

# SBI Cards and Payment Services

## Portfolio rebalancing remains WIP

SBI Cards' (SBICARD) earnings were marginally below our estimates due to higher-than-expected credit costs, partially offset by healthy traction in fee income. While the QoQ receivables mix remained steady with Revolve/EMI loans at 24%/37%, NIMs declined 10bps QoQ (11.5%) and are close to bottoming out with renewed management focus on raising the share of instalment loans. Business momentum remained strong in terms of card acquisitions (+22% YoY) as well as retail per-card spends (+11% YoY). Asset quality witnessed marginal deterioration with GS-III at 2.4% and credit costs at 6.3% (20bps one-off impact from change in ECL estimates). We marginally reduce our FY24/FY25 earnings estimates to factor in lower revolve share, partly offset by lower credit costs and maintain BUY with a revised TP of INR960 (implied 25x FY25 EPS). We remain bullish on the overall credit card opportunity and the ability of SBICARD to deliver consistently superior profitability (5%+ RoA, 25%+ RoE).

- **Elevated provisions offset healthy PPOP growth:** SBICARD reported steady NII/PPOP growth of 17%/22% YoY, driven primarily by strong traction in unit spends, offset by NIM compression. Fee income witnessed strong traction sequentially across categories (spends-based, instance-based fees etc.).
- **Thrust on mix of instalment loans:** The marginal 10bps NIM compression, alongside steady mix of receivables, suggests that NIMs are likely to have bottomed out. Management remains focused on improving the share of EMI loans in order to drive higher NII.
- **Market leadership in issuance; strong unit spends:** SBICARD's industry-leading pace of credit card issuances and sustained traction in unit spends have helped the company clock market share gains. While this is likely to increase near-term opex intensity, recent efforts at cost optimisation (in line with industry) are likely to help sustain steady-state, consistently superior, and best-in-class return ratios (RoA of ~5-6%, and RoE of over 25%).

### Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
NII	11.7	10.0	16.7	11.4	1.8	38.4	45.1	58.9	78.8
PPOP	14.3	11.7	22.0	12.2	17.4	44.3	51.9	65.9	85.2
PAT	6.0	5.8	2.7	5.1	17.1	16.2	22.6	28.2	36.1
EPS (INR)	6.3	6.1	2.8	5.4	17.2	17.2	23.9	29.8	38.1
ROAE (%)						23.0%	25.7%	25.5%	26.2%
ROAA (%)						5.2%	5.6%	5.4%	5.4%
ABVPS (INR)						79.9	101	125	156
P/ABV (x)						9.7	7.7	6.2	4.9
P/E (x)						44.9	32.3	25.9	20.3

### Change in estimates

INR bn	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
AUM	527	527	0.0%	674	680	0.8%
NIM (%)	13.0	12.1	-93 bps	13.9	12.5	-142 bps
NII	62.3	58.9	-5.4%	86.0	78.8	-8.4%
PPOP	68.5	65.9	-3.9%	90.2	85.2	-5.5%
PAT	28.9	28.2	-2.7%	37.8	36.1	-4.6%
ABVPS (INR)	125	125	0.3%	158	156	-0.8%

Source: Company, HSIE Research

**BUY**

CMP (as on 28 Apr 2023)	INR 772
Target Price	INR 960
NIFTY	18,065

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1020	INR960
	FY24E	FY25E
EPS %	-2.7%	-4.6%

### KEY STOCK DATA

Bloomberg code	SBICARD IN
No. of Shares (mn)	946
MCap (INR bn) / (\$ mn)	742/9,066
6m avg traded value (INR mn)	906
52 Week high / low	INR 1,029/656

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.1	(8.6)	(5.2)
Relative (%)	9.9	(10.1)	(11.9)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	69.1	69.0
FIs & Local MFs	16.7	17.5
FPIs	9.1	8.5
Public & Others	5.1	5.1
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

### Krishnan ASV

venkata.krishnan@hdfcsec.com  
+91-22-6171-7314

### Deepak Shinde

deepak.shinde@hdfcsec.com  
+91-22-6171-7323

### Neelam Bhatia

neelam.bhatia@hdfcsec.com  
+91-22-6171-7341

## Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

## Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customercare@hdfcsec.com](mailto:customercare@hdfcsec.com) Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193 Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

## HDFC securities Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013  
Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)