SBI Cards and Payment Services

Cashing in on the cashless surge!

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SBI Cards and Payment Services

BSE Sensex	S&P CNX
49,850	14,762

CMP: INR1,098 **TP: INR1,200 (+9%)** **Neutral**

Stock Info

Bloomberg	SBICARD IN
Equity Shares (m)	939
M.Cap.(INRb)/(USDb)	1032.6 / 13.7
52-Week Range (INR)	1149 / 495
1, 6, 12 Rel. Per (%)	7/8/-1
12M Avg Val (INR M)	2094
Free float (%)	30.6

Financial Snapshot (INR b)

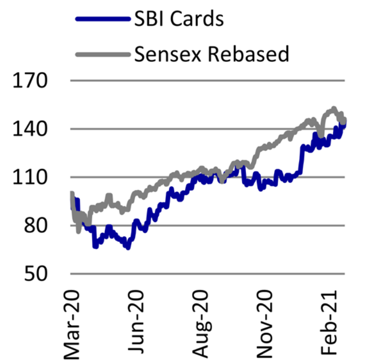
Y/E March	FY20	FY21E	FY22E	FY23E
NII	35.4	42.8	49.5	63.8
OP	36.7	43.1	52.0	65.8
NP	12.4	12.2	18.0	26.4
NIM (%)	16.6	16.7	16.3	16.5
EPS (INR)	14.0	13.0	19.2	28.1
EPS Gr. (%)	31.4	(7.5)	47.7	46.6
BV/Sh. (INR)	56.9	68.6	86.0	111.7
ABV/Sh. (INR)	55.7	65.3	82.0	107.9
Ratios				
RoE (%)	27.9	20.7	24.8	28.4
RoA (%)	5.5	4.6	5.7	6.6
Valuations				
P/E(X)	78.3	84.7	57.3	39.1
P/BV (X)	19.3	16.0	12.8	9.8
P/ABV (X)	19.7	16.8	13.4	10.2

Shareholding pattern (%)

As On	Dec-20	Sep-20
Promoter	69.4	69.5
DII	3.9	3.2
FII	5.8	5.9
Others	20.9	21.4

FII Includes depository receipts

Stock Performance (1-year)



Cashing in on the cashless surge!

Return ratios to remain superior; initiate with Neutral

- **SBI Cards and Payments Services Ltd (SBICARD) has strengthened its position as the second largest card player in the country – with market share of ~19% in o/s cards and ~20% in overall spends. The company has an o/s card base of ~11.5m and has doubled its card base over the past three years at an average incremental market share of 23%.**
- **SBICARD has access to parent SBIN's vast network of ~22k branches and customer base of ~450m, along with strong open market sourcing capabilities. Thus, it remains well-placed to capitalize on growth opportunities in a highly underpenetrated market.**
- **The company has delivered average RoA/RoE of ~5%/29.5% over FY18–20. While COVID-19 has disrupted the growth trajectory, recovery has been fairly sharp, with retail spends surpassing pre-COVID levels.**
- **We estimate a loan book / earnings CAGR of 27%/47% over FY21–23E, while margins are likely to remain broadly stable. We estimate credit cost to moderate gradually, and expect the company to report healthy return ratios with RoA/RoE of 6.6%/28.4% in FY23. We initiate coverage with a Neutral rating and TP of INR 1,200 (43x FY23E EPS).**

India – one of the lowest card penetration rates globally

India's credit card base has increased at a 22% CAGR over the past five years to ~60m, while total spends have improved at a faster 31% CAGR during this period. Thus, the credit card penetration rate has increased ~230bp to 3.8% in the past five years. However, this remains much lower v/s most other countries. Furthermore, the credit card penetration to banks' internal customers stands at a meager ~7% (the lowest for SBI Cards at 3.8%), providing ample cross-sell opportunities. Therefore, we believe a highly underpenetrated market – coupled with a higher thrust for digital payments, rising e-commerce, and efforts towards making the economy a cashless one – provides strong structural growth opportunities.

Strong parentage + open market sourcing to enable robust growth

SBI Cards has strengthened its position as the second largest player – with market share of ~19% in o/s cards and ~20% in spends. It enjoys SBI's strong parentage, with an extensive network of ~22k branches and a vast customer base of ~450m. The company has grown its outstanding cards at a 27% CAGR over the past five years. On the other hand, the customer acquisition rate has reversed to normal levels as the impact of COVID-19 has waned. On account of robust distribution, SBICARD is well-placed to capitalize on growth opportunities as the market remains significantly underpenetrated.

Growth momentum to accelerate – COVID impact waning steadily

The Credit Card industry has demonstrated a strong resilience as both card spends and new customer acquisitions have reached near pre-COVID levels. SBI Cards' spend rate has reached pre-COVID levels (>100% in retail spends), while it has gained ~50bp market share in outstanding cards.

We believe a gradual uptick in the economy, along with a higher mix of online/retail spend, would accelerate the growth momentum. Thus, we expect o/s credit card / spend CAGR of 22%/27% over FY21–23E; SBICARD numbers would be higher at a 27%/32% CAGR.

Underlying profitability strong enough to absorb credit shocks

We believe the underlying profitability for the business remains strong, which allows the absorption of asset quality shocks. We note that despite elevated credit cost of ~9% over FY20, RoA/ROE came in strong at 5.5%/28%. Even for 9MFY21, credit cost remains elevated at 10.5%, yet return ratios were steady at 4.3%/18.5%. While we expect delinquencies to remain high given the unsecured nature of the book – which would keep credit costs elevated – return ratios are likely to remain healthy and improve gradually as credit cost moderates. We expect NNPA to moderate to 1.2% by FY23, while PCR would sustain at ~72%.

Earnings outlook improving gradually; FY23E RoE to revive to ~28%

Over FY15–20, SBI Cards reported a PPoP/PAT CAGR of 49%/36% and an average RoA/RoE of ~5%/29%. Robust NII and a superior margin profile, along with healthy fee income, have resulted in a strong operating performance. We believe a high proportion of the interest earnings book, coupled with an increase in fee income, would remain the key earnings driver – even as credit cost may remain elevated (particularly up to FY22). We expect SBI Cards to report earnings CAGR of 47% over FY21–23E, with a superior RoA/RoE of 6.6%/28.4% by FY23.

Valuation and view – initiate coverage with a Neutral rating

SBI Cards has demonstrated a strong track record in growing its cards book / earnings. This has enabled it to strengthen its lead as the second largest card player in terms of both o/s cards and spends. The company has delivered average RoA/RoE of ~5%/29.5% over FY18–20. While COVID-19 has disrupted the growth trajectory, recovery has been fairly sharp, with retail spends exceeding pre-COVID levels. We expect a loan book / earnings CAGR of 27%/47% over FY21–23E, while margins would remain broadly stable. Asset quality is likely to remain under pressure with a higher proportion of the book under restructuring. Therefore, credit cost is likely to remain elevated in the near term and moderate from FY23. We estimate the company to report healthy return ratios with RoA/RoE of 6.6%/28.4% in FY23. **We initiate coverage with a Neutral rating and TP of INR 1,200 (43x FY23E EPS).**

Exhibit 1: Peer valuation metrics

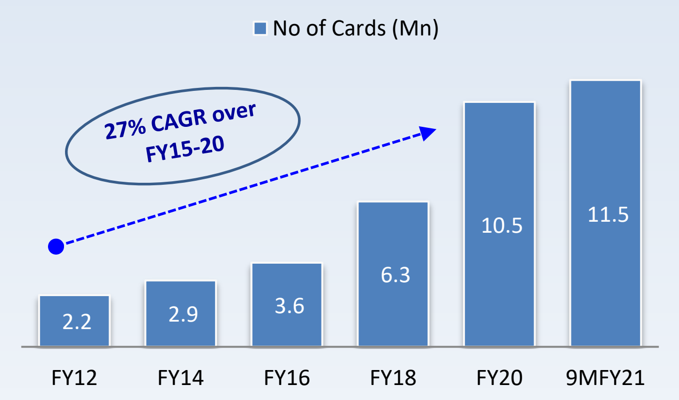
Co Name	Country	MCap (USD b)	RoA (%)				RoE (%)				P/E (x)			
			CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E
Visa Inc.	US	469.3	17.0	15.0	15.5	18.6	35.2	31.8	33.2	38.0	30.6	42.4	38.7	30.7
JPMorgan Chase	US	449.1	1.4	0.8	0.9	1.0	15.0	10.0	12.6	13.3	13.7	19.0	14.2	13.0
Mastercard	US	351.5	30.0	22.6	24.1	28.4	143.2	109.5	123.2	140.7	44.3	56.0	44.0	34.1
Citigroup Inc.	US	137.5	1.0	0.5	0.6	0.7	9.9	5.1	7.3	8.4	8.2	15.4	10.1	8.2
American Express	US	109.0	3.5	1.4	2.6	3.3	29.6	13.0	22.2	30.1	16.9	40.2	20.9	15.2
Capital One	US	55.2	1.5	0.6	1.3	1.3	10.2	1.9	9.1	9.5	10.8	45.2	9.8	9.1
Discover Financial	US	28.9	2.6	0.8	2.3	2.5	26.0	10.2	24.6	25.5	10.3	27.9	10.6	9.0
SBI Cards*	**IN**	**14.0**	**4.8**	**5.5**	**4.6**	**5.7**	**29.1**	**27.9**	**20.7**	**24.8**	**103.0**	**78.3**	**84.7**	**57.3**

*For SBI cards, the datapoints pertain to financials year and not calendar year

Source: MOFSL, BBG, Company

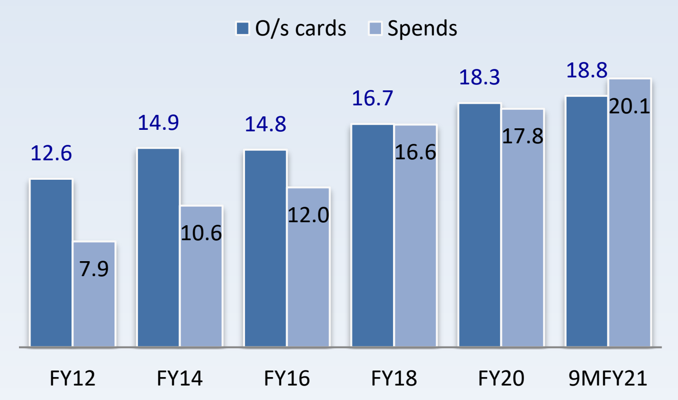
STORY IN CHARTS

Exhibit 2: No of cards grew at 27% CAGR over FY15–20



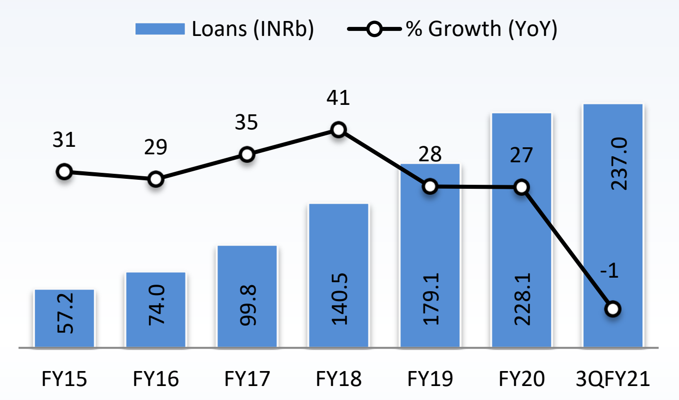
Source: MOFSL, RBI, Company

Exhibit 3: Second largest player with market share of ~20%



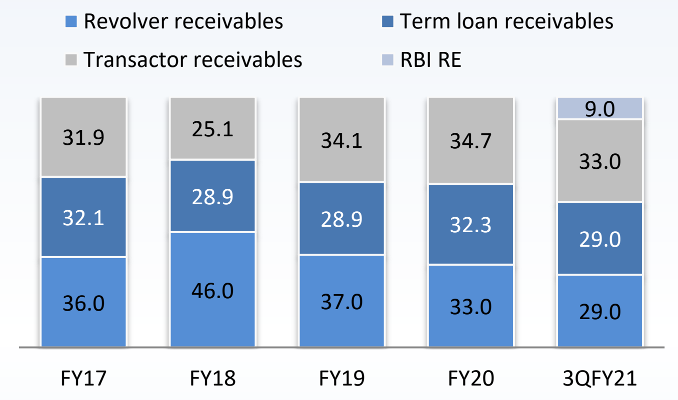
Source: MOFSL, RBI, Company

Exhibit 4: Second largest book; 32% CAGR over FY15–20



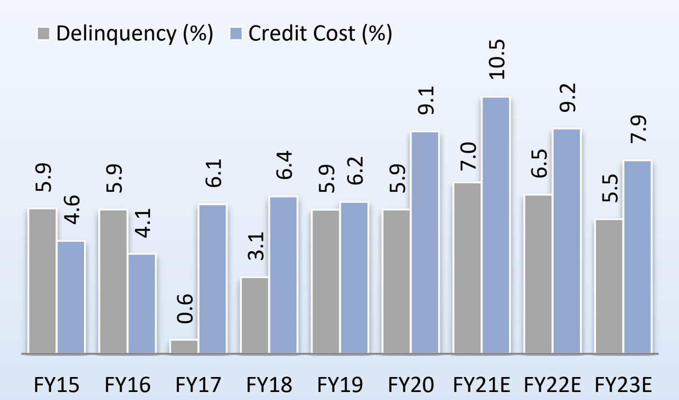
Source: MOFSL, Company

Exhibit 5: Loan mix equally split; 2/3rd earnings interest (%)



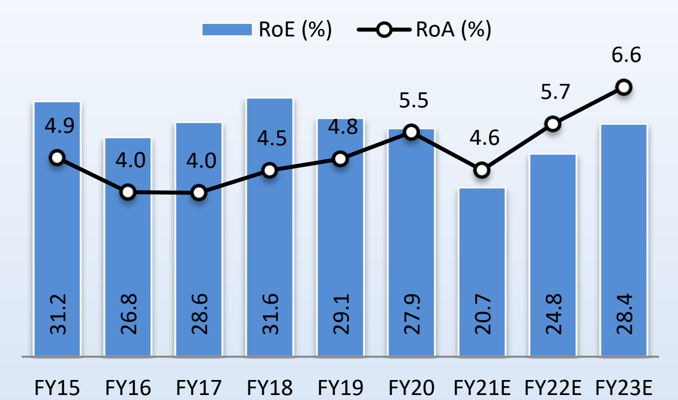
Source: MOFSL, Company

Exhibit 6: Credit cost to moderate gradually from FY23



Source: MOFSL, Company

Exhibit 7: RoA/RoE to remain robust at 6.6%/28.4% in FY23E



Source: MOFSL, Company

SBI Cards – Riding the cashless wave!

SBI Cards is the second largest player, with market share of ~19% in terms of cards o/s and ~20% in spends as of 9MFY21

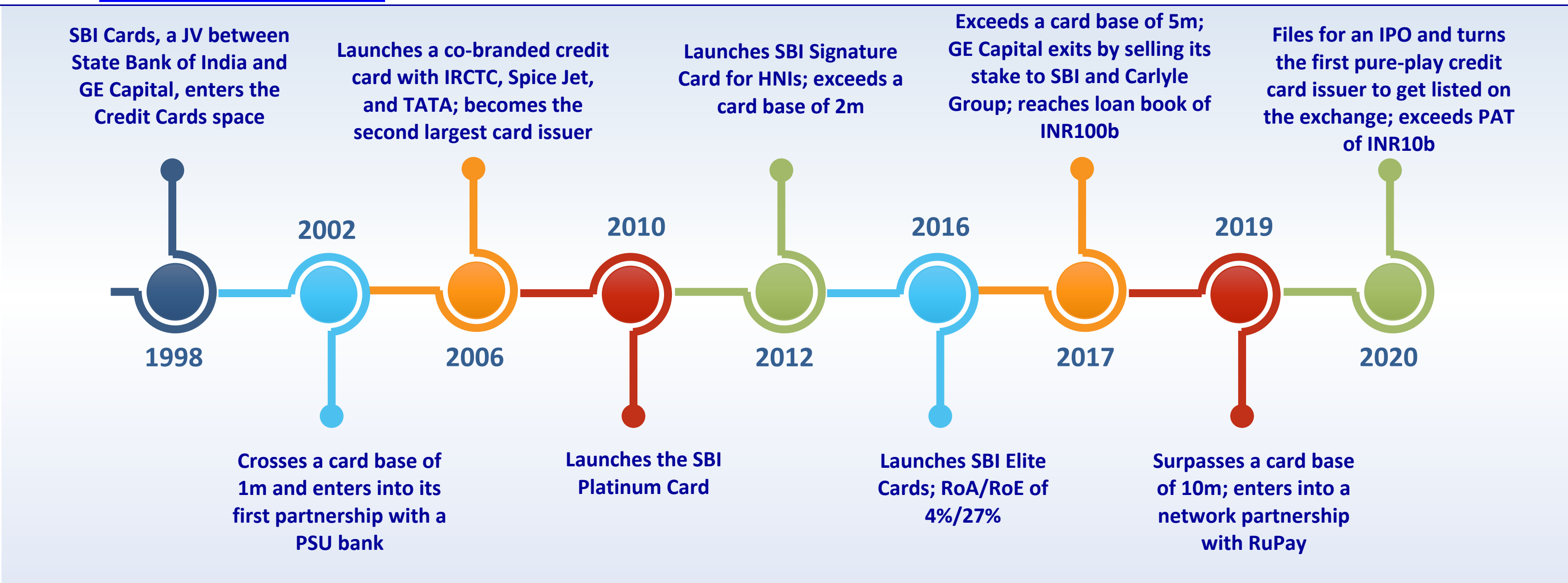
SBICARD was founded in 1998 as a JV between GE Capital and India's largest bank, SBI. In FY17, GE Capital exited by selling its stake to the Carlyle Group, post which SBI held 74% stake and Carlyle held 26% stake. Post the IPO, SBI and Carlyle hold 69.4% and 15.9%, respectively. SBICARD is the only standalone and second largest credit card issuer, with market share of ~18% in terms of o/s cards and spends as of FY20 (18.8% and 20.1% as of 9MFY21). It had an o/s card base of ~11.5m as of 9MFY21. SBI Cards leads the market in open market sourcing and has access to its parent's massive customer base of ~450m.

SBI Cards caters to the two main financial needs of its customers: **transactional needs and short-term credit**. Hence, it primarily has two sources of income – a) interest income on its credit card receivables and b) non-interest income, comprising various forms of fee-based income (evenly split).

SBICARD is the largest co-branded card issuer in the country

Other top credit card issuers such as HDFC Bank, ICICI Bank, Axis Bank, and RBL Bank operate within the banking structure. SBICARD has a comprehensive product suite that offers ~45 different categories of cards, with ~40% being premium cards. It is the largest player in terms of co-branded cards – it has 18 card offerings across various categories.

EVOLUTION OF SBI CARDS



Acceleration in business volumes to drive profitability

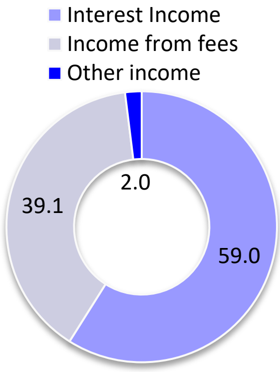
SBI Cards focuses on catering to the two main financial needs of its customers: **transactional needs and short-term credit.** Thus, it generates income primarily from two sources: **interest income on its credit card receivables** and **non-interest income, comprising various forms of fees.**

Interest income comprises ~52% of total income, with around two-thirds of the book earning interest

Interest income: Interest income primarily pertains to income derived from its interest-earning assets. These comprise revolving credit card balances and term loans (primarily related to equated monthly installments). Cardholders have the option to "revolve" their balances or repay their obligations over a period of time at a fixed interest rate. Term loan receivables usually carry lower interest rates (15–24%) than revolving credit card balances (36–42%). Interest income constituted ~52% of the total revenue from operations in FY20 (55% in 9MFY21), against ~56% in FY17. As of FY20, revolver receivables constituted ~33% of the total receivables and term receivables formed ~32%, with the balance being transactor receivables.

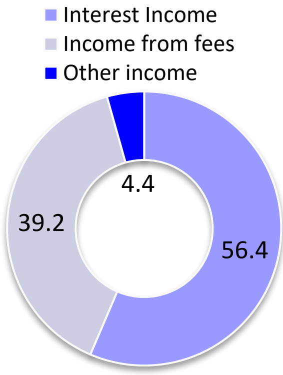
Quantum of fee income increasing consistently, led by higher spends

Exhibit 8: Income breakup as of FY14 (%)



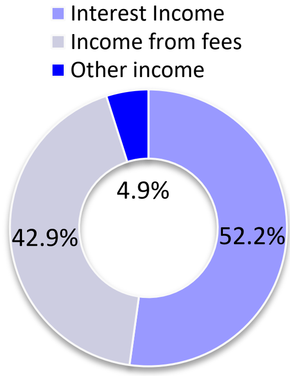
Source: MOFSL, Company

Exhibit 9: Income breakup as of FY17 (%)



Source: MOFSL, Company

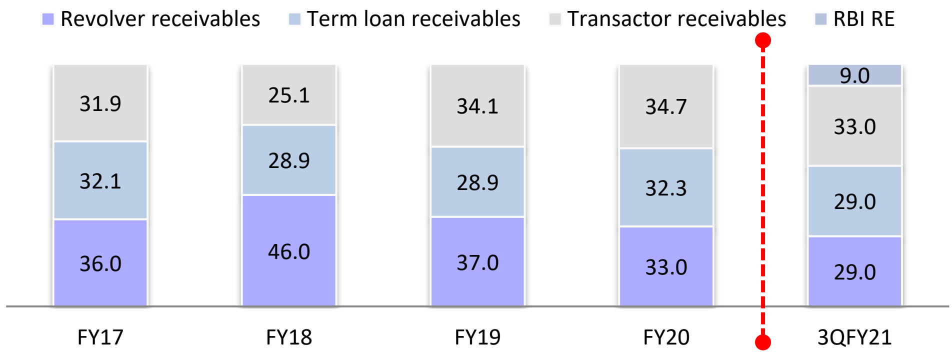
Exhibit 10: Income breakup as of FY20 (%)



Source: MOFSL, Company

Higher mix of revolver and term loan receivables has enabled healthy growth in interest income

Exhibit 11: Revolver receivables comprised ~29% of total receivables as of 9MFY21 (%)



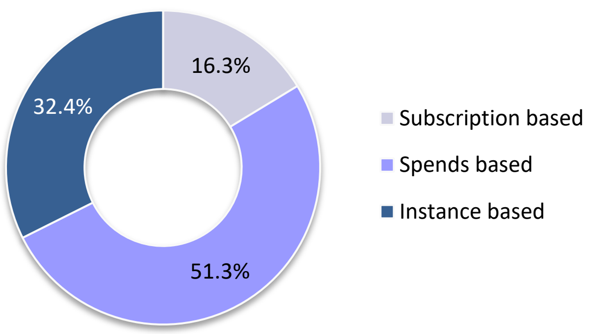
Source: MOFSL, Company

Higher proportion of spend-based fee reiterates the customer is spending more – a value-accretive for the company

Income from fees and services: Income from fees and services primarily relates to the various types of fees and charges the acquirer generates from its operations. Income from fees and services comprises ~43% of the total revenue from operations for the period ended FY20 (40% in 9MFY21) v/s 39% in FY17. Income from fees and services comprises the following:

- **Subscription-based fees:** These primarily consist of the credit card membership fees and annual credit card fees charged to cardholders; they comprised ~16% of the total fee income for FY20 (17% for 9MFY21).
- **Spend-based income:** Spend-based income primarily consists of the interchange fee earned on transactions carried out by cardholders (~1.6%). Additionally, the company earns foreign exchange markup income on international transactions using its credit cards. This income comprised 51% of the total fee income in FY20 (45% in 9MFY21).
- **Instance-based fees:** Instance-based fees primarily consist of a wide range of fees charged to cardholders – such as late fees, reward redemption fees, cash withdrawal fees, overlimit fees, payment dishonor fees, processing fees or service charges for various cross-sell or value-added products, and statement retrieval charges. These comprised ~32% of the total fee income in FY20 (38% in 9MFY21).

Exhibit 12: Spend-based fees formed ~51% of total fees…



Source: MOFSL, Company

Exhibit 13: …suggesting value proposition for company

Fee Income breakup (%)	FY17	FY18	FY19	FY20	9MFY21
Subscription-based	16.1	15.0	14.2	16.3	17.5
Spend-based	53.0	53.9	53.5	51.3	44.9
Instance-based	31.0	31.1	32.3	32.4	37.6

Source: MOFSL, Company

Other sources of revenue form ~5% of total revenues

Other sources of revenue from operations

- **Service charges** primarily comprise commissions from third-party product sales (such as card protection plans), share of accelerated reward points, cost recovered from partners, brand association fee charged to partners, transaction revenue from aggregators, etc.
- **Business development incentive income** consists of contractual business development incentives earned from payment networks. These incentives are dependent on multiple variables, such as an increase in the total credit card spends, the total credit cards outstanding, and new product launches.
- **Insurance commission income** comprises commissions or incentives earned as a corporate insurance agent through selling partners' insurance products to the company's cardholders.

