL customer. And then also he was RBL customer, now also he is RBL customer, future also he will be RBL customer. When they are not in the business of card and NBFCs are not permitted to issue a card.
- So that -- I mean the point of poaching these customers doesn't arise because they source the card and hand it over, they become customers. We do the underwriting, we do the servicing, we do the management, we do the collection, everything with us only. So, I mean, I don't think there is an element of poaching comes into picture here.
- Jai Mundhra:** Right. So, sir, in the similar thing, I mean, there were a few businesses or a few products which we have restricted ourselves and we had sort of offered that Bajaj only will be offering those

products, right? So that now you can provide those products to these customers also. Is that a fair understanding?

Jaideep Iyer: No. So the arrangement on this will be that as and when they become our savings account customers, we will be able to cross-sell other products. I don't think we will want to -- either of the parties will want to continue to respect that.

Moderator We'll take the next question from the line of Abhijit Tibrewal from Motilal Oswal.

Abhijit Tibrewal: Sir, just one question. If I heard you correctly, while stopping this partnership was mutually agreed upon, if I understand correctly, this termination was at least initiated or intimated from BFL. Is that understanding correct?

Jaideep Iyer: Yes, that is correct. That is correct.

Abhijit Tibrewal: Got it. And just one more thing, if you can kind of help us understand, while you've spoken about the fact that there were asset quality issues and maybe later when guidelines came out, you also started taking the collection responsibility yourself. Can you throw some color on that co-branded customer portfolio?

Jaideep Iyer: So on the first one, just to clarify, while they initiated, it was obviously something that they discussed with us. And I think we were quite comfortable with that decision given the kind of volumes that was coming through the partnership. On the second one, Bikram, some color on collections.

Bikram Yadav: So what color do you want on the portfolio? If you just say a little more on that, I'll be able to give you the texture.

Abhijit Tibrewal: Sure. So I mean, while we did acknowledge that there were asset quality stress, sir, in their opening -- in his opening remarks also said that we expect normalization by 1Q. So I mean, just some color on, I would say, what is the NPA numbers? What is the credit cost that you are seeing in that portfolio? And how is that portfolio behaving now maybe in the last 3 to 6 months?

Jaideep Iyer: So I think basically, this -- our guidance or the way we were looking at it at the end of Q2 results really doesn't change. We had quite clearly indicated that the leading indicators on the BFL portfolio was improving, and that should result in lower slippages in Q3 and further lower slippages in Q4. I think that continues. We are roughly on the same trajectory that we saw when we announced results of Q2 in October. So that's one.

And therefore, we are saying that we expect normalization by Q1. This, of course, will be subject to the external environment that we are in, which is not the best for unsecured. But currently, we are seeing the portfolio improving every month, month-on-month, week- on-week, quarter-on-quarter across all buckets, and that trend continues.

Moderator We'll take the next question from the line of Kunal Shah from Citigroup.

Kunal Shah: So, firstly, when we look at it, say, overall, in terms of the retention of the customers, so was there anything which was driven by Bajaj Finance, maybe could it actually impact the retention

of the customers which are there on the existing book or maybe in terms of their spending pattern would any which ways it get impacted? And on the outstanding credit book in terms of the receivables, what is the proportion which is coming in from Bajaj Finance?

Bikram Yadav: So, Bikram, the outstanding receivable is around -- is between 50% to 55% from Bajaj Finance. And the question is on that -- so the Bajaj portfolio is typically mass, mass affluent customer and the spends coming from these customers are range bound in line with what the industry spends are.

Jaideep Iyer: So Bikram, the question was whether you see impact on spends because of this transaction?

Kunal Shah: Yes. Maybe impact on spends as well as maybe retention of the customers, maybe earlier if there was a partnership, they were with us, but is there a way maybe you could see a slightly higher attrition or lower spends and it could impact the overall credit card receivables?

Bikram Yadav: So we have seen a similar exit of co-brand partnerships earlier also. We typically see that customer once has been acquired as association with the bank and all the value proposition service and everything else around it is being given by the customer. So there should not be any material change in overall spends or attrition numbers basis our historical experience because all these customers have been communicated and have been engaged with banks after issuance. So -- and earlier also, whenever we have migrated from co-brand to core, we have seen not a material transition and most engaged active customers continue to hold the card.

