

MSEARCH

IPO OFFERING

SBI CARDS AND PAYMENT SERVICES LTD



About Company

Recommendation: Subscribe for long term

SBI Cards and Payment Services Ltd (“SBI Cards”) is a 2 decade old business engaged in issuing credit cards to consumers in India. The Promoter of the company is State Bank of India (“SBI”) who holds 74%, India's largest commercial bank in terms of deposits, advances and the number of branches and rest is with Carlyle group (26%). SBI cards stands the 2nd largest credit card issuer in India, being one of the leading providers of credit cards with 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding and 17.9% market share of the Indian credit card market in terms of total credit card spends 2019. It offers an extensive credit card portfolio to individual cardholders and corporate clients in different levels of categories. It has diversified credit card portfolio includes partnerships with leading brands across industries like lifestyle, rewards, shopping, travel, fuel, banking partnership cards, and corporate cards, etc. SBI Cards has a diversified customer acquisition network across multiple channels and open market point of sales & access to extensive network of SBI's vast customer base of 44.55 crore customers.

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| Price Band | : Rs. 750 to 755 per share |
| Bid Lot size | : 19 Shares |
| Issue size | : Rs. 10,341 Cr |
| Issue Opens | : March 2nd 2020, Monday |
| Issue Closes | : March 5th 2020, Thursday |
| Min App Amount | : Rs. 14,345 /- at upper band |

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected. SBI Ltd Shareholders Reservation portion: Equity shares aggregating up to Rs.985 Cr, Eligible SBI Ltd Shareholders as on the date of the Red Herring Prospectus i.e.18th Feb 2020.

Msearch View:

We believe SBI Cards IPO offer gives investor a unique opportunity to invest and own the 2nd biggest credit cards issuer in India after HDFC bank. We advise investors to consider following rationales to invest for long term like parentage support from highly trusted brand SBI, a proxy to the fastest growing digital payments space and power of diversified reach of SBI. We also assume favourable Industry growth dynamics with strong levers like rising discretionary spends and significantly underpenetrated Indian Credit Card Industry in place to drive sustainable, profitable growth gives SBI Cards a competitive advantage for long term play. We have seen credit card spends registering growth of CAGR 32% (2015 to 2019) to reach Rs. 6 trillion, and going forward it is expected to reach Rs.15 trillion as of fiscal 2024, which is 2.5 times over fiscal 2019 and we believe SBI Card is well placed to tap the dynamic growth. On valuations parse at upper price band (Rs 755/-), the issue is asking for market cap Rs 70881 Cr with PE 45x times, which seems to be fairly and reasonably valued considering the growth rationales. Hence, we recommend investors to “**SUBSCRIBE**” to the issue for long term basis as well as for listing gains as market always rewards a player who has the growth potential with high returns.