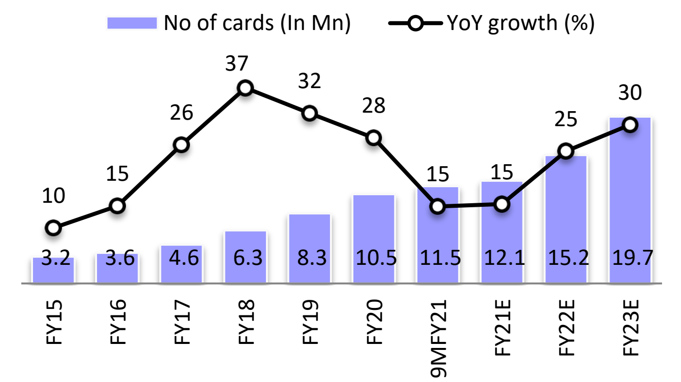
Steadily gaining market share; comprehensive product suite to aid further traction

Highest number of cards added in past three years (23% incremental share)

SBI Cards grew its total number of cards to 10.5m in FY20 (11.5m in 9MFY21) from 3.2m in FY15 – at a CAGR of 27% over FY15–FY20. On the back of this, the company has emerged as the second largest player. As a result, SBI Cards' market share increased to 18.3% in FY20 (18.8% as of Dec'20) from 15.0% in FY15. This is attributable to a comprehensive product suite – SBI Cards has a higher proportion of premium cards and the highest number of co-branded credit cards (18) in the market. Furthermore, sourcing from internal customers increased at a 57% CAGR over FY17–FY20 v/s a 29% CAGR seen in other sourcing channels. This has enabled SBI Cards to gain the highest incremental market share in the past few years.

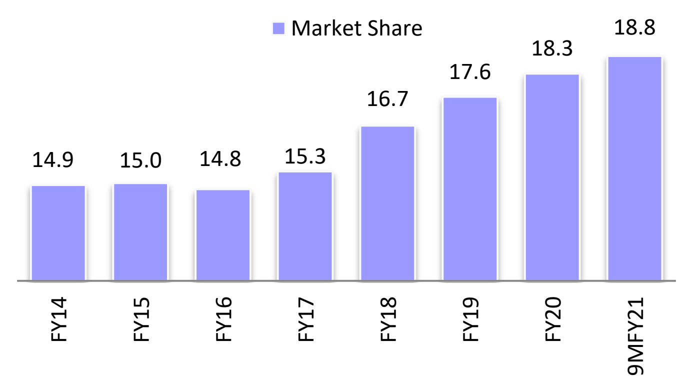
Despite this robust growth trajectory, the penetration of credit card customers to internal customers (number of credit cards as a percentage of the number of debit cards) remains the lowest for SBI Cards at ~3.8%. In comparison, the penetration is 6.7% for the industry and 14–44% for other major peers, which presents ample growth opportunities for the company. Thus, we believe SBI Cards would maintain its growth momentum by further leveraging its vast customer base. We expect the number of cards to grow at a 27% CAGR over FY21–23E, higher than the industry, enabling further gains in market share.

Exhibit 14: O/s cards grew at a 27% CAGR over FY15–20



Source: MOFSL, Company, RBI

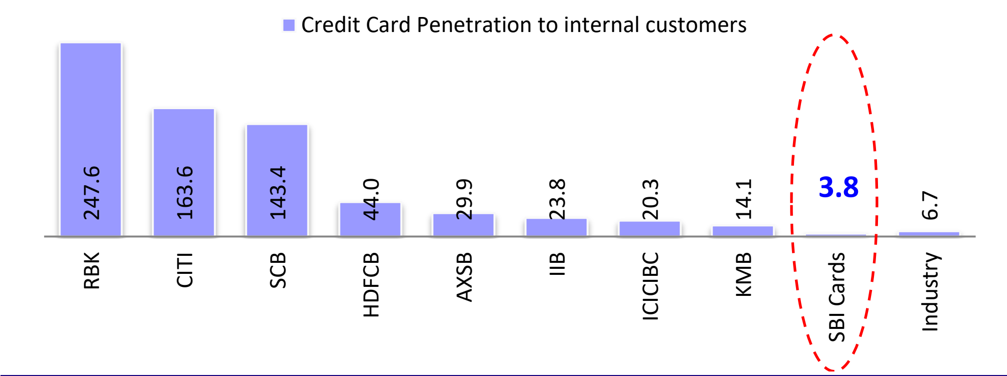
Exhibit 15: Market share increased to 18.8% from 15.0%



Source: MOFSL, Company, RBI

Lower penetration of credit cards to debit cards presents strong growth potential

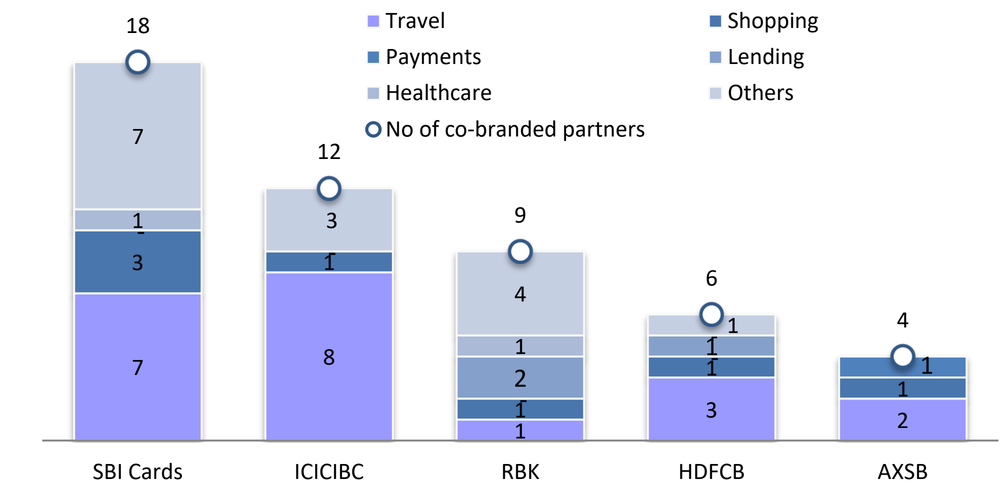
Exhibit 16: Credit card penetration to internal customers remains lowest in SBI Cards (%)



*For SBI Cards, we have taken debit cards of SBIN to compute the ratio Source: MOFSL, Company, RBI

SBI Cards has the highest number of co-branded credit cards

Exhibit 17: Snapshot of co-branded credit cards offered by major players across categories



Source: MOFSL, Company

SBI Cards has a higher proportion of premium card offerings

Exhibit 18: Total no. of cards and premium cards offered by major players

	SBI Cards	HDFCB	ICICIBC	AXSB	RBK	IIB
Total no of cards offered	**46**	20	33	21	30	23
% of premium cards offered	**40%**	20%	45%	25%	25%	70%
Range of fees for paid cards	**INR500–INR5k**	INR500–INR10k	INR200–INR10k	INR250–INR10k	INR500–INR5k	INR250–INR25k

Source: MOFSL, Company

Exhibit 19: Comprehensive product suite across categories

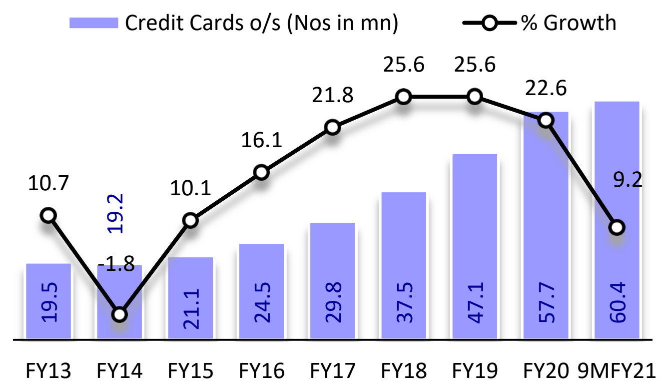
Source: MOSL, Company

Credit Card industry – resilient performance

Growth momentum to accelerate

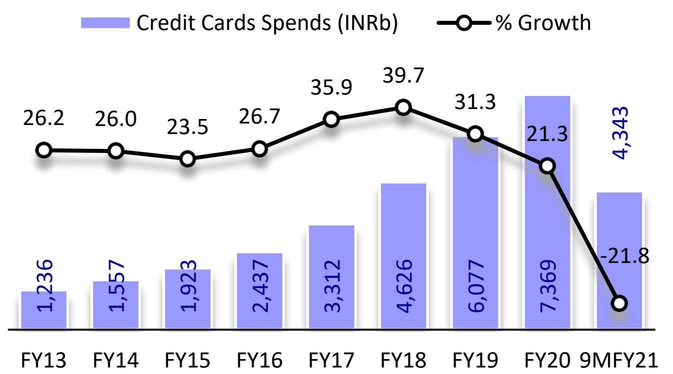
- India's Credit Card industry has been growing at a rapid pace for the past few years, led by an increased focus on digitalization and growing e-commerce. As a result, the total number of credit cards in the system grew to 57.7m in FY20 (~60.4m in 9MFY21) from 17.7m in FY12. While the number of credit cards grew at a 20% CAGR over FY14–19, credit card spends grew at a much higher pace of 31% to INR7.4t in FY20.
- Credit card spend constituted ~2.8% of GDP in 1HFY21 (3.6% in FY20) v/s 1.1% in FY12. The total credit card loans outstanding stands at INR1.1t, forming ~1.0% of the total credit, v/s 0.4% in FY12.
- The Credit Card industry has demonstrated a strong resilience – both card spends and new customer acquisitions have recovered well from the lows of COVID-19. We believe a gradual uptick in the economy, coupled with a higher mix of online/retail spend, would accelerate the growth momentum. Thus, we estimate o/s credit card/spend CAGR of 22%/27% over FY21–23E.

Exhibit 20: Cards o/s grew at 20% CAGR over FY14–19…



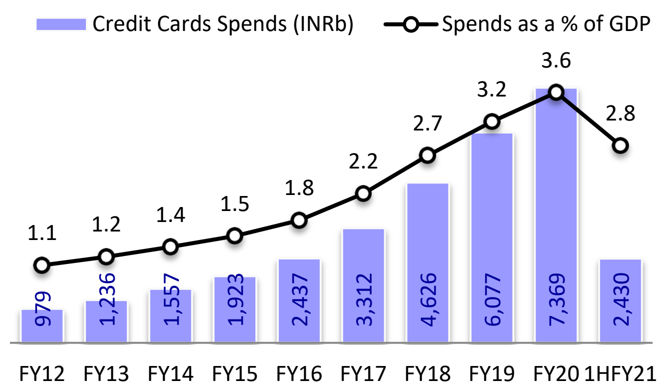
Source: RBI, MOFSL

Exhibit 21: …and spends grew at 31% CAGR over FY14–19



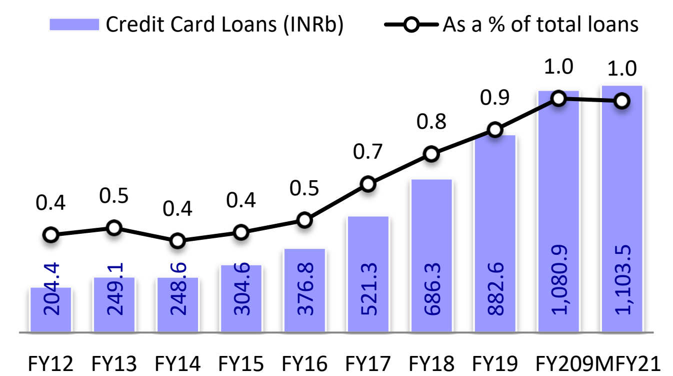
Source: RBI, MOFSL

Exhibit 22: Spends formed 3.6% of GDP in FY20



Source: RBI, MOFSL

Exhibit 23: Credit card loans formed ~1% of total loans

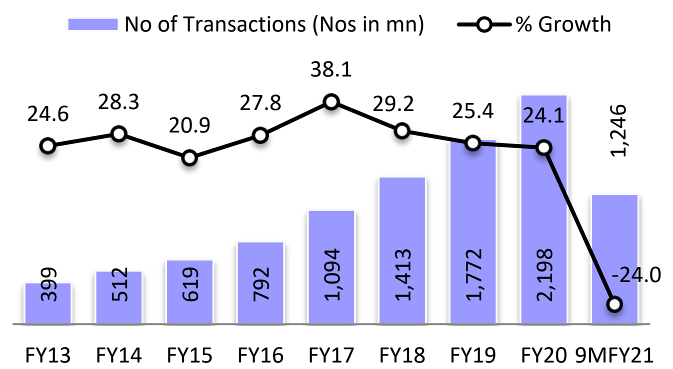


Source: RBI, MOFSL

- We further note that the number of transactions has grown at a 28% CAGR over FY14–19, resulting in an increase in annual spend per card to INR144k in FY19 from INR82k in FY14. This suggests the increased use of credit cards by existing customers and a higher acceptance of credit cards as a mode of payment.

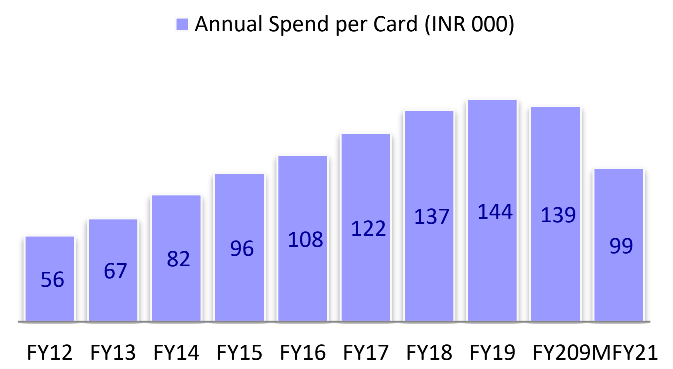
Although the average ticket size (transaction value per swipe) was stable at ~INR3k over FY12–17, it increased considerably to ~INR3.4k over FY18–20. The number of transactions per card per month increased multifold to 3.5x in FY20 from 1.5x in FY12. Although these parameters were impacted over 9MFY21, we expect gradual improvement thereafter.

Exhibit 24: No of transactions grew 28% CAGR over FY14–19



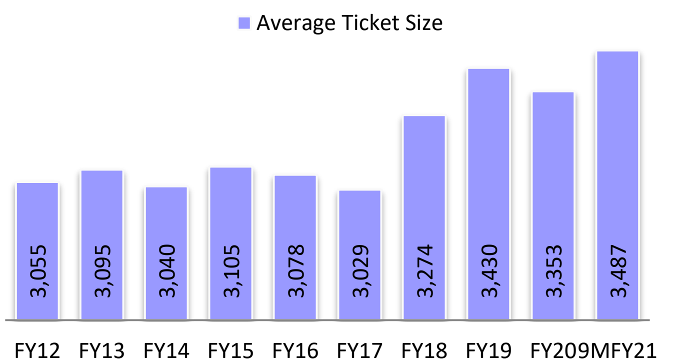
Source: MOFSL, RBI

Exhibit 25: Spend per card doubled in the last 6–7 years



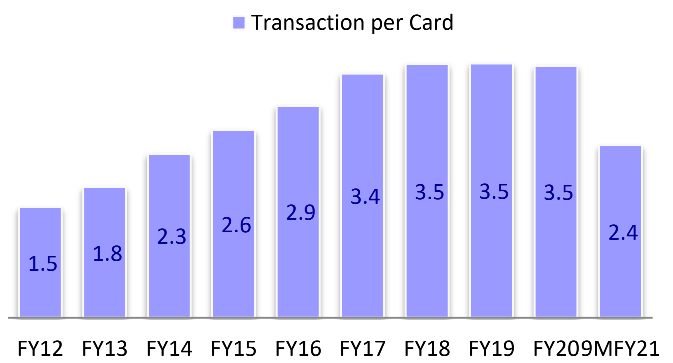
Source: MOFSL, RBI

Exhibit 26: Average ticket size increased over FY18–20 (INR)



Source: MOFSL, RBI

Exhibit 27: Transaction per card stands at 3.5x per month

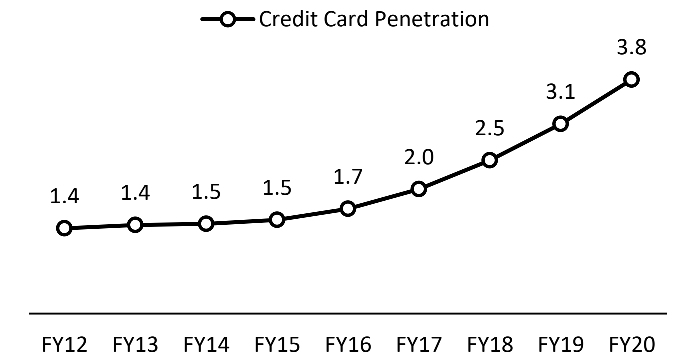


Source: MOFSL, RBI

Underpenetrated market provides ample growth opportunities

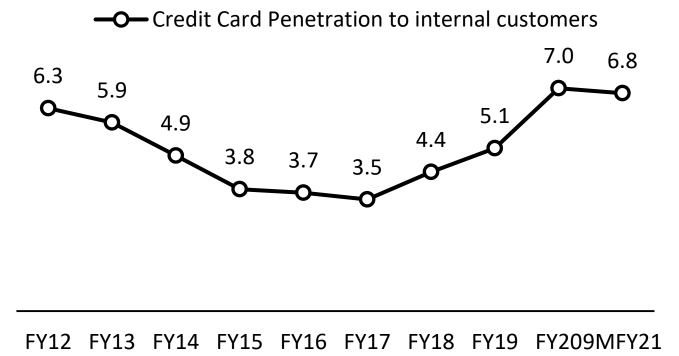
- Although the Credit Card industry has grown at a rapid pace, the penetration level in India remains far lower at 3.8% of the total population (per 100 people) – compared with global peers such as the US (320%), Hong Kong (265%), Singapore (155%), and Japan (214%). Spend as a percentage of GDP also remains low at ~3.6% v/s 25% for Hong Kong and 17% for the US.
- Furthermore, we note the credit card penetration to banks' internal customers – calculated as the total number of credit cards to debit cards –stands at just 6.8%. This provides ample cross-sell opportunities for the banks to increase their customer bases. Thus, we believe a highly underpenetrated market – coupled with increasing digital infrastructure, push towards a cashless economy, and increasing e-commerce – bodes well for sustainable growth opportunities in the medium term.

Exhibit 28: Card penetration stands at ~4% of the population (per 100 people)



Source: MOFSL, Company

Exhibit 29: Credit card penetration to internal customers remains low at 6.8%



Source: MOFSL, RBI, Company

Exhibit 30: Credit card penetration in India – among the lowest in the world

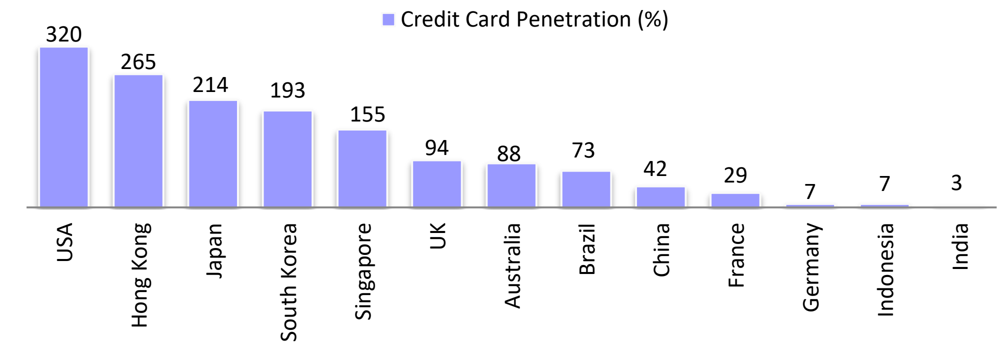
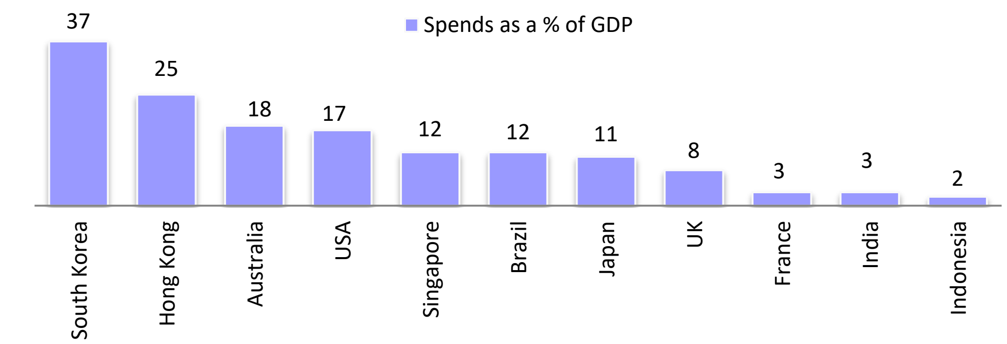
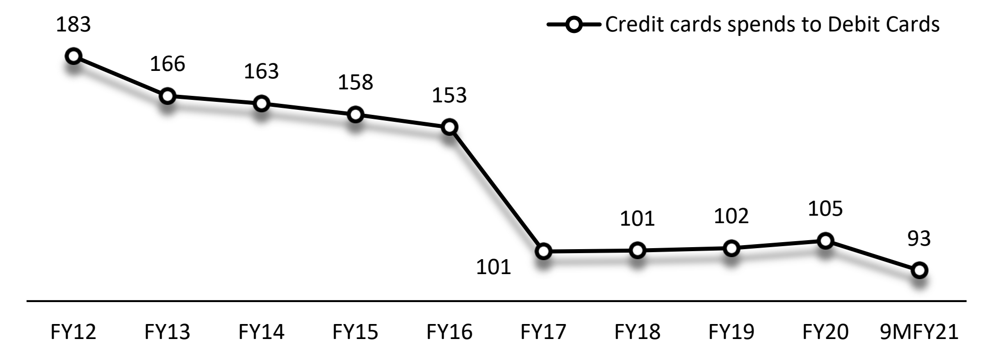


Exhibit 31: Spend as % of GDP in India – among the lowest in the world (%)



Source: MOFSL, Company

Exhibit 32: Credit card to debit card spend ratio (POS/online) up over FY16-19, but impacted by COVID in FY21YTD (%)

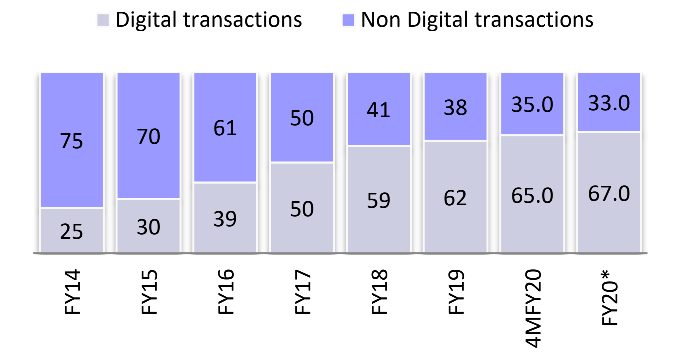


Source: MOFSL, RBI

Digital landscape gaining traction; lower penetration presents opportunity

Over the past few years, the acceptance of digital modes of payment has increased manifold, with the percentage of transactions occurring through the digital mode increasing to 65% in FY20 from 25% in FY14. The pace has accelerated post the demonetization in Nov'16, further fueled by an expanding E-Commerce industry – it grew at a CAGR of 32% to INR2.9t, while the Digital Payments market grew at a 16% CAGR over FY14–19. Non-cash payment transactions per capita per annum remain among the lowest. These present huge potential, which would further be aided by growth in e-commerce.

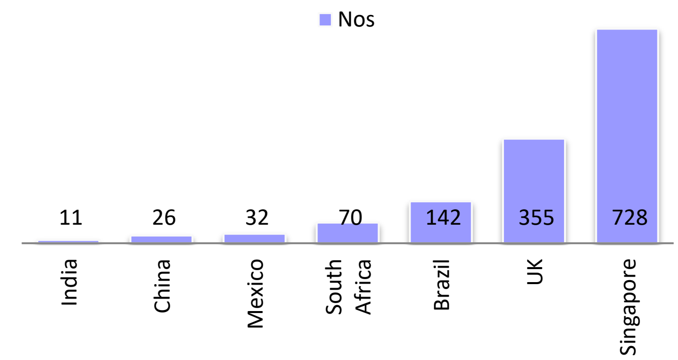
Exhibit 33: Rising share of digital transactions, led by E-Commerce and Digital Payments (%)



* Based on MOSLe

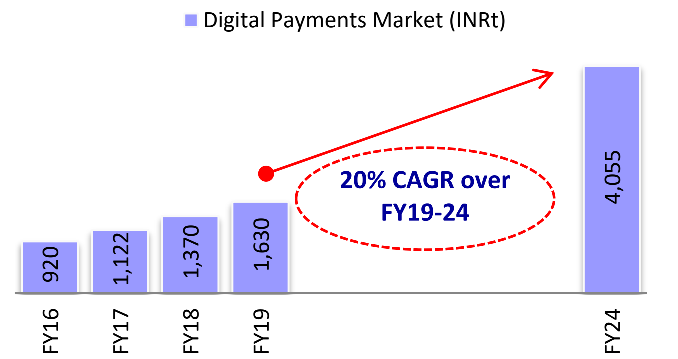
Source: MOFSL, Company, RBI, CRISIL

Exhibit 34: Non-cash payment transactions per capita per annum remain the lowest; present huge potential



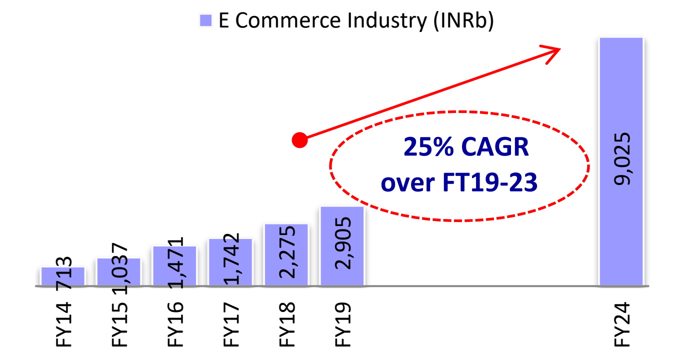
Source: MOFSL, Company, NITI Aayog

Exhibit 35: Digital Payments grew at 21% CAGR over FY16–19



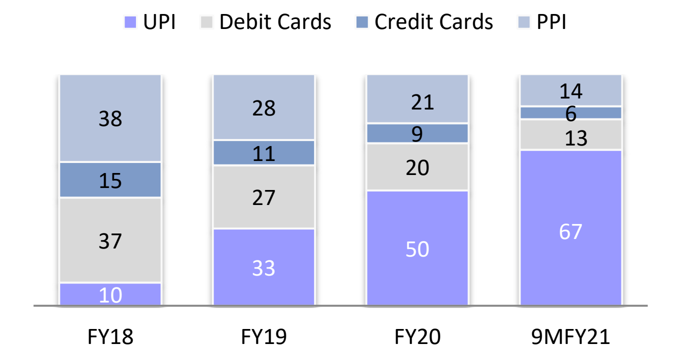
Source: MOFSL, Company, RBI, CRISIL

Exhibit 36: E-Com industry grew at 32% CAGR over FY14–19



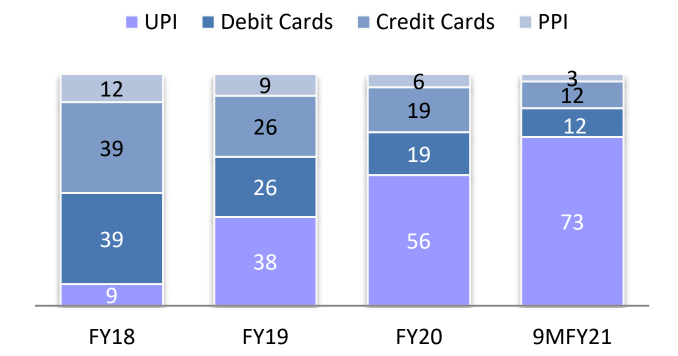
Source: MOFSL, Company, CRISIL

Exhibit 37: Digital Payments market share (volume-wise, %)



Source: MOFSL, Company, RBI, CRISIL

Exhibit 38: Digital Payments market share (value-wise, %)



Source: MOFSL, Company, CRISIL

From where does SBI Cards source its customers?

