

## SBI Cards & Payment Services

**Play on cashless consumption**

**Shweta Daptardar**

shwetadaptardar@plindia.com | +91-22-6632 2235



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# IPO Details - Subscribe

## Issue Summary

Fresh Issue	Rs5000mn
Offer for sale	130,526,798 Equity Shares
Issue period	2nd Mar'20 - 5th Mar'20
Issue size:	Rs 102.76bn – 103.41bn
No. of shares:	137,193,464 – 137,149,314
Face value:	Rs 10
Price band :	Rs 750-755

## Shareholding

Particulars	Pre-Issue	Post-issue
Promoters & Pro. Group	74.00%	69.51%
CA Rover Holdings	26.00%	15.89%
Public - IPO Subscribers	-	14.60%

## Offer Structure

Particulars	Lower band	Upper band
Price	750	755
Existing O/s shares (mn)	932.33	932.33
Fresh issue (mn)	6.67	6.62
Post issue shares (mn)	939.00	938.96
Post issue market cap (Rs bn)	704.25	708.91

- SBI Credit Card IPO comprise of Rs5000mn fresh issue and offer for sale of 13 crore shares leading to promoter dilution of 14.6%.
- Funds raised by the company would be utilised for capital augmentation.
- At upper price band of Rs755, Market Capitalisation is pegged at Rs709mn.

# Play on cashless consumption, RECOMMEND BUY, TP: Rs1,191

*We initiate coverage on SBI Cards and Payment Services Ltd with a BUY recommendation and target price of Rs1,191. We believe that SBI cards is a formidable play on rising discretionary spends and non cash economy given a) broad reach and parentage of SBI b) under-utilized captive banca potential c) leadership in co-branded cards and d) 40% contribution of premium cards. We estimate 23% CAGR in total cards-in-force which will enable 27% CAGR in loan receivables and revenues. Strong risk management and data analytics capabilities will enable a steady 14% NIMs, 2.5-2.6% GNPA's and ROA/ROE of 6% and 28% despite credit costs of 0.4% given high risk unsecured lending model.*

*At higher end of IPO price band of Rs 755, SBI Cards is being valued at a PE of 29x FY22 annualized EPS. We note that SBI cards is being offered at significant premium to global peers which are trading at 9x-13x FY22 EPS. We expect premium valuations to sustain given unique business model of standalone cards business, 35% EPS CAGR and attractive return ratios. We value the stock at 45.5x FY22 EPS of Rs26 and arrive at a target price of Rs1,191. Risks of cap on MDR and rising competition in highly profitable credit cards business are a risk to our call.*

**Premium valuations; high risk-high reward play: Our valuations for SBI Cards translates into PEG of 1.2 which stands lower to one of the biggest global card players; viz, American Express (58mn cards-in-force, market cap: USD98bn) with PEG of 1.3,**

- **SBI cards emerging as a niche player in crowded credit cards market:** With Gol's vision of cash-less society, digitalization, developments in e-commerce & growth in POS infrastructure, credit card industry stands poised to grow at 23% CAGR. SBI cards has created a strong niche to gain from this transition with leadership in co-branded cards with 18 offerings and higher than industry presence in premium cards at 40%. 18% market share (total cards-in-force) in credit cards and just 3% penetration of credit cards in parents debit cardholder base will enable doubling of cardholder base to 16mn by FY22 from 8m in FY19.
- **Robust customer acquisition capabilities to enable 27% revenue CAGR over FY20-22:** Capitalizing on the trusted parent brand, SBI Cards stands poised to clock healthy 27% loan receivables CAGR led by: (a) expansion of open market customer acquisition channels (52% in Q3FY20 v/s 44% in FY19) and increasing merchant ties (18) b) tapping under-penetrated non-metro markets (58% of new acquisitions) c) strengthening marketing and high value card propositions with reward programs, merchant discounts and innovative offers and d) steady spends per card translating into 26% spends CAGR over FY20-22
- **Strong technology/analytics focus to enable higher volumes and efficiencies:** Continuous evolution of technological/data analytics capabilities will increase credit card numbers and transaction volumes which will drive operating leverage and reduce cost income ratio by 446bps over FY20-22.
- **Robust risk management processes to control delinquencies; although credit costs to stay elevated:** Despite banking on vast cardholder database, credit bureau data analysis and generation of tailor-made underwriting scorecards, SBI cards has NPAs at 2.5-2.6% (Industry ~1% as at Q3FY19), which will keep credit cost at an elevated level of 0.4%. Rising presence in tier2/3 cities, self employed customer base and competition are a key risk, in our view.

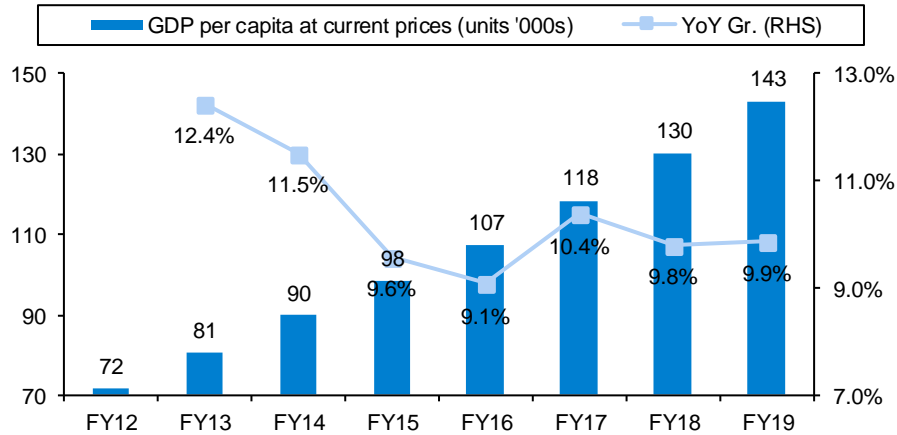
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# Macro & Industry

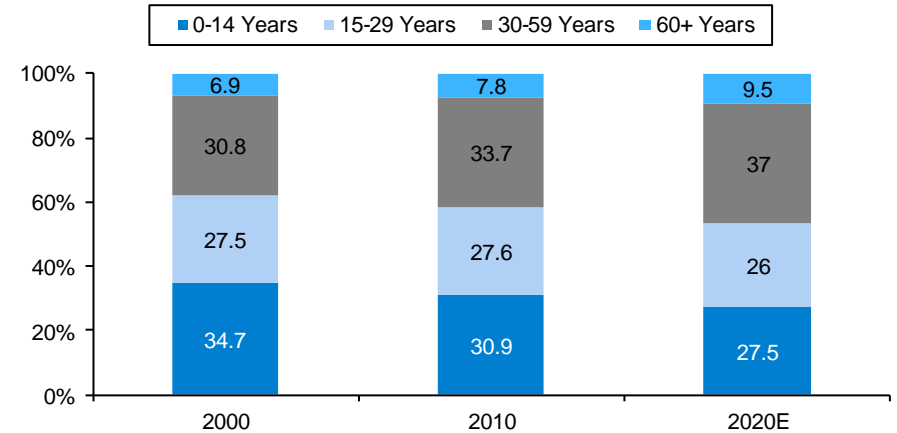
# India's robust consumption story remains intact

- Rising per capita GDP, aspiring households, rapid urbanization have spurred PFCE have increased discretionary spends and India's robust consumption story

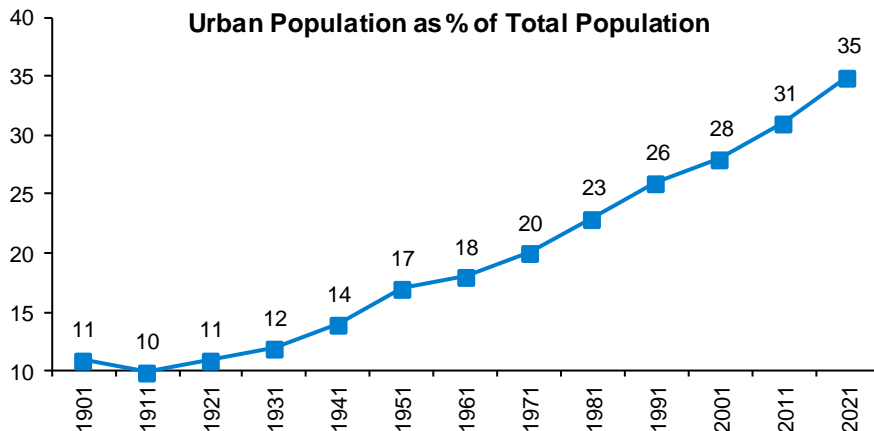
## Per capita GDP growth has stood at steady 10% past 4 years



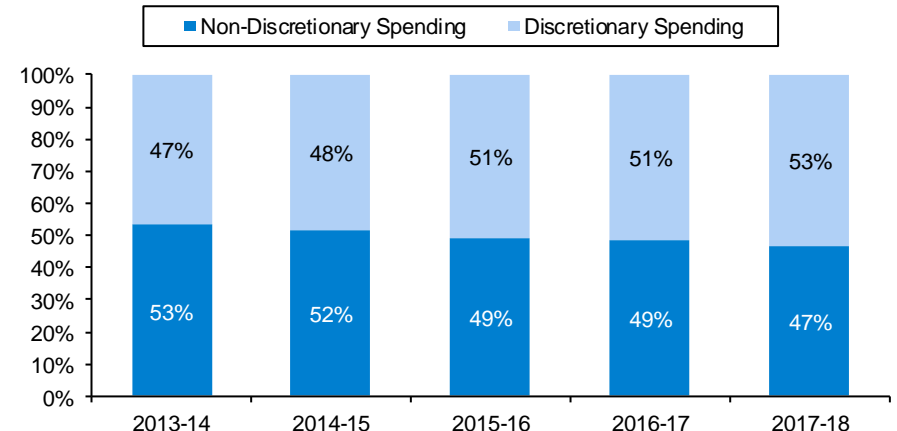
## Rising millennial populace to boost consumption (age-group in years)



## 35% of Indian populace resides in urban driving high value spends

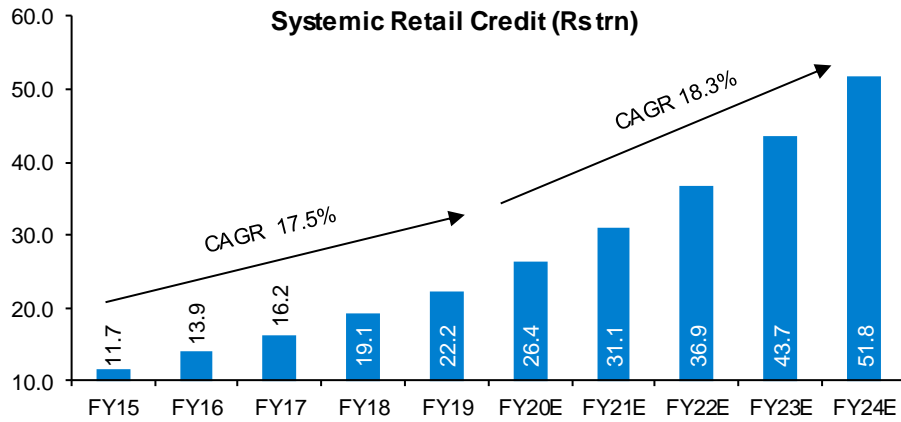


## Resultantly, discretionary spends (luxury & entertainment) continue to rise



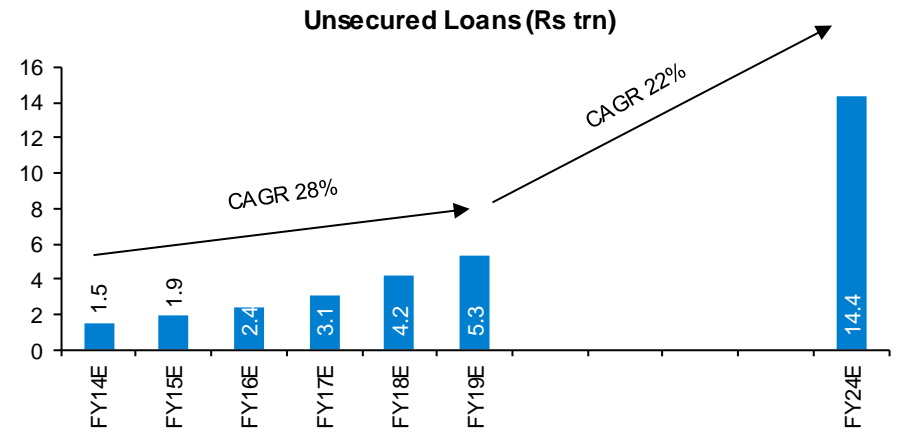
# Promising consumption story to create Rs52tn retail credit market by FY24

High urban consumption & spends expected to drive 18% retail CAGR



Source: Company, PL. Note: Retail credit represents bank retail credit

Unsecured credit, in turn, also gets a boost, expect 22% CAGR next 4 years

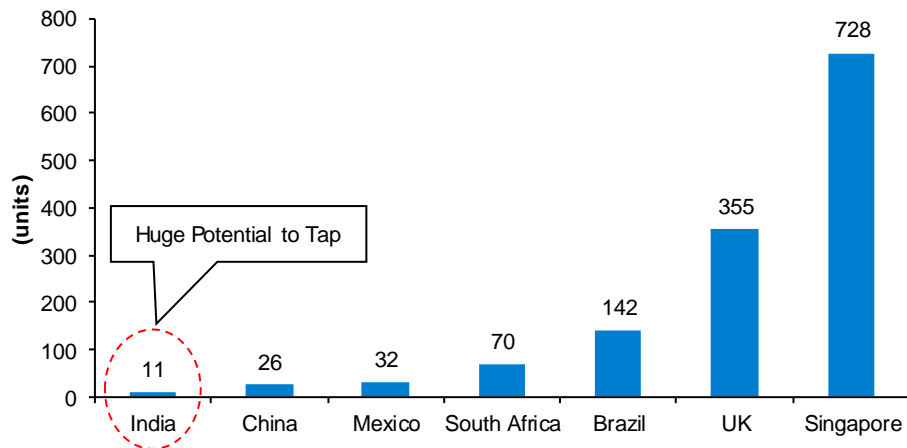


Source: Company, PL. Note: Unsecured Loans include banks, NBFCs

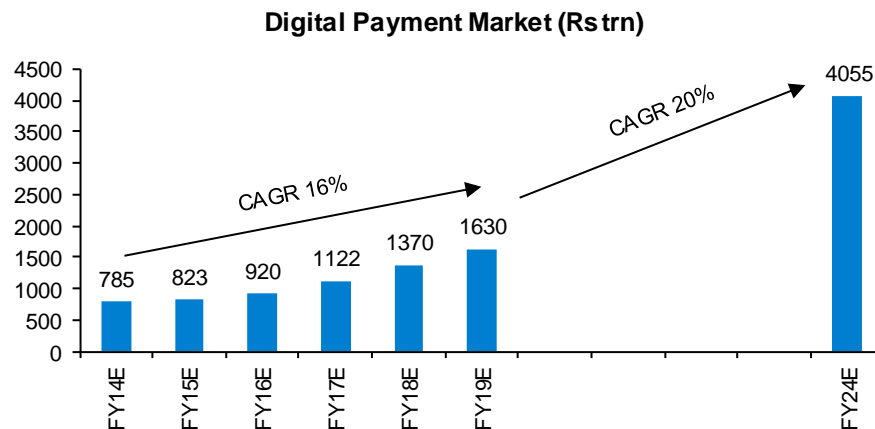
# Discretionary spends + digital payments = ~Rs9000bn e-commerce market