R. Subramaniakumar: Kunal, in addition to that, once the customer is sourced by them, we were -- only the bank is servicing them throughout the lifetime. So, the question of somebody else is going out of it because there's an alternative option available. Here, it is with the RBL Bank only, then also now also. So I don't think that retention of the customer will be a challenge accepting for the natural attrition, which happens with the one card to another card.

Kunal Shah: Okay. Got it. And secondly, in terms of the profitability to last time, in fact, you highlighted in terms of how are the credit cost in BFL sourced credit card, and we have invested a lot in terms of the collection. So obviously, the ROA on the credit card business would have been much lower. But would it be possible to quantify maybe that because of much higher spends, collection transitioning and higher credit cost to BFL, in fact, the normalized ROA could have been a particular percentage.

And now over last 1 or 2 quarters, it has come down to a particular extent or even a loss, then that could help in terms of just helping us to know in terms of what could be the profitability impact and how it would maybe shape up over next 2 quarters once the credit cost also normalizes?

Jaideep Iyer: Yes. So Kunal, nothing to do with the current sourcing arrangement having stopped. But in terms of PBT ROAs -- yes, PBT ROAs, we are -- we expect the second half and Q2 -- I mean, sorry, not second half, but Q2 was roughly a little bit less than half of the normalized profitability, maybe about -- maybe somewhere around one third and we expect this to inch up in Q3 and then further inch up in Q4. And assuming the macroeconomic environment remains stable, we should

go back to where we were as normalized profitability somewhere in the Q1 time frame. Currently, we are at about...

Kunal Shah: And normalized profitability would maybe ex of this arrangement when we are doing it in terms of our own sourcing and all because there was a sharing which was happening with Bajaj, they were also gaining out of it. And finally, they decided to exit because of the lower sharing now that they could get. So is it fair to assume that expecting that a stable credit cost trajectory, normalized profitability for RBL in particular, could be higher now or no? Or maybe in terms of the co-branded card, it was like maybe assuming everything credit cost and all, it was better?

Jaideep Iyer: No, Kunal, I think the way I would answer it is that as and when the bank sourcing becomes a large part of the book, which will take some time because right now, we are focused on origination being at about 50%. I would say it is fair to assume that we should look at similar levels of profitability rather than saying that this will be materially higher or lower.

Kunal Shah: Okay. Got it.

R. Subramaniakumar: With regard to your question on expenditure, Kunal, see, the expenses remain the same in the arrangement, except for the transition period, where there will be a little overlap of the collection on both ends. Otherwise, previously, they were spending it as a portfolio, we were reimbursing them. Now we are going to spend the same amount. It is not going to alter the bottom line.

Moderator We'll take the next question from the line of Dhaval from DSP.

Dhaval: Just extension of Kunal question, Jaideep. So as I understood from your response was basically even after the payouts, etcetera, the BAF portfolio is actually better ROA than the rest of the portfolio. And as the -- that's because of the scale and as you scale up the other channels, the ROA will go. Is that understanding correct? Or I mean, otherwise that BAF portfolio is actually ROA dilutive to the rest of the credit card portfolio?

Jaideep Iyer: No. So let me divide this into two parts. If we look at pre-operating profits for the back book, that obviously has not changed and will not change materially going forward as well. The costs in the provisioning line is currently running elevated.

And as I said very clearly, this will start moderating effective Q3, will continue to moderate in Q4. And we expect normalization in Q1. Obviously, that is subject to the macroeconomic environment that we are currently slightly weaker.

So that's how I would put it. And I think from a 2, 3-year perspective, we -- I think we should be -- we should -- barring a credit cycle, we should be in the normalized profitability zone, which we have been in the past. On the -- and I think the fact that there will be more and more sourcing from the bank's direct channels for that to make a material difference to improving profitability is more of a 18, 24-month journey, not a 3, 6-month journey.

Dhaval: Understood. And this was more in context of Bajaj Finance portfolio is what my question was. So that holds true for that as well.