SBI Cards has a diversified customer acquisition network comprising various distribution channels, such as banca (for selling to existing bank customers) and open market (for acquiring customers). The SBI platform provides access to SBI's extensive network of ~22k branches across India, enabling SBI Cards to market its credit cards to the parent's vast customer base of ~450m. The proportion of new accounts sourced from SBI's existing customer base increased to ~50% in FY20 from ~35% in FY17.

SBI Cards is the largest acquirer from open market channels

The open market channel involves sourcing customers from various locations (such as retail stores, airports, and malls), telesales, direct applications through websites, and co-branding partnerships. As per a CRISIL report, SBI Cards leads the industry in open market cardholder acquisitions. It has a salesforce of ~33k outsourced personnel operating across 145 cities, and a presence in ~3k open market physical points of sale. Of the aforesaid outsourced sales personnel, ~4,173 of the outsourced workforce is in telesales. The proportion of new accounts sourced from open market channels stood at ~50% in FY20 v/s ~64% in FY17.

While sourcing from open market channels increased over FY20, the COVID-19 outbreak has impacted acquisitions from these channels – weighed by the lockdown and restrictions on movement. As a result, incremental sourcing has been higher from SBI's banca channel (~55% over 9MFY21). Going forward, we expect this trajectory to continue and the mix of the banca channel to increase over the medium term.

Exhibit 39: Customer sourcing from banca has improved

New card acquisitions (In m)	FY17	FY18	FY19	FY20
Open Market Channel	0.79	1.37	1.26	1.72
- Retail	0.44	0.70	0.42	NA
- Co branded	0.35	0.67	0.84	NA
Banca Channel	0.44	1.15	1.57	1.69
Corporate Distribution Channel	0.01	0.01	0.01	NA
Total addition	**1.24**	**2.53**	**2.84**	**3.41**

Source: MOFSL, Company

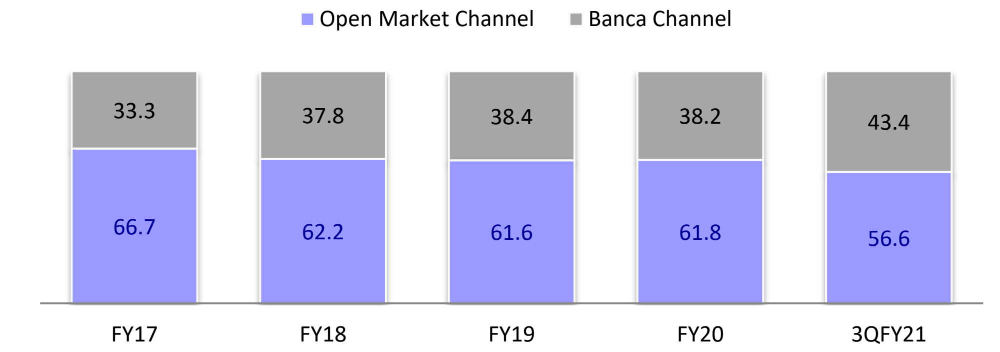
Exhibit 40: Open market acquisitions increased in FY20

New card acquisitions (%)	FY17	FY18	FY19	FY20
Open Market Channel	63.7	54.2	44.4	50.5
- Retail	35.5	27.7	14.8	NA
- Co branded	28.2	26.5	29.6	NA
Banca Channel	35.5	45.5	55.3	49.5
Corporate Distribution Channel	0.8	0.4	0.4	NA
Total addition	**100.0**	**100.0**	**100.0**	**100.0**

Source: MOFSL, Company

The mix of credit cards from the banca channel is likely to increase over the medium term

Exhibit 41: ~57% of o/s cards are acquired via open market channel (%)



Source: MOFSL, Company

Most new customer acquisitions have historically been concentrated in the top eight metropolitans; however, in recent years, contribution from the tier II and tier III cities has increased – it rose to 43% in 3QFY21 from ~29% in FY17. From other areas, it increased to 15% in 3QFY21 from 4% in FY17. This highlights the growing acceptance and penetration of credit cards in lower tier cities, which should enable the company to further expand its customer base.

Exhibit 42: Acquisitions from below tier I cities on an uptick

New card acquisitions (In m)	FY17	FY18	FY19	9M FY20	3Q FY21
Top eight metropolitan area	0.83	1.37	1.22	1.07	0.20
Tier II metropolitan area	0.23	0.47	0.50	0.46	0.15
Tier III metropolitan area	0.13	0.34	0.39	0.36	0.06
Others	0.05	0.35	0.73	0.67	0.07
Total addition	**1.24**	**2.53**	**2.84**	**2.56**	**0.48**

Source: MOFSL, Company

Exhibit 43: Top 8 metropolitans form ~42% of new additions

New card acquisitions (%)	FY17	FY18	FY19	9M FY20	3Q FY21
Top eight metropolitan area	66.9	54.2	43.0	41.8	42.0
Tier II metropolitan area	18.5	18.6	17.6	18.0	31.0
Tier III metropolitan area	10.5	13.4	13.7	14.1	12.0
Others	4.0	13.8	25.7	26.2	15.0
Total addition	**100**	**100**	**100**	**100**	**100**

Source: MOFSL, Company

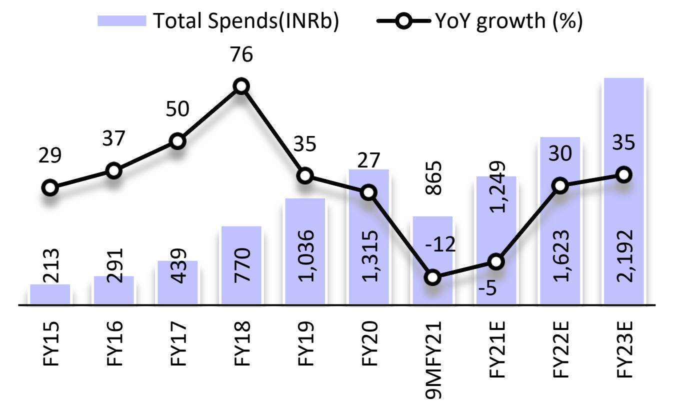
Growth momentum to accelerate – COVID impact waning steadily

SBI Cards grew its total spend at a 44% CAGR over FY15–FY20 to reach INR1.3t in FY20. Healthy growth in spending is attributable to both higher card acquisitions and higher spends per card, which doubled to ~INR140k in FY20 from INR72k in FY15. As a result, SBI has the second largest market share in terms of spend, which stood at 17.8% as of FY20 (20.1% as of 9MFY21). It offers co-branded credit cards, along with a higher value proposition to customers in the form of incremental offers and higher reward point programs. These have enabled spending growth at a healthy pace for the company.

However, the COVID-19 outbreak had impacted the growth momentum due to decline in consumer spending, especially discretionary spending such as travel, restaurants, entertainment, etc. As a result, the total spend declined ~12% in 9MFY21 (22% decline industry-wide). Notably, categories such as departmental stores, healthcare, insurance, and utilities have seen strong growth and reached pre-COVID levels. However, spend on travel, hotels, dining, airlines, etc. remains fairly slower. Growth has largely been led by online spend, which has increased to 53.4% of the total spend, while spend on POS machines remains lower.

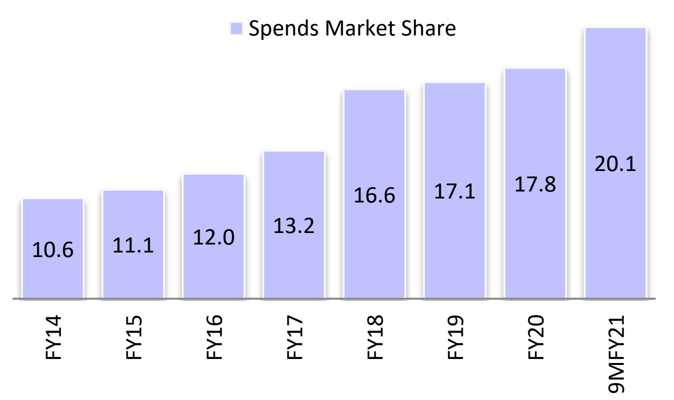
However, the Credit Card industry has demonstrated a strong resilience as both card spends and new customer acquisitions have reached pre-COVID levels. SBI Card's spend rate has exceeded pre-COVID levels (more than 100% in retail spend), while it has gained ~50bp market share in outstanding cards. We believe a gradual uptick in the economy, along with a higher mix of online/retail spend, would accelerate the growth momentum. Thus, we expect an o/s credit card / spend CAGR of 22%/27% over FY21–23E; SBICARD numbers would be higher at a 27%/32% CAGR.

Exhibit 44: Spends grew at a 44% CAGR over FY15–20



Source: MOFSL, Company, RBI

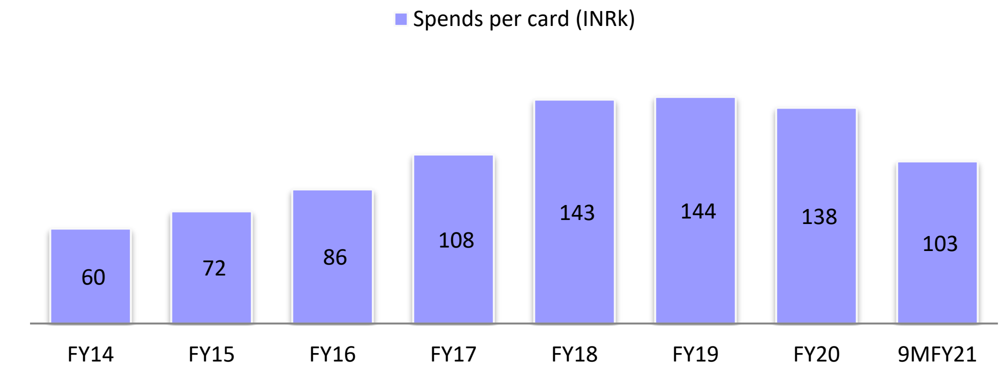
Exhibit 45: Market share increased to 20.1% from ~11.1%



Source: MOFSL, Company, RBI

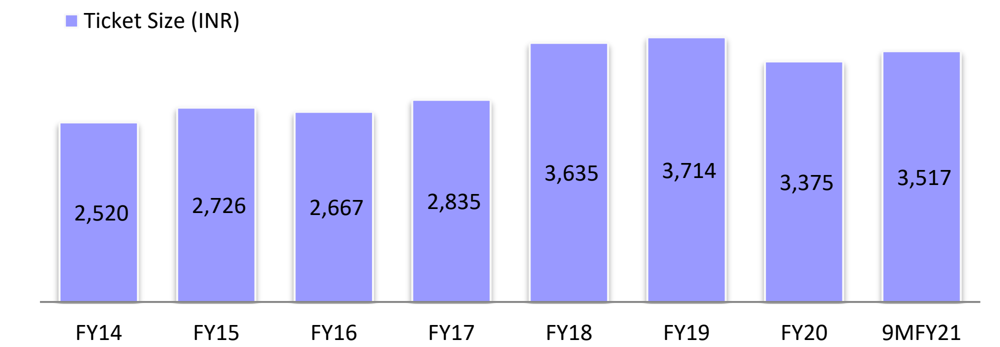
Spend per card doubled to INR140k in FY20 from INR72k in FY15

Exhibit 46: Spend/Card was stable over FY18–20, but impacted by COVID-19 in FY21



Source: MOFSL, Company, RBI

Exhibit 47: Ticket size per transaction remains at INR3,300–3,700



Source: MOFSL, Company, RBI

Proportion of spend toward grocery, utilities, and health insurance has increased, while the spend mix toward fuel, travel, hotel, and dining has declined

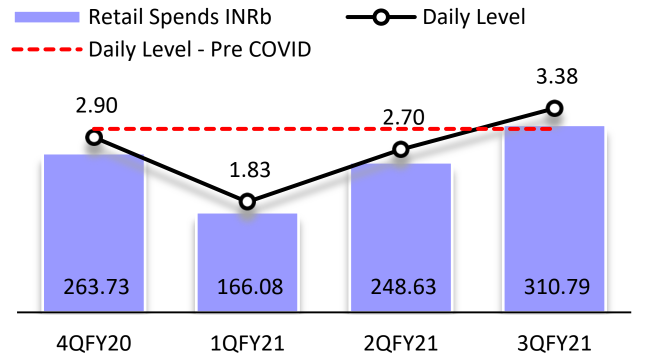
However, the spend mix has largely returned to pre-COVID levels, while travel, hotels, and lifestyle remain impacted

Exhibit 48: Change in spend mix over pandemic/lockdown (%)

Spend Category	Pre Lockdown	During Lockdown	Post Lockdown
Groceries/Stores	30.7	47.5	32.1
Fuel/Cab	13.4	7.4	13.5
Lifestyle/Apparel	11.7	3.7	10.5
Telecom/Utilities/Education	10.0	14.2	10.0
Wallet Load	9.8	6.9	10.2
Healthcare/Insurance	8.2	12.4	9.0
Travel	4.4	0.3	3.0
Dining / Food Delivery	3.5	1.1	3.5
Durables	3.3	2.9	3.6
Hotels	1.4	0.3	0.9
Entertainment	1.5	2.4	2.0
Cash / Quasi Cash	1.4	0.0	1.0
Others	0.7	0.9	0.7
Total	**100.0**	**100.0**	**100.0**

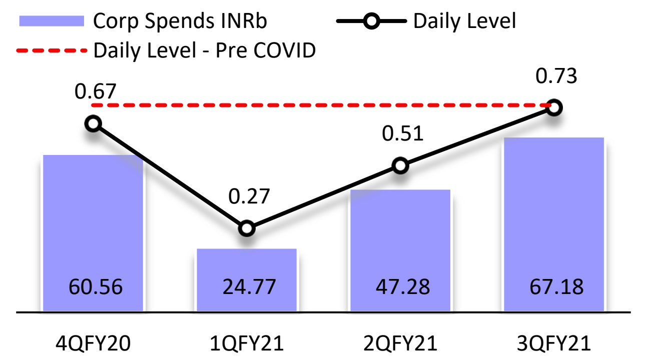
Source: MOFSL, RBL Bank, RBI

Exhibit 49: Retail spends have exceeded pre-COVID levels



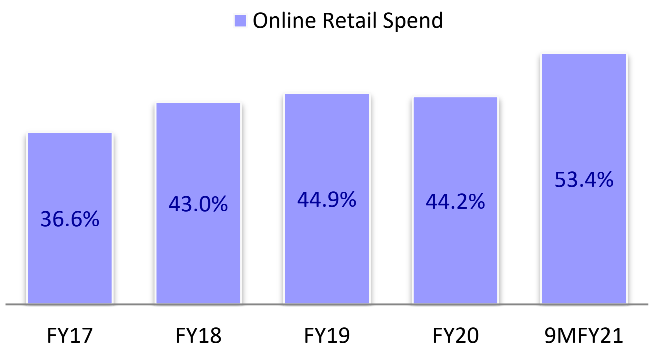
Source: MOFSL, Company, RBI

Exhibit 50: Corporate spends have reached pre-COVID levels



Source: MOFSL, Company, RBI

Exhibit 51: Online spends comprise 53.4% of total spends



Source: MOFSL, Company

Exhibit 52: Category-wise spends

Spend Category	Growth in online	Growth in POS
Category 1	**43%**	**(7%)**
Departmental Stores, Fuel, Health,		
Utilities, Education & Direct Marketing		
Category 2	**53%**	**13%**
Consumer durables, Furnishing & Hardware		
Category 3	**539%**	**5%**
Apparel & Jewelry		
Category 4	**(55%)**	**(42%)**
Travel agents, Hotels, Airline,		
Railways, Restaurant & Entertainment		

* % growth in 3QFY21 over average of Dec'19-Feb'20 – on daily basis

Source: MOFSL, Company, RBI

Exhibit 53: Sneak peek across various payment options, along with comparisons across multiple metrics

Service name	Credit Cards	E-Wallets	UPI	PPIs	Debit Cards
Description	Provides a line of credit that an individual can access through the card	Allows users to make payments for transactions made online	Instant real-time payment system facilitating inter-bank transactions	Tied directly to the value stored on such instruments paid by the holder	Tied directly to individual bank accounts
KYC requirement	Full KYC required	Minimum KYC up to INR10k required; full KYC required for >INR10k	Full KYC required	Minimum KYC required up to INR10k; full KYC required for >INR10k	Full KYC required
Limit	Amount gets deducted from the limit provided to the cardholder	Loads wallets with the amount the user is willing to spend	No need to load any amount as the transaction directly goes through the bank balance	Loads instruments with the amount the user is willing to spend	No need to load any amount as the transaction directly goes through the bank balance
Usage	Payments for online transactions, POS terminals, cash withdrawal at ATMs	Payments for online transactions	Payments for online transactions	Payments for online transactions, POS terminals, cash withdrawal at ATMs	Payments for online transactions, POS terminals, cash withdrawal at ATMs
Average transaction amount	INR3,400	INR450	INR1,700	INR630	INR1,300
Credit	Credit facility provided with interest-free period (up to 50 days)	Credit through EMI facility provided, but no interest-free period	No credit facility provided	No credit facility provided	Credit through EMI facility provided, but no interest-free period
Rewards	Discounts, cashbacks, and reward points on spends	Discounts and cashbacks on transactions	Discounts and cashbacks on transactions	Discounts and cashbacks on transactions	Discounts and reward points on spends
Transaction dispute management	Money not blocked, but instantly deducted from customer credit limit	Money blocked / instantly deducted from customer account	Money blocked / instantly deducted from customer account	Money blocked / instantly deducted from customer account	Money blocked / instantly deducted from customer account

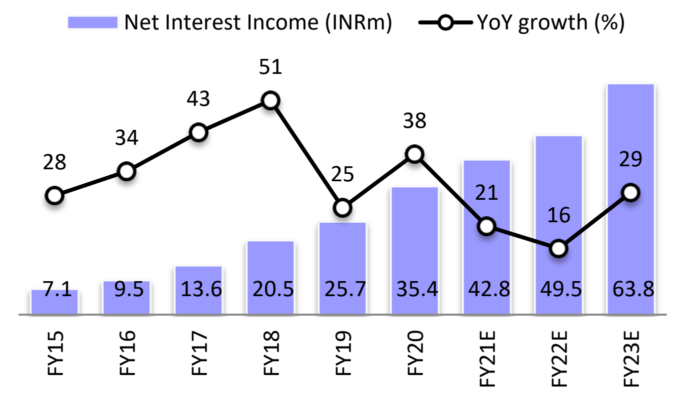
Source: MOFSL, Company, CRISIL

Strong interest income and healthy margins to drive profitability

Loan mix to shift in favor of EMI receivables over medium term

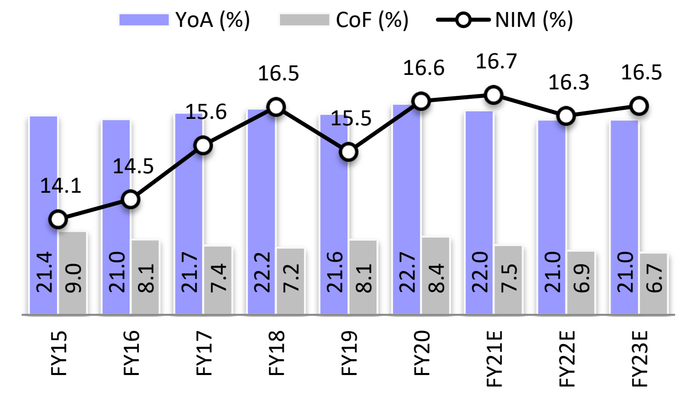
Net interest income for the company grew at a 38% CAGR over FY15–20, higher than a 32% CAGR in outstanding loans. The company charges a higher interest rate on its credit card receivables, resulting in superior margins of 16.6% in FY20. With more than around two-thirds of the loan book earning interest – coupled with an expected increase in receivables due to increasing spends – we expect NII to grow at a 22% CAGR over FY20–23E.

Exhibit 54: Strong 38% CAGR for NII over FY15–20



Source: MOFSL, Company

Exhibit 55: Margins to remain superior at ~16.5% in FY23



Source: MOFSL, Company

Interest-earning receivables constitute two-thirds of total receivables

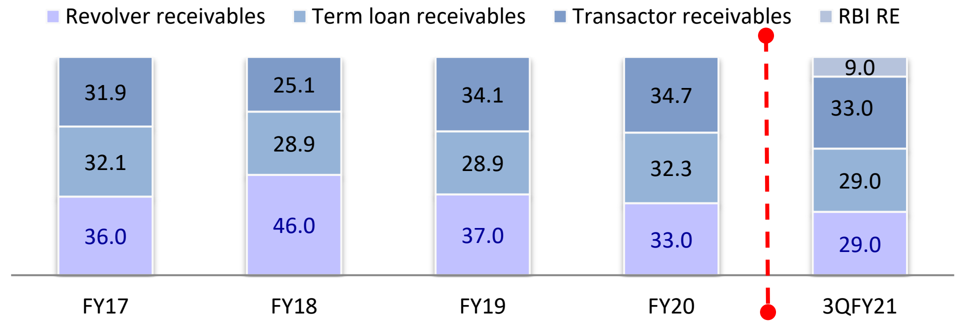
The company earns interest on its receivables, which are generally categorized under three broad categories – **"revolver"** receivables, **"transactor"** receivables, and **"term loan"** receivables.

- **Revolver receivables** are balances carried over from one month to the next, consequently accruing interest charges. Normally, interest rates are in the range of 36–42%.
- **Transactor receivables** are balances paid in full every month by the due date, consequently not accruing any interest charges.
- **Term loan receivables** consist of equated monthly installment balances carrying a lower interest rate v/s revolver receivables. Normally, interest rate falls in the range of 15–24%.

While the loan mix was broadly equally distributed, the mix of term loan receivables and transactor receivables declined in 3QFY21. This was due to the moratorium as well as customer incomes being impacted due to COVID-19, thereby affecting collections. However, SBI Cards has launched two restructuring programs – one as per RBI guidelines and a flexi payment option; these enable the customers to convert their outstanding into term loans. As a result, the proportion of the RBI RE book stood at 9% in 3QFY21, and we expect the loan mix to shift in favor of term loan receivables. Since term loans have a lower interest rate, this could have a bearing on the margin profile. However, a reduction in cost of funds is likely to offset some margin pressure. Therefore, we expect margins to moderate over FY22 and recover to 16.5% in FY23.

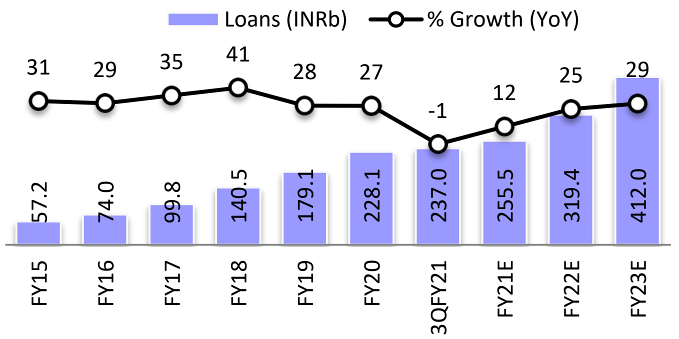
Mix of term loan receivables likely to increase, led by the restructuring of advances

Exhibit 56: Revolver receivables comprise ~29% of total receivables (%)



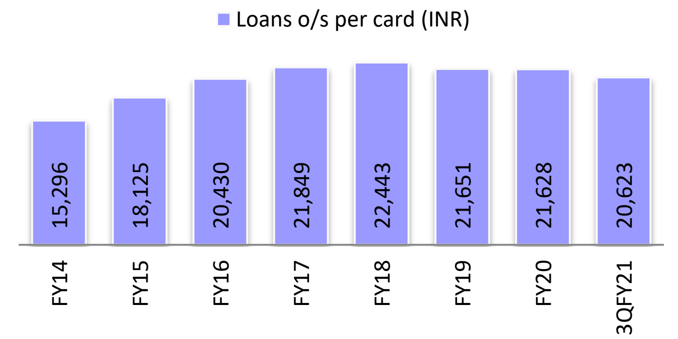
SBI Cards has the second largest loan book, which grew at a CAGR of 32% over FY15–20 (v/s 29% for the industry and INR228b in FY20). This has been led by both an increase in the number of cards and increased spends. As a result, o/s loans per card increased to INR22k in FY20 from INR15k in FY14. Furthermore, in terms of o/s loans per card, SBI Cards at INR21k is slightly on the lower side v/s major peers (INR36–39k). This presents the company with the opportunity to further increase its receivables per card, aiding higher profitability. Overall, we expect the loan book to increase at a 27% CAGR over FY21–23E.