- Higher consumer spends, Govt moves to catalyze India's payment market to drive e-commerce transactions and usage of credit cards

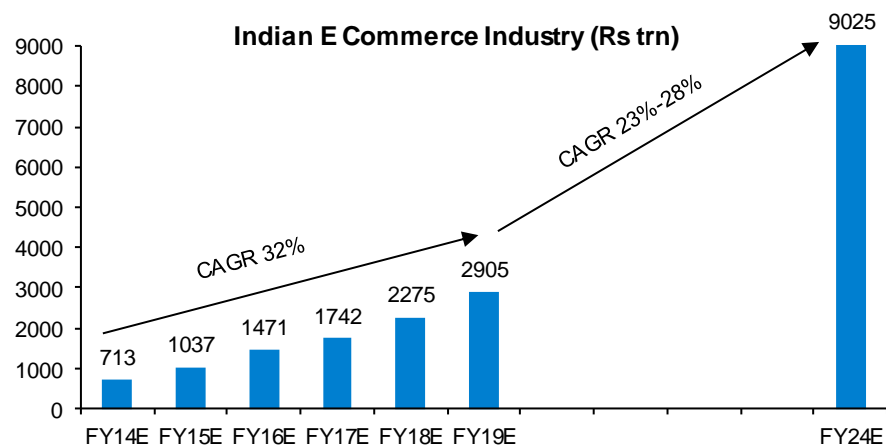
## Non-cash transactions per capita per annum stands lowest for India



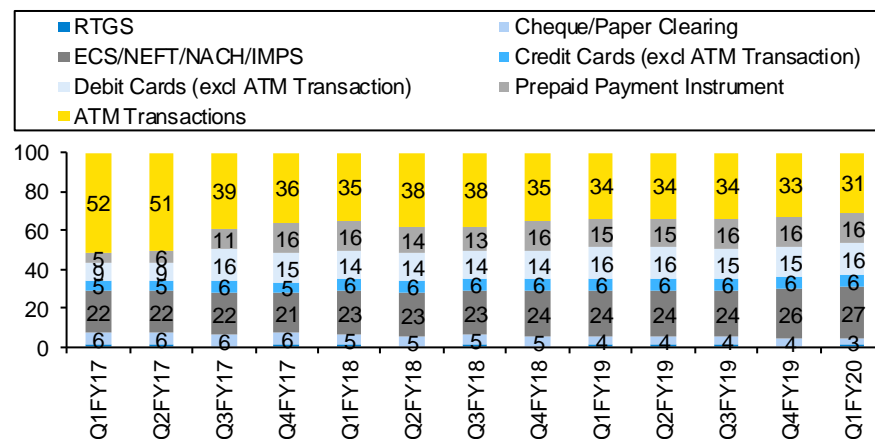
## With high potential, digital Payment to expand 2.5x over FY19-24E



## E-commerce industry to grow at 25% CAGR to expand to Rs 9000bn



## Credit cards, mobile banking fueling overall e-commerce transactions (%)





# Credit cards emerging as the most preferred payment solution

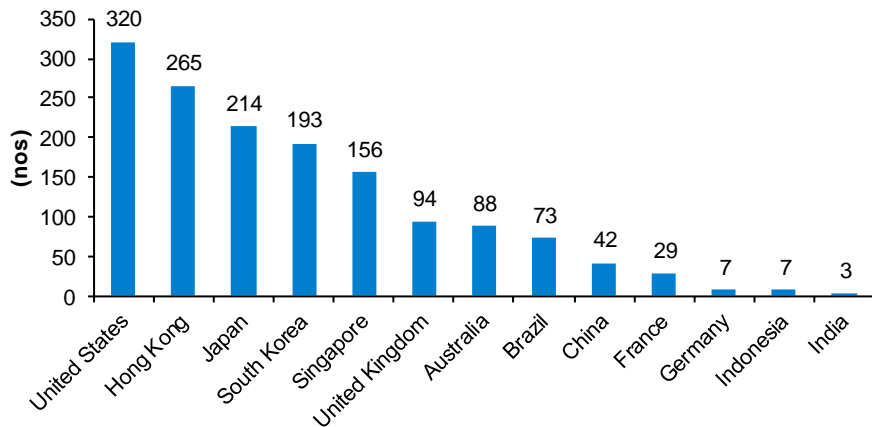
- With Gol's vision of cash-less society, digitalization, developments in e-commerce & growth in POS infrastructure, there lies higher potential for credit cardholders base to grow. With debit cards and UPI being largely limited to banking transactions, credit cards, besides, playing major role in facilitating credit, per se are a facilitator towards payments to E-wallets, etc. **Higher value propositions and 50-day free credit period places Credit cards as a favoured payment infrastructure.**

	Credit Card	E-Wallets	UPI	PPIs	Debit Card
<b>Description</b>	Credit card provides a line of credit that an individual can access through the card.	E-wallets is a service that allows users to make payments for transactions made online	UPI is an instant real time payment system facilitating inter bank transactions.	PPIs are tied directly to value stored on such instruments paid by the holder.	Debit cards are tied directly to individual's bank account
<b>KYC Requirement</b>	Full KYC required	Minimum KYC requirement up to Rs 10,000; Full KYC required for above Rs 10,000	Full KYC required	Minimum KYC requirement up to Rs 10,000; Full KYC required for above Rs 10,000	Full KYC required
<b>Limit</b>	Amount gets deducted from the limit provided to the card holder	Load wallets with amount user is willing to spend	No need to load any amount as the transaction directly goes through the bank balance	Load instruments with amount user is willing to spend	No need to load any amount as the transaction directly goes through the bank balance
<b>Usage</b>	Payments for online transactions, cash withdrawal at ATMs, POS terminals	Payments for online transactions	Payments for online transactions	Payments for online transactions, cash withdrawal at ATMs, POS terminals	Payments for online transactions, cash withdrawal at ATMs, POS terminals
<b>Avg. Transaction amt.</b>	~ Rs.3400	~Rs 450	~Rs. 1700	~Rs.630	~Rs.1300
<b>Credit</b>	Credit facility provided with interest free period.(Up to 50 days)	Credit through EMI facility provided in some cases but has no interest free period	No credit facility	No credit facility	Credit through EMI facility provided in some cases but has no interest free period
<b>Rewards</b>	Discounts/ cashback & reward points on amount spent.	Discounts/ cashback on transactions made.	Discounts/ cashback on transactions made.	Discounts/ cashback on transactions made.	Discounts/ cashback on amount spent through card
<b>Transaction dispute management</b>	Money is not blocked but is instantly deducted from customer credit limit.	Money is blocked instantly. Deducted from customer account	Money is blocked instantly. Deducted from customer account	Money is blocked instantly. Deducted from customer account	Money is blocked instantly. Deducted from customer account

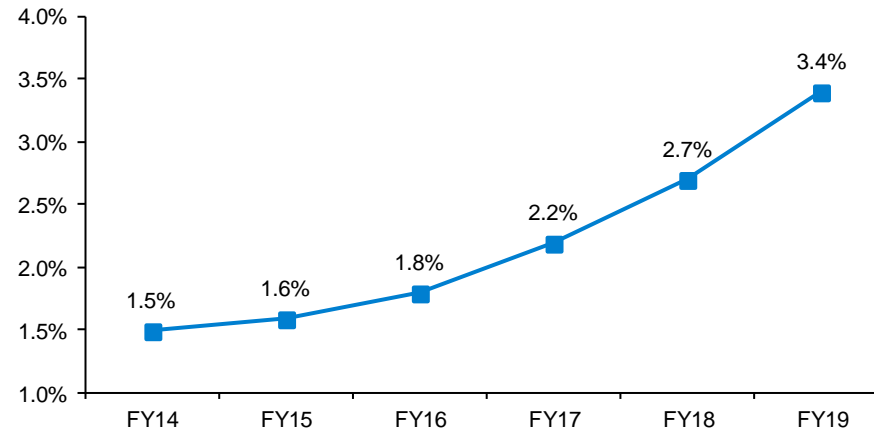
# Cards-in-force to grow at 22% CAGR over FY20-FY24

- Credit card penetration stands lower as compared to other financial products in India. Credit card industry in India has grown at a healthy 22% CAGR over FY15-FY19 with outstanding credit cards at ~53mn at H1FY20. Credit to debit ratio is mere 6% for the system. Such an under-penetrated market offers huge potential.

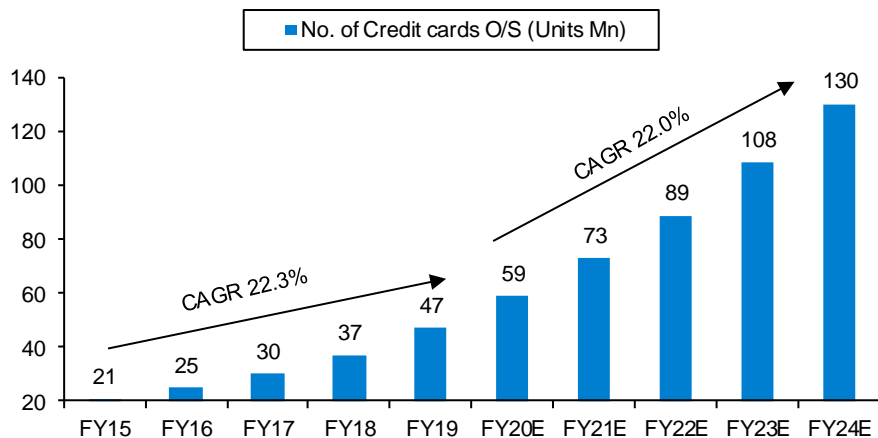
## India stands lowest in terms of credit card penetration



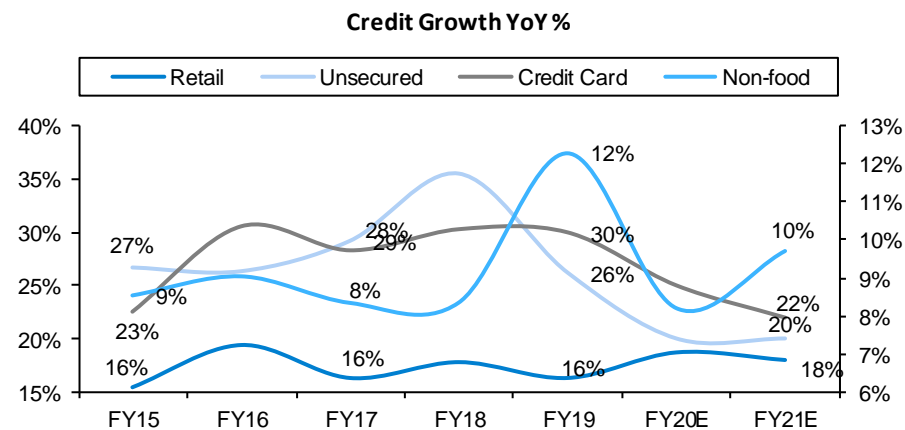
## Only 3 per 100 populace hold credit cards in India



## Cardholder base, therefore, to more than double over FY20-24



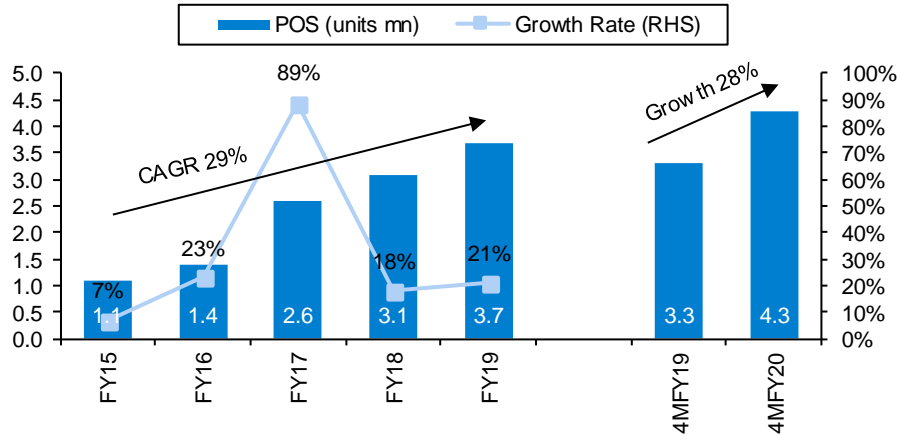
## Credit card and unsecured loans to outgrow overall systemic & retail credit



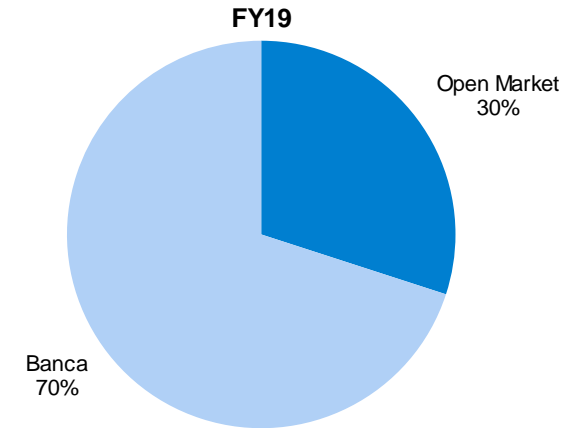
# Credit card Infra to drive higher volumes/spends and receivables

- Scalable technological systems, data analytics capabilities, deepening presence beyond Tier II markets, multi-channel customer acquisition, cross selling to existing customers have enables the card spends to grow at 34% CAGR during FY15-FY19. We envisage 20% spends CAGR for the industry in turn driving credit card loans to expand 3x over FY19-24

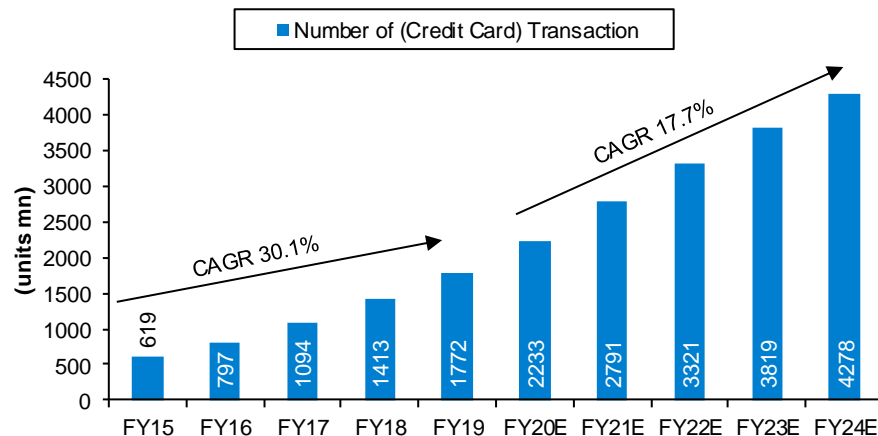
## POS terminals are growing at healthy 28% CAGR



