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Issue Details	
Price Band (Rs)	Rs. 750 to 755
Face Value (Rs)	10
Issue Size (Rs)	10,355Cr
Issue Type	Book Building
Minimum lot	19
Issue Opens	March 02, 2020
Issue Closes	March 05, 2020
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	March 11, 2020
Unblocking of Funds	March 12, 2020
Credit of shares to Demat Account	March 13, 2020
Listing on exchange	March 16, 2020

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Axis Capital Limited, DSP Merrill Lynch Limited, HSBC Securities and Capital Markets (India) Private Limited, Nomura Financial Advisory and Securities (India) Private Limited and SBI Capital Markets Limited
Registrar	Link Intime India Private Limited

Distribution Team

E: ipo@acm.co.in
D: +91 22 6132 5931

Associate

Karan Desai
E: karan.desai@acm.co.in
D: +91 22 2858 3221

SBI CARDS AND PAYMENT SERVICES LTD.

Company Background

Incorporated in 1998, SBI Cards and Payment Services Limited is a subsidiary of SBI, India's largest commercial bank. SBI Cards started its operations in 1998, the business started off as a JV between SBI and GE Capital. GE Capital sold its stake to SBI and CA Rover Holdings in 2017. In April, 2018, SBI Business Process and Management Services, a company providing back end payment and processing services to SBI Cards was merged with the company (SBI Cards). The company is the second largest player in the Indian credit card market. Its market share in total cards outstanding and total spends stood at 18.1% and 17.9% respectively as on November 30, 2019.

Issue Details

The offer comprises fresh issue Fresh Issue of Equity shares aggregating upto Rs.500 Cr and Offer for sale of up to 130,526,798 Equity Shares aggregating upto Rs.9855 Cr.

OFS Details:

Name	Shares offered for sale	Pre offer Holding %
Promoter		
State Bank of India	37,293,371	74%
Investor		
CA Rover Holdings	93,233,427	26%

Issue Objectives :

- To augmenting the capital base to meet the future capital requirements.
- To achieve the benefit of listing of our Equity Shares on the Stock Exchanges.

IPO share allotment pattern

Category	Allocation	Number of Shares	Issue Size (Rs.Cr)	
			Lower Band (Rs.750)	Upper Band (Rs.755)
QIB	50%	61,115,983	4,584	4,614
Non-Institutional	15%	18,334,795	1,375	1,384
Retail	35%	42,781,188	3,209	3,230
Eligible Employees		1,864,669	140	141
SBI Shareholder*		13,052,680	979	985
Total		137,149,315	10,286	10,355

* Investors who hold SBI shares on the 18th Feb 2020 are eligible to apply under the shareholder's category of SBI Cards IPO. SBI shareholders (**bidding up to ₹2 lakhs**) can also apply under the retail category.

Source: Company RHP, ACMIIL Research

Outlook and Valuations

SBI Card is the leading pure-play credit card issuer. The Government's vision of a cash-less society, digitalization, developments in e-commerce, and growth in POS infrastructure have encouraged the use of credit cards. According to CRISIL, Credit card spends have registered robust growth, growing at a CAGR of 32.0% from FY2015 to FY2019, and is set to witness 23% CAGR over FY19-24E. SBI Cards having a strong parent backing, been in

the business for two decades and having a strong distribution channel and scale will certainly benefit from the developments taking place in the payment ecosystem. At the upper price band of Rs.755, stock is valued at FY20 P/E of 45.8/- based annualize latest earnings and on diluted basis. We recommend to **subscribe** the issue for **listing gains** and also from a **long-term prospective**.

Business Overview

SBI Cards is the 2nd largest credit card issuer in India, with a 17.6% and 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding as of March 31, 2019 and November 30, 2019, respectively, and a 17.1% and 17.9% market share of the Indian credit card market in terms of total credit card spends in fiscal 2019 and in the 8 months ended November 30, 2019, respectively, according to the RBI.

SBI Cards offers a wide range of credit cards to individual and corporate clients including lifestyle, rewards, shopping, travel, fuel, banking partnership cards, and corporate cards, etc. SBI Cards has partnered with several leading names across industries, including Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, IRCTC, OLA Money and Yatra, amongst others. SBI Cards has a broad credit card portfolio that includes SBI Card-branded credit cards as well as co-branded credit cards that bear both the SBI Card brand and their co-brand partners' brands.