Exhibit 57: Loan book grew at 32% CAGR over FY15–20



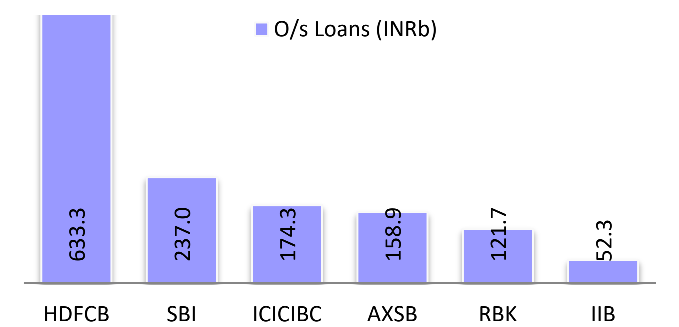
Source: MOFSL, Company

Exhibit 58: O/s loans per card increased to INR22k in FY20



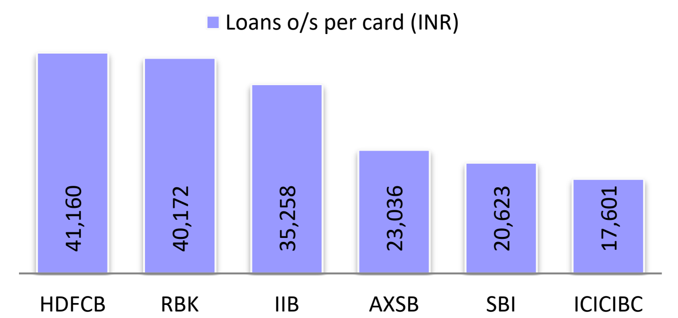
Source: MOFSL, Company

Exhibit 59: SBI Cards has the second largest card loan book



Source: MOFSL, Company, RBI

Exhibit 60: O/s loans per card – SBI Cards on the lower side



Source: MOFSL, Company, RBI

Exhibit 61: Credit card loan book and growth across major peers

Card loan book (INR b)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	CAGR over FY14–20 (%)
AXSB	14.9	22.4	41.6	50.4	82.6	122.9	152.7	47.4
HDFCB	122.6	161.5	205.2	260.0	361.2	466.3	575.8	29.4
ICICIBC	33.0	39.5	54.8	74.5	93.8	123.6	155.0	29.4
IIB	4.6	7.0	12.0	17.0	27.0	43.8	47.6	47.8
RBK	NA	NA	NA	NA	22.4	52.8	105.1	NM
SBICARD	**43.7**	**57.2**	**74.0**	**99.8**	**140.5**	**179.1**	**228.1**	**31.7**
Industry	**248.6**	**304.6**	**376.8**	**521.3**	**686.3**	**882.6**	**1,080.9**	**27.8**

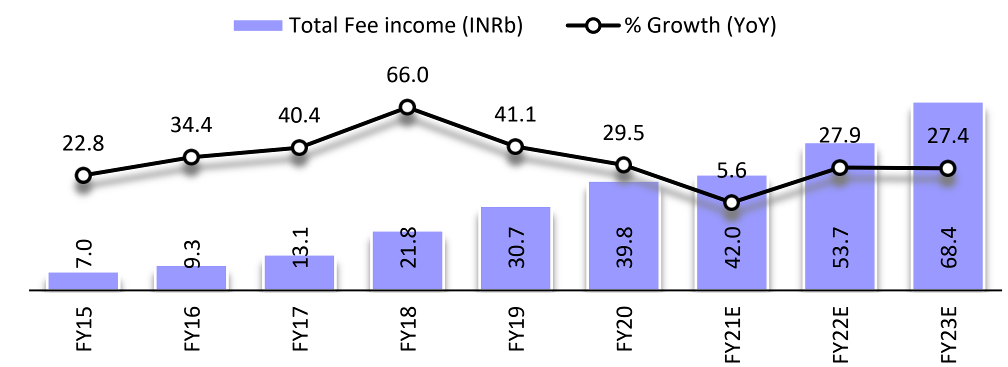
Fee income to revive gradually with growth in card spends

Lower proportion of fee as percentage of spend offers room for growth

- SBI Cards saw robust traction in fee income at a 42% CAGR over FY15–20, comprising ~43% of total revenues. This was supported by higher spend as spend-based fees grew 43% over FY17–20. Instance-based fees grew 47% over this period. Similarly, subscription-based fees grew 46% over FY17–20, led by higher additions in the number of cards.
- Total fee income as a percentage of spend has remained largely stable at ~3% over the past few years. On the other hand, fee income earned per card doubled to INR3.8k in FY20 from INR2k in FY14. Going forward, we expect a gradual recovery in fee income over FY21–23 as spend levels edge toward normalcy.

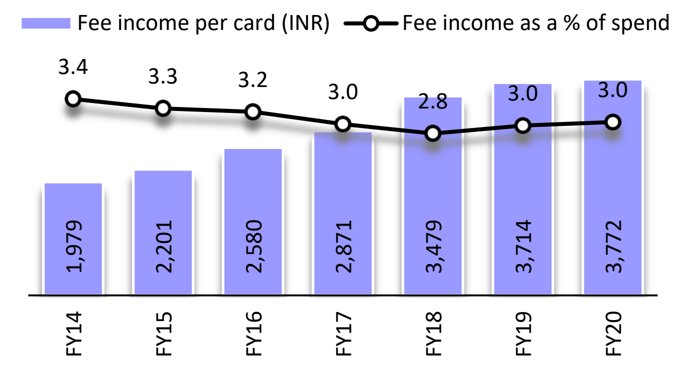
Fee income has grown at a robust pace, resulting in higher fee earned per card

Exhibit 62: Fee income posted a CAGR of 42% over FY15–20 on the back of higher spend



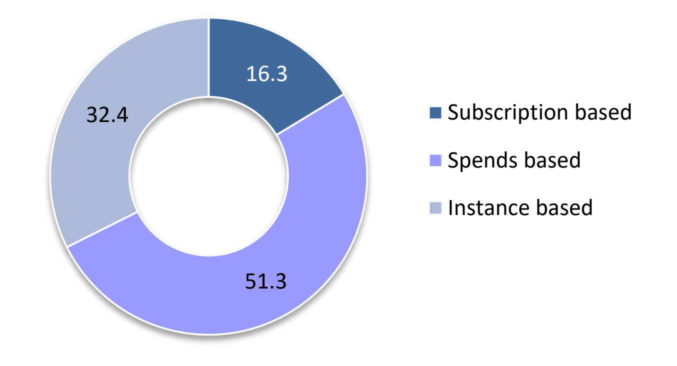
Source: MOFSL, Company

Exhibit 63: Fee as a percentage of spend remains at ~3%



Source: MOFSL, Company

Exhibit 64: Spend-based fee formed 51% of total fee in FY20



Source: MOFSL, company

- Spend-based fees increased at a CAGR of 43% over FY17–20, in line with growth in total spend. The company earns ~1.6% on total spend as inter-charge fees. All the cards issued by the company have an annual fee. This ensures the customer uses the card to derive full value and is thus value-accretive in terms of fee income.
- Instance-based fees tripled over FY17–20, led by an increase in the card base, even as fee per card remained in the range of INR900–1,200.
- Subscription-based fees posted a CAGR of 46% over FY17–20, much higher than the overall growth in credit cards. All the cards issued by the company have an

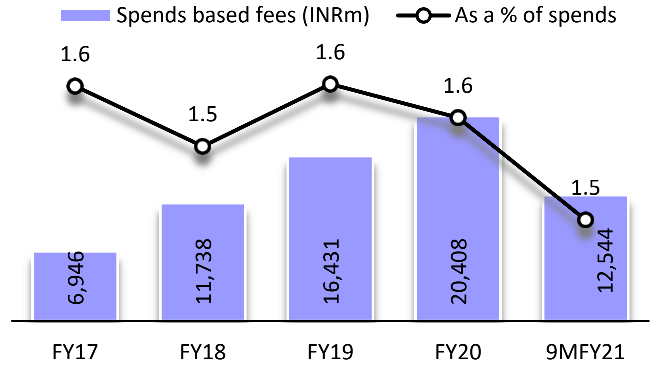
annual fee, resulting in sustainable growth in subscription-based fees. Fee earned per card remains in the range of INR500–700.

Exhibit 65: Fee income composition remained broadly stable

Fee Income breakup (%)	FY17	FY18	FY19	FY20	9MFY21
Subscription based	16.1	15.0	14.2	16.3	17.5
Spends based	53.0	53.9	53.5	51.3	44.9
Instance based	31.0	31.1	32.3	32.4	37.6

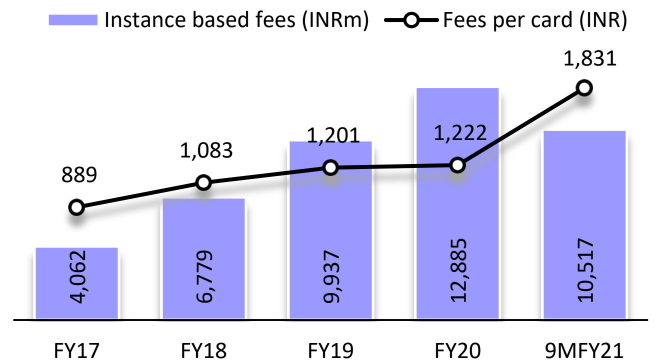
Source: MOFSL, Company

Exhibit 66: Spend-based fees form 1.5% of the total spend



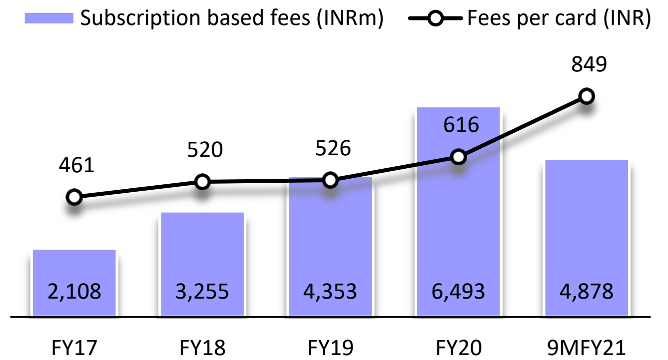
Source: MOFSL, company

Exhibit 67: Instance-based fees tripled over FY17–20



Source: MOFSL, Company

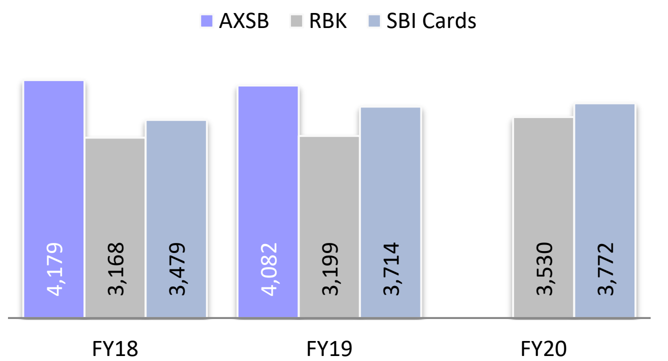
Exhibit 68: Subscription-based fees tripled over FY17–20



Source: MOFSL, company

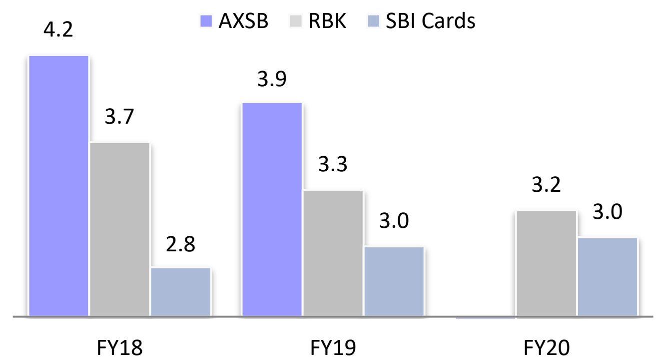
- Across peers, while fee income earned per card is in a similar range, fee income as a percentage of spend is on the lower side for SBI Cards. This presents the opportunity to further ramp up its fee income in line with some of its peers.

Exhibit 69: Fee income earned per card across peers (INR)



Source: MOFSL, Company

Exhibit 70: Fee income as percentage of spend across peers (%)



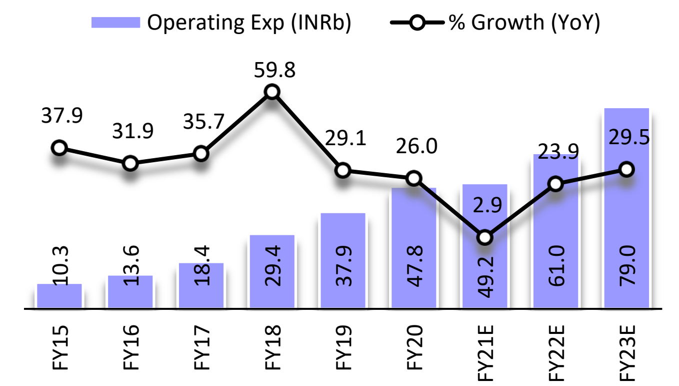
Source: MOFSL, company

Expect cost-income ratio to remain stable

We expect the C/I ratio to remain stable at ~54% over FY21–23E

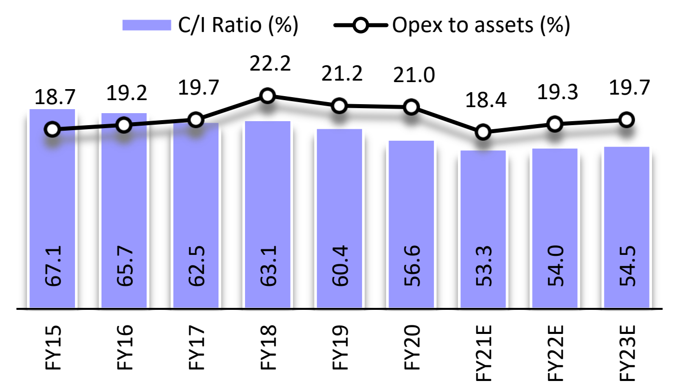
- The Credit Card business entails high operating expenses vis-à-vis other retail segments, a function of market engagement costs – acquisition and marketing costs, reward redemption costs, spend-based costs (including costs to payment networks, such as VISA and Mastercard), and other costs (including employee, sourcing, on-boarding, collection, and recovery costs).
- SBI Cards has adopted aggressive marketing strategies, especially in the last few years, resulting in the company gaining the highest incremental market share. Consequently, operating expenses grew at a CAGR of 36% over FY15–20, leading to an increase in cost to assets to ~21% in FY20 from ~19% in FY15. However, higher growth in total income resulted in the C/I ratio moderating to 56% in FY20 from ~67% in FY15. Going forward, we expect operating leverage to continue and estimate overall opex to grow at a 27% CAGR over FY21–23E, resulting in the C/I ratio remaining stable at ~54% by FY23E.

Exhibit 71: Opex grew at 36% CAGR over FY15–20



Source: MOFSL, Company

Exhibit 72: C/I ratio has declined ~1100bp since FY15

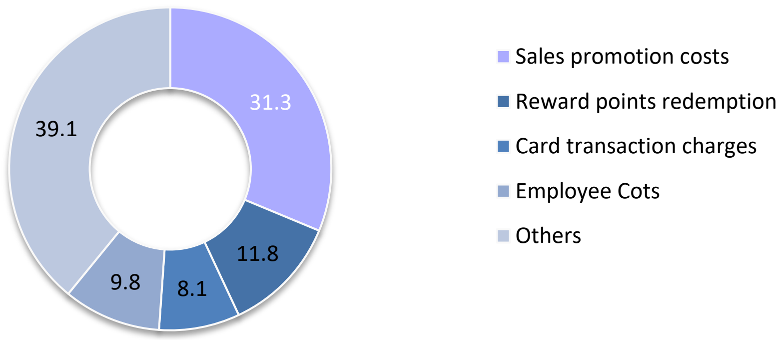


Source: MOFSL, Company

Sales promotion cost forms the bulk of operating expenses

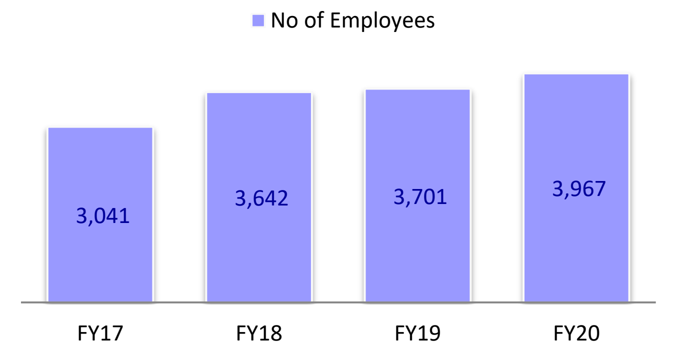
- Sales promotion cost is a major component of opex. It accounts for ~31% of total expenses, followed by reward point redemption cost (~12%). Card transaction charges account for ~8% and employee expenses for 10% of total expenses.
- SBICARD's employee count stood at 3,967 as of FY20, with a healthy mix across key verticals. The company had a sales team of ~600 employees, while the collection staff comprised ~700 employees. In addition to fixed employees, SBI Cards has an outsourced workforce of ~39,623, most of which belong to the sales, customer service, collection, and operations functions.

Exhibit 73: Opex composition as of FY20 (%)



Source: MOFSL, Company

Exhibit 74: Employee trend over past few years



Source: MOFSL, Company

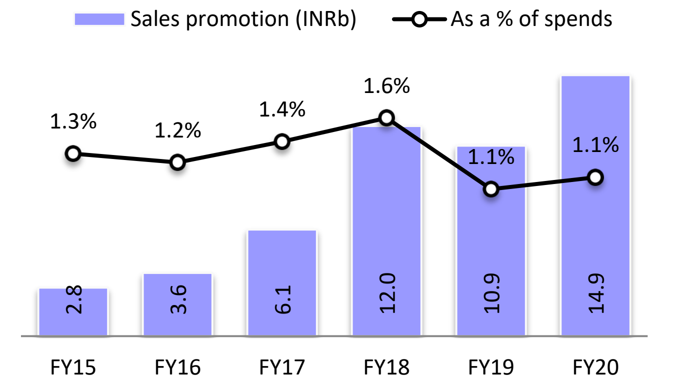
Exhibit 75: Healthy mix of employees across key verticals

Function	Dec'19
Collections	695
Customer Service	1,077
Marketing	112
Operations	473
Risk Management	448
Sales	602
Others	476
Total	**3,883**

Source: MOFSL, Company

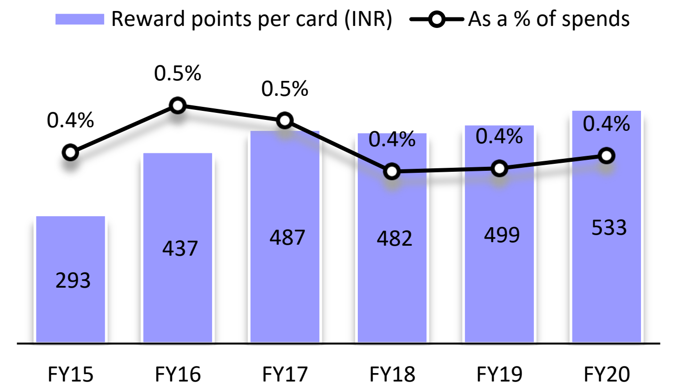
- Sales promotion cost includes cost of acquisition as well as advertisements and discounts/cashbacks. The company's aggressive approach toward acquiring incremental customers has resulted in a sharp increase in total sales promotion cost (40% CAGR over FY15–20; ~1.1% of the total spend in FY20).
- Furthermore, discounts and cashback offers are expected to continue to increase brand awareness both on online platforms and at organized retail stores. These would lead to a rise in market engagement cost.
- Reward redemption cost is influenced by a) the volume of cards eligible for rewards, b) the percentage of customers using up the reward points and claiming the rewards, c) the nature of the tie-up with partners for the redemption of rewards, and d) the effective cost per reward point (generally influenced by card type and attributes). Cost of reward points per card has been stable at INR430–530 for SBI Cards and accounts for ~0.4% of spend. Going forward, reward cost is expected to remain stable in the current range.
- Other costs related to sourcing, onboarding, and collections are likely to decline on process automation and digitization initiatives – such as mobile solutions to field employees, e-PINs, and digitized payment options – offsetting operating expenses, to some extent.

Exhibit 76: Sales promotion forms ~1.1% of total spend



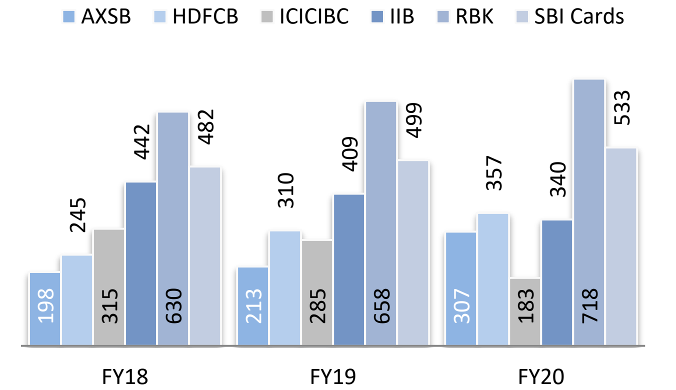
Source: MOFSL, Company

Exhibit 77: Reward points per card form ~0.4% of spend



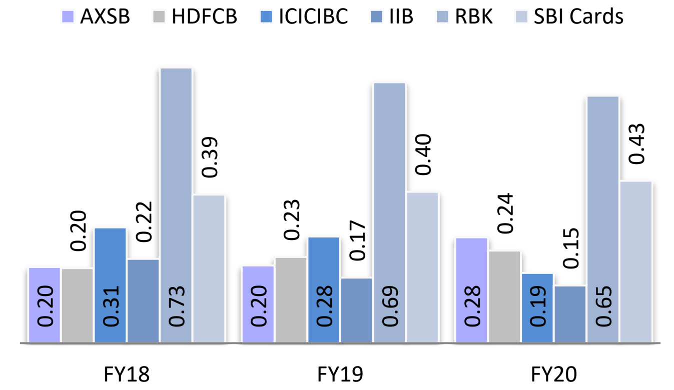
Source: MOFSL, Company

Exhibit 78: SBI Cards has relatively higher cost of reward points per card, attributed to higher usage



Source: MOFSL, Company

Exhibit 79: Cost of reward points as % of spends – SBI Cards among the highest, indicating value for clients (%)



Source: MOFSL, Company

Underlying profitability strong enough to absorb credit shocks

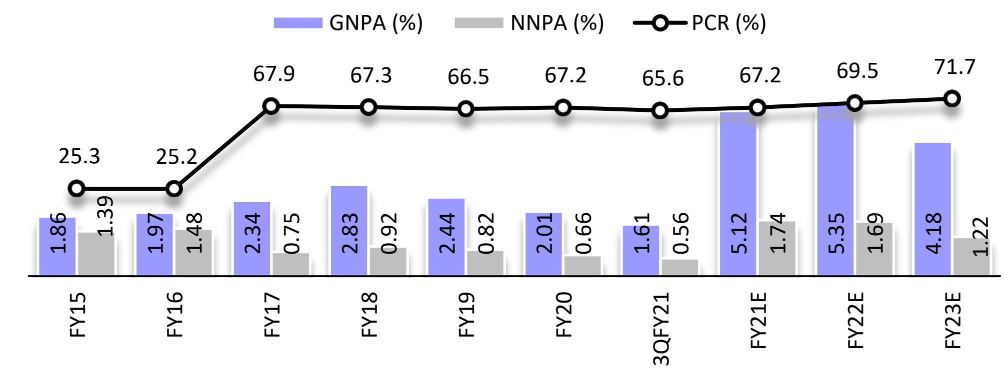
PCR to remain healthy backed by higher provisioning

The credit quality of credit card receivables directly impacts the charge-off rates and level of non-performing assets. Over the years, SBI Cards has demonstrated a stable level of NPAs and maintained its GNPA under 3%. In FY20, GNPA stood at 2.01% (v/s 2.47% in 3QFY20) and has been at similar levels for some years now. On the other hand, NNPA declined sharply to 0.66% in FY20 from 1.5% in FY16. This was enabled by a sharp rise in PCR to 67.2% in FY20 from 25% in FY16. After reporting sharp deterioration in asset quality in 2QFY21, the GNPA ratio improved to 1.61% in 3QFY21 v/s 4.29% in 2QFY21 (proforma GNPA improved to 4.51% v/s 7.5% in 2QFY21), with the restructuring book stable at ~9%.

We believe the underlying profitability for the business remains strong, allowing the absorption of asset quality shocks. We note that despite elevated credit cost of ~9% over FY20, RoA/ROE came in strong at 5.5%/28%. Even for 9MFY21, credit cost remained elevated at 10.5%, while return ratios were superior at 4.3%/18.5%. While we expect delinquencies to remain high given the unsecured nature of the book, which would keep credit costs elevated, return ratios are likely to remain healthy and pick up further as the credit cost moderates gradually from FY23. We expect GNPA/NNPA to moderate marginally to 4.2%/1.2% by FY23, while PCR would sustain at ~72%.

