

ICICI Securities Limited  
is the author and  
distributor of this report

## Q4FY21 results review

## Financial Services

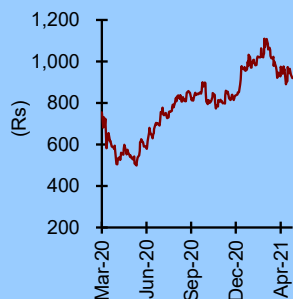
Target price Rs1,205

## Shareholding pattern

	Sep' 20	Dec' 20	Mar '21
Promoters	69.5	69.4	69.4
Institutional investors	9.2	9.7	14.6
MFs and others	2.5	2.9	4.6
Banks / FIs	0.0	0.0	0.0
Insurance	0.4	0.6	0.9
FIs	6.3	6.2	9.1
Others	21.3	20.9	16.0

Source: BSE

## Price chart



INDIA

## SBI Cards and Payment Services

BUY

Maintain

Rs919

## Incrementally better placed for recovery

Despite the covid impact, SBI Cards (SBIC) managed to clock flattish revenues in FY21 with improvement in spend / card market share from 17.9% / 18.3% in FY20 to 19.5%/19% in FY21 (up to Feb'21, expected to improve in Mar'21). Considering the unique impact of lockdowns and consequent payment moratoriums in FY21, the elevated credit cost (11% in FY21) is expected to decline hereon. While the card addition, yield, spend and receivable mix remains impacted due to the pandemic, SBIC is now better prepared to make a calibrated journey post the experience in FY21. We remain positive on SBIC's long-term fundamentals (PPOP / PBT grew 38% / 23% between FY17-FY21). Maintain BUY with target price of Rs1205 (unchanged) based on 40x FY23 EPS of Rs30.1.

- **Moderation in spend is not a big concern in an uncertain environment.** Total spend in Q4FY21 (relatively unaffected by covid) was less than expectations on account of lower card addition (0.3mn in Q4FY21 vs 0.48mn in Q3FY21) as well as overall lower than expected spend per card (Rs123,000 in Q4FY21 vs Rs134,000 in Q3FY21). This could be driven essentially by business caution in new issuances considering the environment and the continued delay in spend in select categories like travel, entertainment, restaurants, etc. Due to similar reasons, spend-based fees declined (Rs5.1 bn in Q4FY21 vs Rs5.7bn in Q3FY21) and the 30-day active spend rate fell to 49.2% in Q4FY21 from 50.6% in Q3FY21 and 53.5% in Q4FY21.
- **NIM has been supported by lower cost of debt, but lower yield was driven by lower revolver mix and RBI RE book with 15-16% interest rate.** This should improve as new card additions mature along with improvement in mix and gradual extinguishment of RBI RE book. FY21 NIM (15.9%) was supported by lower cost of funds (6.1% in FY21 vs 7.8% in FY20) but lower income yields (20.1% in FY21 vs 21.7% in FY20) driven by lower revolver mix (28% in Mar'21 vs 40% as on Mar'20). Q4FY21 NIM came in at 13.2% down 346bps YoY led by drop in Interest income yield which came in at 17.1%, down 507bps YoY while cost of funds improved from 7.4% in Q4FY20 to 5.5% in Q4FY21.
- **Incremental credit cost in Q4 was largely in-line.** GNPA remained at 5% for Q4FY21 vs 4.51% in Q3FY21 while the write-off beyond the standstill book of Rs7.8bn remained at Rs4bn for Q4FY21. Considering the entire stress pool of RBI RE book of Rs19bn, EPP book of Rs3bn and reported GNPA of Rs12.5bn, the provision coverage ratio is ~60% as of FY21. Credit cost should improve hereon despite covid second wave given that SBIC is better prepared in terms of monitoring additions and collections through online means. Additionally, the RBI RE book recovery can continue to reduce (Rs3.8bn reduction in Q3FY21 and Rs4.4bn in Q4FY21).
- **We remain positive on SBIC (IC note link);** Due to characteristics like high growth, entry barriers and near-oligopoly, we remain constructive on the Indian credit card business opportunity, and SBIC is one of the best placed pure play operators in this space. Rising digitisation, affluence and increasing consumer credit penetration provide sound business triggers. Already existing business and distribution share (SBIC has ~20% share of card / spend per card / POS as on Feb'21) provide strong business moats.