- Jaideep Iyer:** Absolutely. Yes, it does.
- Moderator** The next question is from the line of Nidhesh from Investec.
- Nidhesh:** First question is on existing cards from Bajaj Finance. So, does the sharing of fees will continue on that portfolio or that will also stop?
- Jaideep Iyer:** So the origination costs that we were paying to BFL will obviously stop because there is no sourcing that will happen. Income to be shared on other means, some of that will continue for some time.
- Nidhesh:** Okay. And secondly, the arrangement with other companies like Mahindra Finance, etcetera, is completely on origination basis, right?
- Jaideep Iyer:** No. Bikram, sorry, you may want to answer that. Arrangements with the recent co-brands in terms of upfront versus some fee sharing.
- Bikram Yadav:** So the recent co-brand arrangements are similar, but not exactly the same. But now since we have a lot of diversification, so they are on better terms and – and then -- but the arrangement always is that there is an upfront payout linked to origination and small trail payout, which is on a continuous basis.
- Nidhesh:** Okay. And from a, let's say, economics perspective, do you think the economics of the new co-branded relationship is better than BFL?
- Bikram Yadav:** As I've said that when you have a diversified set of partners, you negotiate on better terms. So they are on significantly better terms than what we have signed up earlier.
- Moderator** We'll take the next question from the line of Manish Shukla from Axis Capital.
- Manish Shukla:** Of the 3.4 million cards, co-branded cards outstanding, how many have a SA relationship with you?
- Jaideep Iyer:** Manish, right now, that is quite a small number, not some -- not material.
- Manish Shukla:** So other than that, have you cross-sold any other fee or asset product to any of these card customers so far?
- Jaideep Iyer:** No, not yet. I think that is -- so we have...
- Bikram Yadav:** Cards on PL goes to them. But other than that, other fees are less.
- Jaideep Iyer:** Yes, yes. We sold personal loans on that, yes.
- Manish Shukla:** Okay. So if I understand it correctly, the first objective of yours would be to convert more of these customers to SA and then potentially cross-sell some other asset of these products?
- R. Subramaniakumar:** Yes, we can safely assume on a going forward strategy.

- Manish Shukla:** Yes. And just to go back to that payout of the trail, as long as the RBL BFL co-branded card exists, will the trail continue to be payout or there is a sunset, let's say, 3 months, 6 months out after which that will stop completely, as in the co-branded card might exist, but the payouts will stop?
- Jaideep Iyer:** No. No, Manish, I think it is fair to assume that it is not a 3-month, 6-month sunset.
- Manish Shukla:** Okay. Understood. Lastly, I mean, for the last couple of months, September, October, what would have been the total card sourced by you, monthly run rate?
- Bikram Yadav:** Range of 1 lakh -- about 125,000.
- Manish Shukla:** And we expect it to remain at these levels itself, right? We don't expect this to bump up. I've got...
- Bikram Yadav:** I mean just because we have now suspended, so about 30,000 cards, which were coming from BFL have to be covered up. So about 50% of it will cover up in December itself and rest of it, I think by January quarter, we will be back on track.
- Moderator:** We'll take the next question from the line of Nitin Aggarwal from Motilal Oswal.
- Nitin Aggarwal:** I have three questions. Firstly, like if I look at last 3 months, we have been having a decline in the net card base. And even though we are still adding like more than 1 lakh card a month, as you mentioned. So how should we look at the outstanding card market share now with this development in the credit card loan mix over the medium term?
- Bikram Yadav:** See, in medium term, we are likely to maintain card market share. As we have said that our growth guidance is between 10% to 15%. And if industry also grows, you would have also seen that the issuance trend in industry has also come down by 50%. So if industry trend also are similar, then we are likely to maintain market share, but we are not into a high growth stage anytime soon.
- Jaideep Iyer:** So Nitin, I'll kind of just add to what Bikram is saying is that I think the focus is not really to continuously add cards for the sake of the cards product. So, for example, if we were acquiring credit card customers who are profitable as a card customer, but were probably not relevant for other parts of the bank, we were acquiring such customers.
- Now we will kind of try and focus more on customers where, by definition, one could do multiple products for the bank. So, volume chasing in itself is not the primary objective. It is important, but not the primary objective.
- Nitin Aggarwal:** Okay. Sure. Like second quarter, we did see a sharp rise in credit cost on the BFL co-branded cards. And now that we have parting ways, so will this impact the transition of the collection mechanism that was underway and adversely therefore further impact...
- Jaideep Iyer:** No, Nitin, the transition actually got completed in July. And therefore, there is no impact at all. Whatever was digested was digested in the transition in Q2. And I think from here on, as I had

mentioned before and Mr. Kumar mentioned before, we are seeing a continuous trend of improving numbers on slippages.

