



# SBI Card & Payment Services Ltd (IPO)

## General Info

Reco:	Subscribe
Issue Price	Rs 750-755
Face Value	Rs 10
Issue Open	2 <sup>nd</sup> March, 2020
Issue Closed	5 <sup>th</sup> March, 2020
Min Lot Size	19
Issue Size (No. of Equity Shares)	13.719 cr – 13.715 cr
Issue Size (Rs Cr)	Rs 10290 – 10355 cr
Offer for Sale (Rs Cr)	Rs 9790 – 9855 cr
Listing	NSE, BSE
Tentative Listing	16 <sup>th</sup> March, 2020

## Post Issue Shareholding Pattern

	Pre - Issue	Post - Issue
Promoter-SBI	74%	70%
Investor- CA Rover	26%	16%
Public	0	14%

## Issue Break-Up

Category	No. of Shares (In cr)	% of Issues
QIB	6.86- 6.857	50
Non-Institutional	2.058-2.057	15
Retail	4.802-4.8	35%
	No. of Share	
Anchor Investor	36669590	
QIB	24446393	
NII	18334795	
Retail	42781188	
SBI Shareholder Reservation	13052680	
Employee Quota	1864669	

## Objective of the Issue

Purpose	Amt (Rs cr)
OFS	9790-9855
Fresh Issue (Augmenting Capital Base for Future Capital Requirement)	500

\*\*\*Discount on Issue Price: Employee is Getting Discount of Rs 75.

## Company

SBI Card is the second-largest credit card issuer in India, with 18% market share of the Indian credit card market in terms of the number of credit cards and 17.9% market share of the Indian credit card market in terms of total credit card spends as on September 2019.

SBI Cards is 74% owned by State Bank of India and 26% by CA Rover Holdings (Carlyle group).

SBI Card started operations in 1998. SBIC has a sales force of 33,086 outsourced sales personnel operating out of 133 Indian cities. SBIC has a presence in 3,009 open market points of sale across India as of September 30, 2019.

Partnership with SBI provides with access to SBI's extensive network of 22,007 branches across India, which enables to market credit cards to SBI's vast customer base of 43.6cr customers as FY19.



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## Product Portfolio

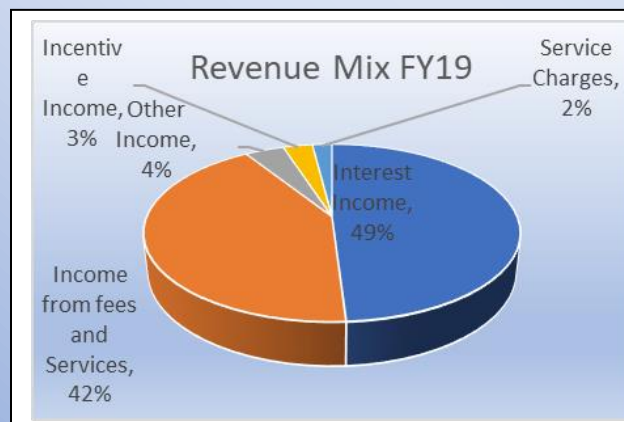
It has credit card portfolio that consist of SBI Card-branded credit cards as well as co-branded credit cards that bear both the SBI Card brand and its co-brand partners' brands. SBI Cards offers four primary SBI Cards Simply Save, Simply Click, Prime and Elite, each catering to different consumers as per their needs.

## Business Model

SBI Cards has its own open market customer acquisitions platform which has 33,086 outsourced sales personnel as of September 30, 2019, operating out of 133 Indian cities and which engages prospective customers through multiple channels, including physical points of sale, tele-sales and online. SBI Cards has referral arrangements with SBI, its promoter, which allows it to access SBI's huge network of over 22,000 branches across India with a customer base of 436.4 mn as of March 31, 2019.

## Revenue

SBI Cards generate its revenue mainly from Interest income on its credit cards receivables and Non-interest income (primarily comprised of fee-based income such as interchange fees, late fees and annual fees, among others). The share of Non- interest income in total operating revenue has gradually increased over the past three fiscal years, from 43.6% in FY17 to 48.9% in FY19.



## Investment Rational

- Strong Promoter:** SBI Card is Promoted by SBI. SBI Holding 74% stake in the company. SBI has huge branch network of 22000 across India and customer base of 43.6 crore. This helps SBI card in reaching out to its parental loyal customer.



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## Investment Rational

- 2. Second Largest Card Issuer:** SBI Card is the Second Largest Card Issuer in India after HDFC Bank. It has Market share of 18% in the Indian Credit Card Market. SBI Card has 8.3 mn Credit Card in Force as on FY19. CAGR growth in Credit Card count is 24% and spend is 44% in last 5 Years.
- 3. Growth Opportunity:** Credit Card penetration in India is one of the lowest in the world. Only 4 per 100 has Credit Card. So, there is huge room for growth in India.  
  
Credit Card spend has grown at rate of 32% CAGR in last 5 Years. Government's cash-less society, digitalization, developments in e-commerce, and growth in POS infrastructure have encouraged the use of credit cards.
- 4. Strong Financials:** SBI Card is Debt Free. Net Interest Margins currently stands at 15.5%. EMI NIMs stand at ~21%-22% respectively. Return on Equity Stands at 24%.
- 5. Innovative Products:** YONO launched in November 2017. It integrates digital platform offered by SBI to enable users to access myriad of financial products and services such as booking Hotel, Taxi, Flights, Shopping, Medical bill etc etc.