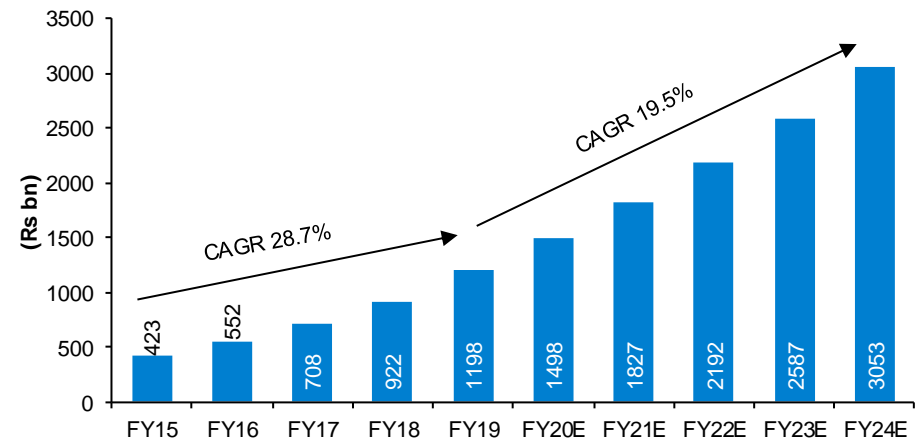
## Banca accounts for 70% of the customer acquisition channel



## Credit card transactions, therefore, poised to increase at 18% CAGR



## Credit card loan receivables, in turn, have potential to increase 3x (FY19-24)



# Spends growth concurring with CIF growth = Rs3000bn credit card loan mkt

- We summarize briefly the credit card business dynamics encompassing value drivers and expectations over next 4 years

Market size	FY15	FY17	FY19	FY24	FY15- FY19 CAGR	FY20- FY24 CAGR	Comments
<b>GDP (Rs tn)</b>	105	123	141	199	7.6%	7.3%	Rising GDP at 7% CAGR & increasing per capita income coupled with aspirant households to spur domestic consumption
<b>Growth YoY %</b>	7.4%	8.2%	6.8%				
Per capita credit card spend % of per capita PFCE	2.5%	3.6%	5.4%	7.6%			Credit card spending relative to PFCE has doubled in 4 years, going ahead, with card spends rising at higher pace, card spend as % of per capital PFCE to climb to 7.6% by FY24
<b>Cards in Force (CIF) (Units Mn)</b>	21	30	47	130	22.3%	22.0%	Rising issuance of cards in smaller cities, increasing organized retail penetration and growth in payments infrastructure to drive 20% CAGR in credit cards outstanding over FY20-24E
<b>Growth YoY %</b>		20.0%	27.0%	20.0%			
<b>Credit Card spends (Rs mn)</b>	1900000	3300000	6100000	18012002	33.9%	23.2%	Credit card spends grew at 32% CAGR from FY15-19 to Rs6tn led by post demo initiative. GoI push on cash-less society, focus on digitalization, developments in e-commerce, credit-card promotional-offers and EMI financing options are expected to propel card spends to Rs18tn by FY24, which is 3x increase over FY19
<b>Growth YoY %</b>		32.0%	32.6%	21.0%			By FY24 spends growth should concur with outstanding cards growth
<b>Spend per card (Rs mn)</b>	90476	110000	129787	138430	9.4%	1.0%	Increasing acceptance of digital payments by Indian consumers and the rise of e-commerce businesses have led to 9% CAGR in spend per card between FY15-19, we estimate moderate 1-2% annual growth rate over FY20-24
<b>Growth YoY %</b>		10.0%	4.4%	0.8%			
No. of Credit Card transactions (Units mn)	619	1094	1772	4278	30.1%	17.7%	Rapid digitization & easier availability of free credit has led to 30% CAGR in transaction numbers over FY15-19. We expect slightly slower 18% CAGR over FY20-24 led by competition and unpredictability to customer spend patterns (switches to other modes contingent upon offers/discounts)
<b>Growth YoY %</b>		37.3%	25.4%	12.0%			
<b>Credit Card receivables (Rs bn)</b>	423	708	1198	3053	29.7%	19.5%	Severely under-penetrated market, increased retail and unsecured credit have increased credit card loans at 30% CAGR during FY15-19. We expect credit card loans to clock 20% CAGR over FY20-24 aided by continued spends, growing POS terminals and diversified offerings

# HDFC bank & SBI Cards have 45% market share in outstanding cards

- Amongst 74 players offering credit cards in India, 4 players account for ~72% of cards-in-force and 66% of overall spends' market share largely driven by cross-selling to existing liability customers.
- **SBIC ranks no. 2 to HDFC Bank in terms of card-in-force, incremental card additions, transactions no. & total spends**
- **Amongst the key card players in the industry, Axis Bank followed by SBI Cards have witnessed robust traction over past 5 years in volumes and spends.** In the past seven years, Axis and SBI Cards have witnessed rapid increase in market share to 10.6% and 17.8% respectively from 2.4% and 7.9% in FY12.
- SBI Cards and BoB Cards are the only card players in the industry with sole focus on credit card business that helps them to offer customized products to customers while enabling them to innovate and integrate various processes in the value chain
- International players such as American Express, Citi Bank and Standard Chartered Bank, have lost market share in credit card spends over the years
- Cards-in-force for some of the key US based players are Chase (93mn), American express (58mn), Discover (Rs57mn), Capital One (45mn)

## SBI Card ranks 2nd best w.r.t. cards-in-force, transactions no. and spends

Market share % (FY19)	Cards in Force	O/s transactions	Total spends	POS terminals
HDFC bank	27%	27%	28%	13%
<b>SBI Card</b>	<b>18%</b>	<b>16%</b>	<b>17%</b>	<b>-</b>
ICICI Bank	14%	14%	11%	11%
Axis Bank	13%	9%	10%	14%
RBL	4%	3%	3%	19%
Citi Bank	6%	13%	9%	1%
American Express	3%	4%	9%	1%

Source: RBI, Company, PL

# Credit Card Transaction Process – A Snapshot

## ENTITIES INVOLVED IN THE TRANSACTION:

- **Merchant location:** Entity selling goods and services
- **Acquiring Bank:** The bank which with POS terminal at the merchant location
- **Card network:** RuPay/Visa /MasterCard, etc.(transaction routing/settling agency)
- **Customer / Consumer:** Cardholder
- **Issuing Bank:** The bank which has issued the card to the customer

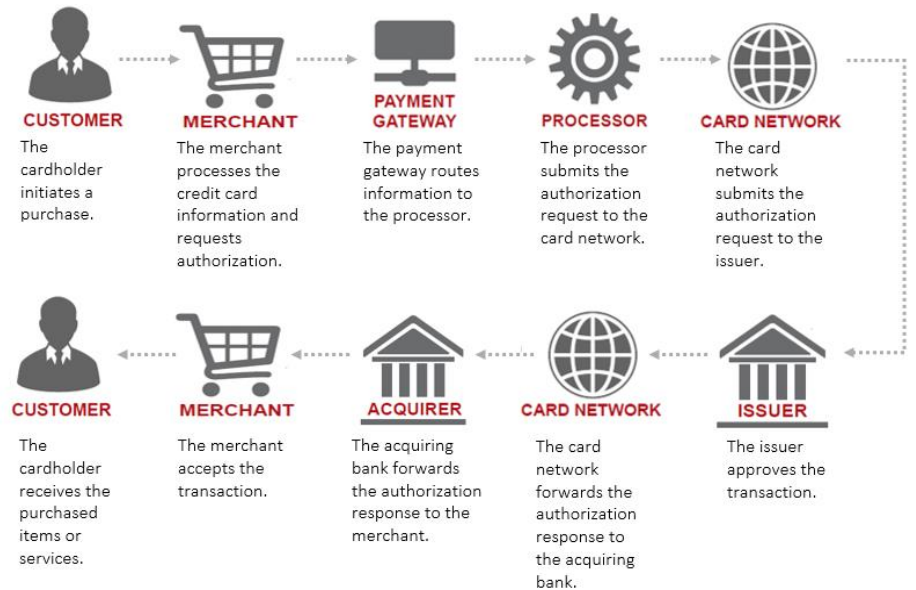
## TYPES OF TRANSACTIONS:

- **ON-US Transaction:** issuing bank and the acquiring bank are the same entity
- **OFF-US Transaction:** issuing bank and acquiring bank are different entities

## TRANSACTION PROCESS:

- A consumer purchases some goods / services and uses a debit / credit card to pay the merchant.
- The merchant (terminal) sends the encrypted transaction data to the acquiring bank system / switch for authorization.
- The acquiring bank sends the transaction data to the consumer's (card issuing) bank over the card payment network

## A typical credit card transaction process



Source: Industry, PL

- The issuing bank authenticates the card / cardholder details; based on successful authentication and after checking availability of balance (for debit card) or credit limit (for credit card) authorizes the amount and issues an authorization code or declines the transaction.
- The acquiring bank notifies the merchant that the transaction either has been authorized or declined; the merchant then completes the transaction (if successful, then print receipt and hand over the goods, etc.)

# High value cards are gaining popularity

- Players with increased focus on credit card business offer customized products that are continuously adapted to the evolving needs of cardholders and changing industry dynamics. Technology, data analytics, partnerships, acceptance infrastructure have enabled them to innovate and integrate various processes in the value chain. **PL View:** Channel checks suggest issuing companies to come up with innovative corporate offerings ahead, share here to rise

## Credit card product dynamics –Personal Cards form 85-90% of the overall credit card offerings

Type of Cards	Personal	Corporate
% of Total cards-in-force	85-90%	10-15%
Cards Spends as a % of Total Spends	85-90%	10-15%
Bureau Profile	Super-Prime; Prime-Plus; Prime Individuals	Prime, Super Prime Corporates
Bureau Score	650-750	>700
Customer Acquisition Channel	Internal customers/Open market/Co-brand partnerships	Direct tie-ups with corporates or private companies
Acquisition cost	Rs.800-Rs.2000	Rs.500-Rs.1000 (borne by the corporate)
Value Propositions	Cashbacks/Discounts/select facilities	select facilities-Travel, hotel & other utilities
Credit limit	Rs 70,000 (~2x of salary)	Varies from corporate to corporate
Annual fee	Rs.499-Rs.4999	Rs.0-Rs.499
Delinquency	0.85%	0.80%

### Typical Credit Card offerings by issuers come in 5 types:

- Personal credit cards
- Corporate Credit cards
- Personal Premium Cards
- Personal – Reward points cards
- Co-branded cards

Source: Media, channel checks, PL

## Premium Card dynamics – focusing on affluent /super-prime customers

Particulars	SBI Card	HDFC Bank	ICICI Bank	Axis Bank	RBL Bank	IndusInd Bank
Total number of cards offered	46	20	33	21	30	23
% of premium cards offered	40%	20%	45%	25%	25%	70%
Premium cards offered	18	4	15	5	8	16
Range of fees for paid cards	500-5,000	500-10,000	200-10,000	250-10,000	500-5,000	250-25,000

### Premium Cards:

- Cards with joining fee > Rs.1500
- Premium credit cards stand at 15% of total credit card offerings in the industry
- Value Proposition: Premium credit cards come with benefits/offers from airline, hotel credits, VIP Lounge access, premium gifts, concierge services, and lifestyle/entertainment/shopping benefits.

Source: Company, PL

# Reward cards encourage higher spends and revenues

## Reward cards encourage higher spends and in turn carry higher income potential for credit card issuers

- For every credit card transaction, the card company earns an 'interchange' fee from the merchant outlet that can vary from 1% to 2.5%. The outlet can negotiate a lower fee if its volumes are high.

## Reward points dynamics:

- Reward cards: Broadly, only 35-40% of rewards points are being used.
- Entry-level cards are usually issued at a minimal fee while premium cards have high joining and annual fees. The number of points earned on each transaction depends upon the amount involved, the type of card used and at times on where the transaction is done.
- PL View: Sizeable the interchange fees, higher the rewards to cardholders. Card issuers with higher reward card offerings have an edge as part of earnings from interchange fee is distributed in the form of reward points in turn encouraging customer for increased usage which drive higher spends for the credit card issuer.**

## Reward points economics

Card Type	Reward points earned
Entry-level cards (Silver, Gold)	1 reward point per Rs. 100-150 spent
Premium (Signature, Platinum cards)	2 reward points per Rs. 100-150 spent
Co-branded cards (fuel, air miles etc.)	Up to 5 reward points per Rs. 100-150 spent
Corporate cards	1-2 reward points on domestic/international spending

Source: Media, PL

## Save with reward points and cash-back credit cards

### USING YOUR CARD TO PAY UTILITY BILLS



### USING YOUR CARD TO PAY FOR FUEL



The comparison is based on two products—a cash-back card and a reward points card—from the same bank. The total savings were calculated on the basis of credit card spends on utility and fuel. When it came to utility expenses, the cash-back card offered a better deal, but for fuel expenses the reward points card was a far better bet. Also note, one reward point is worth ₹1. Conclusion: The choice of card would depend on your spending habits, provided all card-related conditions are met.



# Co-branded cards – a win-win for all

## Co-branded Cards dynamics:

- A card that is offered by two organizations, one a lending institution, the other a non-financial group.
- Cardholders are offered tailored cross-sell products at the time of application through card sales distribution and later on through outbound and inbound tele-calling and digital modes like website and mobile application.
- **Merchants:** Airlines, hotels, retail chains and non-financial groups with loyalty points are known to offer co-branded cards.
- **Benefits to customer:** i) Special offers (eg: in the case of an airline, earning frequent-flyer miles they can redeem when traveling), ii) discounts (discounts on merchandise), iii) loyalty points (these can be used for additional purchases).
- **Benefits to issuer:** built-in audience and a major sales channel.
- **Benefits to retail partners:** i) Bonus from card issuer ii) Commission to sales personnel for each new customer iii) Earnings in the form % of EMI conversion and late fee charges to customer.
- **PL, View:** Higher the offerings, higher the spends, higher the revenue traction. Moreover, a co-branded card offering is a win-win deal wherein all the parties; viz, card issuing company (merchant discount/interchange fees), merchant partner (sales promotion exercise) and the customer (offers/discounts) stand to gain.