Market Cap	Rs865bn/US\$11.6bn	<b>Year to Mar</b>	<b>FY20</b>	<b>FY21P</b>	<b>FY22E</b>	<b>FY23E</b>
Bloomberg	SBICARD IN	NII (Rs bn)	35,404	38,228	50,492	59,562
Shares Outstanding (mn)	940.5	Net Profit (Rs bn)	12,448	9,845	19,667	28,225
52-week Range (Rs)	1110/499	EPS (Rs)	13.3	10.5	20.9	30.1
Free Float (%)	30.6	% Change YoY	28.7	-21.0	99.8	43.5
FII (%)	9.1	P/E (x)	68.8	87.1	43.6	30.4
Daily Volume (US\$'000)	30,747	P/BV (x)	16.0	13.6	12.6	11.4
Absolute Return 3m (%)	(10.0)	Credit cost	9.53	11.40	8.80	7.54
Absolute Return 12m (%)	65.1	GNPA (%)	2.1	5.3	3.5	3.8
Sensex Return 3m (%)	0.2	RoA (%)	5.5%	3.8%	6.2%	7.3%
Sensex Return 12m (%)	56.1	RoE (%)	27.9%	17.1%	28.7%	35.1%

## Research Analysts:

## Ansuman Deb

ansuman.deb@icicisecurities.com  
+91 22 6637 7312

## Kunal Shah

kunal.shah@icicisecurities.com  
+91 22 6637 7572

## Ravin Kurwa

ravin.kurwa@icicisecurities.com  
+91 22 2277 7653

Please refer to important disclosures at the end of this report

**Table 1: Q4FY21 result review***(Rs mn)*

	Q4FY21	Q4FY20	% YoY	Q3FY21	% QoQ
Interest Income	10,721	13,482	-20.5	11,681	-8.2
Income from membership fees	11,138	9,594	16.1	11,068	0.6
Service Charges	350	354	-1.1	437	-20.0
Business development incentive income	852	869	-1.9	825	3.4
Insurance commission income	25	33	-25.5	22	15.1
Net gain on fair value changes	1	-		-	
<b>Total Revenue</b>	<b>23,087</b>	<b>24,332</b>	<b>-5.1</b>	<b>24,032</b>	<b>-3.9</b>
Other Income	1,595	772	106.7	1,366	16.8
Finance Costs	3,051	3,344	-8.8	2,609	16.9
Employee costs	1,262	1,334	-5.4	1,312	-3.8
Depreciation	341	287	19.0	312	9.4
Operating and other expense	11,015	10,466	5.2	11,848	-7.0
CSR	237	166	43.1	5	
Impairment losses and bad debts	6,432	8,382	-23.3	6,483	-0.8
Net loss on fair value changes					
<b>Total Expense</b>	<b>22,337</b>	<b>23,983</b>	<b>-6.9</b>	<b>22,569</b>	<b>-1.0</b>
<b>PBT</b>	<b>2,344</b>	<b>1,120</b>	<b>109.2</b>	<b>2,829</b>	<b>-17.1</b>
Tax	590	285	106.6	732	-19.4
<b>PAT</b>	<b>1,754</b>	<b>835</b>	<b>110.1</b>	<b>2,097</b>	<b>-16.3</b>