Nitin Aggarwal:

Okay. And last question is like for RBL, we still understand that the system is going through a rough phase when you look at the credit card. But for BAF to move away from the partnership, which was like doing so well over the years during the recent period, what is like driving them to like part ways and move away from this partnership?

And what is the mix of their total revenue that they make out of this partnership between the spend-based fees and the origination fees? Because origination fees certainly has come down drastically. But spends, if you look at even the current year are still doing well. So that fee is still continuing. So what is the mix of the two? And any rationale, if you can share why have they decided to part ways?

Jaideep Iyer:

So Nitin, honestly, the rationale was quite clear that at some point, the volumes that was coming to BFL from an origination standpoint basis cross-sell to their customers was significantly higher, more in the 130,000, 140,000 -- 1.4 lakh range of acquisitions per month. Now our own, one, the environment; second, our own need to diversify sourcing, etcetera, meant that, that number had to come down.

So for example, if we wanted to be in the 20%, 30% range maximum per co-brand or even lower, it doesn't mean that we could acquire 5 lakh customers -- 5 lakh cards and BFL continue to do 1.2 lakh, 1.3 lakh. So that was not sustainable.

So since the numbers came down and regulations also have moved in a manner in which the activities that can be done by co-brand is now pretty much clearly limited to sourcing, in their mind, the strategic sense came down. For us, it didn't become -- it was no more material because the numbers had come down. So, under the circumstances, it was felt by both players that there is no real major merit in continuing this.

Moderator

The next question is from the line of Rakesh Kumar: from B&K Securities. As the current participant is not answering, we will move on to the next question, which is from the line of Renish Bhuva from ICICI Securities.

Renish Bhuva:

Just two questions from my side. So one on the renewal. So whenever this card comes for renewal, who will be having the first right to refusal, you or BAF?

R. Subramaniakumar:

The card has been issued by RBL then, now and future also. We are the card issuing banker. Only the banks can issue the card. They are only co-branding only for the purpose of -- limited purpose of sourcing with the customers. Now when the card is with us, we will renew it in the RBL branded card only instead of co-branded card.

Renish Bhuva:

Okay. So the renewal will, let's say, appear to you first and not to BAF?

Jaideep Iyer:

No, no. So the fundamental thing is that Bajaj Finance logically does not have a license to issue cards. So where is this question coming from, we are not able to understand.

- Renish Bhuva:** No. So they have a tie-up with other partners as well, right? So...
- Jaideep Iyer:** Which we clarified that we understand basis their intimation to us that they are exiting the co-brand credit card business line.
- Renish Bhuva:** Okay. Got it. Okay. This is very helpful, sir. And secondly, again, in terms of the, let's say, the cross-sell of these 3.4 million cards, which are in force, what will be the product per customer and whatever products these cardholders might be having, is it fair to assume that most of these products will be of BAF portfolio and not from RBL portfolio?
- Jaideep Iyer:** See, currently, the RBL products being sold to either BFL sourced cards or other co-brand or our own other channels is currently negligible. The idea would be to mine these customers for both liabilities and assets over a period of time.
- Renish Bhuva:** Okay. But sir, any rough idea about whether BAF will be having any cross-sell products to these cardholders?
- Jaideep Iyer:** Yes, BAF would...
- Renish Bhuva:** Who might be talking through this?
- Jaideep Iyer:** No, no, no. So BAF would definitely have cross-sold products. And not only BAF, there will be other lenders also would have cross- sold products. The customer is not captive to anybody.
- Renish Bhuva:** Okay. No, no, since it is under co-branded, so there might be some agreement, right, if BAF sells any product to this customer, you might get some fees as well. So I was...
- Jaideep Iyer:** No, that was not the arrangement, no.
- Moderator** The next question is from the line of Rakesh Kumar from B&K Securities.
- Rakesh Kumar:** So just wanted to understand, sir, the thought process like we are entering into a JV with Mahindra & Mahindra, TVS Finance and all that. So what kind of customer mapping we are going to do with the new JVs that we have entered into?
- Bikram Yadav:** Your question was not very clearly heard. There was some disturbance in between. Just say this once more, please.
- Rakesh Kumar:** I was saying, sir, the new JVs that we have entered with Mahindra & Mahindra, TVS Finance...
- Moderator** I'm sorry, sir, we are unable to hear you. I would request you to rejoin.
- Jaideep Iyer:** No. I'll just repeat. We've kind of somewhat understood, Rakesh. Basically, the question Bikram is what kind of customer profile we are trying to look at from the new co-brand partners, both NBFC and non-NBFC and whatever. So broadly, the customer profile that we're looking at?
- Bikram Yadav:** So we are largely looking for credit-tested mass affluent to affluent customers coming through the new co-brand partners as well as for existing co-brand partners. Those who are tested on