## Peer Key Parameters

	FY14	FY15	FY16	FY17	FY18	FY19	Market Share	CAGR Growth (%)
<b>Number of Credit Card (In Cr)</b>								
HDFC Bank	0.51	0.6	0.73	0.85	1.07	1.25	27%	19%
SBI Card	0.29	0.32	0.36	0.46	0.63	0.83	18%	24%
ICICI Bank	0.32	0.33	0.37	0.43	0.5	0.66	14%	16%
Axis Bank	0.14	0.17	0.24	0.33	0.45	0.6	13%	34%
Citi Bank	0.24	0.24	0.24	0.25	0.27	0.27	6%	2%



# SBI Card & Payment Services Ltd (IPO)

## Peer Key Parameters

	FY14	FY15	FY16	FY17	FY18	FY19	Market Share	CAGR Growth (%)
<b>Number of Transaction (In cr)</b>								
<b>HDFC Bank</b>	16.1	19.8	25.3	33.3	40.5	48.6	27%	25%
<b>SBI Card</b>	6.5	7.8	11	15.5	21.2	28	16%	34%
<b>ICICI Bank</b>	7.2	9.1	10.9	15	18.9	24.1	14%	27%
<b>Axis Bank</b>	2.7	4.1	5.9	8.8	12.8	16.8	9%	44%
<b>Citi Bank</b>	9.6	11.2	13.1	17.3	21.9	23.9	13%	20%

	FY14	FY15	FY16	FY17	FY18	FY19	Market Share	CAGR Growth (%)
<b>Average Spend per Transaction</b>								
<b>HDFC Bank</b>	2847	2918	2964	2929	3273	3504		4%
<b>SBI Card</b>	2520	2726	2669	2835	3635	3713		8%
<b>ICICI Bank</b>	2376	2380	2454	2409	2724	2795		3%
<b>Axis Bank</b>	3243	3350	3098	3257	3453	3695		3%
<b>Citi Bank</b>	2785	2764	2716	2548	2236	2227		-4%

## Valuation

The issue is priced at 48.8x 1HFY20 EPS (annualized) of Rs 15.46 and 16x BVPS. SBI Card is growing company, so the higher P/E is justified.

**Recommendation: Subscribe the Issue.**



# SBI Card & Payment Services Ltd (IPO)

## Financials

(Rs Cr)	FY17	FY18	FY19	H1FY20
Interest Income	1888.2	2760	3576	2211.6
Interest Expenses	528.4	711.5	1017.2	621.3
<b>Net Interest Income</b>	<b>1359.8</b>	<b>2048.5</b>	<b>2558.8</b>	<b>1590.3</b>
Non Interest Income	1458	2427	3423.4	2152.4
<b>Net Income</b>	<b>2942.6</b>	<b>4658.7</b>	<b>6269.6</b>	<b>4055.7</b>
Operating Expenses	1839	2929.3	3790.3	2295.5
Pre-Provision Profit	1103.6	1719.4	2479.3	1760.4
Provision	532	800.1	1147.7	725.8
<b>PBT</b>	<b>571.6</b>	<b>919.3</b>	<b>1331.6</b>	<b>1034.6</b>
Tax	198.8	318.2	468.9	308.7
<b>PAT</b>	<b>372.8</b>	<b>601.1</b>	<b>862.7</b>	<b>725.9</b>
<b>EPS</b>	<b>4.75</b>	<b>7.66</b>	<b>10.31</b>	<b>7.73</b>

Net Income is growing at CAGR of 39.7% in last 3 years.

PAT is growing at CAGR of 56.6% in last 3 years. We expect the momentum to continue.

(In Cr)	FY17	FY18	FY19	H1FY20
<b>Equity</b>	785	785	837.2	932.4
<b>Reserve</b>	663.8	1568.1	2744.5	3377.6
<b>Net worth</b>	1448.8	2353.1	3581.7	4310
<b>Borrowing</b>	7729.5	10414.8	12453.7	16181
<b>Other Liabilities &amp; Provision</b>	1586.6	2918.2	4204.2	3968.2
<b>Total Liabilities</b>	<b>10764.9</b>	<b>15686.1</b>	<b>20239.6</b>	<b>24459.2</b>
<b>Cash and Bank Balance</b>	282.9	472.7	776.8	492.7
<b>Investment</b>	0	0	1.5	1.5
<b>Loans</b>	9982.9	14045.5	17908.7	22279.5
<b>Other Assets</b>	499.2	1167.8	1552.7	1685.6
<b>Total Assets</b>	<b>10765</b>	<b>15686</b>	<b>20239.7</b>	<b>24459.3</b>

## Key Ratios

Key Ratio	FY17	FY18	FY19	H1FY20
<b>NIM</b>	15.3	16.5	15.5	15.3
<b>RoA</b>	4	4.5	4.8	6.5
<b>RoE</b>	28.6	31.6	29.1	36.8
<b>GNPA (%)</b>	2.3	2.8	2.4	2.3
<b>NNPA (%)</b>	0.8	1	0.8	0.8
<b>EPS(Rs)</b>	4.8	7.4	9.4	7.73

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