We expect GNPA/NNPA to moderate marginally to 4.2%/1.2% by FY23

Exhibit 80: GNPA to increase, although higher coverage would keep NNPA under control



Source: MOFSL, Company

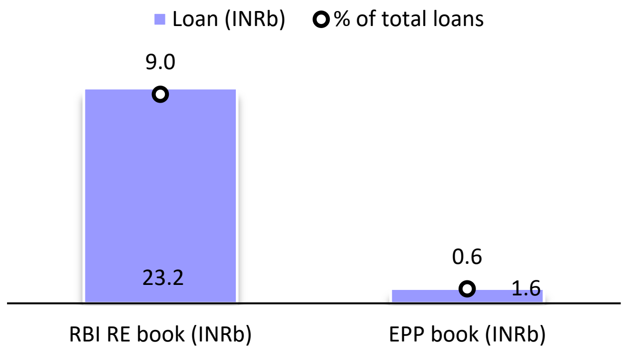
SBI Cards highlighted that its non-moratorium book is paying and performing well. On the other hand, monitoring the moratorium book remains key despite ~54% of moratorium 1 customers not defaulting on their payments in the prior 24 months. To support its customers, SBI Cards offers two restructuring plans: a) as per the RBI restructuring scheme (RBI RE) and b) the Easy Payment Plan (EPP) option. Together they stood at INR23.2b (9% of total loans) as of Dec'20. Under both plans, the customer's card initially gets blocked and is activated on the payment of at least 25% of the total dues.

- Under the RBI RE scheme, the customer has the option to pay their dues within a 12–24M duration with an interest rate of 14–19%, OR
- Under the EPP scheme, the customer may opt to pay their dues within a 3–18M duration with an interest rate of 12–20%.

SBI Cards carries COVID-19 related provision of INR11.1b

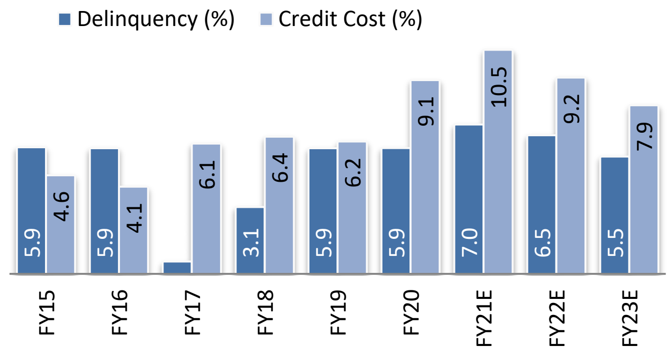
The company further highlighted that the restructuring book would be a key monitorable and could see some delinquencies. Furthermore, SBI Cards has an additional COVID-19 related provision of INR11.1b (including the restructuring book and proforma GNPA), and it would look to create more provisions if the need arises.

Exhibit 81: Restructuring book forms ~9% of total loans



Source: MOFSL, Company

Exhibit 82: Credit cost to moderate gradually from FY23

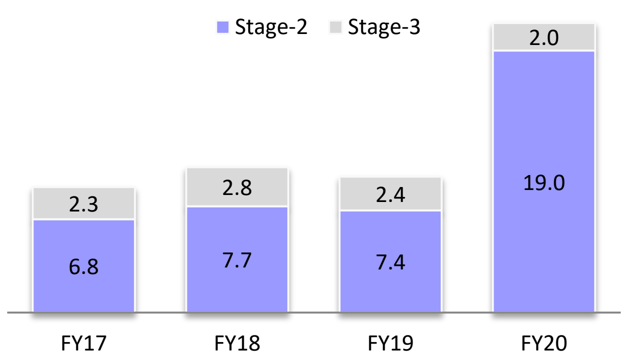


Source: MOFSL, Company

SBI Cards classifies its credit risk exposure into the high-, medium-, and low-risk categories. It employs an internal credit risk grading model, supplemented by external data – such as credit bureau scoring information, financial statements, and payment history. The data reflects the estimates of LGDs and probabilities of default by individual counterparties, and then applies the blocks on the accounts based on the activity patterns of the borrowers. Assets are classified under three categories:

- **Stage 1:** This comprises accounts that have neither had a significant increase in credit risk (since initial recognition) nor have low credit risk as of the reporting date. Twelve-month expected credit losses are recognized and interest revenues calculated on the gross carrying amount of the asset.
- **Stage 2:** This includes accounts that have seen a significant increase in credit risk (since initial recognition), but do not have objective evidence of impairment. Lifetime expected credit losses are a result of all the possible default events over the expected life of the card.
- **Stage 3:** This includes accounts that have objective evidence of impairment as of the reported date. Lifetime expected credit loss is calculated for such accounts.

Exhibit 83: Substantial rise in Stage-2 assets (%)



Source: MOFSL, Company

Exhibit 84: Stage-wise classification of loans

Loan Classification (INR m)	FY17	FY18	FY19	FY20
Stage-1	93,666	130,330	166,990	190,634
Stage-2	6,977	11,243	13,743	45,929
Stage-3	2,409	4,125	4,529	4,844
Total	**103,052**	**145,698**	**185,263**	**241,406**

Source: MOFSL, Company

Exhibit 85: Provision classification of loans (INR m)

Prov. Classification	FY17	FY18	FY19	FY20
Stage-1	1,314	1,965	2,600	6,531
Stage-2	274	501	564	3,504
Stage-3	1,636	2,777	3,011	3,255
Total	**3,223**	**5,243**	**6,176**	**13,290**

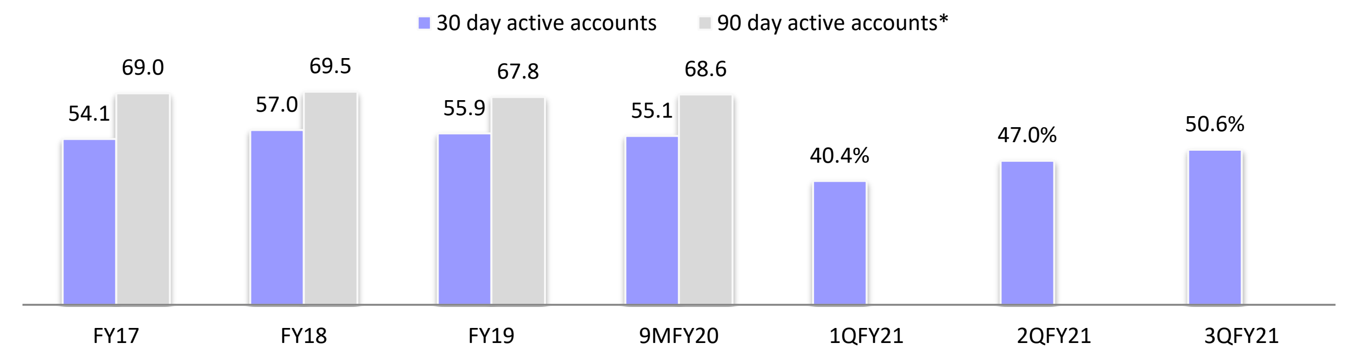
Source: MOFSL, Company

Exhibit 86: ECL rate has been increasing for Stage 2/3 assets

ECL (%)	FY17	FY18	FY19	FY20
Stage-1	1.4	1.5	1.6	3.4
Stage-2	3.9	4.5	4.1	7.6
Stage-3	67.9	67.3	66.5	67.2
Total	**3.1**	**3.6**	**3.3**	**5.5**

Source: MOFSL, Company

Exhibit 87: Higher proportion of active accounts (%)



*The company has stopped disclosing the 90 day active accounts from 9MFY20

Source: MOSL, Company

A higher proportion of salaried customers (84%), along with lower new-to-credit customers, are likely to keep delinquencies in check

Exhibit 88: New to credit accounts increased to 26% in 3QFY21, indicating the possibility of higher delinquencies

	FY17	FY18	FY19	9MFY20	1QFY21	2QFY21	3QFY21
Total accounts in force (In m)	3.90	5.62	7.61	9.32	NA	NA	NA
% of new to credit accounts	17.5	21.6	24.5	16.2	NA	23.4	26.0
Salaried cardholders (%)	90.4	89.0	86.7	85.4	85	84	84
Self-employed cardholders (%)	9.6	11.0	13.3	14.6	15	16	16
30 day active accounts (%)	54.1	57.0	55.9	55.1	40.4	47.0	50.6
90 day active accounts	69.0	69.5	67.8	68.6	NA	NA	NA
Average credit limit (INR)	77,000	71,000	80,000	78,950	NA	NA	NA

Source: MOFSL, Company

Exhibit 89: Credit Cards industry – delinquency levels up due to COVID (%)

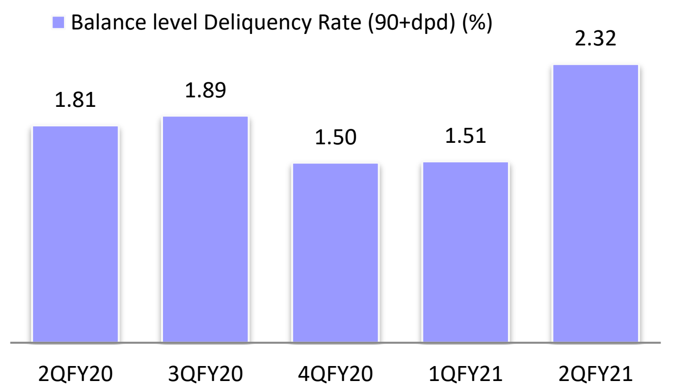
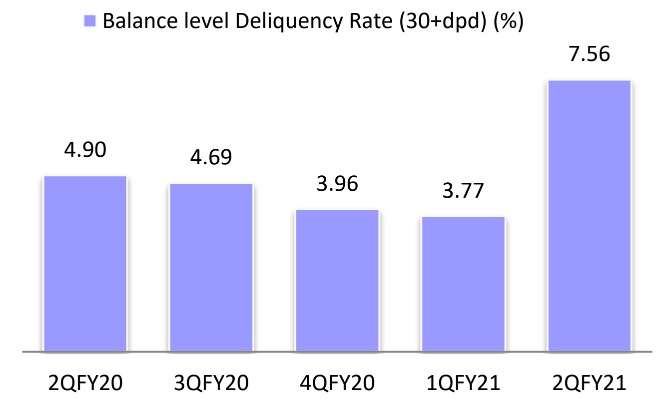


Exhibit 90: Credit cards industry – 30+dpd delinquencies saw a much sharper increase (%)



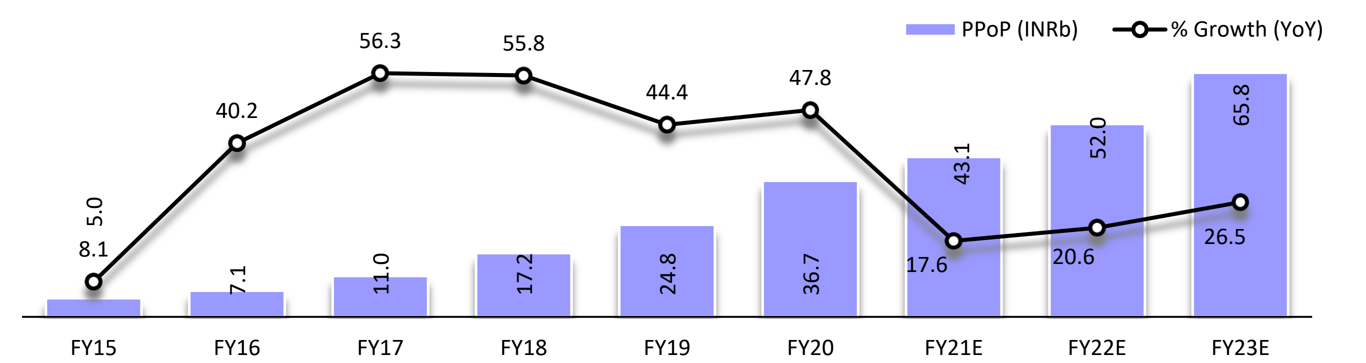
Earnings outlook improving; estimate 47% cagr PAT growth

RoA/RoE to reach 6.6%/28.4% by FY23

Expect SBI Cards to report RoA/RoE of 6.6%/28.4% by FY23

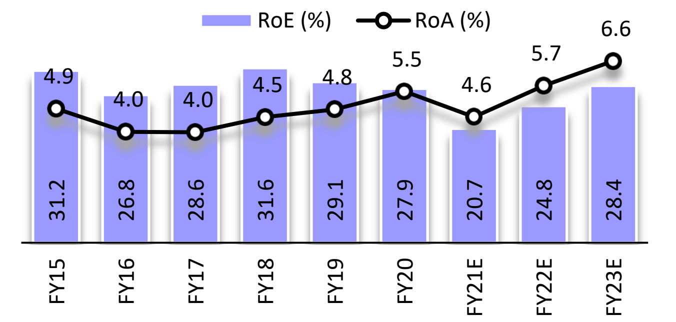
Over FY15–20, SBI Cards reported a PPoP/PAT CAGR of 49%/36% and average RoA/RoE of ~5%/29%. Robust NII, a superior margin profile, and healthy fee income have resulted in a strong operating performance. We believe a high proportion of the interest earnings book, coupled with an increase in fee income, would remain the key earnings driver – even as credit cost may remain elevated, especially up to FY22. We expect SBI Cards to report an earnings CAGR of 47% over FY21–23E, with superior RoA/RoE of 6.6%/28.4% by FY23.

Exhibit 91: Operating profit reported strong 49% CAGR over FY15–20



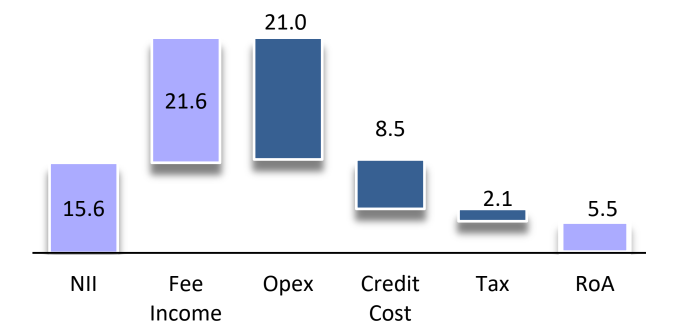
Source: MOFSL, Company

Exhibit 92: SBI Cards has maintained robust return ratios



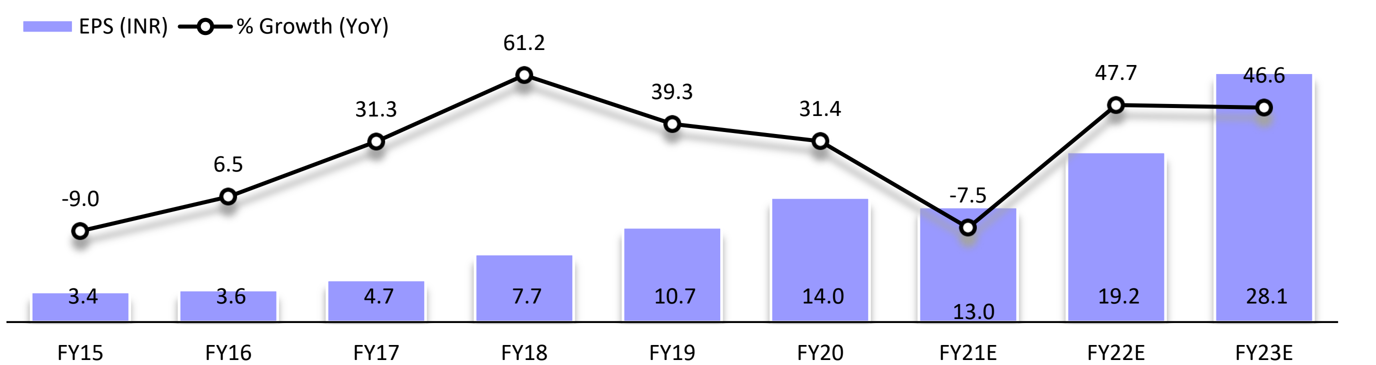
Source: MOFSL, Company

Exhibit 93: DuPont waterfall chart for FY20 (%)



Source: MOFSL, Company

Exhibit 94: Expect earnings to grow at 47% CAGR over FY21–23E



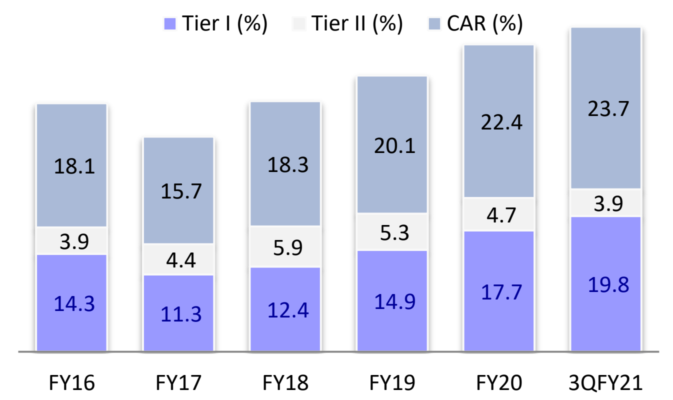
Source: MOFSL, Company

Capitalization levels remain strong, with total CAR of 24% as of 3QFY21

Capitalization levels remain strong

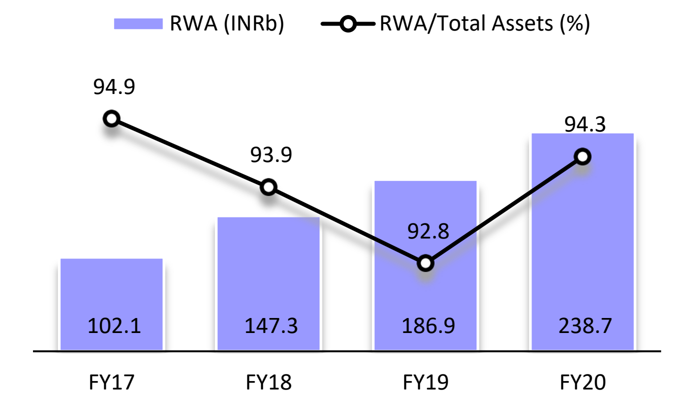
SBI Cards has strong capitalization levels, with a tier 1 ratio of 19.8% and total CAR of 23.7% (against the regulatory requirement of 15%). The rights issue / IPO in FY20, along with higher profitability, has aided strength in capitalization levels. Credit Cards being an unsecured business has a higher risk weight assigned to it; thus, RWA to total assets stood at 94.3% in FY20. We expect SBI Cards to be better placed for growth opportunities given its strong capitalization ratios. We believe its strong parentage, with better access to the capital markets, would enable it to maintain healthy capital levels.

Exhibit 95: Tier 1 ratio stands at 19.8%, with CAR of 23.7%



Source: MOFSL, Company

Exhibit 96: RWA/total assets stood at 94.3% in FY20



Source: MOFSL, Company

Global comparison – premium valuations likely to sustain

- With no pure credit card issuer listed in the Indian markets, we have considered certain global listed players for analysis against some common benchmarks to understand how the return ratios and valuations have fared – given the US market is much more evolved and saturated than that of India.
- Over the past four years, we note that the credit card book for these players grew at a CAGR of 6–9% and spends rose 11–12% (barring Amex and Mastercard, which grew 5–7%). Thus, these players reported a PAT CAGR of 7–10% (barring Citibank, which grew just 3%). On the other hand, PAT for VISA and Mastercard grew 18% and 21%, respectively.
- However, in 9MCY20, most players built up their loan loss reserves to tackle COVID-related stress. This resulted in elevated credit cost over the first two quarters, thereby impacting profitability. However, historically, RoA has been stable, with Credit Cards being the prime business of many players. The likes of American Express and Discover have RoA of 3–4%, while other major players have entity-level RoA of 1–2%.
- With spend levels declining and collections being impacted, the loan book as a percentage of spend has increased sharply over CY20YTD; it is 30–40% for JPMorgan, Capital One, and Citi; higher for Discover (64%); and lower for Amex (15%). This increase was much sharper for Indian players, which increased to 45–100% from 16–35%. This could indicate higher rollovers, resulting in higher delinquencies in the medium term.
- Considering the growth opportunities and a highly underpenetrated Indian market, we expect the Cards industry to continue on its strong growth trajectory; we believe SBI Cards is poised for long-term growth.

Exhibit 97: Credit card book across major global peers

Credit Card Book (USD b)	CY16	CY17	CY18	CY19	9M CY20
Citibank	156.4	165.4	169.5	175.1	146.6
JP Morgan	141.8	149.5	156.6	168.9	140.4
Amex	112.3	127.8	138.7	146.4	110.4
Capital One	105.6	114.8	116.4	128.3	103.6
Discover	61.5	67.3	72.9	77.2	69.7

Source: MOFSL, BBG

Exhibit 98: No of cards across major global peers

No of Cards (In m)	CY16	CY17	CY18	CY19	9M CY20
VISA	1,060.0	1,070.0	1,107.0	1,130.0	1,139.0
Mastercard	766.0	812.0	868.0	943.0	943.0
Citibank	140.0	142.0	141.8	138.3	132.8
Amex	109.9	112.8	114.0	114.4	111.5

Source: MOFSL, BBG

Exhibit 99: Credit card spend across major global peers

Credit Card Spend (USD b)	CY16	CY17	CY18	CY19	9M CY20
VISA	3,682	4,417	4,904	5,080	4,677
Mastercard	2,534	2,736	3,014	3,217	2,110
Amex	1,0378	1,085	1,184	1,241	733
JP Morgan	545	622	692	763	506
Citibank	421	499	534	564	363
Capital One	307	336	387	425	297
Discover	132	142	153	160	110

Source: MOFSL, BBG

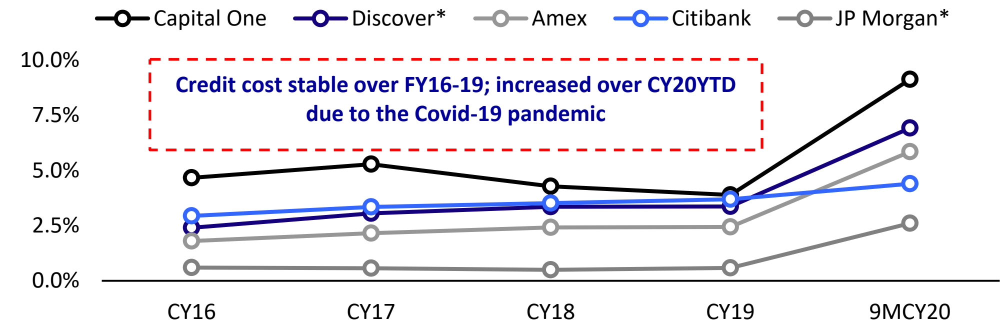
Exhibit 100: Loans as a percentage of spend surged over 9MCY20, implying a fall in collections

Loan book as % of Spends	CY16	CY17	CY18	CY19	9M CY20
Discover	46.5	47.4	47.7	48.2	63.1
Citibank	37.1	33.2	31.7	31.1	40.4
Capital One	34.4	34.1	30.1	30.2	34.9
JP Morgan	26.0	24.0	22.6	22.1	27.8
Amex	10.8	11.8	11.7	11.8	15.1

Source: MOFSL, BBG

Credit cost across global peers rose more than 2x for most; it was lower for Citibank (1.2x) and much higher for JPMorgan (4.5x)

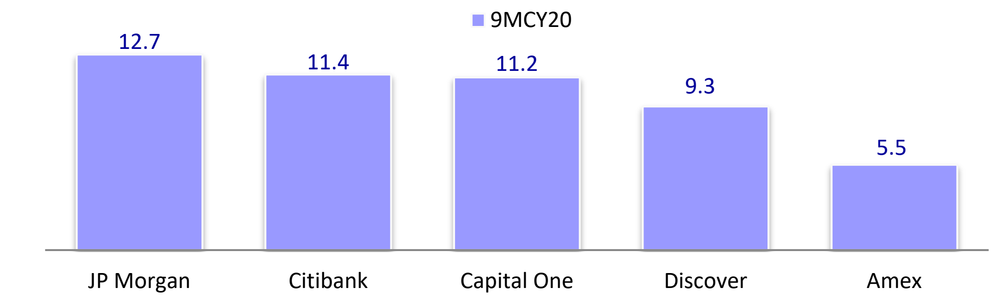
Exhibit 101: Credit cost trends – most companies saw a substantial increase in their credit cost over CY20YTD



*For JP Morgan & Discover, credit cost is for bank level Source: MOFSL, BBG

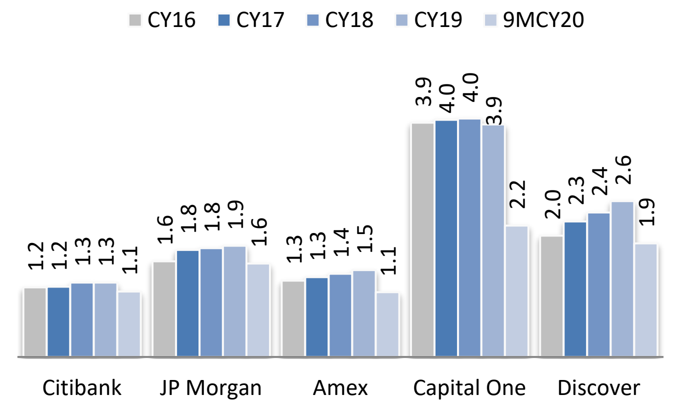
Most companies increased their loan loss reserves to tackle the COVID crisis

Exhibit 102: Companies increased their loan loss reserves on credit cards to the double digits at 9–13% of loans, barring Amex, which was 5.5% as of 9MCY20