Source: Company data, I-Sec research

**Table 2: Q4FY21 key highlights**

	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
ROAA	2.6%	1.3%	130	3.3%	-70
GNPA	5.0%	2.0%	298	1.6%	338
NNPA	1.2%	0.7%	45	0.6%	59
CAR	24.8%	22.4%	240	23.7%	110
T-1	20.9%	17.7%	320	19.8%	110
NIM	13%	17%	-340	15%	-130
Cost of funds	5.5%	7.4%	-198	6.1%	-60
Gross credit cost	11%	14%	-260	10%	70
Net credit cost	9%	13%	-360	8%	50
Cost to Income ratio	58%	56%	150	59%	-130
Spends (Rs bn)	359	324	10.8	378	-4.9
Gross receivables (Rs bn)	251	241	4.0	257	-2.5
Revolver	28%	32%	-400	29%	-100
EMI	29%	40%	-1,100	29%	0
Transactor	35%	27%	800	33%	200
RBI Re	8%	0%	800	9%	-100
Borrowing (Rs bn)	180.68	173.65	4.0	181.48	-0.4
Number of Cards SBI (mn)	11.82	10.55	12.1	11.49	2.9
Spend per avg card ( Rs 000)	123	126	-2.4	134	-8.2

Source: Company data, I-Sec research

## Financial summary

**Table 3: Income Statement**

Rs mn	FY17	FY18	FY19	FY20	FY21P	FY22E	FY23E
Interest income	18,882	27,600	35,757	48,413	49,277	65,050	80,738
Interest expense	5,284	7,115	10,172	13,009	11,049	14,558	21,176
Net interest income	13,597	20,485	25,585	35,404	38,228	50,492	59,562
NIM % of gross loan		17.1	16.0	17.4	16.8	17.9	17.0
Non-Interest income	15,829	26,102	37,110	49,110	47,859	68,647	81,385
Total Income	29,426	46,587	62,695	84,514	86,087	1,19,139	1,40,948
Operating expenses	18,390	29,393	37,903	47,815	46,465	68,002	76,742
PPOP	11,036	17,194	24,792	36,699	39,623	51,137	64,206
Provision	5,320	8,001	11,477	19,402	26,386	24,855	26,471
PBT	5,716	9,193	13,315	17,296	13,237	26,282	37,735
Tax	1,988	3,182	4,689	4,848	3,392	6,615	9,509
PAT	3,729	6,011	8,626	12,448	9,845	19,667	28,225

Source: Company data, I-Sec research

**Table 4: Balance sheet**

Rs mn	FY17	FY18	FY19	FY20	FY21P	FY22E	FY23E
<b>Liabilities</b>							
Share capital	7,850	7,850	8,372	9,390	9,405	9,405	9,405
Reserves and surplus	6,638	15,681	27,506	44,023	53,615	58,532	65,588
Net worth	14,488	23,531	35,878	53,412	63,020	67,937	74,993
Borrowings	86,758	1,25,901	1,52,817	1,87,655	1,95,310	2,77,191	3,12,101
Other Liabilities	6,404	7,429	12,767	11,961	11,798	20,300	24,382
<b>Total Liabilities</b>	<b>1,07,650</b>	<b>1,56,860</b>	<b>2,01,462</b>	<b>2,53,028</b>	<b>2,70,129</b>	<b>3,65,428</b>	<b>4,11,477</b>
<b>Assets</b>							
Net block	238	2,768	2,164	3,346	3,182	3,467	3,667
Loans	99,829	1,40,455	1,79,087	2,28,116	2,34,220	3,30,382	3,71,689
Other assets	9,933	21,788	29,915	34,106	44,183	47,963	55,304
	<b>1,07,650</b>	<b>1,56,860</b>	<b>2,01,462</b>	<b>2,53,028</b>	<b>2,70,129</b>	<b>3,65,428</b>	<b>4,11,477</b>