## Glimpse of Co-branded partnership between SBI Cards and Air India

### A typical SBI Card Co-branded (Air India) Model

<b>Issuer</b>	SBI Credit Card
<b>Partner</b>	AirIndia



### Benefits of Co-Brand partnerships

<b>Issuer</b>	Customer Stickiness
	Increase in Spends
	Focused Customer Base
	Customer growth
	Higher Activation compared to Normal Card
	Increase in Top Line
<b>Partner</b>	Brand Visibility
	Customer Loyalty

### Cost and Revenue Sharing

<b>Annual fee</b>	Generally, Partner gets a share of Annual Fee from Issuer
<b>Costs (Marketing)</b>	Shared Between Both the parties
<b>Discount / Voucher</b>	Borne by the Issuer

Source: Company, PL

# Case Study: Co-branded cards provide attractive offerings

- Co-branded ties with retail merchants allow card issuing companies to indulge into attractive offerings (zero cost EMI facility, cashbacks) augmenting unique customer base and revenue stream. The adjoining illustration is a perfect exemplar of a co-branded partnership of Card companies with Croma for consumer durable products during festive season. SBI Cards alongside private and global players actively & timely participate into co-branded offerings

Sr. No	Category	Brand	HDFC Bank Credit Card	ICICI Bank Credit Card	Axis Bank Credit Card	Citibank Credit Card	SBI Credit Card	Standard Chartered Credit Card	American Express	Offers
1	Appliances	BLUE Star Acs	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	10% Cashback subject to maximum of Rs.3000 will be posted to your card account in 90 days. Only one transaction per card per month is allowed during the offer period.
2	Appliances	HITACHI Acs & Refs (Selected Model)	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	10% and 5% cashback. It will be posted in customer account within 90 days
3	Appliances	Volta Acs	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	5% Cashback subject to maximum of Rs.3000 per card per transaction per month. Cashback will be posted within period of 90 days. TnC apply
4	Appliances	Godrej	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	NA
5	Appliances	Daikin	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	NA
6	Appliances	Siemens	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	10% with max cashback of Rs. 2000 on your card account for entire scheme period. The cashback will be credited in 90 days
7	Appliances	Bosch	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	10% with max cashback of Rs. 2000 on your card account for entire scheme period. The cashback will be credited in 90 days
8	Appliances	IFB	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	NA
9	Appliances	Panasonic	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	5% with max cashback of Rs. 2500 on your card account for entire scheme period. The cashback will be credited in 90 days from offer end date
10	Smartphones	NOKIA	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	No EMI only Cashback
11	Smartphones	OPPO Mobile	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	5% additional cashback. The cashback will be credited within 90 days
12	Smartphones	Xiaomi	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	1. INR 750. It will be posted in your account within 90 days. TnC apply 2. INR 1000. It will be posted in your account within 90 days. TnC apply 3. INR 4000 on EMI Transactions you are eligible for one Cashback during the scheme period. Cash back will be posted within 90 days. TnC apply
13	Smartphones	Vivo	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	5% with max cashback of Rs. 3000 per transaction. It will be posted in your account in 90 days.
14	Laptops	HP	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	NA
15	Laptops	Acer	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	NA
16	Laptops	Dell	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	6 Months	10% Cashback on Credit Card EMI Transaction up to INR8000 on Dell Selected products. Cash back will be posted within 90 days. TnC apply
17	Laptops	Asus	24 Months	24 Months	24 Months	24 Months	24 Months	24 Months	24 Months	NA
18	DSLRs	Nikon	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	9 Months	NA
19	DSLRs	Canon	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	5% with max cashback of Rs. 6000 per card per month during the offer period. It will be posted in Customer account in 90 days. TnC apply
20	TVs	Hitachi TV	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	10% and 5% cashback. It will be posted in customer account within 90 days
21	Entertainment	Acoosta	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	NA
22	Entertainment	BOSE	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	NA
23	Any Product	Amazon Devices	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	NA
24	Any Product	Croma own label	6 Months				6 Months		6 Months	NA

# Credit Cards have dual income streams

We analyze the revenue engines for the parties involved in the credit card transaction circuit

- Broadly, a credit card company operates on a dual revenue model (a) non-interest income (primarily comprised of fee-based income such as interchange fees, late fees and annual fees, among others) (b) interest income on credit card loan receivables. (Note: MDR: merchant discount rate)

## Revenue model for credit card issuer

Interest Income		Fee Income						
<b>Revolver receivables:</b> Interest earned on unpaid credit card dues	<b>EMI Receivables:</b> Interest charge on conversion of balance into EMI.	<b>Subscription-based fees:</b> Sign up fee and annual renewal card fees.	<b>Instance-based fees:</b> Late fees & over limit fees.	<b>Spends-based fees:</b> Portion of MDR paid by payment network to the card issuer	<b>Service Charges:</b> Maintenance charges	<b>Business development incentive income:</b> Incentives from network/co-branded partners	<b>Balance transfer fee:</b> Fees on transfer of debt from one credit card to another	<b>Rewards points revenue redemption:</b> Fees on purchase of products or services by customers using reward points

Commissions on payment settlements, interest income on amount in merchant account and income through sale of POS terminals if any

## Revenue model for acquiring bank

<b>Acquirer Fees:</b> Commission as % of MDR for payment settlement processes	<b>Sale of PoS Terminals:</b> One-time fee (Rs8000-12000) from the merchants for PoS terminals	<b>Merchant Settlement Cycle Interest:</b> Interest earned on the money that resides with acquiring bank till the merchant accounts are settled.
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Payment networks earn service revenues, data processing revenues, international transaction revenues and client incentive income

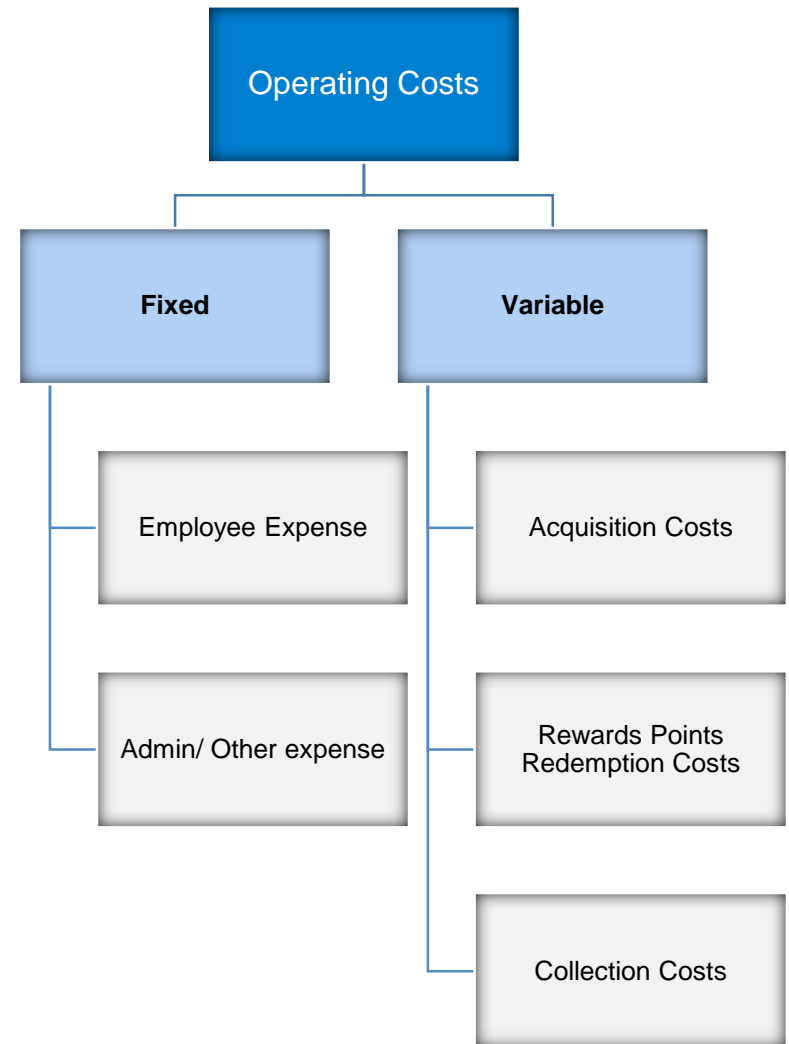
## Revenue model for payment network

<b>Service Revenues:</b> Earnings for customer support services for the delivery of payment network products and solutions.	<b>Data processing revenues:</b> Earnings from authorization, clearing, settlement, network access, and other maintenance & support services that facilitate transaction and information processing	<b>International transaction revenues:</b> Earnings from cross-border transaction processing and currency conversion activities	<b>Client incentives:</b> Revenues from long-term contracts with financial institution clients for build payments volume, increase Visa-branded card acceptance, and win merchant routing transactions
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# Credit Card is an opex intensive model

- The credit card business carries high operating expenses compared to other retail segments.
- It is a function of market-engagement costs, comprising acquisition and marketing costs, rewards redemptions costs, other spend based costs (including costs to payment networks, such as VISA and MasterCard, and payment gateways, among others) and other costs (including employee, sourcing, on-boarding, collection and recovery costs).
- Acquisition cost comprises costs for acquiring customers through various channels and marketing cost comprises costs for advertisements and discounts or cashbacks offered. Indian credit card players largely rely on the banca channel for new customer acquisition and hence have witnessed certain relief on this front as they stand largely supported by the ready-made bank provided infrastructure. Said that, with quest for deeper reach and newer markets, open market acquisition channels are grabbing higher share in turn proving as key expense factor for the card company.
- Technology and data analytics capabilities are the mainstay of a successful credit card business, while the first one aids in customer acquisition, the second enables control on delinquencies. Erratic consumer spend patterns, uncertain macros require the credit card company to constantly evolve and adapt. Technological and collection costs, therefore, account for higher share in company's overall cost metrics.
- **PL View:** The only offsetting measure to high opex intensive credit card model is the establishment of a modern, sophisticated technological infrastructure supported by process automation, data analytics and algorithms that support size and scalability. Scalability and steady revenue streams bring in cost efficiencies over the course of the business.

## Glimpse of Credit card operating model



Source: Company, PL

# Credit Card business is prone to higher delinquencies

- Unsecured loans have grown at a faster pace (25% CAGR) over past 5 years largely led by millennial spends which should sound red flags to the Card Cos.
- CRISIL Data suggests ~25% of new card additions in FY19 were to new-to-credit customers. With card companies increasingly vying for new-to-credit customers with limited credit history poses risks on the quality of the portfolio
- But credit bureaus have played an integral part in this with its widened customer-base and more data points available per customer with the passage of time aiding card players manager better. Moreover, digital solutions from documentation stage to payment disbursals, low ticket offerings like credit cards and personal loans stand best suited aiding reduction in likelihood of defaults.
- Besides, with increasing data availability and improved card payment habits, customers are becoming aware of the cost of carrying large balance or missing the payment schedules
- Delinquency (90 plus days) levels, therefore, have reduced in the last couple of years.
- PL, View:** While industry-wide NPAs have stood under control over past 3 years, we reckon charge offs are expected to increase across credit card players with increasing competition, consumption headwinds and business seasonality.

## Credit card delinquencies for industry remained range bound past 3 years

Retail loans pack	Delinquency Level: FY17-FY19
Personal loans	0.5 – 0.7%
Credit cards	1.5 - 1.8%
Consumer durable loans	1.5 – 2%

Source: Company, PL

## Credit Card Industry NPA trends

	Q12018	Q22018	Q32018	Q42018	Q22019	Q32019
Industry	0.88%	0.89%	0.94%	0.88%	0.76%	0.9%

Global Credit Card Players	2016	2017	2018
Discover	0.87%	0.99%	1.08%
American express (International)	0.90%	0.90%	0.70%
Capital One (Credit Card)	1.83%	1.94%	1.92%

	FY17	FY18	FY19
SBI Card	2.4%	2.8%	2.3%

Source: TransUnion CIBIL, Bloomberg, Company, PL

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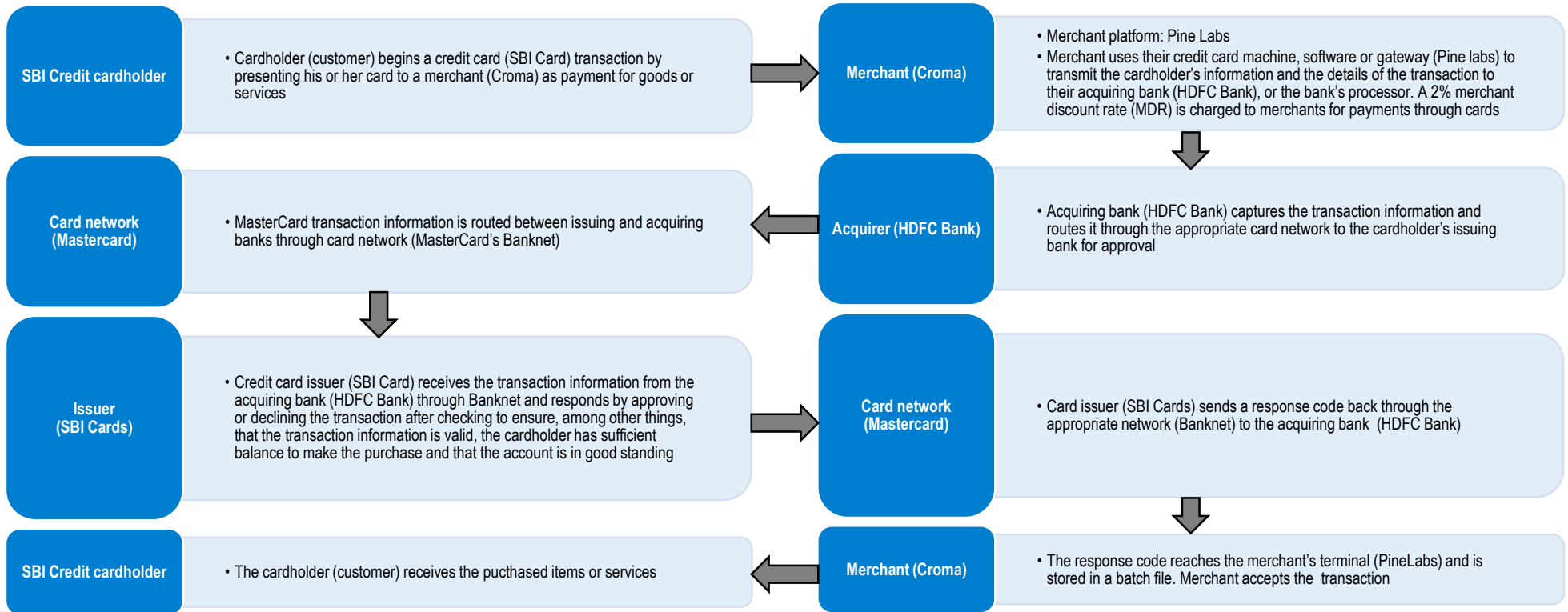
# Company Section

# Company Background

<b>About the Company</b>	SBI Cards and Payment Services Ltd (SBI Cards) is second largest credit card issuer in India. The company is focused on catering to cardholders' two primary financial needs; viz, transactional needs and short term credit. The company's total credit card spends grew at a 54.2% CAGR (vs 35.6% industry CAGR) and the number of credit cards outstanding grew at 34.5% CAGR (25.6% industry CAGR) for FY17-19.
<b>Promoter</b>	Promoted by State bank of India (SBI) which holds 74% in the cards company, 26% of the company is owned by CA Rover Holdings as on 1HFY20.
<b>Presence</b>	33,086 outsource sales personnel operating out of 133 Indian cities at 3,009 open market points through multiple channels such as physical points of sale, telesales and online. The company has also associated with payment networks (Visa, Mastercard, Rupay) and third-party co-brand partners (CRISIL, Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, OLA Money, IRCTC, Yatra) to expand reach, functionality and customer base. Company's physical customer acquisition network is complemented by digital sales and marketing capabilities
<b>Management depth</b>	Helmed at the top by MD & CEO, Mr. Hardayal Prasad with 36 years wide experience and deeper industry expertise and professionally managed business team. Senior order executives from parent have been absorbed in SBI Cards to boost strategic decision making and operational capabilities.
<b>Business</b>	SBIC focuses on comprehensive cross-selling ecosystem, appropriate third party products and services by banking on SBI parentage and network (22007 branch network and 436 mn customer base). The company's current acquisition of new accounts through SBI stands at 47.6% (1HFY20). SBIC's products stand diversified and tailor-made across customer categories encompassing premium, affluent, mass affluent, mass and new to credit. Said that, 85.7% of the total accounts as on 1HFY20 are dominated by salaried customer base.
<b>Revenue mix</b>	The revenue derived from credit card products consists primarily of interest on credit card receivables and non-interest income primarily comprised of fee-based income such as interchange fees, late fees, annual credit card membership fees and other fees. 50.7% of SBIC's revenue emerged from revolving and term credit card balances, while remainder from income from fees and services as at H1FY20.
<b>Loan book mix</b>	Overall credit card receivables comprise of 28.9% of term loan and rest includes transactor and revolver receivables.
<b>Capital Adequacy</b>	Capital Adequacy stands at 19.0% of which Tier 1 is 14.8% as on 1HFY20
<b>Credit Rating</b>	AAA / Stable (Long Term) from CRISIL & ICRA and A1+ (Short Term) from CRISIL & ICRA.
<b>Auditors</b>	S. Ramanand Aiyar & Co. appointed on July 11, 2017

# SBI Credit Card Transaction Model - Snapshot

## Illustration of a typical SBI credit card transaction model



## Parties to the credit card model

Payment networks	Payment networks issuing cards	Payment Processors (IODs)
Visa	American Express	Pine Labs
Mastercard	Discover	Eze Tap
Rupay		Innoviti
Amex		M-swipe
Discover		



# SBI Cards – Michael Porter’s Five Forces Model

## Industry rivalry

- 74 credit card issuers in India including HDFC Bank, Axis Bank, and ICICI Bank. HDFC Bank is the market leader and has maintained its market share in the number of outstanding credit cards at approximately 27.0% over the years, followed by SBI Card at 18.0%, ICICI Bank at 14.0% and Axis Bank at 13%.
- Payment solutions space is heating up with mobile, e-wallet, UPI, PPIs, POS devices, debit cards and tokenization platforms proving formidable competition as they are able to attract large payment volumes at low or no payment processing fees to merchants
- Paytm, RuPay credit and other payment networks have been proving competitive in the short term credit market
- SBI Cards is poised to maintain market leadership determines by its industry leading position in terms of open market acquisition channels, co-branded tie-ups and access to potential cardholder database.