As a subsidiary of SBI, the company has access to SBI's extensive network of 22,007 branches across India. The partnership enables it to market its cards to a huge customer base of 436.4 million customers. Headquartered in New Delhi, as of November 30, 2019, the company has a sales force of 38, 244 outsourced sales personnel operating out of 133 Indian cities.

Sources of Revenue:

SBI earns its majority revenues from two sources

- Interest Income
- Fee Income (Non Interest Income)

1. Interest income is earned when cardholders roll over their dues, in other words the company earns interest income on its receivables when card holders do not make payment in full when they are due.

The company classifies its receivables into 3 categories

Rollover: Outstanding balances which are carried over from one month to the next. Interest Income on outstanding balance (Interest 36% to 48%)

EMIs: Outstanding balances are converted into EMIs, payments are spreaded across period of time. Carry lower interest rate than revolve receivables (Interest upto 24%)

Cash Withdrawal: Interest is charged every time you withdraw cash using your Credit Card. Interest is charged on a monthly percentage rate, typically from 2.5% to 3.5% per month. Unlike regular transaction, for cash withdrawals, There's no interest-free period; charges start accruing from the day of the transaction till it's paid in full.

2. Fee Income: These are earned by levying various fees and charges to its cardholders. These can be broken down into three sub categories.

Spend based fees : Interchange fees for the transactions carried out using credit cards. Also, includes foreign exchange mark up income on international transaction using credit cards.

Instance-based fees : Late fees, cash withdrawal fees, reward redemption fees, processing fees and statement retrieval are some of the ways that the company earns revenues.

Subscription-based fees : Credit card membership and annual fees

Service Charges: Consists income earned from commission from selling of third party products, brand association fee charged to partners and transaction revenue

Business Development Income: SBI earns business development incentives from payment networks under long term contracts. The incentives are dependent on increases in credit card spends, cards outstanding and new product launches

Other Income: Recovery from bad debts written off, income from investments/fixed deposits and liabilities and provisions written back and tax refunds.

% of Total Income 9MFY20

Interest income	Spend based fees	Instance based fees	Subscription based fees	Business Development Income	Service Charges	Other Income
51%	23%	15%	6%	4%	1%	0.11%

Investment Rationale

Second largest credit card issuer in India with deep industry expertise

SBI Card is the second-largest credit card issuer in India both in terms of numbers of credit cards outstanding and amounts of credit card spends, with 9.83 million credit cards outstanding as of November 30, 2019 and Rs.1,033 billion in total of credit card spends in fiscal 2019. It operate a nationwide business with a substantial cardholder base spanning each of India's eight largest metropolitan areas, India's tier II and tier III cities as well as its rural areas. The company is also the largest pure-play credit card issuer in India according to the CRISIL Report, and the company has deep expertise in India's credit card market as a result of more than 20 years' operating history.

Diversified customer acquisition capabilities

SBI Card is the leading player in open market customer acquisitions in India. The company deploy a sales force of 32,677 outsourced sales personnel as of December 31, 2019 operating out of 133 Indian cities and which engages prospective customers through multiple channels, including physical points of sale, telesales and online. Also, SBI Card work with 11 non-bank co-brand partners and seven co-brand bank partners using their distribution network and customer interactions to market the company's credit card products to their existing customers. Collectively with co-brand partners, they were present in 3,190 open market physical points of sale in India as of December 31, 2019, retail stores, malls, fuel stations, railway stations and airports. Further, SBI Card also have 4,350 outsourced workforce for tele-sales. In addition to open market customer acquisitions platform, the company's partnership with SBI provides them with acces to SBI's extensive network of 22,007 branches across India, which enables SBI Card to market credit cards to SBI's vast customer base of 436.4 million customers as of March 31, 2019.