bureau for credit profile, we have similar credit acceptance criteria for customers coming from irrespective of which channel do they come from.

Jaideep Iyer: And Rakesh, I will add one more to that, that we are -- we would -- so let me give you an example. Let's say, there is a customer who logically would be a profitable set of customers for cards, but would be, let's say, substantially only a card user type of a profile.

And it could be, let's say, a small limit customer or probably a customer who doesn't on the face of it would like for qualifying for a home loan or other things. So we will want to put those filters in acquisition where they're saying effectively that when we are looking at affluent, mass affluent, we are effectively putting a lens of saying that is this customer potentially viable for multiple RBL Bank products. So, we will -- we are putting those filters so that the cross-sellable base and the opportunity keeps improving.

R. Subramaniakumar: In short, the wallet share improvement will be one of the major criteria for onboarding these customers.

Jaideep Iyer: Correct. Absolutely.

Rakesh Kumar: Sir, just in addition to like what we were -- what I was trying to ask that what is their experience and capabilities as compared to the previous JV that we had in doing this business for you. So, I was coming from that point?

R. Subramaniakumar: Bikram, go ahead Bikram.

Bikram Yadav: Yes. So the size and scale could be different, but more or less the new partner. So if you were to see that we have diversified a new set of partners also and some of them are market leader in their own space. For example, we have done a tie-up with IOCL. We have done a tie-up with IRCTC, which are the only names in that category.

Even the NBFCs that we have signed up with, maybe on scale are smaller, but they're going to similar customer profile through similar methods and similar distribution. So, they are all -- maybe on scale, they are different. But from a target marketing standpoint, they are same as any other NBFC that -- or same as BFL.

Jaideep Iyer: And Rakesh, unlike the numbers that we originated through BFL in the past, that is neither our expectation nor the partner's expectations in the new scheme of things.

Rakesh Kumar: Sir, sorry to slightly extend this point, but the kind of customer that BFL could have brought to you or maybe they will do for someone else now, and the kind of customer that Mahindra & Mahindra will bring to you, wouldn't there be a difference kind of customer they are catering to at present? But the texture of the customers is very different. So just I'm thinking from that point.

R. Subramaniakumar: This I wanted to take it in two parts, Rakesh. Number one, it is not Mahindra & Mahindra alone. IRCTC and IOCL is also a huge, large customer base. And this will be the hook point, the point on which we will be able to onboard the customer, right? And it is to decide whether this

customer is to be onboarded at our end or not is going to depend on the criteria which we have qualified. That is the wallet share improvement.

Now the Bajaj has been doing it for a period of time, they had a larger pool of customers, which is -- which we have reduced to 30,000 right now. And we are looking at the replacement of this 30,000 with 4 different partners. So 4 different partners, giving you 1 lakh, 2 lakh would have been a challenge, but giving 30,000 of this quality might not be a big challenge.