## Entry Barriers

- We believe consistent **innovative product offerings, technology, data analytics and superior underwriting models happen to be the biggest barriers** to entry in the unsecured retail credit space
- Technological changes** continue to significantly impact the credit cards and payment services industries, such as continuing development of technologies in the areas of smart cards, radio frequency and proximity payment devices, electronic wallets, mobile commerce, data analytics, machine learning, block-chain and artificial intelligence, among others.
- SBI Cards with its robust technological systems has been leveraging upon artificial intelligence, automation, data analytics, machine learning capabilities and portfolio management and transaction monitoring models

MEDIUM

## Threat of Substitutes

- Banks such as HDFC bank, RBL bank, ICICI Bank, foreign players like American Express have become more **competitive in the credit card space**
- Other mode of payments** like mobile, UPIs, e-wallets, paytm credit are also able to attract large no. of volumes
- SBI Cards possess a large database of cardholder demographic and socio-economic data. Such data analytics enable the Co. to filter prime potential customer base which other payment modes such as UPI or e-wallets might fail to attract
- Furthermore, SBI Cards has tie-up with corporates and online/offline merchants through co-branding to offer rewards, such as cashback or discounts, based on customer usage which can help the Co. combat threats

## Bargaining power of suppliers

- SBIC is currently rated AAA and A1+ by both CRISIL and ICRA. Alongside, the Co. continues to receive strong support from its parent. With cumulative positive mismatch across all buckets up to one year and back-up of **undrawn banking lines**, the Co.'s cost of funds stand lower vis-a-vis peerset
- SBI Cards enjoys steady interchange fees (1 to 2% of merchant discount rate) on value of transactions from the merchant acquirer that settles cardholders' transactions. **Merchants** view these expenses as new customer acquisition engine and hence agree for
- SBI Cards earns **contractual business development incentives** through its sticky contracts (typically 3-5 years) with payment networks. Negotiations over renewals also stand in favor as transaction volumes stand higher for SBI Cards. Payment networks view these expenses as expansion into newer customer place

## Bargaining power of customers

- SBIC has been investing in innovation towards providing convenience to customers driving credit card growth
- SBI Cards stands poised in capturing customer mindspace by expanding payment capabilities through partnering with online/offline merchants and aggregators to offer co-branded credit card products, highly customized card offerings for corporates, high reward incentives, cash backs, discounts to customer on credit card spends, interest free line of credit to customers.
- Higher reward offerings which can turn out to be higher than annual fees for customers will prove as a big step for the Co. to combat the bargaining power of customers

HIGH

# SBI Cards v/s key industry players

- With 74 players offering credit cards in India, top 3 private banks (HDFCB, AXIS, ICICI) followed by SBIC as pure-play credit card issuers, co-branded credit card models like that of RBL bank and foreign players like Citi Bank and Amex with fee-base models have turned aggressive over the years. While a basic credit card model can be categorized into two kinds – (a) the primary model of internal-to-bank customer model largely followed by banks issuing credit cards and (b) the secondary model of new-to-bank customer followed by new entrants and banks with limited liability franchise or by pure credit card issuing players.

FY19	SBI Cards	HDFC Bank	RBL Bank	Amex India
Market share -Outstanding no. of Cards	18%	27%	4%	3%
Market share - Spends Market share	17%	28%	3%	9%
PoS presence (H1FY20)	687594 (SBI Bank)	700075	986425	47382
Payment Gateway	NO	NO	NO	YES
Cards-in-force (units in mn) (H1FY20)	9.5	13.3	2.3	1.6
Business Model	<b>CARDHOLDERS MODEL – Hook the cardholders</b>	<b>ACQUIRING THROUGHPUT MODEL Hook the merchants, cardholders should follow</b>	<b>OPEN MARKET ACQUISITION- Hook the partners - leverage upon partners' strengths</b>	<b>HYBRID MODEL- Hook the merchants, not the cardholders</b>
Strategy	Exclusive Cardholders Model: (a) Interest income on revolving balances that are carried over from one month to next (51% of revenue) and (b) fee based (49% of revenue) revenue model	(a) Acquisition of Merchant partners: (banking on 4,90,000 POS terminals) (b) Cross sell to existing cardholders: Focus on internal customer conversion (80% of new credit cards issued to existing customers)	(a) Co-branded partnership with Bajaj Finance: 1.2mn cards in force in partnership (b) Fee-income based revenue model 49% contribution to overall revenues	(a) Acquisition of Merchant partners (Discount revenue primary revenue driver) (b) Spend-centric model: Growing no. of overall transactions on its cards through special offers & low fees (c) Cardholders: Interest income and fees model
Customer/ Geographic profile	Salaried focus (87%)	~50%+ banking outlets focused on semi-urban & rural locations	Urban centric	Relatively affluent premium customer base
Strengths	Gradual increase in self-employed base tapping Tier II/III towns (58%)	~90% of HDFCB customers initiate transactions through internet/mobile channel	62% geographic concentration in top 8 cities	leadership in the premium consumer area
Product profile				
(a) Own credit cards	28	24	30	6
(b) Co-branded credit cards	18	6	8	1
Customer Acquisition Channel				
(a) Bank channel	55%	80%	27%	
(b) Open Market Channel (Retail+co-brands)	44%	20%	73%	100%

Source: Company, PL

# SBI parentage is biggest advantage for SBI cards

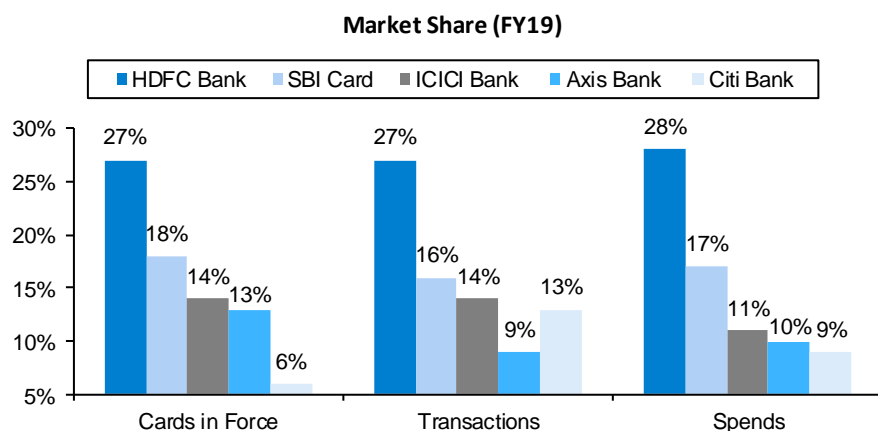
SBI Cards banks upon parent-bank lineage drawing benefits as under:

- **High potential customer base** : The bank happens to be largest customer referral partner for the company. Currently, 55% of new customer acquisition for SBIC emerge from the banca channel giving an edge to SBI Cards in the co-branded card space.
- **Better distribution capabilities**: SBI cards taps parent's 22,000+ branch network and digital platform like YONO for marketing its card products to prospective customers.
- **Leveraging Infrastructure**: Co. leverages upon SBI's huge infrastructure for supporting key business functions; IT infrastructure, compliance and risk management
- **Talent pool acquisition**: High order executives from parent have been absorbed in SBI Cards to boost strategic decision making and operational capabilities.
- **Pricing advantage/negotiations**: Parent SBI's size & scale enables SBIC derive significant benefits w.r.t pricing advantages in negotiating third party & payment network contracts
- **Brand & trust**: SBI's parentage & highly trusted brand aids easier establishment of reputation of trust, reliability and transparency amongst cardholders. SBI Cards incurs royalty fees of 2% of net profit or 0.2% of total income, whichever is higher for usage parent's logo and wordmark.
- **PL, View**: Well-founded parentage brings in readymade network and customer base that strengthens market positioning for SBI Cards. Such a muscle should enable the Co. to stand firmly particularly in the industry crowded by bank-led credit card business models.



# SBI cards has ample scope to expand cardholder base

## SBI Cards ranks 2<sup>nd</sup> in terms of market share



Source: Company, PL

## Highest market share in incremental cards in force

Share in cards in force*	1M	3M	6M	12M	24M	36M
HDFC Bank	30%	18%	12%	16%	20%	21%
<b>SBI Card</b>	<b>45%</b>	<b>24%</b>	<b>27%</b>	<b>24%</b>	<b>23%</b>	<b>22%</b>
ICICI Bank	44%	29%	24%	21%	17%	15%
Axis Bank	19%	13%	16%	16%	15%	15%
Citi Bank	2%	1%	0%	1%	1%	1%
Kotak Mahindra Bank	-11%	1%	3%	4%	5%	5%
RBL Bank	-8%	7%	9%	9%	9%	7%
American Express	4%	3%	3%	3%	3%	3%
Standard Chartered Bank	-3%	0%	-1%	0%	1%	1%
IndusInd Bank	4%	4%	3%	3%	3%	3%

Source: Company, PL

\*As of July 2019

## With parent's standing on low credit to debit card ratio, it leaves ample scope for SBI cards to cross sell and maintain the market leadership

Credit Card to Debit Card Ratio %	FY15	FY16	FY17	FY18	FY19	1HFY20
<b>Systemic credit to debit card ratio</b>	<b>3.8%</b>	<b>3.7%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>5.2%</b>	<b>6.3%</b>
Kotak Mahindra Bank	33.4%	20.4%	21.0%	17.8%	16.2%	14.9%
HDFC Bank	27.6%	31.6%	36.3%	43.9%	46.3%	45.1%
RBL Bank	26.4%	20.2%	48.0%	95.5%	245.6%	278.5%
IIB	16.5%	17.2%	17.4%	20.3%	22.1%	24.2%
Axis Bank	12.1%	15.6%	16.6%	20.1%	24.3%	27.5%
ICICI Bank	12.0%	11.2%	11.5%	12.0%	14.8%	17.5%
State Bank Of India	2.0%	1.9%	2.1%	2.2%	2.6%	3.2%
Yes Bank	0.0%	0.0%	5.8%	14.0%	20.5%	24.7%

Source: RBI, Company, PL

The debit cardholder base in India stands at 830mn that is 17 times more than the credit cardholder base at 50mn

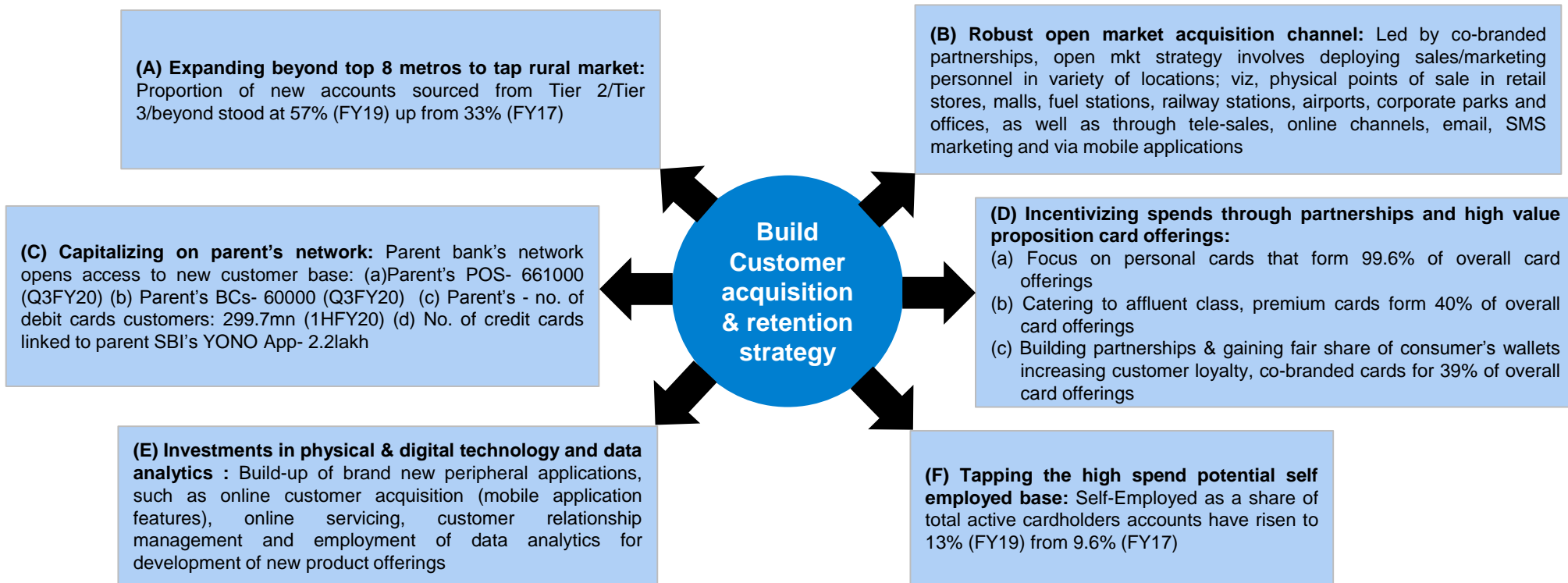
SBI bank's debit cardholder base stands at 300mn that is 30times the SBI Cards credit cardholder base at 9mn

With SBI Cards superior technological and data analytics infrastructure (refer for details on page 38), sizeable debit card customer base can be filtered to be converted into credit card customer.