Source: Company data, I-Sec research

**Table 5: ROE DuPont analysis**

	FY18	FY19	FY20	FY21P	FY22E	FY23E
Total Assets	1,56,860	2,01,462	2,53,028	2,70,129	3,65,428	4,11,477
Interest income						
Interest expense	20.9%	20.0%	21.3%	18.8%	20.5%	20.8%
<b>NII</b>	5.4%	5.7%	5.7%	4.2%	4.6%	5.5%
-	<b>15%</b>	<b>14%</b>	<b>16%</b>	<b>15%</b>	<b>16%</b>	<b>15%</b>
Total Income						
Opex	41%	41%	43%	37%	42%	42%
PPOP	22%	21%	21%	18%	21%	20%
-	18%	20%	22%	19%	21%	22%
Provisions						
PBT	6%	6%	8.5%	10%	8%	7%
<b>PAT</b>	12%	13%	13%	9%	13%	15%
Leverage (x)	<b>4.5%</b>	<b>4.8%</b>	<b>5.5%</b>	<b>3.8%</b>	<b>6.2%</b>	<b>7.3%</b>
ROE	7.0	6.0	5.1	4.6	4.6	4.8

Source: Company data, I-Sec research

Table 6: Key ratios

	FY17	FY18	FY19	FY20	FY21P	FY22E	FY23E
EPS – Diluted (Rs)	4.7	7.7	10.3	13.3	10.5	20.9	30.1
% Growth		61.2	34.6	28.7	-21.0	99.8	43.5
DPS (Rs)	-	-	10.0	5.3	4.2	15.7	22.5
Book Value per share (BVPS) (Rs)	18.5	30.0	42.9	56.9	67.0	72.2	79.7
% Growth		62.4	43.0	32.7	17.8	7.8	10.4
<b>Valuations</b>							
P/E	192.0	119.1	88.5	68.8	87.1	43.6	30.4
P/B	49.4	30.4	21.3	16.0	13.6	12.6	11.4
<b>Asset Quality</b>							
Gross NPA (Rs mn)	2,409	4,125	4,529	4,844	12,532	11,588	14,067
Gross NPA (%)	2.4	2.9	2.5	2.1	5.3	3.5	3.8
Credit Cost (%)		6.7	7.2	9.5	11.4	8.8	7.5
NNPA	0.77	0.96	0.85	0.70	1.06	0.70	0.76
<b>Business ratios</b>							
ROA		4.5%	4.8%	5.5%	3.8%	6.2%	7.3%
ROE		31.6%	29.0%	27.9%	17.1%	28.7%	35.1%
CIF growth	27.8	37.0	31.7	27.1	12.1	17.6	16.9
Spend growth	49.5	75.6	34.8	26.1	-6.5	50.7	20.1
Spend per card growth	25.3	30.9	2.7	-4.1	-21.2	31.1	2.5
Loan outstanding growth		40.7	27.5	27.4	2.7	41.1	12.5
<b>Earnings ratios</b>							
Yield on advances		23.0	22.4	23.8	21.5	23.0	23.0
Cost of funds		7.2	8.2	8.4	5.9	6.4	7.5
NIM		15.7	14.2	15.4	15.6	16.7	15.5
<b>Capital Adequacy ratio</b>							
Tier I Capital	11,516	18,279	27,542	42,236	63,020	67,937	74,993
Tier II Capital	4,503	8,637	9,823	11,272	-	-	-
Tier I Capital	11%	12%	15%	18%	24.3%	19.8%	19.2%
Tier II Capital	4%	6%	5%	5%	5%	6%	6%
Total CRAR	16%	18%	20%	22%	29%	26%	25%
RWA	102	147	187	239	259	344	391
RWA / Total Assets	95	94	93	94	96	94	95
<b>Operating parameters</b>							
Cards in force (mn)	4.6	6.3	8.3	10.5	11.8	13.9	16.3
Card Additions (mn)		1.70	2.00	2.25	1.27	2.08	2.35
Total Spends (Rs mn)	439	770	1,038	1,309	1,224	1,845	2,217
Growth		76%	35%	26%	-6%	51%	20%
Spend per card (Rs'000 )	108	141	145	139	109	143	147
Growth		31%	3%	-4%	-21%	31%	2%

Source: Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

#### ANALYST CERTIFICATION

I/We, Ansuman Deb, MBA, BE; Kunal Shah, CA; Ravin Kurwa, CA; 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. 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. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com). ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities 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.

ICICI Securities 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.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates 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 ICICI Securities nor Research Analysts and their relatives 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.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.