



## IPO DETAILS

Issue Date	02 <sup>nd</sup> Mar-05 <sup>th</sup> Mar 2020
Price Band	750-755 per Share*
Bid Lot	19 & in multiple there
Face Value	Rs 10/Share
Listing	BSE, NSE
Fresh Issue	Rs 500 Crores
Offer For Sale	130,526,798 Eq Shares
Pre Issue Eq Shares	932,334,278 Eq Shares
BRLM	Kotak Mahindra Capital, Axis capital, DSP Merrill Lynch, HSBC Securities, Nomura Financial Advisory, SBI Capital Markets Ltd
Registrar	Link Intime India Private Limited

Note: \*Employee Discount Of Rs 75/Share

Company is the second-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 eight months ended November 30, 2019, respectively, according to the RBI. Company offer 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.

Company have a diversified revenue model whereby it generate both non-interest income (primarily comprised of fee based income such as interchange fees, late fees and annual fees, among others) as well as interest income on its credit card receivables. The share of company's revenue from operations that it derive from non-interest income has steadily increased over the past three fiscal years, from 43.6% in fiscal 2017 to 48.9% in fiscal 2019. This has made company's capital structure more efficient and provides it with a relatively stable revenue composition that is less susceptible to market fluctuations, such as interest rate volatility.

Company have established a proven track record of consistently generating profits over the past three fiscal years. Its total income increased from ₹34,710.38 million in fiscal 2017 to ₹72,868.35 million in fiscal 2019 at a CAGR of 44.9% and its revenues from operations have increased from ₹33,462.03 million in fiscal 2017 to ₹69,991.11 million in fiscal 2019 at a CAGR of 44.6%. Company's net profit increased from ₹3,728.61 million in fiscal 2017 to ₹8,627.22 million in fiscal 2019 at a CAGR of 52.1%. Company's ROAE has remained stable at 28.5% in fiscal 2017 and 28.4% in fiscal 2019, while its ROAA increased from 4.0% in fiscal 2017 to 4.8% in fiscal 2019.

Company's Promoter, SBI, is India's largest commercial bank in terms of deposits, advances and number of branches as of September 30, 2019, according to the RBI. Company's relationship with SBI provides it with access to SBI's extensive branch network of 21,961 branches across India and enables it to market its credit cards to SBI's largely untapped customer base comprising 445.5 million customers as of December 31, 2019. SBI has also instilled in sound corporate governance practices that have helped company to consolidate the credibility of company's business. As a result, company's relationship with its promoter is as a key competitive advantage for company.

### Valuation

Company is bringing the issue at p/e multiple of approx. 46 at higher end of price band of Rs 750-755/share. Company being the second largest credit card issuer in India with deep industry expertise and a demonstrated track record of growth and profitability is supported by a strong brand and pre-eminent promoter. Company's business model is looking very strong with high growth potential going forward.

Looking after all above, we recommend to "Subscribe" the issue both for listing gain as well as long term investment purpose.



COMPANY OVERVIEW

Company is a subsidiary of SBI, India's largest commercial bank in terms of deposits, advances and number of branches as of September 30, 2019, according to the RBI. From March 31, 2017 to March 31, 2019 company's total credit card spends grew at a 54.2% CAGR (as compared to a 35.6% CAGR for the overall credit card industry, according to the RBI) and the number of company's credit cards outstanding grew at a 34.5% CAGR (as compared to a 25.6% CAGR for the overall credit card industry, according to the RBI).

Company have 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 company's co-brand partners' brands. Company offer four primary SBI Card branded credit cards: SimplySave, SimplyClick, Prime and Elite, each catering to a varying set of cardholder needs. Company is also the largest co-brand credit card issuer in India according to the CRISIL Report, and company have 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, among others.

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 December 31, 2019 operating out of 145 Indian cities and which engages prospective customers through multiple channels, including physical points of sale in bank branches, retail stores, malls, fuel stations, railway stations, airports, corporate parks and offices, as well as through tele-sales, online channels, email, SMS marketing and mobile applications.

Company is the leading player in open market customer acquisition in India according to the CRISIL Report. Company had a presence in 3,190 open market points of sale across India as of December 31, 2019. In addition, company's partnership with SBI provides company with access to SBI's extensive network of 21,961 branches across India, which enables company to market its credit cards to SBI's vast customer base of 445.5 million customers as of December 31, 2019. Company's extensive physical customer acquisition network is complemented by its digital sales and marketing capabilities which include company's website, mobile application and online, email and SMS marketing platforms.



**INVESTMENT RATIONALE**

***Second largest credit card issuer in India with deep industry expertise and a demonstrated track record of growth and profitability***

According to RBI, company 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 ₹1,032.65 billion in total of credit card spends in fiscal 2019. Company 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. Company's position as a large-scale, leading market player results in economies of scale that provide company with significant operating efficiencies and also help to diversify some of its risks, such as regional or geographical risks. Company is also the largest pure-play credit card issuer in India according to the CRISIL Report, and company have deep expertise in India's credit card market as a result of company's more than 20 years' operating history.

***Diversified portfolio of credit card offerings***

Company have a comprehensive and diverse portfolio of credit card products that it continuously adapt to the evolving needs of company's cardholders and changing industry dynamics. Company'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. Company offer four primary SBIbranded credit cards: SimplySave, SimplyClick, Prime and Elite, each catering to a varying set of cardholder needs. In addition, company is also the largest co-brand credit card issuer in India & 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. Company's credit cards portfolio is tailored to meet the particular needs of its cardholders across all major cardholder segments, from the "premium" cardholder category to the "affluent", "mass affluent", "mass" and "new to credit" categories. By catering to specialized cardholder needs, company is able to offer customized benefits, such as reward programs and discount programs, that are tailored for each target demographic and thus offer them a higher value proposition.