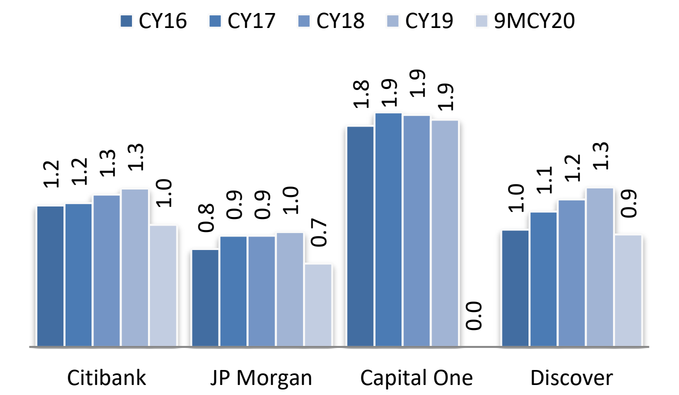
Source: MOFSL, BBG

Exhibit 103: 30+ delinquencies across global peers (%)



Source: MOFSL, BBG

Exhibit 104: 90+ delinquencies across global peers (%)



Source: MOFSL, BBG

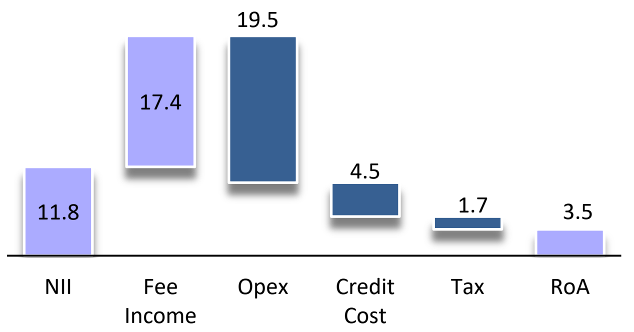
Exhibit 105: Price performance across global peers and SBI Cards – sorted on a 1yr basis

	Price Performance					
Co Name (%)	**1m**	**3m**	**6m**	**9m**	**1Yr**	**3Yr**
SBI Cards*	**11.3**	**37.4**	**35.9**	**103.8**	**60.7**	**NA**
Discover Financial	12.6	23.5	77.2	98.0	43.4	19.3
Capital One	15.3	40.3	74.1	76.6	36.2	22.7
JPMorgan Chase	14.4	24.8	46.9	51.2	26.8	27.4
American Express	16.3	14.1	33.1	42.3	23.0	38.7
Mastercard	11.9	5.2	-1.2	17.6	21.9	101.3
Visa Inc.	9.9	1.0	0.2	8.8	16.9	72.8
Citigroup Inc.	13.6	19.6	28.9	37.5	3.8	-12.7

*SBI cards got listed in 16th Mar'2020 Source: MOFSL, BBG

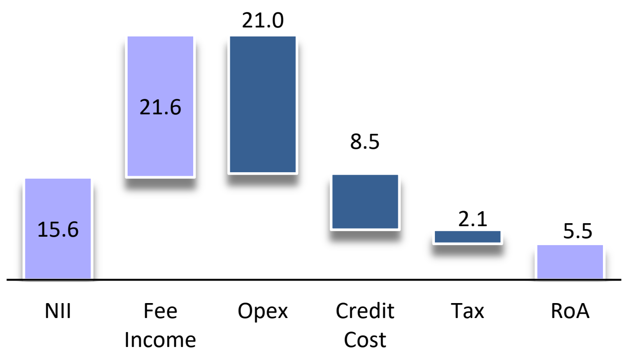
Du Pont Analysis – SBI Cards v/s global peers

Exhibit 106: RoA metrics of Cards industry for FY19 (%)



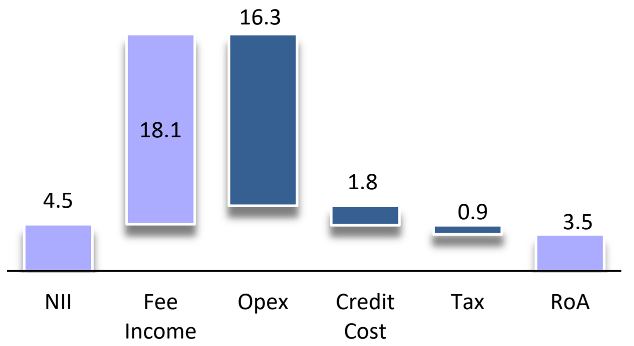
Source: MOFSL, Company

Exhibit 107: RoA metrics of SBI Cards for FY20 (%)



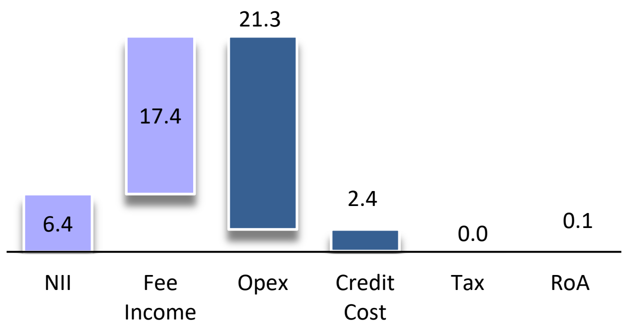
Source: MOFSL, Company

Exhibit 108: RoA metrics of Amex Global – CY19 (%)



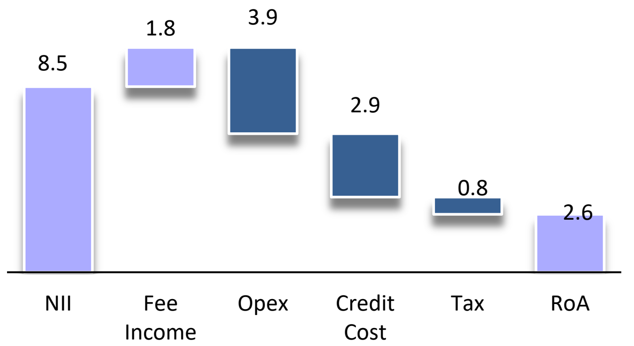
Source: MOFSL, BBG, Amex

Exhibit 109: RoA metrics of Amex India – FY20 (%)



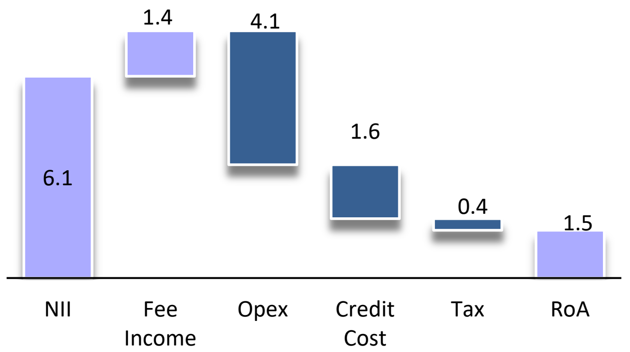
Source: MOFSL, BGG, Amex

Exhibit 110: RoA metrics of Discover Financials – CY19 (%)



Source: MOFSL, BBG, Discover

Exhibit 111: RoA metrics of Capital One – CY19 (%)



Source: MOFSL, BBG, Capital One

Exhibit 112: Peer valuation metrics

Co Name	Country	MCap (USD B)	EPS				RoA (%)				RoE (%)			
			CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E
Visa Inc.	US	469.3	6.9	5.0	5.5	6.9	17.0	15.0	15.5	18.6	35.2	31.8	33.2	38.0
JPMorgan Chase	US	449.1	10.8	7.8	10.4	11.4	1.4	0.8	0.9	1.0	15.0	10.0	12.6	13.3
Mastercard	US	351.5	8.0	6.3	8.0	10.4	30.0	22.6	24.1	28.4	143.2	109.5	123.2	140.7
Citigroup Inc.	US	137.5	8.1	4.3	6.5	8.0	1.0	0.5	0.6	0.7	9.9	5.1	7.3	8.4
American Express	US	109.0	8.0	3.4	6.5	8.9	3.5	1.4	2.6	3.3	29.6	13.0	22.2	30.1
Capital One	US	55.2	11.1	2.7	12.3	13.3	1.5	0.6	1.3	1.3	10.2	1.9	9.1	9.5
Discover Financial	US	28.9	9.1	3.4	8.9	10.4	2.6	0.8	2.3	2.5	26.0	10.2	24.6	25.5

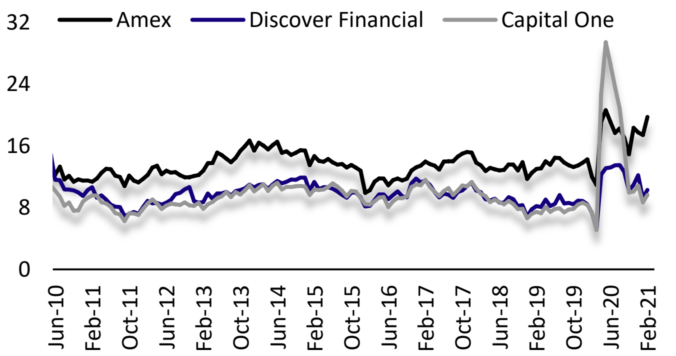
Source: MOFSL, BBG

Exhibit 113: Peer valuation metrics

Co Name	Country	CMP	BV				P/BV (x)				P/E (x)			
			CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E	CY19	CY20	CY21E	CY22E
Visa Inc.	US	212	14.8	16.8	17.7	18.1	14.3	12.6	12.0	11.8	30.6	42.4	38.7	30.7
JPMorgan Chase	US	147	76.0	80.8	85.7	90.0	1.9	1.8	1.7	1.6	13.7	19.0	14.2	13.0
Mastercard	US	354	5.9	5.6	6.7	8.8	60.5	63.1	52.7	40.3	44.3	56.0	44.0	34.1
Citigroup Inc.	US	66	82.9	85.3	92.0	99.3	0.8	0.8	0.7	0.7	8.2	15.4	10.1	8.2
American Express	US	135	28.5	27.6	29.3	32.1	4.7	4.9	4.6	4.2	16.9	40.2	20.9	15.2
Capital One	US	120	116.4	125.6	139.5	152.8	1.0	1.0	0.9	0.8	10.8	45.2	9.8	9.1
Discover Financial	US	94	36.4	34.1	39.9	44.9	2.6	2.8	2.4	2.1	10.3	27.9	10.6	9.0

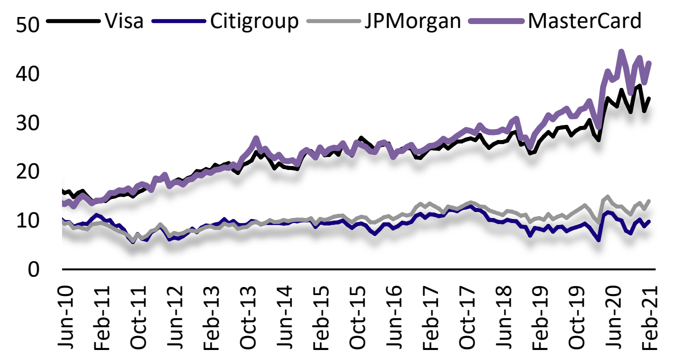
Source: MOFSL, BBG

Exhibit 114: One-year forward P/E



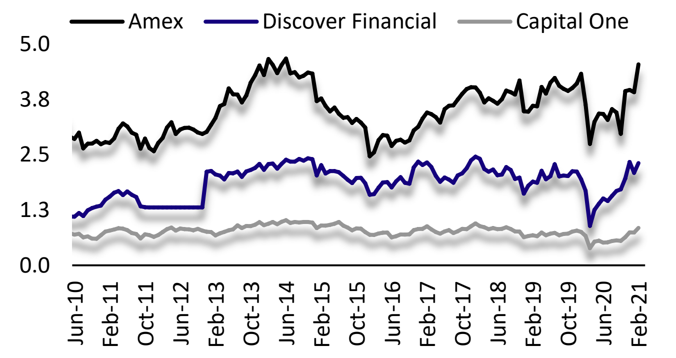
Source: MOFSL, BBG

Exhibit 115: One-year forward P/E



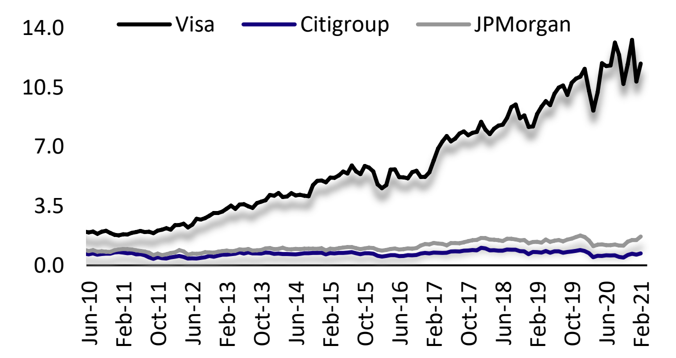
Source: MOFSL, BBG

Exhibit 116: One-year forward P/BV



Source: MOFSL, BBG

Exhibit 117: One-year forward P/BV



Source: MOFSL, BBG

Experienced management team with a strong track record

SBI Cards has an experienced management team with vast domain knowledge and expertise. The business heads have relevant backgrounds and have been hired from the private sector.

- **Mr. Dinesh Kumar Khara** is Non-Executive Chairman and a nominee Director of SBI on the board of SBI Cards. He holds a Master's degree in Commerce and Business Administration. He is currently Chairman of SBI and has been an MD of SBI, in which capacity he oversaw the international banking book, corporate banking book, and treasury operations. Additionally, he supervised the businesses of non-banking subsidiaries. Prior to this, he served as MD & CEO of SBI Funds Management Private Limited and has over 35 years of experience in Banking and Financial Services.

- **Mr. Rama Mohan Rao Amara** is MD and CEO of SBI Cards; he took charge from 30th January 2021. He has been a part of the SBI Group for almost three decades and has handled various assignments across multiple locations in India and abroad. Prior to this, he was Chief General Manager, SBI Bhopal Circle, where he managed two key states – MP & Chhattisgarh. He has gleaned expertise in the fields of Credit, Risk, and International Banking – both in India and abroad. He has had two foreign postings, first in Singapore and later in the US; he has held various other leadership positions. He holds a Bachelor's degree in Engineering and is a CFA and FRM.

Exhibit 118: Key management team members

Name	Designation	Previous Experience
Mr. Richhpal Singh	Chief Operating Officer	❖ Associated with SBIBPMSL (earlier subsidiary of SBI Cards – GE Capital business) since Dec'17 ❖ Prior to this, he was associated with Jio Payments Banks Ltd and SBI
Ms. Aparna Kuppuswamy	Chief Risk Officer	❖ Associated with SBI Cards for more than a decade ❖ Prior to this, she was associated with GE, American Express, and ABN AMRO
Mr. Nalin Negi	Chief Financial Officer	❖ Associated with various GE companies for the past 10 years ❖ Prior to this, he was associated with Nestle, ITC, and American Express
Mr. Girish Budhiraja	Chief Product and Marketing Officer	❖ Associated with SBI Cards since Nov'12 ❖ Prior to this, he was associated with American Express and ICI Ltd
Mr. Manish Dewan	Chief Sales Officer	❖ Associated with SBI Cards since Oct'11 ❖ Prior to this, he was associated with GE, American Express, and SCB
Mr. Naresh K Kapur	Chief People Officer	❖ Associated with SBI since 1990 ❖ He is being sent on deputation up to Oct'20
Mr Pradeep Khurana	Chief Information Officer	❖ Associated with various GE companies for the past 17 years ❖ Associated with SBI Cards since Apr'18 and worked with IGE India Ltd
Mr. Amit Batra	Head – Operations	❖ Associated with various GE companies for the past 11 years ❖ Associated with SBI Cards since Jan'11
Ms. Anu Gupta	Head – Collections	❖ Associated with SBIBPMSL (earlier subsidiary of SBI Cards – GE Capital business) for two years and joined SBI Cards in Apr'18 ❖ Prior to this, she was associated with Standard Chartered Bank

Source: MOFSL, Company

SWOT analysis

- The SBI parentage is its biggest strength, which provides access to its vast customer base and stable liquidity/funding.
- SBI Cards is the market leader in terms of open market acquisitions – which, along with a highly efficient marketing team, provides a long-term structural growth story.
- SBI Cards is the second largest player and the only player in its domain that is listed – which, along with a professional management team, provides a long-term structural story.

- Credit cards are primarily unsecured, which could result in higher losses in the event of a default.
- Credit card usage is highly correlated with the macro environment; thus, any deterioration in economic conditions/consumption could hamper growth.
- Deterioration in the business environment could impact collections / lead to higher NPAs, resulting in an uptick in credit cost and, consequently, lower profitability.

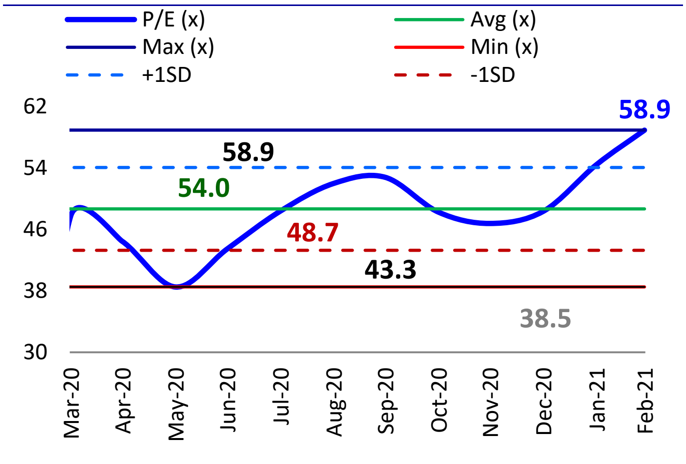
- The Credit Card industry is highly underpenetrated, providing ample scope for further growth.
- A lower proportion of credit cards to debit cards provides the opportunity to cross-sell.
- SBI Cards is the market leader in co-branded cards and offers a higher proportion of premium cards, which provide tremendous opportunity to earn.

- Reduction in / Capping of interest rates / MDR charges could result in lower revenues, thereby impacting profitability.
- Competition from peers / other payment solutions such as UPI, wallets, etc. could result in market loss for the company.
- Non-renewal of co-branded partnerships could result in the risk of loss of partner, thereby impacting customer acquisitions.

Valuation and view: Initiate with 'Neutral'

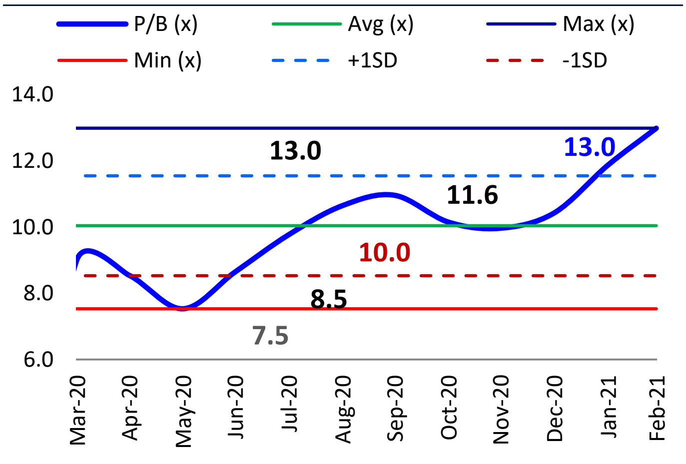
- SBI Cards and Payment Services Ltd (SBICARD) has strengthened its position as the second largest card player in the country, with market share of ~19% in o/s cards and ~20% in overall spends. The company has an o/s card base of ~11.5m and has doubled its card base over the past three years at an average incremental market share of 23%. SBIC is the market leader in terms of open market sourcing and is also the largest co-branded card issuer in the country.
- SBICARD has access to parent SBIN's vast network of ~22k branches and customer base of ~450m, along with strong open market sourcing capabilities. The company has grown its outstanding cards at a 27% CAGR over the past five years. On the other hand, the customer acquisition rate has reversed to normal levels as the impact of COVID-19 has waned. On account of robust distribution and co-branded channels, SBICARD is well-placed to capitalize on growth opportunities – as the market remains significantly underpenetrated. The company highlighted that incremental sourcing is likely to be higher from the banca channel – which not only provides better risk underwriting but also enables lower opex.
- Over FY15–20, SBI Cards reported a PPoP/PAT CAGR of 49%/36% and average RoA/RoE of ~5%/29%. Robust NII (38% CAGR), a superior margin profile (~16.6%), and healthy fee income have resulted in a strong operating performance. We believe a high proportion of the interest earnings book, coupled with an increase in fee income, would remain the key earnings driver – even as credit cost may remain elevated, especially up to FY22. We expect SBI Cards to report earnings CAGR of 47% over FY21–23E, with superior RoA/RoE of 6.6%/28.4% by FY23.
- Following sharp deterioration in asset quality in 2QFY21, the GNPA ratio improved to 1.61% in 3QFY21 v/s 4.29% in 2QFY21 (proforma GNPA improved to 4.51% v/s 7.5% in 2QFY21), with the restructuring book stable at ~9%. While collections have improved, we expect delinquencies to remain high given the unsecured nature of the book – owing to which credit costs would remain elevated in the near term and moderate gradually from FY23. Thus, we expect GNPA/NNPA of 4.2%/1.2% by FY23, while PCR would sustain at ~72%.
- SBI Cards has a strong track record of growing its card book / earnings; this has enabled the company to strengthen its lead as the second largest card player in terms of both o/s cards and spends. The company delivered average RoA/RoE of ~5%/29.5% over FY18–20. While COIVD-19 has disrupted the growth trajectory, recovery has been fairly sharp and retail spends have exceeded pre-COVID levels. We estimate a loan book / earnings CAGR of 27%/47% over FY21–23E, and margins are likely to remain broadly stable. Asset quality would remain under pressure with a higher proportion of the book under restructuring. Therefore, credit cost is likely to remain elevated in the near term and moderate from FY23. We estimate the company to report healthy return ratios, with RoA/RoE of 6.6%/28.4% in FY23. **We initiate coverage with a Neutral rating and TP of INR 1,200 (43x FY23E EPS).**

Exhibit 119: Trend in one-year forward P/E



Source: MOFSL, Company

Exhibit 120: Trend in one-year forward P/BV



Source: MOFSL, Company

Exhibit 121: DuPont Analysis – return ratios to pick up from FY22 after moderating in FY21

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	19.53	20.25	20.87	19.96	21.30	21.07	20.18	20.28
Interest Expense	6.09	5.67	5.38	5.63	5.72	5.04	4.54	4.35
Net Interest Income	**13.44**	**14.59**	**15.49**	**14.32**	**15.58**	**16.02**	**15.64**	**15.93**
Fee Income	13.21	14.07	16.46	17.15	17.51	15.73	16.98	17.08
Trading and others	2.51	2.91	3.27	3.57	4.10	2.81	3.07	3.13
Non Interest income	**15.72**	**16.98**	**19.74**	**20.71**	**21.61**	**18.54**	**20.05**	**20.21**
Total Income	**29.16**	**31.56**	**35.23**	**35.04**	**37.19**	**34.56**	**35.70**	**36.13**
Operating Expenses	**19.17**	**19.73**	**22.22**	**21.18**	**21.04**	**18.42**	**19.26**	**19.71**
Employee cost	1.12	1.02	1.46	2.12	2.06	1.89	1.92	1.85
Others	18.05	18.70	20.76	19.07	18.98	16.53	17.34	17.86
Operating Profits	**9.99**	**11.84**	**13.00**	**13.86**	**16.15**	**16.14**	**16.44**	**16.42**
Provisions	**3.79**	**5.71**	**6.05**	**6.41**	**8.54**	**10.05**	**8.84**	**7.63**
NPA	0.00	4.73	4.52	5.21	5.40	6.22	6.25	5.41
Others	3.79	0.98	1.53	1.19	3.14	3.83	2.59	2.22
PBT	**6.20**	**6.13**	**6.95**	**7.45**	**7.61**	**6.09**	**7.60**	**8.79**
Tax	2.18	2.13	2.41	2.62	2.13	1.53	1.91	2.22
RoA	**4.02**	**4.00**	**4.55**	**4.83**	**5.48**	**4.55**	**5.68**	**6.58**
Leverage (x)	6.7	7.2	7.0	6.0	5.1	4.5	4.4	4.3
RoE	**26.8**	**28.6**	**31.6**	**29.1**	**27.9**	**20.7**	**24.8**	**28.4**

Source: MOFSL, Company

Key risks

- **Reduction in / Capping of interest rates / MDR charges:** Interest income earned on its receivables is the major component of revenue for credit card companies. Indian regulations currently do not impose any limit on interest rates charged to cardholders or MDR charges. Nevertheless, regulations could change, and a cap may be placed on interest rates / MDR charges in the future. This could result in lower income for the company.
- **Rise in credit costs:** The company recognizes credit cost on an ECL basis on certain assumptions and judgments. Deterioration in the business environment could impact collections / lead to higher NPAs. This could result in an uptick in credit cost and, consequently, lower profitability and jeopardize future growth prospects.
- **Lack of collateral / default risk:** Credit cards are primarily unsecured in nature and not supported by any realizable collateral. Thus, in the event of a default, credit cost could increase sharply, thereby impacting profitability and resulting in higher NPAs for the company.
- **Deterioration in macroeconomic environment:** Deterioration in economic conditions (such as low GDP growth, low consumer confidence, rise in unemployment, etc.) could reduce the use of credit cards as customers tend to save more than spend. This invariably reduces the income sources of credit card companies. Besides this, such conditions hurt cardholders' ability to pay; result in increased delinquencies, charge-offs, and provisions for credit loss; and even lead to a decrease in recoveries.
- **Cyberattacks / Security breaches / Fraudulent activity:** Transactions are done electronically, which involve the transmission of sensitive information regarding cardholders through various third parties / payment networks. Thus, there is a risk of cyberattacks and exposure to financial losses. Furthermore, the customer/company is exposed to fraudulent transaction risks, which could further dent SBI Cards' brand image.
- **Competition from peers / other payments solutions:** The Credit Cards market is highly competitive and faces competition from other credit card issuers and payment solutions. Thus, the provision of cutting-edge technology and higher value propositions by peers could result in market loss for the company.
- **Other risks:** These include 1) the ability to effectively manage funding and liquidity risk and 2) dependence on third-party networks, such as Visa and Mastercard, for credit card operations.