SBI Cards, therefore, is expected to maintain its market position

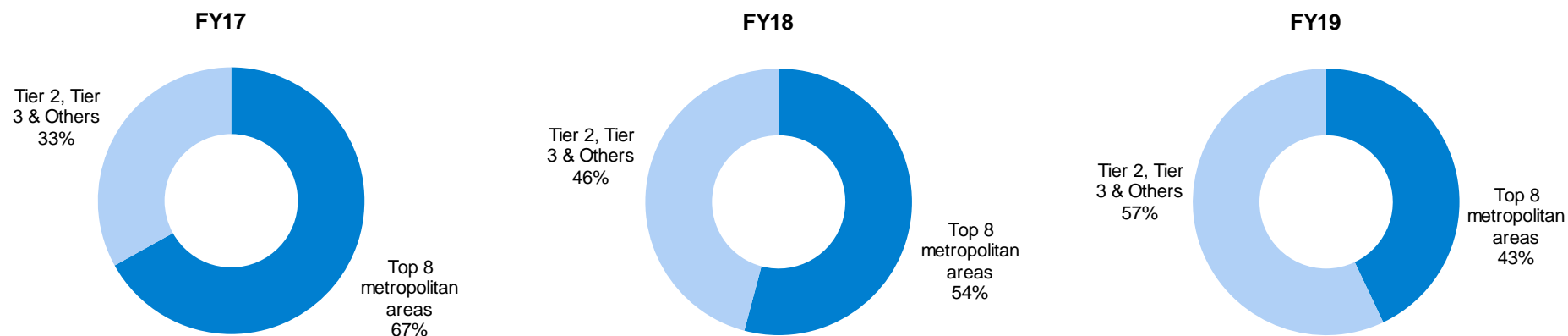
# Robust acquisition and customer retention enable niche positioning

- While cards-in-force have more than doubled over FY15-FY19 to 8.3mn, a **sticky customer base** would determine the success story of the credit card business ahead.
- With competition heating up in the digital payment space, we believe SBI Cards is expected to maintain its niche with a steady customer pool driven by diversified acquisition channels and customer retention strategies as depicted below:



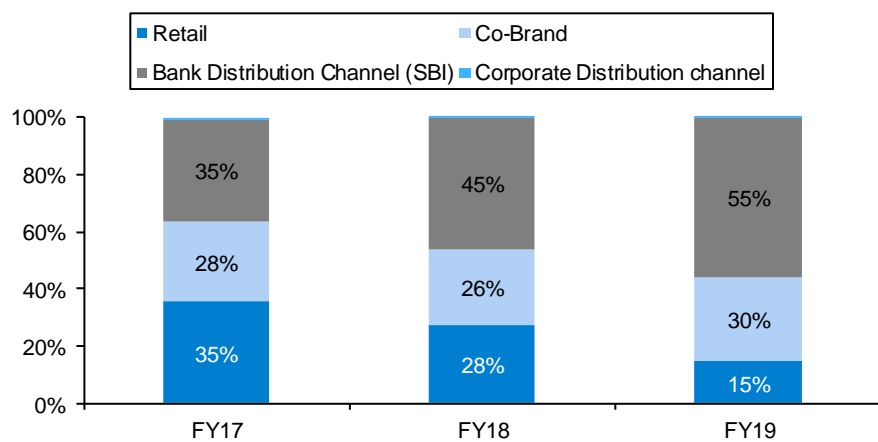
# (A) Expansion into non-metros led by non- bank channels

Geography-wise new account sourcing is gradually tilting towards non-metro areas that stand under-penetrated with high loyalty potential



Source: Company, PL

## (B) 45% of the customer sourcing happens through exclusive SBI Cards' network and own channel



Source: Company, PL

Led by co-branded partnerships, open mkt strategy involves deploying sales/marketing personnel in variety of locations; viz, physical points of sale in retail stores, malls, fuel stations, railway stations, airports, corporate parks and offices, as well as through tele-sales, online channels, email, SMS marketing and via mobile applications, SBI cards non-banca customer acquisition channel stands at 45% of the overall acquisition engine.

### SBI Cards stands as a leading player in open market customer acquisition in India. Its platform includes:

- (a) 3,009 open market points of sale across 133 cities in India
- (b) bank branch networks of 7 bank co-brand partners across India
- (c) physical presence in 11 non-bank co-brand partner retail locations and 7 bank co-brand partner branches
- (d) outreach with 4,350 outsourced tele-sales workforce
- (e) online e-apply channels, email and SMS marketing

## (C) Capitalizing on parent's physical network

While parent SBI themselves engage in cross selling credit cards as one of the value propositions, SBI Cards on other hand also engages to optimally utilize the parent network. This enables further firming up of SBI Cards market positioning especially against the mighty and deeply entrenched HDFC bank.

- Parent bank's network aids access to sizeable customer base for SBI Cards:** (a) Parent's 22,007 branches across India, which enables the Co. to market credit cards to SBI's vast customer base of 436.4 mn customers (FY19) (b) Parent's POS- 661000 (Q3FY20) (c) Parent's BCs- 60000 (Q3FY20). Share of SBI credit cards in PoS transactions stand at 38% as against 50% for the sector. (d) Parent's - no. of debit cards customers: 299.7mn (1HFY20) (d) No. of credit cards linked to parent SBI's YONO App- 2.2lakh.
- Parent collaboration:** Co. has built comprehensive cross-selling ecosystem comprising of selling and distribution of own as well as third party products/services with the objective of leveraging existing cardholder base and maximizing the value from cardholder relationships. To illustrate, SBI Cards launched Project Shikhar in collaboration with parent SBI to market its credit card products directly to SBI's customers. *Project Shikhar has significantly increased the proportion of new accounts sourced from SBI's existing customer base from 35.2% of all new accounts in FY17 to 55% (FY19).*
- PL View:** With 10mn cards-in-force, SBI Cards' credit-card customer base stands 3% of the ~ 300m debit-card customer base of the parent bank leaving ample scope for conversion. While not every debit cardholder stands eligible for a quality card customer, adequate filters generated through data analytics would see higher drop-out rates.

### Parent bank's support

SBI	FY15	FY16	FY17	FY18	FY19
Branches (No.)	16,333	16,784	17,170	22,414	22,010
YoY gr.		2.8%	2.3%	30.5%	-1.8%
Customer base (no. in mn)	273	301	338	424	435
YoY gr.		10.2%	12.1%	25.7%	2.6%
Number Of POS in '000	201	302	509	610	575
YoY gr.		50.4%	68.5%	19.8%	-5.6%
BCs in '000	58	65	52	58	57
YoY gr.		12.3%	-19.0%	10.8%	-0.9%
<b>Debit Card O/S in Mn</b>	<b>161</b>	<b>189</b>	<b>219</b>	<b>278</b>	<b>316</b>
<b>YoY gr.</b>		<b>17.8%</b>	<b>15.6%</b>	<b>27.2%</b>	<b>13.6%</b>

Source: Company, PL

# Capitalizing on parent's digital network

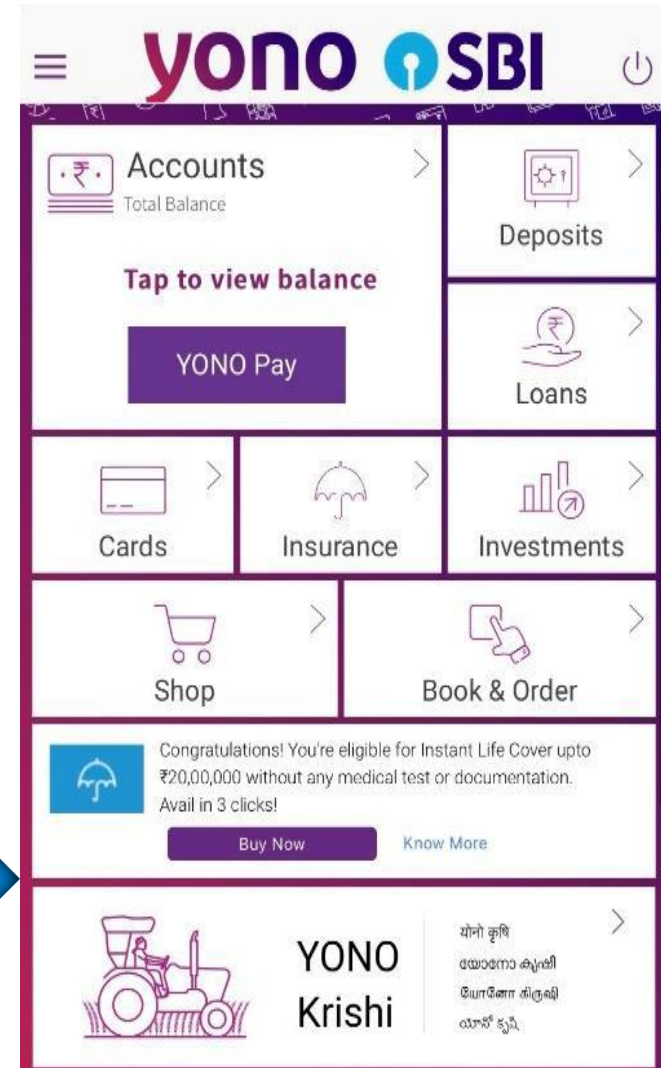
- **SBI cards focuses on cross sell opportunities to the parent's App customers:**
- SBI Cards has integrated its digital customer acquisition platform with the SBI YONO interface, which enables the Co. to market its products to SBI's customers through the SBI YONO mobile application.
- Co. also offers payment facilities through parent's YONO of the 16 varied modes of bill payment offerings to credit cardholders
- PL View: That the 45% of Co.'s credit card applications have been decided by credit decision engines without human intervention is indicative of superior technological capabilities and optimum utilization of parent infrastructure.

## New customer acquisition through SBI's YONO App

YONO (statistics - units in lakhs)	FY18	FY19
No. of application downloads	40	200
No. of Registrations	15	73
No. of Credit Cards Linked to YONO App	NA	2.2
No. of card Transactions	NA	5.8
Transaction value (Rs lakhs)	NA	67800
No. of new card leads' generation	NA	1.9

Source: Company, PL

## Banking on SBI's digital infra: YONO APP



Source: Company, PL



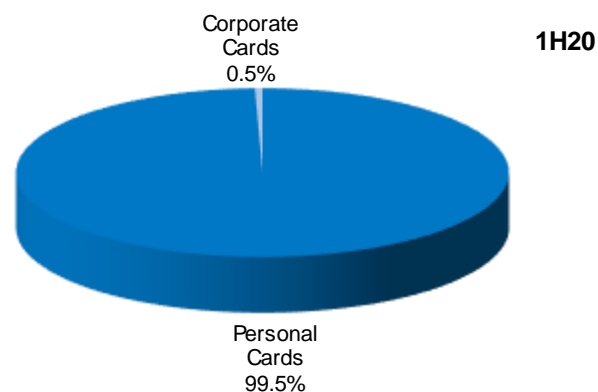
# (D) Incentivizing spends through partnerships and high value card offerings

Co.'s comprehensive credit cards portfolio mapped to cardholders' lifestyles ensure customer stickiness in turn driving spends.

Catering to both individual and corporate clients, SBI Cards product offerings can be broadly categorized into 4 types contingent upon the functionalities/utilities and customer profile:

- Personal cards (lifestyle, rewards, shopping, travel & fuel, banking partnership and business cards)
- Corporate Cards (travel management, hotels & entertainment, utility payments)
- Premium Cards (widespread offers & benefits, premium gifts)
- Co-branded cards (travel & fuel, airlines, online hotel booking platforms, etc)

Loaded with cashbacks, discounts, exclusive facilities, personal cards share stand higher



Source: Company, PL

## Diversified Personal Cards offerings – higher the rewards & benefits, higher the spends

Card Issuer	Annual Fee	Key Features	Utility	Benefits
SBI SimplySAVE Credit Card 	Rs.499	1 Reward Points per ₹100	Fuel	Accelerated Reward Points Program
		10X Rewards on Dining, Movies & Grocery	Shopping	Exclusive Dining Privileges
		2,000 Bonus RP on spending ₹2,000 in 60 days	Dining	Fuel Surcharge Waiver
SBI SimplyCLICK Credit Card 	Rs.499	1 Reward Points per ₹100	Online Shopping	Exclusive Deals and Discounts Online
		10X Rewards on Dining, Movies & Grocery	Rewards	Reward Points on Online Spends
		2,000 Bonus RP on spending ₹2,000 in 60 days	Fuel Spends	Fuel Surcharge Waiver
SBI Card Prime 	Rs.2999	Contactless Transaction –wave the card at a secure reader to transact	Premium Travel	Trident Privilege Membership
		Global Acceptance- accepted in over 24 million outlets across the world.	Leisure	Club Vistara Membership
		Avail complimentary credit card fraud liability cover of Rs. 1 lakh.	Rewards	Golf Sessions under Mastercard/Visa Privileges
SBI Elite Credit Card 	Rs.4999	Annual Fee reversal on spending over Rs. 10 Lakh	Travel	Priority Pass Membership
		6 complimentary airport lounge visits per year	Rewards	Club Vistara Silver Membership
		Free movie tickets worth Rs. 6,000 per year.	Movie	Free Movie Tickets

Source: Company, PL

# Incentivizing spends through exclusive offerings

- SBI Cards offers innovative products suited to corporates and premium customer base in turn boosting overall spends.
- Corporate card is a pass through business proposition with no EMI conversions of outstanding balances and hence also a high revenue generator. While the Co. has been going steady on corporate card share, the corporate card spends are prone to economic cycles unlike personal card offerings.
- **Premium card offerings as a share of overall cards remained steady at 14-15% since past 3 years**
- **PL, View:** Co.'s ability to provide specialized & high value offers across carded customer base should ensure customer stickiness in turn driving overall spends

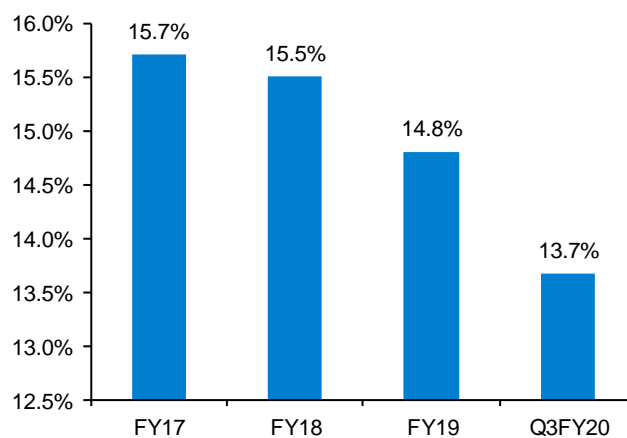
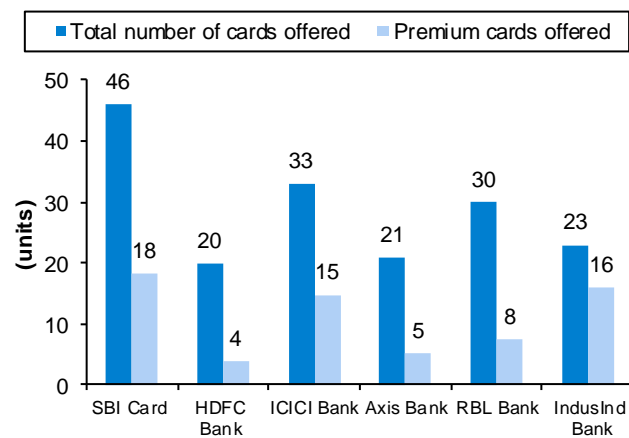
## Customizable corporate cards tailored for specific need fulfillment

<b>General Corporate card</b>	Offer solution to clients with large employee base
<b>Central travel account</b>	For bulk buying & inventory purchasing from airlines, hotels & travel consolidators.
<b>Utility</b>	To make multiple utility bill payment in a single transaction.
<b>Corporate purchase</b>	Provides payment solutions for B2B vendors.