***Diversified customer acquisition capabilities***

Company have a diversified customer acquisition network that allows it to engage prospective customers across multiple platforms, which is a key strength and competitive advantage for company. According to the CRISIL Report, company is the leading player in open market customer acquisitions in India. Company deploy a sales force of 32,677 outsourced sales personnel as of December 31, 2019 operating out of 145 Indian cities and which engages prospective customers through multiple channels, including physical points of sale, telesales and online. When a point of sale is not directly managed by company, company work with its 12 non-bank co-brand partners and nine co-brand bank partners, as of December 31, 2019, using their distribution network (including company's co-brand partners' retail outlets), communication channels and customer interactions to market its credit card products to their existing customers. Collectively with company's co-brand partners, company was 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. Out of the aforesaid outsourced sales personnel, company have 4,173 outsourced workforce for tele-sales.



STRATEGIES

***Expand customer acquisition capabilities to grow company's cardholder base***

Company intend to grow its cardholder base by continuing to expand its customer acquisition capabilities. As part of this strategy, company aim to increase the number of open market physical points of sale that company operate across India. In particular, company is focused on increasing its presence in India's tier II and tier III cities where company's cardholder base has historically been underrepresented, but which have contributed an increasing proportion of company's new accounts in recent years.

***Tap into new cardholder segments by broadening company's portfolio of credit card products***

Company intend to tap into new cardholder segments by continuing to expand its portfolio of credit card products to meet the needs of company's existing cardholders and prospective customers, particularly by offering new credit card products tailored for different income-based and lifestyle segments.

***Stimulate growth in credit card transaction volumes***

Company seek to increase the number of credit card transactions conducted by its cardholders in order to increase its revenues. To achieve this, company is constantly working to enhance its value proposition to its cardholders by rolling out new cash back rewards offers, bonus reward points and merchant discounts. As part of these efforts, company plan to increasingly leverage its data analytics platform to deliver more targeted and timely offers to its cardholders. Company is especially focused on rolling out such offers to cardholders located in India's tier II and tier III cities, which have contributed an increasing proportion of company's new accounts in recent years.

***Continue to optimize company's risk management processes***

Company's approach to credit management focuses on making credit decisions more data driven, closely approximating a digital underwriting process. The credit management will be key to helping company manage credit risk and detect early warning signs of credit difficulties. Therefore, company is constantly testing out additional ways to deploy its data analytics capabilities to improve company's risk management efforts.

***Enhance cardholder experience***

Company is focused on continuing to invest in its digital and mobile capabilities to enhance its cardholder experience. Company constantly seek to provide additional payment capabilities and other functionalities to promote greater ease and convenience for its cardholders.

***Continue leveraging technology across company's operations***

Company operate in a highly competitive, ever evolving industry where it must continuously improve its technology platform in order to compete effectively and reduce operating costs. Company focus on leveraging technology and data analytics in the Indian credit card industry, it intend to continue investing to further enhance these capabilities and derive greater operating efficiencies.



**Risk Factors:**

Substantially all of company's 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, company may be unable to collect the unpaid balance. Further, any expansion in company's unsecured credit card receivables portfolio could require company to increase its provision for credit losses, which would decrease company's profitability.

**Objects of Issue:**

**The Offer for Sale**

The object of the Offer for Sale is to allow the selling shareholders to sell an aggregate of up to 130,526,798 shares Equity Shares held by them.

**Fresh Issue**

The net proceeds of the Fresh Issue, of Rs 500 Cr is proposed to be utilised for augmenting company's capital base to meet its future capital requirements.

**Financial Statement**

(Rs Cr)

Particulars	FY17	FY18	FY19	9MFY20
Total Income	3346.20	5186.98	6999.11	6843.06
Total Exp	2366.19	3714.84	4856.92	4581.08
EBIDTA	980.01	1472.13	2142.19	2261.98
Other Income	124.84	183.22	287.72	397.10
Depreciation	4.79	24.49	81.10	74.04
EBIT	1100.06	1630.86	2348.81	2585.04
Interest	528.43	711.51	1017.21	966.37
PBT	571.62	919.34	1331.60	1618.67
Tax	198.76	318.20	468.88	457.47
PAT	372.86	601.14	862.72	1161.21
Other Comp Income	-1.44	-1.802	-3.12	-0.79
Adjusted PAT	371.42	599.34	859.59	1160.41
Eq Cap	785.00	785.00	837.22	932.33
Res & Surplus	66382	1568.06	2744.50	3818.98
Net Worth	144882	2353.06	3581.73	4751.31
NIM %	15.30	16.50	15.50	15.60
Cost Of Funds %	7.40	7.20	8.10	8.00
ROA %	4.00	4.50	4.80	6.70
ROE %	28.50	31.00	28.40	36.50
OPEX TO INCOME RATIO	62.50	63.10	60.50	56.60
GNPA%	2.34	2.83	2.44	2.47
NNPA %	0.76	0.94	0.83	0.83
Prov Cover Ratio	67.90	67.33	66.48	66.96
EPS	4.75	7.40	9.43	12.45
BV	18.46	29.98	42.78	50.96

Source:RHP

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