Bull & Bear cases

Bull case

- ☑ In our Bull case, we assume a loan CAGR of 30% over FY21–23E (v/s 27% in the Base case). In our view, growth in SBI Cards is likely to exceed that of the industry owing to its superior product offerings and high-value propositions for customers. Moreover, with revival in the economy, consumer spending is likely to increase, which augurs well for the Cards industry.
- ☑ We expect the margin to expand to ~16.8% by FY23E, aided by strong loan growth and lower cost of funds (v/s 16.5% in the Base case).
- ☑ Asset quality would be marginally better, with GNPA/NNPA of 3.6%/1.0% by FY23E (v/s 4.2%/1.2% in our Base case).
- ☑ This results in a PAT CAGR of 57% over FY21–23E (v/s 47% in our Base case), with RoA/RoE of 7.2%/30.5% in FY23E.
- ☑ Based on the above assumptions, we value SBI Cards at INR1,500 (47x FY23E EPS) – an upside of 37%.

Bear case

- ☑ In our Bear case, we assume a loan CAGR of 21% over FY21–23E (v/s 27% in our Base case). Slowdown in the economy and the capping of interest/MDR rate could be detrimental to overall loan growth.
- ☑ We expect the margin to shrink to 16%.1 in FY23 (v/s 16.5% in our Base case) due to the slowing of loan growth and higher cost of funds.
- ☑ Asset quality is likely to deteriorate, with higher slippages coming from the restructuring book. Accordingly, we model in GNPA/NNPA of 5.1%/1.6% by FY23E (v/s 4.2%/1.2% in our Base case).
- ☑ This would result in a PAT CAGR of 26% over FY21–23E (v/s 47% in our Base case), with RoA/RoE of 5.3%/22.6% in FY23E.
- ☑ Based on the above assumptions, we value SBI Cards at INR750 (36x FY23E EPS) – a downside of 32%.

Exhibit 122: Scenario analysis – Bull case

Bull case	FY21E	FY22E	FY23E
NII	42,816	51,626	68,750
Opex	49,218	60,967	78,975
Provisions	26,868	27,600	31,466
PBT	16,273	26,886	39,862
PAT	12,172	20,111	29,816
NIM (%)	16.7	16.5	16.8
RoA (%)	4.6	6.3	7.2
RoE (%)	20.7	27.2	30.5
EPS	13.0	21.4	31.8
BV	68.6	88.9	119.4
Target multiple	**47**		
Target price (INR)	**1.500**		
Upside (%)	**37%**		

Source: Company, MOFSL

Exhibit 123: Scenario analysis – Bear case

Bear case	FY21E	FY22E	FY23E
NII	42,816	46,703	58,000
Opex	49,218	59,659	75,452
Provisions	26,868	28,126	29,910
PBT	16,273	19,477	25,924
PAT	12,172	14,569	19,391
NIM (%)	16.7	15.8	16.1
RoA (%)	4.6	4.8	5.3
RoE (%)	20.7	20.6	22.6
EPS	13.0	15.5	20.7
BV	68.6	82.4	100.6
Target multiple	**36**		
Target price (INR)	**750**		
Downside (%)	**32%**		

Source: Company, MOFSL

SBICARD offers unique growth play on rising retail credit mix

Three-year Target Price – INR1,800 (64% return over three years)

- ☑ Even as the Credit Card industry has grown robustly in the past few years, the credit card penetration rate in India remains at 3.8% – much lower than most other countries. Furthermore, credit card penetration to banks' internal customers stands at a meager ~7% (the lowest for SBI Cards at 3.8%), providing ample cross-sell opportunities. We thus believe that a highly underpenetrated market – coupled with a higher thrust for digital payments, rising e-commerce, and efforts towards making the economy a cashless one – provides strong long-term structural growth opportunities.
- ☑ SBICARD enjoys SBI's strong parentage, with an extensive network of ~22k branches and a vast customer base of ~450m. Coupled with robust distribution, it is well-placed to capitalize on growth opportunities. Furthermore, SBICARD is the only listed company within its domain that offers a direct play on the Credit Card industry.
- ☑ Thus, in our long-term scenario, we assume a loan CAGR of 26% over FY21–25E. In our view, growth in SBI Cards is likely to exceed industry growth – led by the company's superior product offerings and high-value propositions for customers.
- ☑ We expect the margin to remain superior at ~16.6% over FY23–25E, aided by strong loan growth and lower cost of funds.
- ☑ Asset quality would fare better, with GNPA/NNPA of 3.1%/1.0% by FY25E.
- ☑ This results in a PAT CAGR of 38% over FY21–25E (47% over FY21–23E and 29% over FY23E–25E, with RoA/RoE of ~7%/~29.2% by FY25E.
- ☑ Based on the above assumptions, we value SBI Cards with a three-year Target Price of INR1,800 (38x FY25E P/E) – an upside of 64%.

Exhibit 124: PAT at 38% CAGR over FY21–25E, with RoA/RoE of ~7%/~29.2% by FY25E

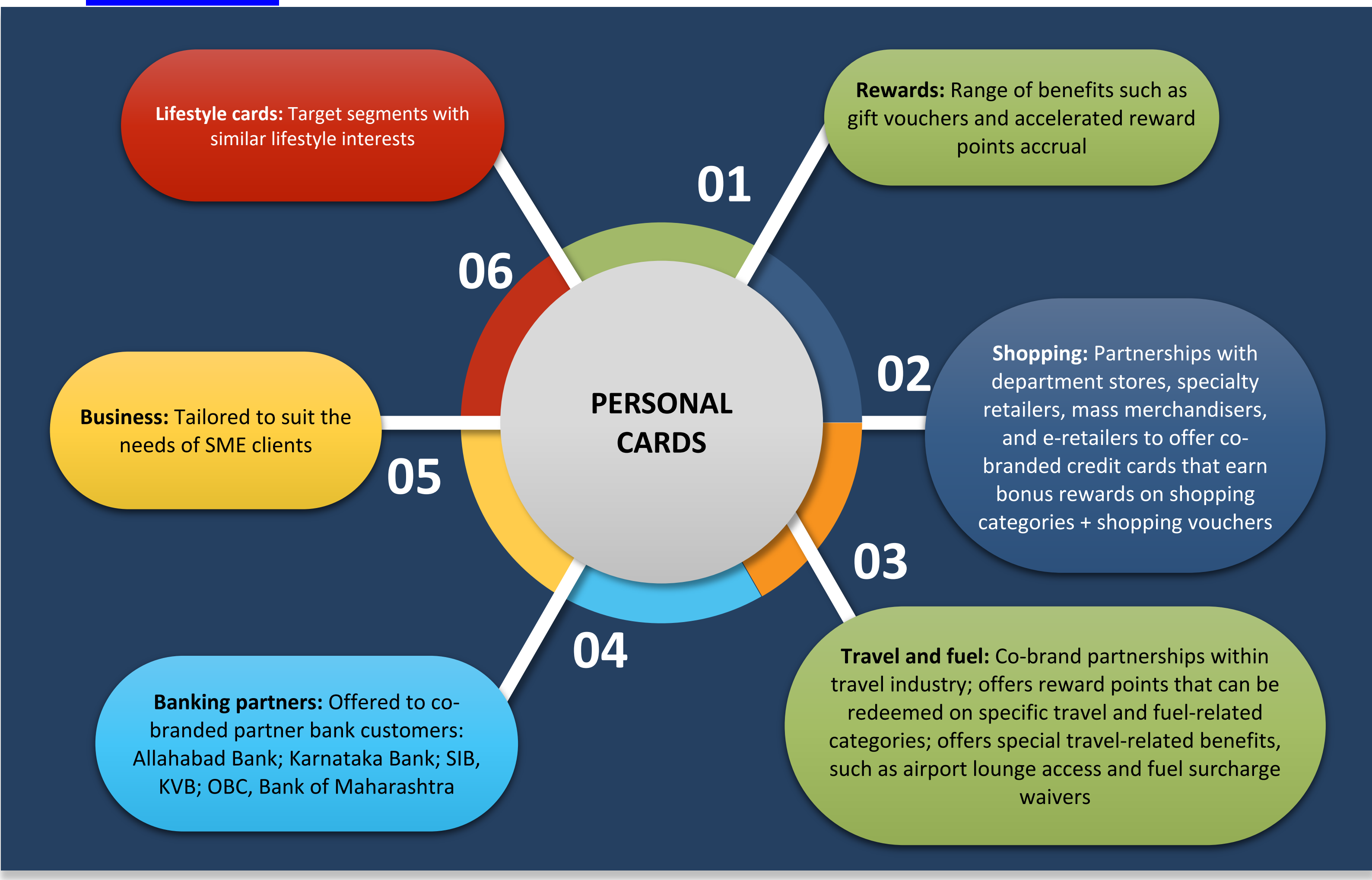
INR m	FY21E	FY22E	FY23E	FY24E	FY25E
NII	42,816	49,517	63,821	81,363	101,600
Opex	49,218	60,967	78,975	101,199	129,909
Provisions	26,868	27,984	30,571	35,805	40,464
PBT	16,273	24,043	35,245	46,439	58,712
PAT	12,172	17,984	26,363	34,736	43,916
Loan Book (INRb)	255.5	319.4	412.0	515.0	643.7
No of Cards (In Mn)	12.1	15.2	19.7	24.6	30.8
Total Spends (INRb)	1,248.8	1,623.4	2,191.6	2,739.5	3,424.4
NIM (%)	16.7	16.3	16.5	16.6	16.6
RoA (%)	4.6	5.7	6.6	6.8	7.0
RoE (%)	20.7	24.8	28.4	29.1	29.2
EPS	13.0	19.2	28.1	37.0	46.8
BV	68.6	86.0	111.7	142.6	177.3
Target multiple	**38**				
Target price (INR)	**1,800**				
Upside (%)	**64%**				

SBI Cards – key product segments

SBI Cards offers a comprehensive Credit Cards portfolio – it caters to a broad cardholder base and diverse cardholder needs. Offerings include both SBICARD-branded credit cards as well as co-branded credit cards. **It offers four primary SBICARD-branded credit cards: SimplySave, SimplyClick, Prime, and Elite.** Each of these caters to a varying set of cardholder needs. The company is also the largest co-branded credit card issuer in India and has partnerships with several major players in the Travel, Fuel, Fashion, Healthcare, and Mobility industries – including Air India, Apollo Hospitals, BPCL, Etihad Guest, FBB, IRCTC, OLA Money, and Yatra. These credit cards cater to both individual and corporate clients – the range includes premium, travel and fuel, shopping, and corporate credit cards. The company also offers a white-label card, which carries the brand partner's logo without the SBICARD logo.

Personal cards: SBI Cards has developed a wide range of personal credit card products, from premium credit cards for "premium" category customers to "affluent", "mass affluent", "mass", and "new to credit" category customers. As of 3QFY20, the Personal Cards portfolio constituted 99.5% of the total cards outstanding. On the other hand, it constituted 77.5% of the total credit card spends. Personal credit cards consist of the following categories:

PERSONAL CARD



Corporate cards: SBI Cards offers corporate credit cards to various corporate segments in India, including MNCs, large- and mid-sized Indian companies, state-owned enterprises, and travel management companies; they are tailored to cater to the diverse needs of corporate clients. It offers SBI Signature Corporate Card, SBI Platinum Corporate Card, SBI Central Travel Account Card, SBI Corporate Utility Card, SBI Corporate Purchase Card, and SBI Corporate Virtual Card. The annual fees charged under this segment range from nil to INR499. As of 3QFY20, the Corporate Cards portfolio constituted 0.5% of the total cards outstanding, while it constituted 22.5% of the total credit card spends. Categories include:

CORPORATE CARD

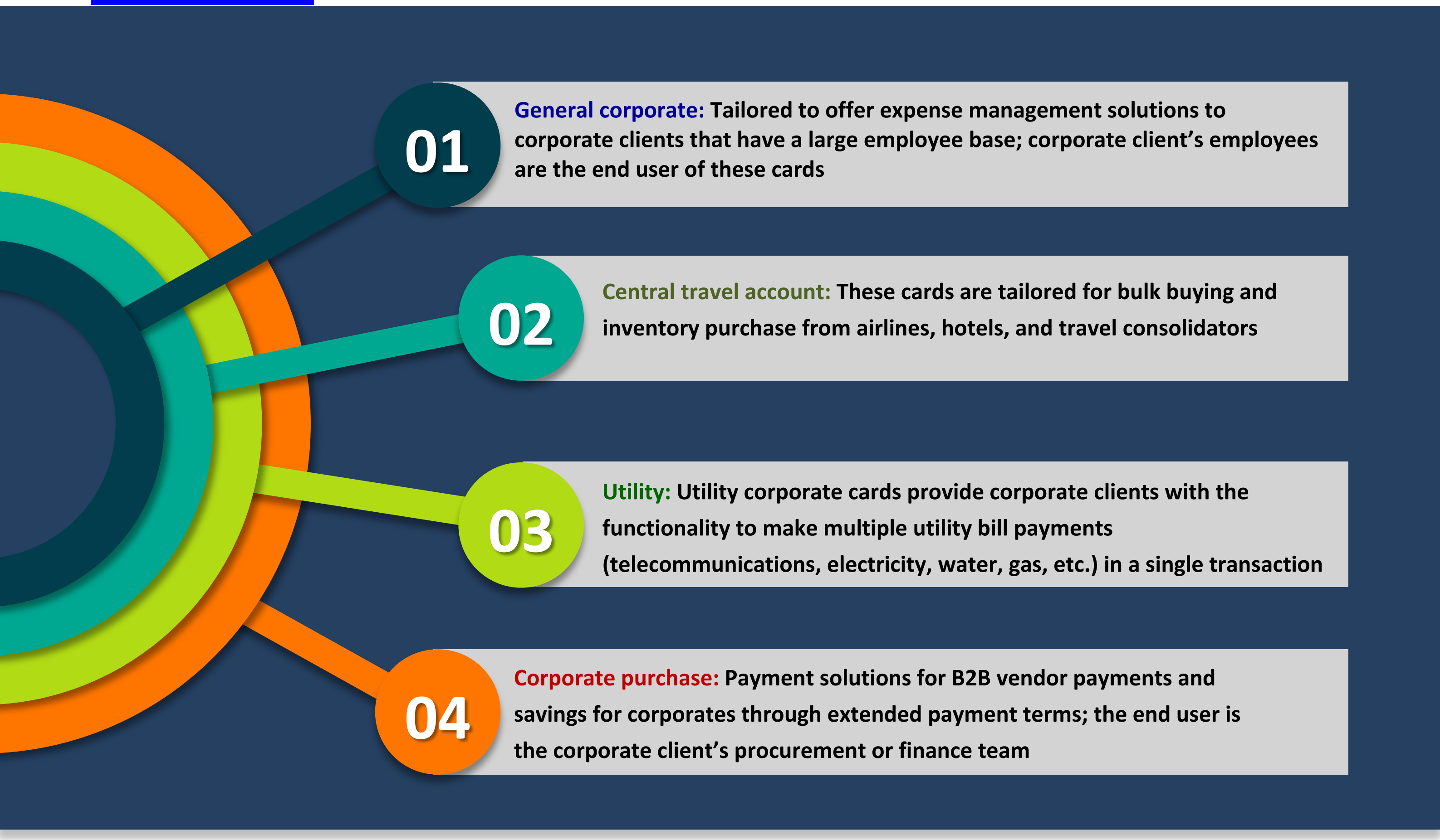
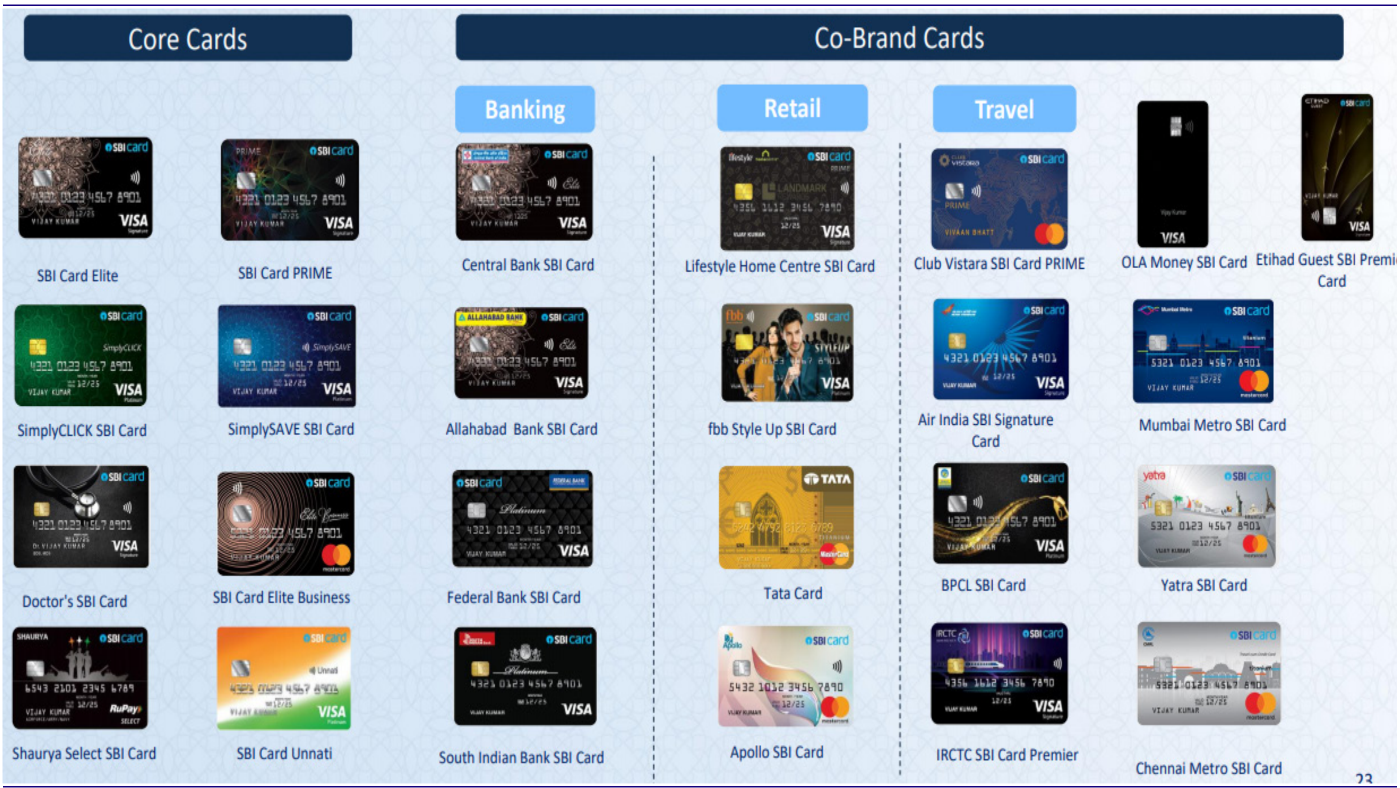


Exhibit 125: Types of cards offered by SBI Cards, along with fees charged

Category of cards	No of cards	Name of cards	Fees
Lifestyle cards	4	❖ SBI Card ELITE, SBI Card ELITE Advantage, and Doctor's SBI Card	INR1,499–4,999
Rewards cards	6	❖ SBI Card PRIME, OLA Money SBI Card, Apollo SBI Card, SBI Card PRIME Advantage, Tata Platinum Card & Tata Titanium Card	INR499–2,999
Shopping cards	19	❖ SimplyClick SBI Card, SimplySave SBI Card, fbb SBI STYLEUP Card, Central SBI Select+ Card, Central SBI Select Card, SBI Card Unnati, SimplyClick Advantage SBI Card, SimplySave Advantage SBI Card, Shaurya SBI Card, Shaurya Select SBI Card, Lifestyle, MAX & SPAR card	INR499–2,999
Travel and fuel cards	13	❖ Etihad Guest SBI Premier Card, Etihad Guest SBI Card, BPCL SBI Card, Yatra SBI Card, Air India SBI Signature Card, Air India SBI Platinum Card, Chennai Metro SBI Card, Mumbai Metro SBI Card, IRCTC SBI Platinum Card and Club Vistara Cards	INR499–4,999
Banking partnerships cards	19	❖ CBOI, CUBK, ALBK, KARNATAKA, SIB, FB, KVB, and BOM	INR499–4,999
Business cards	2	❖ SBI Card ELITE Business and SBI Card PRIME Business	
Corporate cards	6	❖ SBI Signature Corporate Card, SBI Platinum Corporate Card, SBI Central Travel Account Card, SBI Corporate Utility Card, SBI Corporate Purchase Card and the SBI Corporate Virtual Card	Nil–INR499

Source: MOFSL, Company

Exhibit 126: Comprehensive product suite across categories



Source: MOFSL, Company

Value-added services: SBI Cards offers several value-added services as a part of its credit card products suite. These include:

- ATM cash – Cardholders are allowed to withdraw cash via ATMs using their SBI Credit Card, limited to the cash advance limit available.
- Easy money – Personal loans are offered to cardholders within their existing cash advance limit.
- Encash – Personal loans are offered to select cardholders over and above their existing credit card limit.
- Encash inline – Personal loans are offered to select cardholders within their existing credit card limit.
- Flexipay – Cardholders are allowed to pay for retail purchases in multiple equated monthly installments.
- Balance transfer – Cardholders are allowed to transfer their existing balances on other bank credit cards to their SBI Credit Card.

Concentration of top five players – ~76% of the market

- The Credit Cards market is highly concentrated with the top five players – HDFCB, SBI, ICICIBC, AXSB, and Citi – which together constituted ~77% of the total o/s cards and 80% of the total spends in 9MFY21. HDFCB commands the highest market share with ~15.3m cards (25.3%), followed by SBI Cards with ~11.5m cards (19.0%) and ICICIBC with ~9.9m cards (16.4%). In terms of total spend, HDFCB has market share of 31.4%, followed by SBI Cards (20.0%) and ICICIBC (13.8%).
- In terms of incremental market share, SBI Cards has had the highest market share across the past 6M; 9M; and 1, 2, and 3 years, followed by HDFCB and ICICIBC. Among other names, RBK has aggressively gained 8–9% of incremental share over the past three years.