Diversified portfolio of credit card offerings

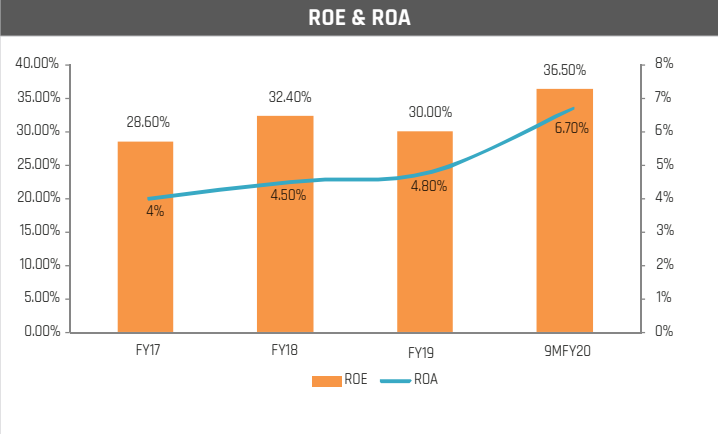
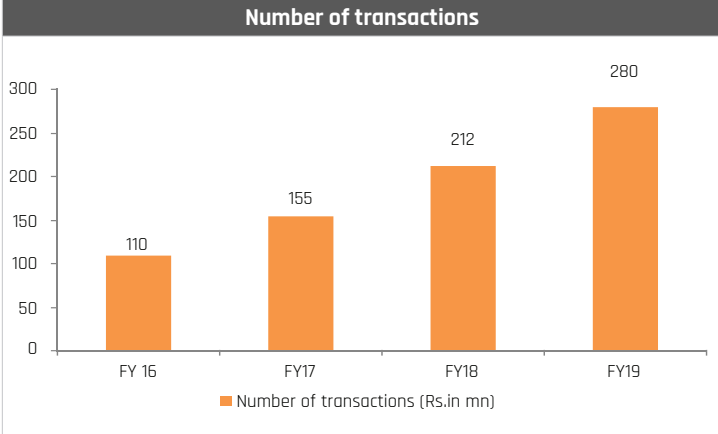
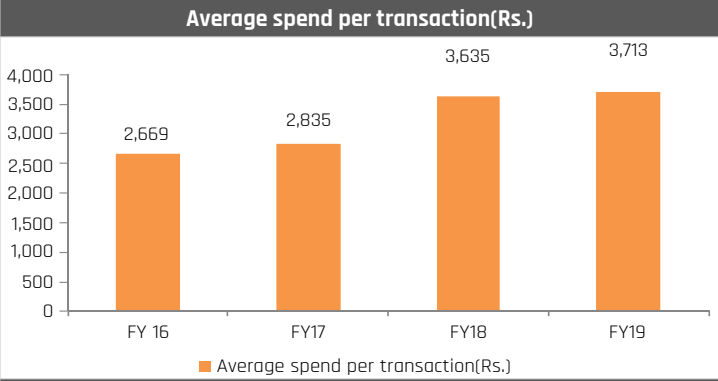
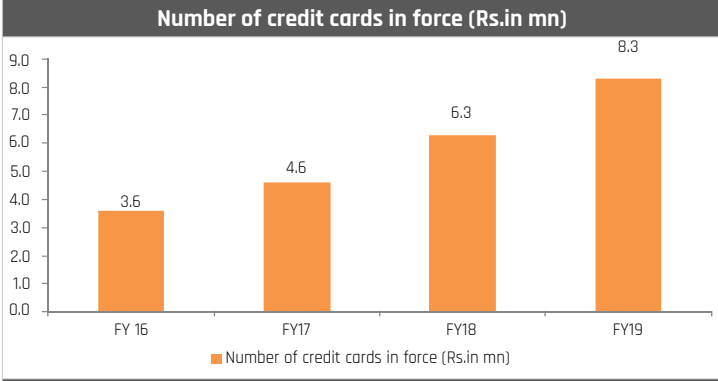
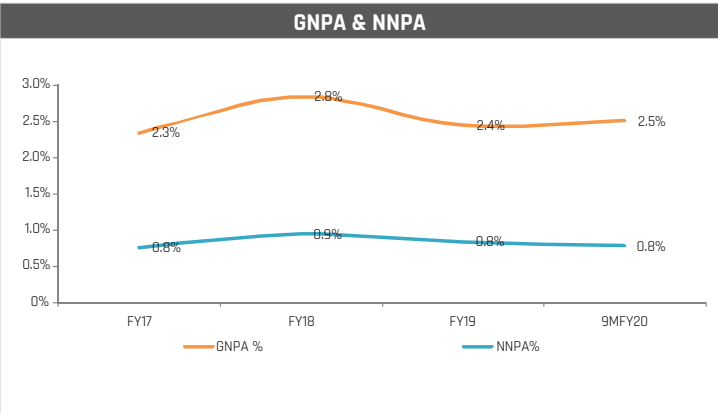
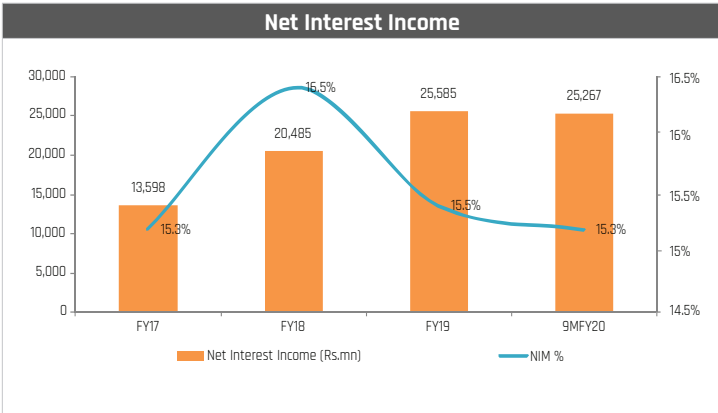
SBI Card's credit card portfolio caters to individual cardholders and corporate clients, and includes lifestyle, rewards, travel and fuel, shopping, banking partnership cards and corporate credit cards. The company offer four primary SBI branded credit cards: SimplySave, SimplyClick, Prime and Elite, each catering to a varying set of cardholder needs. Further, SBI Card offer a wide portfolio of co-brand credit cards in partnership with several major players in the travel, fuel, fashion, healthcare and mobility industries, including Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, the IRCTC, OLA Money and Yatra, among others.

