

Issue Snapshot:

Issue Open: March 02 – March 04, 20 (QIB)
March 02 - March 05, 20 (Others)

Price Band: Rs. 750 – 755
(Discount for Employee: Rs.75 per Share)

Issue Size: 137,149,315 equity shares

(Fresh issue 6,622,517 + Offer for sale of 130,526,798 equity shares)

Issue Size: Rs. 10286.19 - 10354.77 cr

Reservation for,

Employees 1864669 equity shares

Shareholders of SBI 13052680 equity shares

Of the balance,

QIB - 50% equity shares

Non Institutional - 15% equity shares

Retail - 35% equity shares

Bid size: 19 equity shares and in multiples thereof

Objects of Issue: The Offer consists of the Fresh Issue and the Offer for Sale.

About Company:

SBI Cards and Payment Services Ltd. started their operations in 1998. SBI's parentage and highly trusted brand have facilitated it to quickly establish a reputation with their cardholders. It offers an extensive credit card portfolio to individual cardholders and corporate clients which includes lifestyle, rewards, travel and fuel, shopping, banking partnership cards and corporate cards covering all major cardholder segments in terms of income profiles and lifestyles.

Investment Rationale:

Credit Card spends in India witnessed 32% CAGR over FY15-19 to reach Rs. 6 trn; and is expected to reach Rs.15 trn by FY24, according to CRISIL Research. Cards outstanding are forecasted to grow by 23% p.a. over the next five years. This growth will be driven by banks' focus on cross-selling cards to existing customers, co-branding partnerships, ecommerce boom, more sophisticated IT infra, increased acceptance by millennial etc.

SBI Cards is the second-largest credit card issuer in India, with 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding and 17.9% market share of the Indian credit card market in terms of total credit card spends as of 8MFY20.

Company have a diversified customer acquisition network that enables it to engage prospective customers across multiple channels. Company deploy a sales force of 32,677 outsourced sales personnel as of Dec 2019 operating out of 145 Indian cities and which engages prospective customers through multiple channels, including physical points of sale as well as through tele-sales, online channels, email, SMS marketing and mobile applications.

With over 20 years of expertise in the business company has managed to grow faster than Indian industry average. Over FY17-19, its total credit card spends grew at 54% CAGR (as compared to 36% CAGR for the industry) and the number of credit cards outstanding grew at a 35% CAGR (as compared to a 26% CAGR for the industry). During the same time, company has registered 44.6% CAGR in top line and 52% CAGR in bottom-line with sustainable RoA >4% and RoE of ~28%.

Shareholding Pattern

	Pre issue (%)	Post issue (%)
Promoters	74	69.5
Public & Employees	26	30.5
Total	100	100

Company has over the years developed scalable and modern technology infrastructure capable of servicing the entire credit card life cycle. Through its advanced risk management and data analytics capabilities, company has developed models that estimate risk more accurately for new-to-credit and new-to-card cardholders without a credit history.

Risks:

- Over dependence on SBI.
- Any change in regulation related to MDR (Merchant Discount Rate) and unsecured financing pattern can disrupt business.
- Competition from other Banks, NBFCs and UPI Services & e-wallets.
- Economic slowdown affects consumer spending.

View:

We believe SBI card is a multiyear growth story and presents an opportunity to participate in a lowly penetrated industry. It is a proxy to the fast-growing digital payments space in India and first of its kind to go for an IPO. It will attract a lot of investors. We believe it will give a handsome returns on the listing day itself. We rate "Subscribe" Rating for this 'Talk of the Town' and highly anticipated IPO of SBI Cards.

Financial Highlights :

	FY17	FY18	FY19	9M FY20
Total Operating Income	3346	5187	6999	6843
PPOP	1104	1719	2479	2721
PAT	373	601	863	1161
EPS (Rs)	4.0	6.4	9.3	12.5
P/E (x)	188.6	117.1	81.5	60.6
Book Value (Rs)	15.6	25.2	38.5	51.1
P/B (x)	48.5	30.0	19.6	14.8
RoE (%)	28.5	31	28.4	36.5
RoA (%)	4	4.5	4.8	6.7
GNPA (%)	2.3	2.8	2.4	2.5
NNPA (%)	0.8	0.9	0.8	0.8

Source: Company, HDFC Sec

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. 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. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and 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 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. 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.

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: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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

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