Source: Company, PL

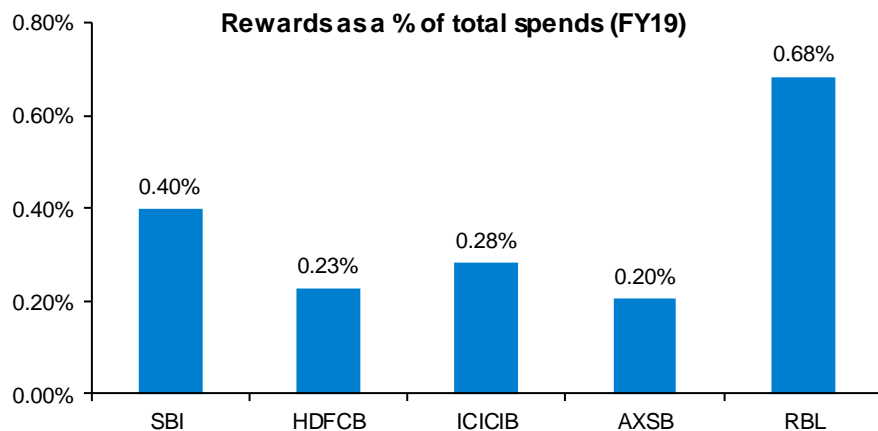
## Catering to affluent class with high value propositions, premium cards of overall cards-in-force at 14-15%



Source: Company, PL

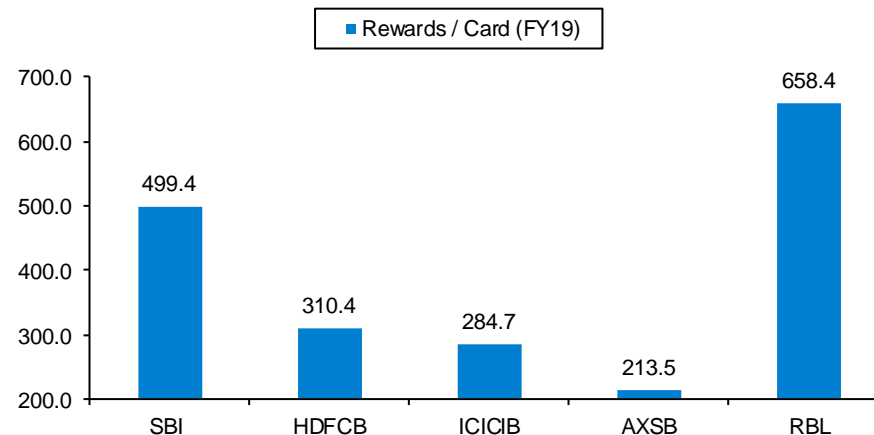
# Incentivizing spends through reward points

Next to RBL Bank, SBI Cards stand 2<sup>nd</sup> wrt rewards as share of spends



Source: Company, PL

SBI Cards stands second highest in industry w.r.t. Rewards per card



Source: Company, PL

**Introducing the new range of e-Vouchers!**

Redeem your Reward Points\* on all-new brands added to our Reward Catalogue.

T&C Apply

**10X Reward Points**  
**2,000 Bonus Points**  
**Free Add-on Cards**

## (D) Incentivizing spends through co-branded card offerings

- Building partnerships & gaining fair share of consumer's wallets increasing customer loyalty, co-branded cards for 39% of overall card offerings
- SBI cards relies on its co-branded partners to acquire new customers through its open-market sourcing channels. As at the end of Dec'19, newly sourced co-brand accounts formed 35% of total cardholder accounts
- Co.'s co-branded partnership has 11 non-bank partners and 7 bank partners capitalizing on their distribution network, communication channels and customer interactions to market its credit card products.
- SBI Cards 3-5 year co-branded arrangements with partners (Amazon, Yatra, IRCTC, Apollo, OLA Money, BPCL, Air India) that are consumer-facing entities attracting strong and loyal customer base. SBI Cards offers a co-brand credit card that is specifically targeted at medical doctors, which offers specialized medical professional liability insurance to its cardholders. While customers earn high reward points along with special offers and promotions for each transaction at partner merchants, co-branded card spends tend to stand higher. As at the end of Dec'19, co-branded credit card spends formed 24% of the overall card spends for SBI Cards.
- PL View:** There lies higher visibility of customer stickiness as SBI Cards looks to continuously expand throughput model via merchant and payment network partnerships to broaden the reach and functionality of its credit card offerings. With steady rise in incremental cards and transaction volumes, the negotiating capacities of the Co. with network partners is also expected to remain intact.

With 18 co-branded partnerships, SBI Cards ranks highest in the industry

Particulars	Number of co-branded partners	Travel	Shopping / Entertainment	Payments	Lending	Healthcare	Others
<b>SBI Card</b>	<b>18</b>	<b>7</b>	<b>3</b>	-	-	<b>1</b>	<b>7</b>
ICICI Bank	12	8	1	-	-	-	3
RBL Bank	8	1	1	-	2	1	4
HDFC Bank	6	3	1	-	1	-	1
Axis Bank	4	2	1	1	-	-	-
Citi bank	3	1	1	1	-	-	-
Amex	1	1	-	-	-	-	-
IndusInd Bank	1	1	-	-	-	-	-

Source: Company, PL



## (E) Investing in physical/digital technology and data analytics

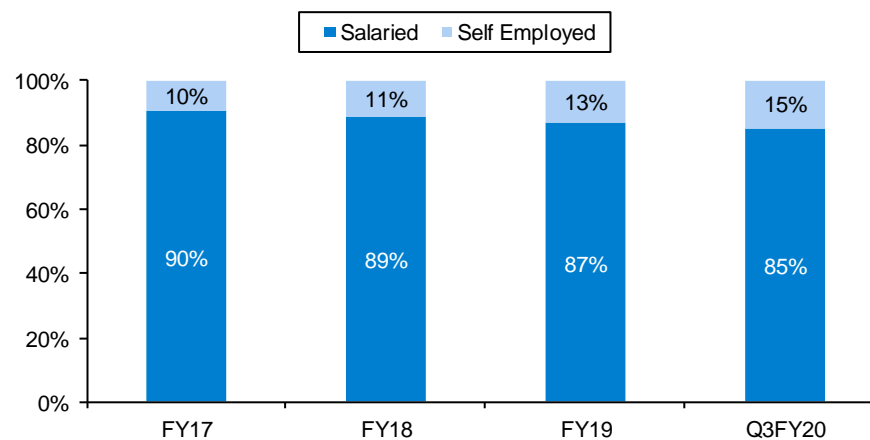
- SBI Cards has build-up scalable, modern and sophisticated technology infrastructure capable of servicing the entire credit card life cycle.
- Set-up of brand new peripheral applications, such as online customer acquisition (mobile application features), online servicing, customer relationship management & employment of data analytics for development of new product offerings have led to technology costs to the tune of ~Rs520mn between FY17-19.

Technological investments	Digital investments	Investments into Data analytics
Build-up of brand new peripheral applications, such as online customer acquisition, online servicing, customer relationship management, fraud management and credit risk applications	SBI Cards Mobile application features: (i) contactless payment at NFC enabled point-of-sale machines; (ii) Bharat QR-based payments; (iii) instant self-service option with ILA, our virtual assistant chatbot; (iv) rewards points redemption; (v) 12 self-service options such as viewing card statements, raising a transaction dispute and fraud reporting; and (vi) promotion of cross-sell products	Data analytics enable delivering targeted and timely offers to cardholders and enhancing value proposition to cardholders with roll out of new cash back rewards, offers, bonus reward points and merchant discounts
Technology systems stand capable of supporting 3x-5x the current level of business volumes	Digital e-card: Instant e-credit card has replaced physical card enabling cardholders reform online transactions in turn pacing up on-boarding processes	Robust risk management infrastructure supported by data-intensive (both in terms of frequency and volume) enables estimating risk for new-to-card cardholders generating underwriting scorecards and mitigating delinquencies
Artificial intelligence & automation of routine activities such as fraud disputes, collections functions, auto debit reconciliations and customer service	SBI YONO: Integration of Co.'s digital customer acquisition platform with the SBI YONO interface enabling marketing of card products to SBI's customers.	Data Analytics models have enabled roll out of offers cardholders located in tier II/III cities, which have contributed an increasing proportion of new accounts in recent years
Statistics: Total core technology investments stood at Rs519.88mn between FY17-FY19	Statistics: 45% of credit card applications were decided by credit decision engines without human intervention in FY19	Investment in data analytics and risk models that accurately estimate risk for new-to-credit and new-to-card cardholders without a credit history

## (F) Tapping high potential self-employed customer base

- While salaried customer base stands as the primary target market, the high potential untapped self-employed customer segment is gaining strength.
- Inherently, self-employed customer comes with higher risk but higher rewards, SBI Cards pricing power and efficient underwriting skills should enable successful expansion into uncharted territories.

### High potential Self employed segment gaining strenghts



Source: Company, PL

# Robust risk management practices ensure superior control

- 98.5% of SBI Card's receivables portfolio stand unsecured heightening the risk of defaults in the event of fall in repayment capabilities of the cardholders
- Ongoing credit monitoring is a critical part of our risk management strategy, and include the proactive management of credit limits, spends and delinquency by cardholder segments.
- SBI Cards periodically analyzes performance trends of accounts originated at different score levels as compared to projected performance and adjust the minimum score or the opening credit limit to manage credit risk.

## Effective monitoring and management of existing cardholders' accounts through their behavioral score and several other related variables

### Credit Monitoring - Proprietary risk models & credit bureau reports - integral part of credit decision making

- (1) Management of credit limits, spends and delinquency by cardholder segments
- (2) Regular assessment of credit risk exposure of cardholder accounts
  - (a) Seasonality assessment of cardholder's account and
  - (b) overall credit performance through credit bureau checks
  - (c) Assessment of revolving credit portfolio through behavioral scoring models
- (3) Scorecards for different stages of delinquency
- (4) Robust machine learning based mode for detection of suspicious transaction patterns

## Review of all cardholder accounts on a monthly basis to minimize inconsistencies in the information underpinning those variables

### Portfolio Risk Management Tools - Leveraging upon internal and external bureau data

- (1) Predictive modelling: statistical scorecards are developed to predict customer's behavior
- (2) Bureau data: Aids in creation of holistic credit profile of the customer wrt each transaction
- (3) Spend indicators: Establishment of indicators that alert the change in risk pattern of customers. For instance, drastic shift from stable consumption based spend (utilities, groceries, fuel etc.) to aspirational spend (jewelry, apparel, gaming) can indicate future deterioration of risk grade.
- (4) Income estimator model: (a) Income-based scoring, inflation adjusted indexation is model and past income docs are considered (b) non-income based sourcing, derived income models and debt-burden ratio assessment

## Established models that more accurately estimate risk for new-to-credit and new-to-card cardholders without a credit history

### Collections and recoveries

- (1) Portfolio actions: Determined by portfolio indicators, following actions are undertaken: credit limit, cross-sell offers, account blocking, communication
- (2) Measures for collection of dues: Include tele-calling, field visits, written reminders, SMS, legal recourse etc
- (3) Repayment strategies for every bucket and definitive treatment for collection dues

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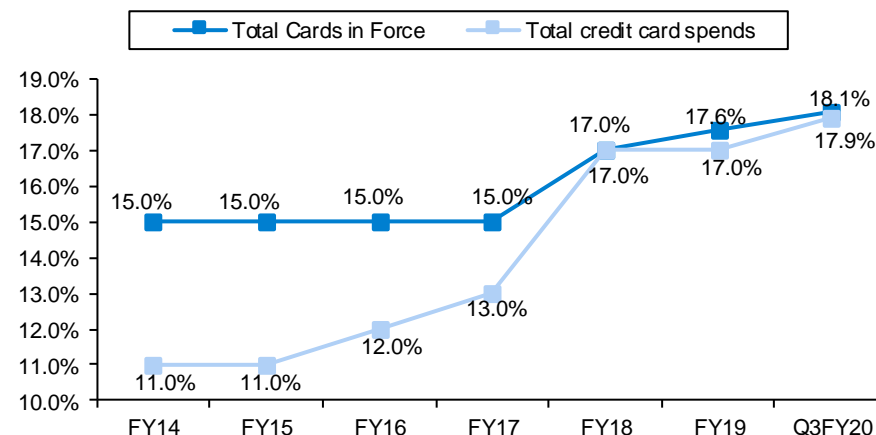
# Financial Analysis



# SBI cards customer base to double over FY19-22

- With Gol's vision of cash-less society, digitalization, developments in e-commerce & growth in POS infrastructure, credit card industry stands poised to grow at 23% CAGR. SBI cards has created a strong niche to gain from this transition with leadership in co-branded cards with 18 offerings and higher than industry presence in premium cards at 40%. 18% market share (total cards-in-force) in credit cards and just 3% penetration of credit cards in parents debit cardholder base will enable doubling of cardholder base to 16mn by FY22 from 8m in FY19.
- We expect cards-in-force to clock 23% CAGR in cards-in-force over FY20-22

## SBI enjoys 2nd highest market share in terms of cards-in-force & card spends



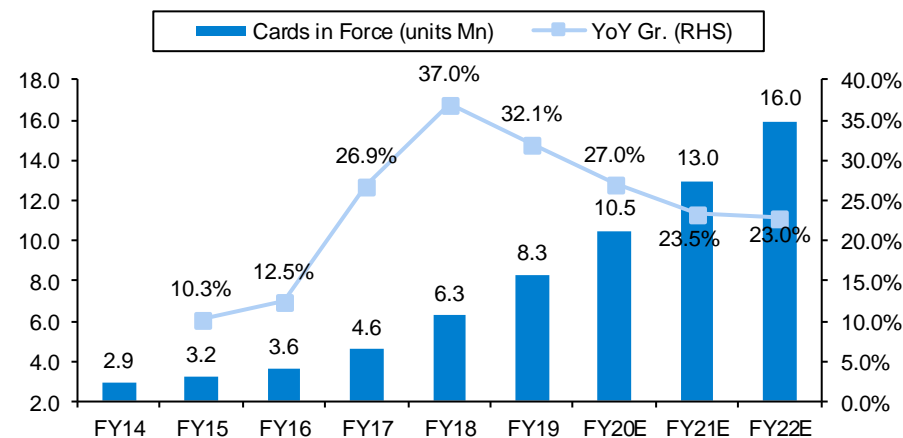
Source: Company, PL

## Growth in cards-in-force for Co. stands stronger than many peers

SBI C cards growth vs peers...	FY16	FY17	FY18	FY19
HDFC bank	21.9%	17.3%	25.1%	16.8%
<b>SBI Card</b>	<b>14.6%</b>	<b>26.2%</b>	<b>37.0%</b>	<b>32.2%</b>
ICICI Bank	9.7%	16.5%	17.5%	33.0%
Axis Bank	39.0%	38.7%	34.1%	32.8%
RBL	69.5%	87.7%	184.4%	114.4%
Citi Bank	-0.5%	5.4%	5.8%	1.5%
American Express	15.5%	20.0%	17.7%	23.4%
Industry	16%	22%	26%	26%

Source: Company, PL

## Cards-in-force poised to double from FY19-FY22E



Source: Company, PL

# Card loan receivables to grow at 27% CAGR to Rs408bn over FY20-22E

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Cards-in-force (industry) (units mn)	19.3	21.3	24	30.5	36.8	47.0	58.8	72.9	88.9
<i>Growth YoY %</i>		10.3%	12.5%	26.9%	20.9%	27.6%	25.0%	24.0%	22.0%
Cards-in-force (SBI Cards.) (units mn)	2.9	3.2	3.6	4.6	6.3	8.3	10.5	13.0	16.0
<i>Growth YoY %</i>		10.3%	12.5%	26.9%	37.0%	32.1%	27.0%	23.5%	23.0%

Gol's push for cash-less society, digitalization, developments in e-commerce, and growth in POS infrastructure should continue to drive the credit card market; on robust consumption story led by millennials, we expect 23% CAGR for Indian credit card market

SBI is reporting strong growth in cards-in-force in-line with industry with a card base of 10mn as of Dec'19, expected to double by FY22 led by cross sell initiatives, high value proposition offerings, increasing co-branded partnerships.

