

CMP: Rs 849
Outlook: Positive

Stock Info

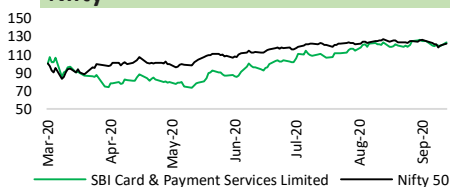
BSE	543066
NSE	SBICARD
Bloomberg	SBICARD.IN
Reuters	SBICARD.BO
Sector	FINANCE
Face Value (Rs)	10
Equity Capital (Rs cr)	939
Mkt Cap (Rs cr)	79806
52w H/L (Rs)	867 / 495
Avg Yearly Volume (in 000')	3504

Shareholding Pattern %

(As on June, 2020)

Promoters	69.50
FII	4.23
DII	3.29
Public & Others	23.04

SBI CARDS & PAYMENT SERVICE Vs Nifty



Revenue Breakup (In Cr.)

in CR	FY19	FY20
Interest Income	3576	4841
Interest on Membership fees	3072	3979
Service Charge	1259	1178
Business Development	2167	3273
Insurance Commission	87	113
Net gain on Fair value Changes	1	0
Revenue from Operation	6999	9276

22nd AGM Highlights held on 28th September 2020

Highlights from AGM

- FY20 was land mark year for SBI Cards as company got listed on 16th March 2020.
- It started its Journey in 1998 and has successfully completed 21 years. It is one of the most trusted credit card issuers serving over 10.5 million customers.
- Despite covid related disruptions, Company showed robust performance on the overall basis in FY20. PAT grew by 44% YOY to Rs 1,245 cr after absorbing covid related additional provision of Rs 489 cr & Rs 90 cr due to late fee reversal on account of moratorium.
- Despite the pandemic the outlook for Digital payment industry remains strong in India. There has been significant momentum towards digitalization in the recent years and the covid pandemic and social distancing norms further boosted digitalization and cashless transaction.
- Company has been issuing contact less cards since 2015 & 98% of Company's card issuance is contact less.
- The company has adequate liquidity and access to capital and good risk management capabilities.
- Company has maintained healthy return ratios, ROA & ROE stood at 5.5% & 27.4% respectively as on FY20.
- Company achieved 28% YoY growth in cards in Force(CIF) to Rs 1.05 cr, 27% YoY growth in spends to Rs 1,30,915 cr & 30%YoY growth in Receivables to Rs 24,141 Cr as on FY20.
- Card in Force market share grew from 14.8%in FY16 to 18.2% in FY20 & Cardspends market share grew from 11.9% in FY16 to 17.9% in FY20.
- Capital Adequacy ratio is at 22.4% as on FY20 as against regulatory requirement of 15%.
- The business is slowly returning to normalcy, new accounts runaway reached to 60-65% to pre covid levels and new spends are at 80% of pre covid levels.
- Company has a wide products suite which are offered to wide customer base. Company has a rich overhang portfolio over travel shopping healthcare.
- Company has tied up with other banks for co-branded credit cards.
- Company has a workforce strength of 3967 employees.

Financial Highlights (Bloomberg Estimates)

in CR	FY19	FY20	FY21E	FY22E
Revenue	6999	9276	8109	10790
PAT	865	1245	1922	2666
PATM (%)	12.4	13.4	23.7	24.7
EPS	10.3	13.2	20.4	28.4
ROE(%)	25%	23%	32%	28%
ROA%	4.3	4.9	5.3	6.1
PE(x)	-	64.3	41.6	29.8

Source: Arihant Research, Company Filings, Bloomberg Consensus

AGM Highlights continued:

- New launches include IRCTC card launched on Rupay platform for frequent train travellers which offers superior benefits of travelling. It also offers other benefits on retail banking and entertainment aspects.
- Company has collaborated with Google to allow customers to use SBI card on Google pay platform.
- Company will continue its superior journey in offering new products & better servicing to the customers
- Company focus area going ahead will be on collecting outstanding dues from customers, capitalize opportunity in Digital payment industry and Safety of employees.
- There has been shift in customer behaviour on online spends, specially on online education e pharmacy etc. Company will continue to engage customers with new marketing offers both online and offline with view to grow spends.
- . In the starting few months of covid, business activity was impacted on new accounts front and lower spends but with the unlocking of economy the company is getting back with new levels of account opening and spends.
- In Q1FY21, company provided additional provision of 80 cr. In Q2 regarding provisioning, company will decide on basis of where asset quality stands how many people have adopted for RBI easy payment plans, restructuring scheme and other factors.
- Online card spends have reached to 105% to what it was before covid and this trend is likely to continue.
- The company is showing MoM improvement in new card issuance segment and spends from June which will be reflected in Q2 results.

Q1FY21 Result snapshot

in CR	Q1FY21	Q1FY20	YoY	Q4FY20	QoQ
Revenue	2152	2068	4.1%	2433	-11.5%
PAT	393	346	13.6%	84	368%
PATM (%)	18.3%	16.7%	150 bps	3.5%	1480bps
EPS	4.1	3.7	10.8%	0.8	412.5%

Valuation and Outlook:

We are positive on the growth story of SBI Cards owing to its association with parent bank SBI and its vast number of branches across the nation. Considering the equity after IPO and the net profit to March 2020, the company demands P/E multiple of nearly 45. It has no listed peers in India. A look at more mature markets such as the US reveals that American Express, which derives over half of the revenue from consumer services including credit cards, trades at a trailing P/E of around 17 with RoE of nearly 30%. On the other hand, SBI Cards has the benefit of public sector parentage, vast number of credible PSU employee as customers of SBI, and current online transaction drive pushed by the government, all imply more glorified future of SBI Cards. While SBI Cards' valuation looks aggressive, it reflects the faster growth potential of the Indian market as well as the company's growth momentum. At CMP of 849, the stock is currently trading at around ~64x its FY20 EPS. , we are positive on the company and expect healthy earnings growth in the coming year.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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