Exhibit 127: HDFCB has the highest no of cards…

Credit Cards o/s (Nos. in m)	FY13	FY15	FY17	FY19	9MFY21
HDFCB	6.6	6.0	8.5	12.5	15.3
SBI Cards	**2.6**	**3.2**	**4.6**	**8.3**	**11.5**
ICICIBC	2.9	3.3	4.3	6.6	9.9
AXSB	1.1	1.7	3.3	6.0	6.9
RBK	-	0.1	0.3	1.7	2.8
CITI	2.4	2.4	2.5	2.7	2.7
KMB	0.3	0.5	1.0	2.0	2.3
AMEX	0.6	0.7	1.0	1.5	1.6
IIB	0.2	0.3	0.6	1.1	1.5
SCB	1.4	1.1	1.1	1.3	1.4
Total	**19.5**	**21.1**	**29.8**	**47.1**	**60.4**

Source: MOFSL, RBI

Exhibit 128: …with market share of ~25% in o/s cards

Cards o/s – Market Share (%)	FY13	FY15	FY17	FY19	9MFY21
HDFCB	33.6	28.3	28.6	26.5	25.3
SBI Cards	**13.2**	**15.0**	**15.3**	**17.6**	**19.0**
ICICIBC	14.7	15.8	14.3	14.1	16.4
AXSB	5.6	8.2	11.2	12.7	11.4
RBK	0.0	0.4	0.9	3.6	4.7
CITI	12.1	11.4	8.5	5.8	4.5
KMB	1.7	2.5	3.5	4.3	3.9
AMEX	3.2	3.4	3.4	3.1	2.6
IIB	1.2	1.6	2.0	2.3	2.5
SCB	6.9	5.2	3.7	2.7	2.4
Others	7.9	8.2	8.7	7.4	7.3

Source: MOFSL, RBI

Exhibit 129: Spend increased sharply for HDFCB & SBI Cards

Credit Cards Spends (INR b)	FY13	FY15	FY17	FY19	9MFY21
HDFCB	358	578	975	1,704	1,365
SBI Cards	**114**	**213**	**439**	**1,036**	**867**
ICICIBC	140	216	362	673	601
AXSB	48	136	287	621	360
CITI	227	309	426	532	264
RBK	-	5	29	164	204
IIB	17	29	101	251	163
AMEX	155	235	398	559	159
KMB	16	33	68	166	114
SCB	85	89	104	131	66
Total	**1,236**	**1,923**	**3,312**	**6,077**	**4,343**

Source: MOFSL, RBI

Exhibit 130: Spend market share: SBICARD gaining rapidly

Spends - Market Share (%)	FY13	FY15	FY17	FY19	9MFY21
HDFCB	29.0	30.0	29.4	28.0	31.4
SBI Cards	**9.3**	**11.1**	**13.2**	**17.1**	**20.0**
ICICIBC	11.3	11.2	10.9	11.1	13.8
AXSB	3.9	7.1	8.7	10.2	8.3
CITI	18.3	16.0	12.8	8.8	6.1
RBK	0.0	0.3	0.9	2.7	4.7
IIB	1.4	1.5	3.1	4.1	3.8
AMEX	12.5	12.2	12.0	9.2	3.7
KMB	1.3	1.7	2.1	2.7	2.6
SCB	6.9	4.6	3.1	2.2	1.5
Others	6.2	4.2	3.7	3.9	4.1

Source: MOFSL, RBI

Exhibit 131: SBICARD acquiring highest number of cards…

Addition (Nos. in m)	6M	9M	1 Yr.	2 Yr.	3 Yr.
SBI Cards	**0.9**	**0.9**	**1.5**	**4.0**	**5.7**
ICICIBC	0.8	0.8	1.3	3.9	5.2
HDFCB	0.7	0.8	1.4	3.1	5.1
AXSB	0.1	-0.1	0.0	1.4	2.7
RBK	0.2	0.1	0.4	1.4	2.2
KMB	0.0	0.0	0.1	0.5	1.0
IIB	0.2	0.2	0.2	0.5	0.8
AMEX	-0.1	-0.1	-0.1	0.2	0.5
CITI	-0.0	-0.1	-0.1	-0.0	0.1
SCB	0.0	-0.0	0.1	0.1	0.2
Industry	**3.1**	**2.7**	**5.1**	**16.2**	**24.9**

Source: MOFSL, RBI

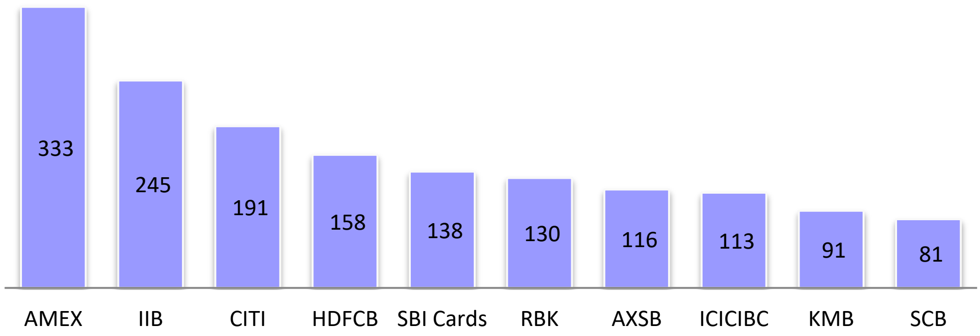
Exhibit 132: …resulting in highest incremental market share

Incremental Market Share (%)	6M	9M	1 Yr.	2 Yr.	3 Yr.
SBI Cards	**28.6**	**35.5**	**28.8**	**24.5**	**23.0**
ICICIBC	27.2	30.2	26.5	23.9	20.8
HDFCB	23.7	30.5	27.0	19.0	20.6
AXSB	1.9	-4.3	0.4	8.8	11.0
RBK	6.8	5.3	7.2	8.6	8.8
KMB	0.9	0.7	2.0	3.0	4.0
IIB	4.9	5.7	4.4	3.2	3.1
AMEX	-1.6	-3.7	-1.2	1.4	1.8
CITI	-1.5	-3.8	-1.3	0.0	0.2
SCB	1.0	-0.4	2.8	0.5	0.9

Source: MOFSL, RBI

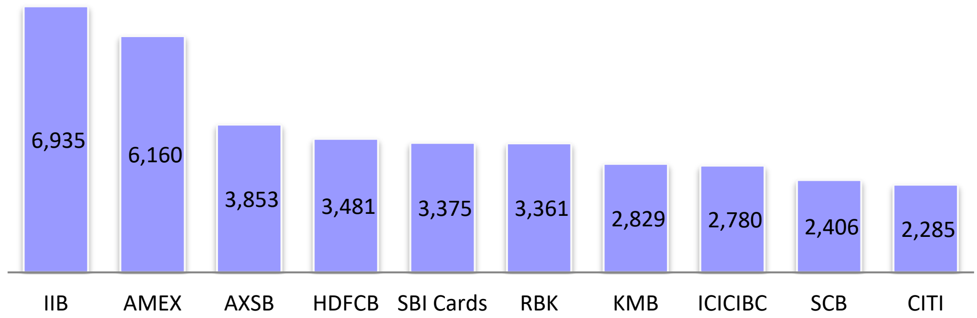
- In terms of spend per card, Amex has the highest average annual spend of INR333k, followed by IIB (INR245k) and Citi (INR191k). The rest of the major players have an annual average spend of INR113–158k. The average ticket size per transaction stands relatively higher for Amex and IIB at ~INR7k, while for RBK, SBI Cards, AXSB, and HDFCB, it stands at INR3.4–3.8k. KMB and ICICIBC have a lower ticket size of ~INR2.8k.
- While most of the players have usage in the range of 2.5–3.8 transactions per card per month, foreign players such as Amex and Citi have a much higher usage of 4.5 and 7.0 transactions per card per month.

Exhibit 133: AMEX has the highest spend/card, followed by IIB & CITI (INR k)



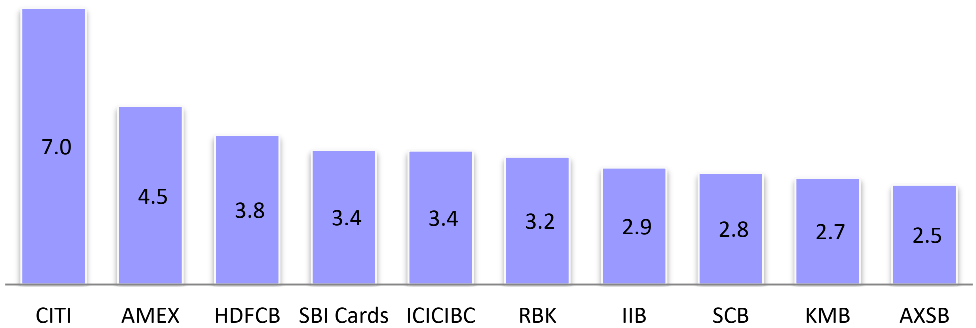
Source: MOFSL, RBI

Exhibit 134: IIB/AMEX has the highest ticket size, while others in INR2–4k range in FY20



Source: MOFSL, RBI

Exhibit 135: Foreign players had high no of transactions per card per month in FY20

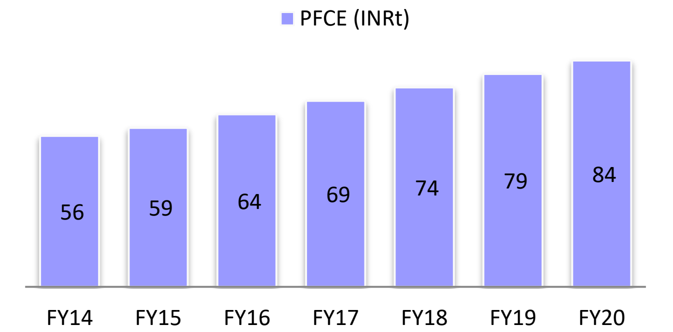


Source: MOFSL, RBI

Rising discretionary spending augurs well for Credit Card industry

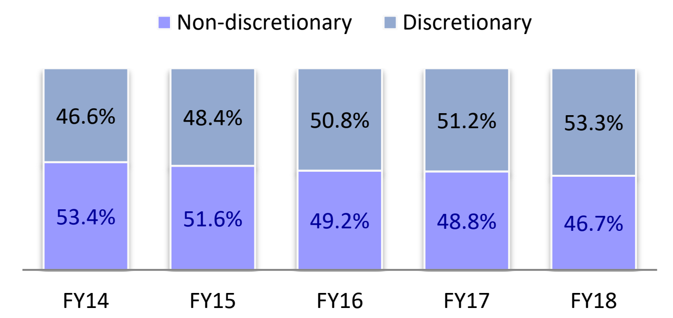
India's GDP growth over the past few years has been largely driven by consumption, especially private consumption. This has resulted in an incremental need for credit in the economy. While private financial consumption expenditure has seen an uptick, the proportion of discretionary spending (such as dining, entertainment, vacation, travel, and luxury goods) has notably been increasing consistently – which bodes well for the Credit Card industry. The proportion of discretionary spending increased to ~53% in FY18 from ~46% in FY14. While the COVID-19 outbreak has impacted consumer behavior, resulting in decline in discretionary spending, favorable demographics such as a low median age, a higher proportion of young population, and continued urbanization would fuel growth in the Credit Cards industry as economic recovery shapes up.

Exhibit 136: PFCE has been increasing consistently



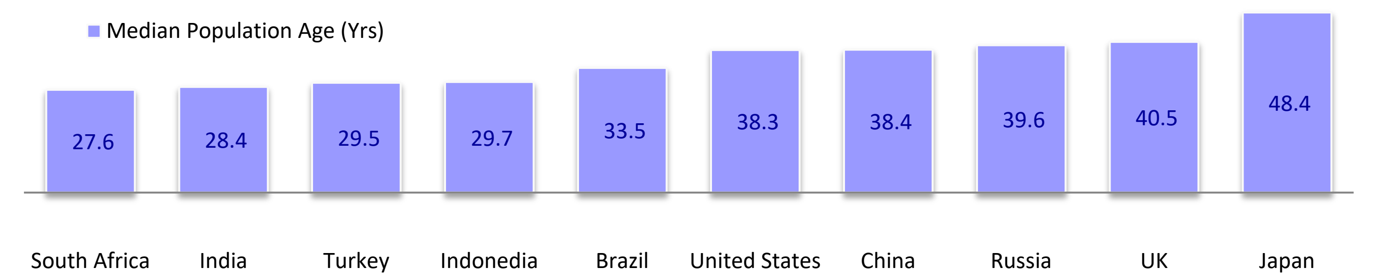
Source: MOFSL, Company, RHP, CSO, CRISIL

Exhibit 137: Increasing proportion of discretionary spending



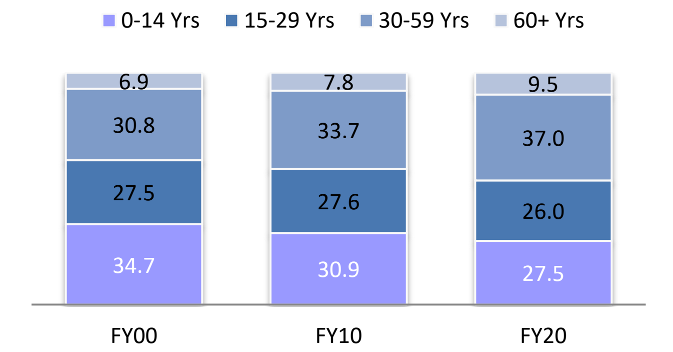
Source: MOFSL, Company, MOSPI, CRISIL

Exhibit 138: India has one of the lowest median population ages



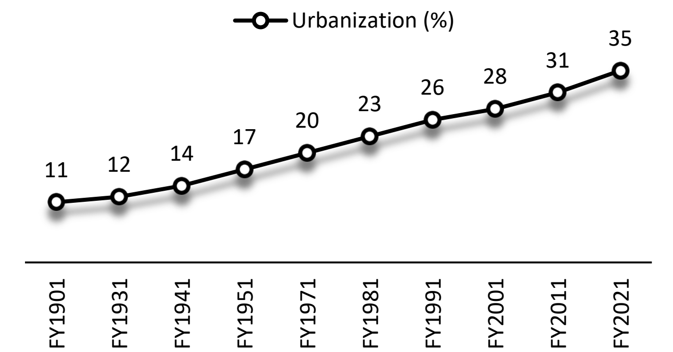
Source: MOFSL, Company, UN

Exhibit 139: Proportion of young population is increasing, %



Source: MOFSL, Company, UN, CRISIL

Exhibit 140: Percentage of urban population is rising

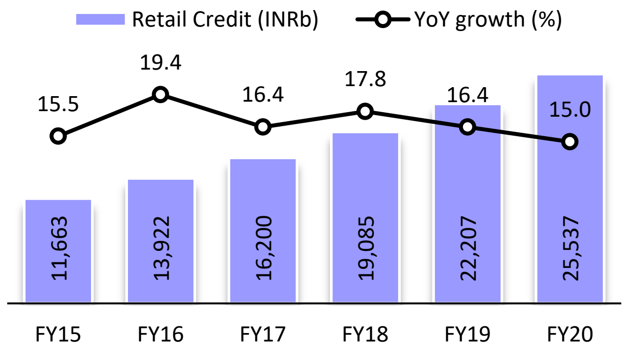


Source: MOFSL, Company, UN, Census 2011

Over FY14–19, retail credit increased at a 17% CAGR to reach INR25.5t in FY20. While retail credit grew at 17%, growth in unsecured loans was much higher at 24% over FY14–19. Within unsecured loans, credit cards grew at a robust pace of 29%, and personal loans grew at 25%. Although the growth momentum has softened due to the COVID-19 impact – retail loans are growing at 9–12%, while growth in credit cards and personal loans moderated to the single digits over FY21YTD – it is picking up gradually as the economy recovers.

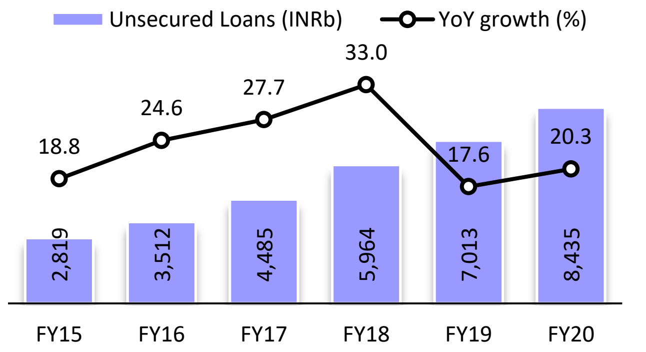
Nevertheless, we expect consumer spending to grow, aided by a) rising credit penetration, b) increasing discretionary spending, c) increased employment in the formal sector, and d) strong growth in e-commerce (led by a growing acceptance of digital infrastructure). Currently, credit cards account for 13% of total unsecured loans and personal loans 87%. With credit card usage growing, we expect its proportion to increase.

Exhibit 141: Retail credit growing at a higher pace…



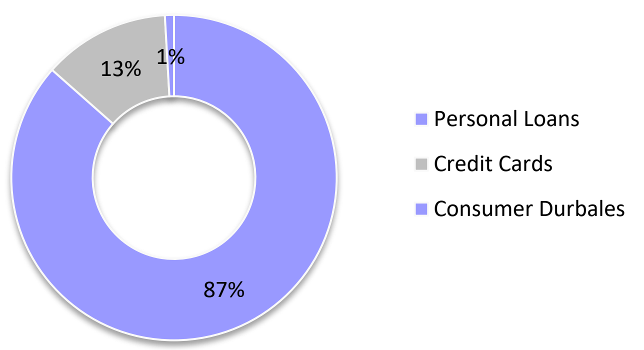
Source: MOFSL, RBI

Exhibit 142: …led by higher growth in unsecured loans



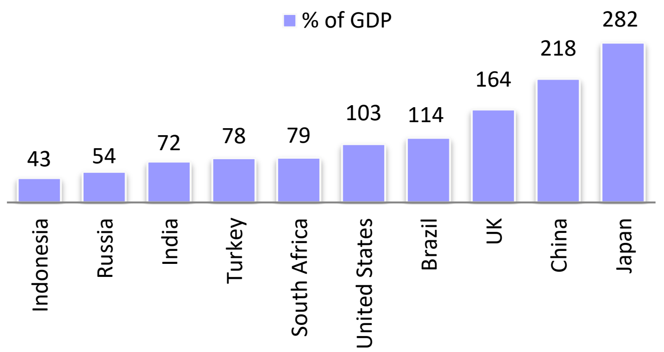
Source: MOFSL, RBI

Exhibit 143: Personal loans form the bulk of unsecured loans



Source: MOFSL, Company

Exhibit 144: Credit penetration in India remains low



Source: MOFSL, Company, World Bank

Financials and valuations

Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	18,882	27,600	35,757	48,413	56,296	63,876	81,265
Interest Expense	5,284	7,115	10,094	13,009	13,480	14,359	17,443
Net Interest Income	**13,597**	**20,485**	**25,664**	**35,404**	**42,816**	**49,517**	**63,821**
Growth (%)	43.1	50.7	25.3	38.0	20.9	15.6	28.9
Non Interest Income	15,829	26,102	37,111	49,110	49,543	63,477	80,970
Total Income	**29,426**	**46,587**	**62,775**	**84,514**	**92,359**	**112,994**	**144,791**
Growth (%)	42.7	58.3	34.7	34.6	9.3	22.3	28.1
Operating Expenses	18,390	29,393	37,947	47,815	49,218	60,967	78,975
Pre Provision Profits	**11,036**	**17,194**	**24,828**	**36,699**	**43,141**	**52,027**	**65,815**
Growth (%)	56.3	55.8	44.4	47.8	17.6	20.6	26.5
Provisions (excl tax)	5,320	8,001	11,477	19,402	26,868	27,984	30,571
PBT	**5,716**	**9,193**	**13,351**	**17,296**	**16,273**	**24,043**	**35,245**
Tax	1,988	3,182	4,701	4,848	4,101	6,059	8,882
Tax Rate (%)	34.8	34.6	35.2	28.0	25.2	25.2	25.2
PAT	**3,729**	**6,011**	**8,650**	**12,448**	**12,172**	**17,984**	**26,363**
Growth (%)	31.3	61.2	43.9	43.9	-2.2	47.7	46.6
OCI	(14)	(18)	(31)	(31)	-	-	-
Total Comprehensive Income	**3,714**	**5,993**	**8,618**	**12,417**	**12,172**	**17,984**	**26,363**
Growth (%)	30.8	61.4	43.8	44.1	-2.0	47.7	46.6

Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	7,850	7,850	8,372	9,390	9,390	9,390	9,390
Reserves & Surplus	6,638	15,681	27,506	44,023	55,063	71,349	95,448
Net Worth	**14,488**	**23,531**	**35,878**	**53,412**	**64,452**	**80,738**	**104,837**
Borrowings	82,684	114,128	135,494	173,649	185,805	230,398	290,301
Other Liabilities & Prov.	10,478	19,201	30,090	25,966	31,160	40,508	54,685
Total Liabilities	**107,650**	**156,860**	**201,462**	**253,028**	**281,417**	**351,644**	**449,824**
Current Assets	2,829	4,727	7,768	6,760	7,098	7,453	7,826
Investments	**0**	**0**	**15**	**15**	**15**	**15**	**15**
Growth (%)	NA	NA	NA	0.0	0.0	0.0	0.0
Loans	**99,829**	**140,455**	**179,087**	**228,116**	**255,490**	**319,363**	**411,978**
Growth (%)	35.0	40.7	27.5	27.4	12.0	25.0	29.0
Fixed Assets	238	2,768	2,164	3,346	3,680	4,048	4,453
Other Assets	4,753	8,910	12,428	14,791	15,133	20,765	25,552
Total Assets	**107,650**	**156,860**	**201,462**	**253,028**	**281,417**	**351,644**	**449,824**

Asset Quality

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
GNPA (INR m)	2,409	4,125	4,529	4,844	13,553	17,738	17,736
NNPA (INR m)	773	1,348	1,518	1,589	4,443	5,410	5,013
GNPA Ratio	2.3	2.8	2.4	2.0	5.1	5.3	4.2
NNPA Ratio	0.8	0.9	0.8	0.7	1.7	1.7	1.2
Slippage Ratio	0.58	3.13	5.89	5.89	7.00	6.50	5.50
Credit Cost	6.11	6.43	6.21	9.08	10.50	9.20	7.90
PCR (Excl Tech. write off)	67.9	67.3	66.5	67.2	67.2	69.5	71.7

Financials and valuations

Business Metrics

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total No of Cards (Nos in Mn)	4.6	6.3	8.3	10.5	12.1	15.2	19.7
Total spends (INR b)	438.5	770.2	1,036.0	1,314.5	1,248.8	1,623.4	2,191.6
Spends per card (INR k)	96.0	123.1	125.3	124.6	103.0	107.1	111.2
Loans per card (INR)	21,849	22,443	21,651	21,628	21,063	21,063	20,901
Loans as % of spends	22.8	18.2	17.3	17.4	20.5	19.7	18.8
Fee income earned per card	2,871	3,479	3,714	3,772	3,465	3,545	3,472

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Yield & Cost Ratios (%)							
Avg. Yield on loans	21.7	22.2	21.6	22.7	22.0	21.0	21.0
Avg. Cost of Borrowings	7.4	7.2	8.1	8.4	7.5	6.9	6.7
Interest Spread	**14.3**	**15.0**	**13.5**	**14.3**	**14.5**	**14.1**	**14.3**
Net Interest Margin	**15.6**	**16.5**	**15.5**	**16.6**	**16.7**	**16.3**	**16.5**
Capitalisation Ratios (%)							
CAR	11.3	12.4	14.9	17.7	19.9	20.2	20.5
Tier I	4.4	5.9	5.3	4.7	4.2	3.3	2.5
Tier II	15.7	18.3	20.1	22.4	24.1	23.4	23.0
Asset-Liability Profile (%)							
Cost/Assets	19.7	22.2	21.2	21.0	18.4	19.3	19.7
Cost/Total Income	62.5	63.1	60.4	56.6	53.3	54.0	54.5
Int. Expense/Int.Income	28.0	25.8	28.2	26.9	23.9	22.5	21.5
Fee Income/Total Income	44.6	46.7	48.9	47.1	45.5	47.6	47.3
Non Int. Inc./Total Income	53.8	56.0	59.1	58.1	53.6	56.2	55.9
Empl. Cost/Total Expense	5.2	6.6	10.0	9.8	10.3	10.0	9.4

Valuation

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
RoE	28.6	31.6	29.1	27.9	20.7	24.8	28.4
RoA	4.0	4.5	4.8	5.5	4.6	5.7	6.6
RoRWA	3.7	4.8	5.2	5.9	4.8	5.9	6.6
Book Value (INR)	18.5	30.0	42.9	56.9	68.6	86.0	111.7
Growth (%)	25.4	62.4	43.0	32.7	20.7	25.3	29.8
Price-BV (x)	**59.5**	**36.6**	**25.6**	**19.3**	**16.0**	**12.8**	**9.8**
Adjusted BV (INR)	17.8	28.8	41.6	55.7	65.3	82.0	107.9
Price-ABV (x)	**61.8**	**38.2**	**26.4**	**19.7**	**16.8**	**13.4**	**10.2**
EPS (INR)	4.7	7.7	10.7	14.0	13.0	19.2	28.1
Growth (%)	31.3	61.2	39.3	31.4	-7.5	47.7	46.6
Price-Earnings (x)	**231.2**	**143.4**	**103.0**	**78.3**	**84.7**	**57.3**	**39.1**
Dividend Per Sh (INR)	1.2	-	1.2	0.0	1.2	1.8	2.4
Dividend Yield (%)	**0.1**	**0.0**	**0.1**	**0.0**	**0.1**	**0.2**	**0.2**

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Best Sales People Team

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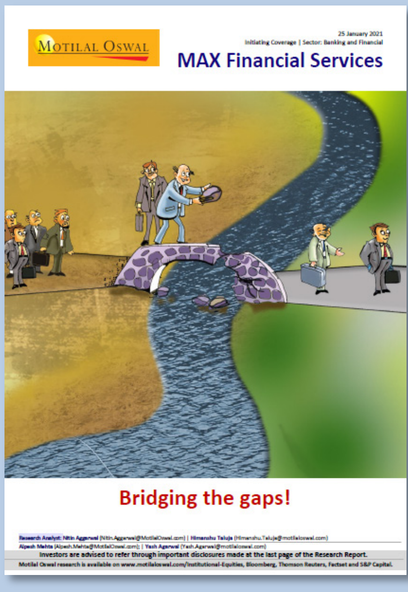

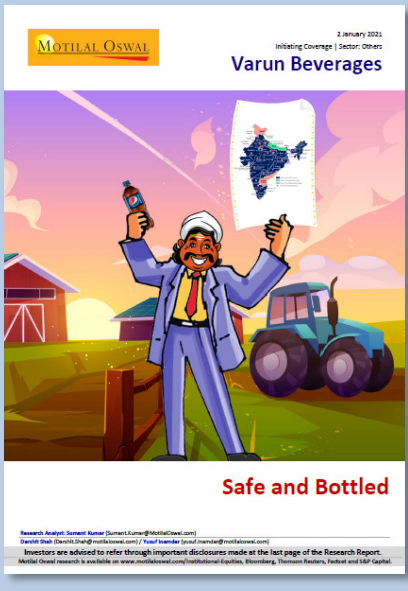

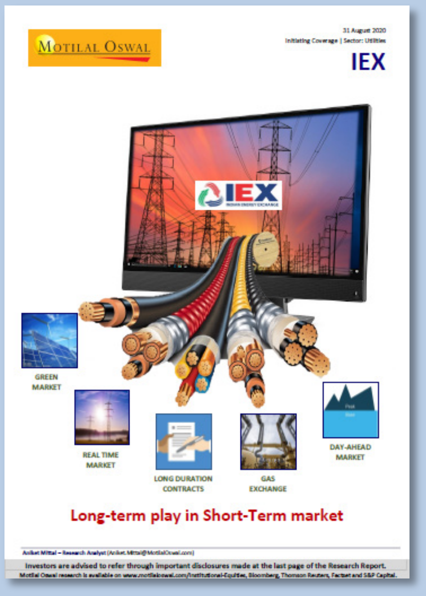

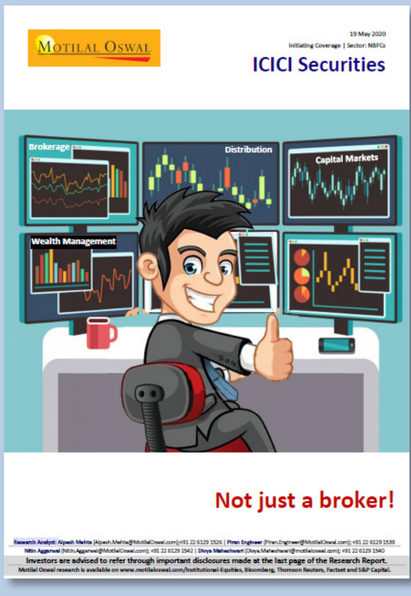

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