Strong track record of financial performance:

SBI Card has established a consistent track record of financial performance and growth. In the last three years, (FY17-19), company's revenue and profitability have grown at a CAGR of 46% and 52% respectively. Further, during the same period, the company is able to maintain net Interest margin in the range of 15% to 16%. Moreover, On asset quality front, Gross NPAs have been in the range of 2.34% to 2.81% and Net NPAs have been in the range of 0.76% to 0.94%. SBI Card have a strong balance sheet with ROE and ROA stands at 30% and 4.8% respectively in FY19.

Risk and Concern

- SBICard face competition in the credit card market from other credit card issuers and payment solutions providers, and the company may not be able to compete effectively, which could result in fewer cardholders and lower account balances and could materially adversely affect financial condition, cash flows and results of operations.
- Substantially all of SBICard credit card portfolio is unsupported by any collateral that could help ensure repayment, and in the event of non-payment by a cardholder of their credit card receivables, the company may be unable to collect the unpaid balance.



Source: Company RHP, ACMIIL Research

Financials

Income Statement

Particulars (Rs In Mn)	FY 17	FY 18	FY 19	9MFY20
Income				
Interest Income	18,882	27,600	35,757	34,931
Interest Expense	5,284	7,115	10,172	9,664
Net interest income	13,598	20,485	25,585	25,267
Non-Interest Income	14,580	24,270	34,234	33,501
Other Income	1,248	1,832	2,877	3,971
Net income	29,426	46,587	62,696	62,739
Operating expenses	18,390	29,393	37,903	35,531
Pre provision profit	11,036	17,194	24,793	27,208
Provisions	5,320	8,001	11,477	11,021
Profit before tax	5,716	9,193	13,316	16,187
Tax	1,988	3,182	4,689	4,575
Net Profit/ (Loss) for the period/year	3,728	6,011	8,627	11,612
EPS	4.75	7.40	9.43	12.45

Source: Company RHP, ACMIIL Research

Balance Sheet

Particulars (Rs In Mn)	FY 17	FY 18	FY 19	9MFY20
Capital and Liabilities				
Equity	7,850	7,850	8,372	9,323
Reserves	6,638	15,681	27,445	38,190
Net worth	14,488	23,531	35,817	47,513
Borrowings	86,758	1,25,901	1,53,828	1,95,059
Other Liabilities & Provisions	6,404	7,429	12,751	17,362
Total Capital and Liabilities	1,07,650	1,56,861	2,02,396	2,59,934
Assets				
Cash and bank	2,829	4,727	7,768	5,078
Investments	0	0	15	15
Loans	99,829	1,40,455	1,79,087	2,39,332
Other Assets	4,992	11,679	15,526	15,509
Total Assets	1,07,650	1,56,861	2,02,396	2,59,934

Source: Company RHP, ACMIIL Research

ACMIIL Retail Research Products

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Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Akhil Rathi	D: 91 22 2858 3210
Hrishikesh Yedve	D: 91 22 2858 3207
Neeraj Sharma	D: 91 22 2858 3208
Rohan Gawale	D: 91 22 2858 3213
Karan Desai	D: 91 22 2858 3221

Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

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