Bikram Yadav: And also, if I were to give you a profile comparison, ex-BFL customers today that we acquire, so I mean, going forward, a little over 50% of the customers will come through bank's own branches and sales forces. The co-brand will contribute to a little less than 50% within which also there will be no one co-brand who is having high issuance as Mr. Kumar has just said.

And today, the spend performance of a customer coming through BFL is about 0.65 of what comes through our other channels. So profile, if at all, is likely to get a little better going ahead is what it seems to us.

R. Subramaniakumar: Yes. And with regard to other question, Rakesh, you were telling that they may be sourcing with somebody else. But basis the discussion and dialogue what we had, they are exiting this line of business. So possibly, our inference is that they will not be having a tie-up with somebody else.

Moderator The next question is from the line of Sandeep Joshi from Unifi Capital.

Sandeep Joshi: Most of my questions have been answered. I just have one question. Do we need to pay any one-time fee now or after the sunset period end to share that will free as per the agreement?

Jaideep Iyer: No, no one-time fee expected, Sandeep. Basically, no disruption in commercial arrangements in that sense.

Sandeep Joshi: Okay. And when is the sunset to share the trail fee? Can you disclose it?

Jaideep Iyer: I don't think there is anything specific here. Safe to say, it is not 3, 6 months, as I said. You can easily assume this to be over a 2 to 3- year period at least.

Moderator The next question is from the line of Viral Shah from IIFL Securities.

Viral Shah: Actually, I just had one question. Did the agreement with Bajaj Finance have a non-compete clause? Because as you mentioned that this guy is -- Bajaj Finance is completely exiting this line of business. And again, this is a hypothetical question, but I'm sure because this was part of the agreement that right now, they cannot issue a credit card. But if at all, they by some means, could issue that, was that the reason behind this termination? Just trying to get a sense of that?

Bikram Yadav: See, by very nature that they can't issue credit cards, non-compete is a natural protection that we have. Only banks can issue credit card, NBFCs are not allowed to do credit cards. Other than that, there are no restrictions on us or them. But through statute only, they are not licensed or authorized to issue credit cards.

- Viral Shah:** And the agreement did not have the clause of, say, in the event that they get that license, they had a clause of -- or the right to buy out this portfolio?
- R. Subramaniakumar:** The buyout is also not possible as per the regulatory guidelines. The part of the book cannot be sold out. So I want one thing to be understood by you very clearly. When a customer is acquired by any source, the KYC is with the bank. Underwriting if it is an asset is with the bank. Management maintenance servicing is with the bank. So, he becomes literally a customer of the bank. If he is approaching him separately for the purpose of any other product, which they are supposed to do it, they are free to do it.
- At the same time, having acquired a customer to any one of these engines, we have all the access for converting them or making them to use our other products. So the probability of we approaching these customers whoever is eligible for other products, we will definitely reap that particular thing. Normally, what we would like to have it, we would like to open the saving fund account. Through saving fund account, we'll be in a position to offer the multiple products. So our ability to increase the wallet share of these credit card customers has increased now.
- Moderator** The next question is from the line of Raghav from Ambit Capital.
- Raghav:** Apologies for harping on this point again. If I look at your total card fee income, the proportion that is retained by you, would it be similar to the -- to your share of the direct sourced fees on the cards in force. Is that correct? Is that understanding correct? Because I was going through one of your past transcripts, you had mentioned that the fee income split is broadly similar to the proportion of the business, which is sourced directly by you and otherwise.
- Jaideep Iyer:** No, Raghav, what we have said repeatedly in the past is that if we look at the PBT ROAs of the Bajaj co-branded portfolio and the rest of the portfolio across multiple co-brands and self-origination, they are roughly similar. And this is, of course, after paying out whatever has to be paid out to BFL, and that continues.
- Moderator** Ladies and gentlemen, we now conclude the Q&A session. If you have any further questions, please contact RBL Bank Limited via e-mail at ir@rblbank.com. I repeat, ir@rblbank.com. Thank you, members of the management. On behalf of RBL Bank Limited, we thank you for joining us, and you may now disconnect your lines. Thank you.
- R. Subramaniakumar:** Thank you.
- Jaideep Iyer:** Thank you, Michelle.
- Bikram Yadav:** Thank you.
- Moderator** Thank you, sir.