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Transaction Per Cards (units)	22	24	31	32	34	34	35	36	37
<i>Growth YoY %</i>		8.7%	25.4%	5.6%	4.2%	0.0%	4.1%	2.9%	2.8%
Spend per card (Rs)	56872	66514	81479	95046	122188	124867	127364	129911	132510
<i>Growth YoY %</i>		17.0%	22.5%	16.7%	28.6%	2.2%	2.0%	2.0%	2.0%

We expect 37 transactions per card on annual basis by FY22 led by consistent volumes and steady incremental card additions.

SBI Cards has improved the quality of its active card users and has been more than doubling spends per card in the past five years from Rs60,000 per annum to Rs145,000 per annum. This is now in line with the spends per card of the market leader – HDFC Bank.

We maintain conservatism on spend per card with volatility in transaction values, expansion into non-metros and millennials and erratic consumer spend patterns largely led by increased competition in the reward and premium card space particularly from the international card issuers

- SBI Cards is poised to clock 26% spends growth that exceeds 23% cards in force growth by FY22

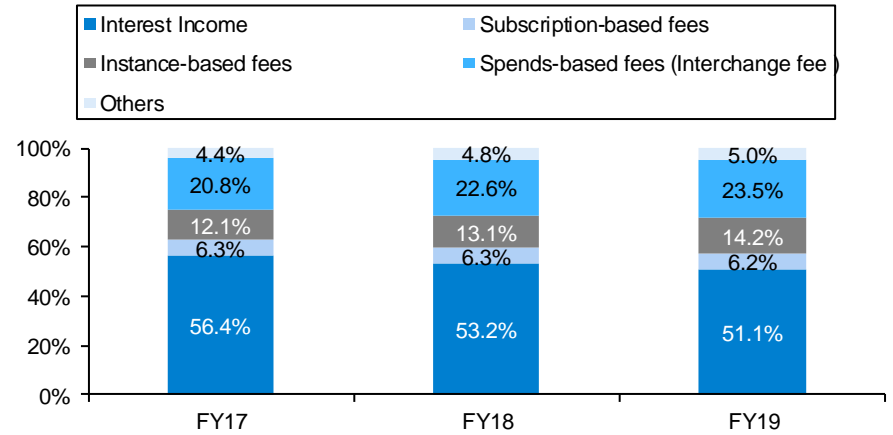
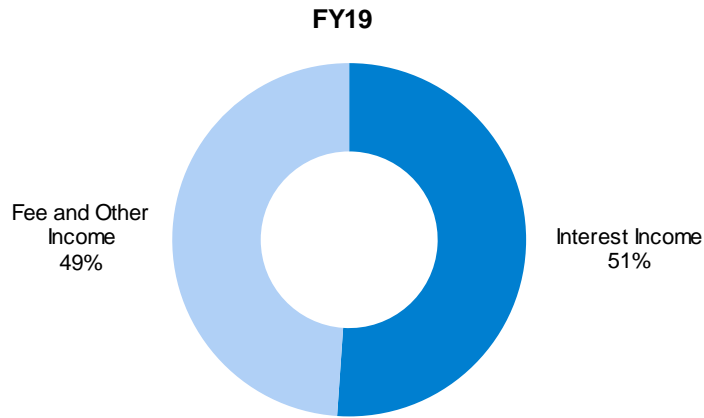
Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Loan book as % of spend	26.5%	26.9%	25.2%	23.7%	19.0%	17.9%	19.0%	19.4%	19.3%
<i>Growth YoY %</i>		1.5%	-6.2%	-5.9%	-19.7%	-5.8%	5.9%	2.1%	-0.5%
Gross Loan receivables (Rs mn)	43718	57240	73957	103052	145698	185263	254162	326908	408024
<i>Growth YoY %</i>		30.9%	29.2%	39.3%	41.4%	27.2%	37.2%	28.6%	24.8%

Going by the recent 3 years trends and slight inertia to avoid revolving loans amongst certain sections of aware consumers, increasing low value millennial spends, we build-in conservative steady-state 19% for loans as % of spends for FY20-22

Nonetheless, credit card spends to double over FY19-22E led by diversified and co-branded models backed by innovative offerings, steady increase in EMI converted term loans, and robust customer acquisition channels,. Therefore, we forecasts healthy 27% loan receivables CAGR over FY20-22E

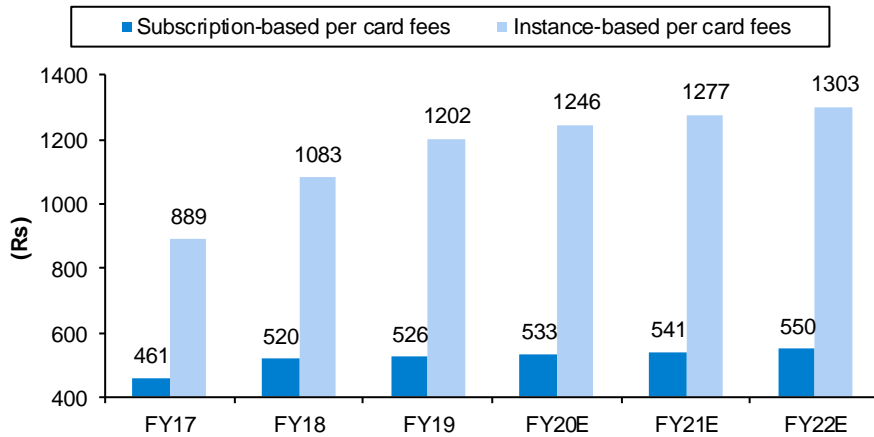
# Robust fee income – a key catalyst to revenue growth

Revenue mix stands fairly balanced between interest and fee income; subscription and instance fees form 66% of fee income for SBI Cards



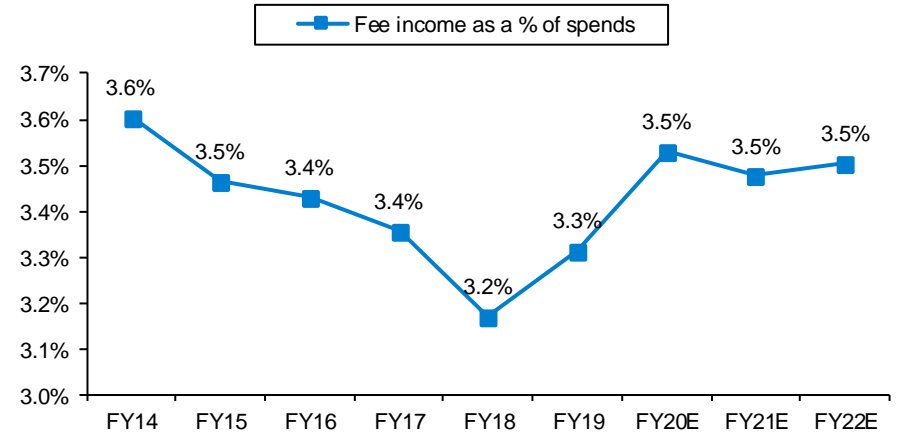
Source: Company, PL

Subscription and instance fees per card steadily on up move...



Source: Company, PL

...leading to rise in Fee income as share of spends

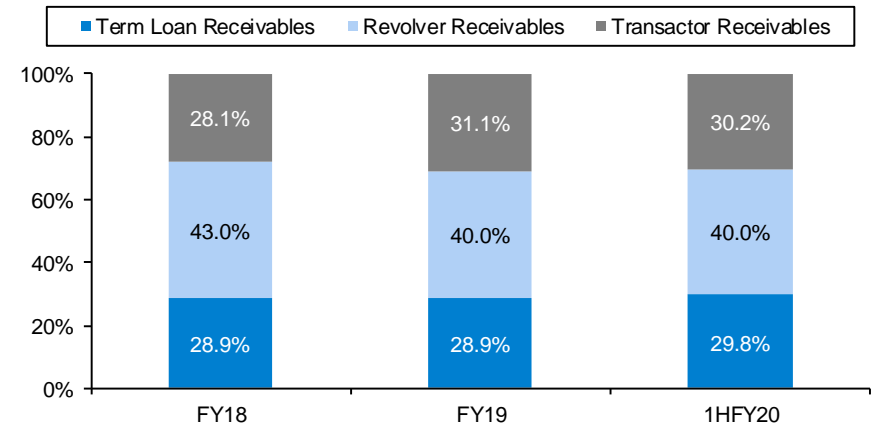


Source: Company, PL

# High yield loan income to sustain NII traction

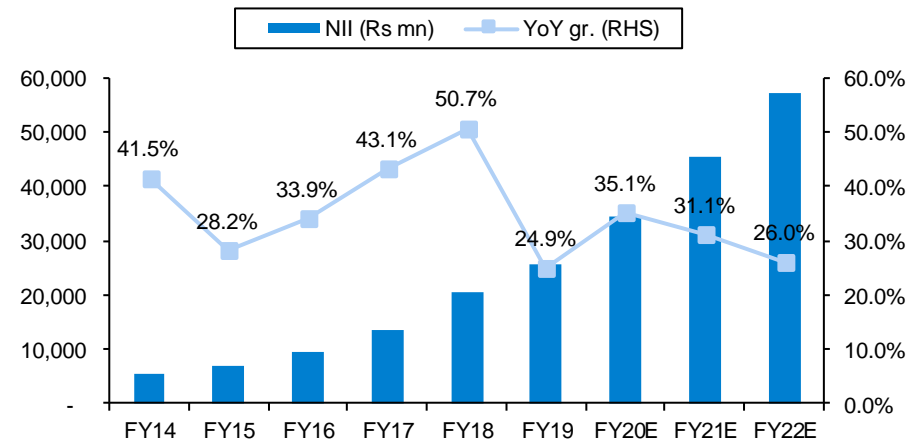
- High yielding revolver business contributes as high as 40% to the overall loan receivables portfolio of SBI Cards.
- 70% of the portfolio puts up on an average 26% yields that aid NII traction of the company.
- We expect 29% NII CAGR over FY20-22 led by consistent traction in loan receivables and controlled funding costs driven by superior credit ratings.

## High yielding revolver receivables account stand chunky



Source: Company, PL

## Expect 29% NII CAGR over FY20-22



Source: Company, PL

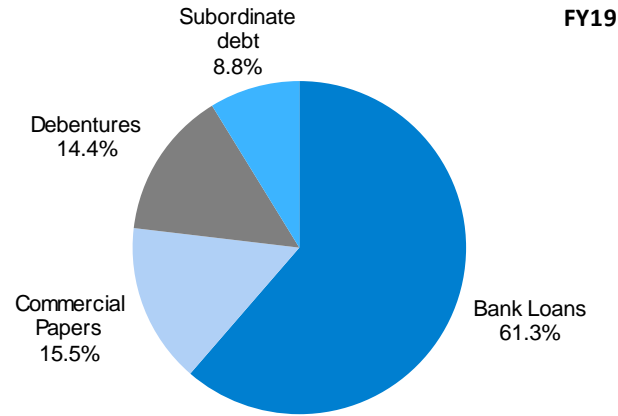
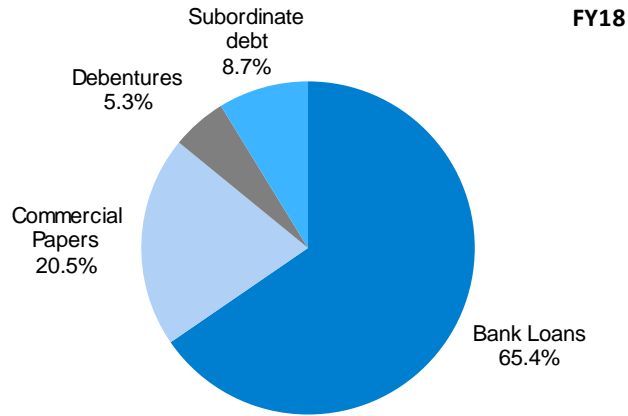
# Robust fees & Interest income to enable 27% revenue CAGR over FY20-22

REVENUE STREAM ANALYSIS (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	COMMENTS
<b>INTEREST INCOME STREAM</b>										
<b>Interest Income</b>	<b>8,539</b>	<b>10,823</b>	<b>13,803</b>	<b>18,882</b>	<b>27,600</b>	<b>35,757</b>	<b>47,678</b>	<b>62,465</b>	<b>78,344</b>	Interest income contributes 49% to the revenues of the Co.
<i>Growth %</i>	42.0%	26.8%	27.5%	36.8%	46.2%	29.6%	33.3%	31.0%	25.4%	
<i>Avg Yields %</i>	19.5%	21.4%	21.0%	21.3%	22.2%	21.6%	21.7%	21.5%	21.3%	Better yield on loans led by higher revolver rates
<b>Interest Income on Revolver</b>	<b>6,404</b>	<b>8,118</b>	<b>10,353</b>	<b>14,161</b>	<b>19,320</b>	<b>25,030</b>	<b>33,374</b>	<b>43,725</b>	<b>54,841</b>	Expect 28% CAGR on revolver income over FY20-22
<i>% Growth</i>	42.0%	26.8%	27.5%	36.8%	36.4%	29.6%	33.3%	31.0%	25.4%	
<i>Avg Yield on Rollover</i>				34.0%	33.0%	32.0%				Almost 40% of the card portfolio emerges from higher yielding revolving receivables segment
<b>Interest Income on EMI Conversion (Int on Term loan)</b>	<b>2,135</b>	<b>2,706</b>	<b>3,451</b>	<b>4,720</b>	<b>8,280</b>	<b>10,727</b>	<b>14,303</b>	<b>18,739</b>	<b>23,503</b>	Expect 28% CAGR on EMI loans over FY20-22
<i>% Growth</i>	42.0%	26.8%	27.5%	36.8%	75.4%	29.6%	33.3%	31.0%	25.4%	
<i>Avg Yield on EMI conversion</i>				20.0%	22.4%	19.5%				Although slightly low on yields, term loan portfolio stands relatively stickier and low on credit risks
<b>FEE INCOME STREAM</b>										
<b>Income from fees and services</b>	<b>5,658</b>	<b>6,950</b>	<b>9,340</b>	<b>13,116</b>	<b>21,773</b>	<b>30,720</b>	<b>42,698</b>	<b>52,909</b>	<b>67,618</b>	Fee income contributes >50% of overall revenue
<i>Growth %</i>	42.7%	22.8%	34.4%	40.4%	66.0%	41.1%	39.0%	23.9%	27.8%	
<i>Subscription-based fees</i>				2,108	3,255	4,353	5,600	7,023	8,780	Consistent marketing and customer acquisition network, and increasing credit card portfolio led by new credit card offerings tailored for different income-based and lifestyle segments, we expect subscription fee to put up 25% CAGR over FY20-22E
<i>Growth %</i>					54.5%	33.7%	28.7%	25.4%	25.0%	
<i>Instance-based fees</i>				4,062	6,779	9,937	13,086	16,566	20,784	Higher instance based fees contributing to higher yields.
<i>Growth %</i>					66.9%	46.6%	31.7%	26.6%	25.5%	
<i>Spends-based fees (Interchange fees)</i>				6,946	11,738	16,431	24,012	29,321	38,054	SBI Cards derives higher spend based income from interchange charges generated through merchant relationships (highest in industry at 40) than credit card spends based fees. Going ahead, assuming interchange fees remaining intact with growing merchant relationships and focus on premium cards (40% of overall offerings) that induce higher spends, we expect robust 26% CAGR in spend-based fees over FY20-22E
<i>Growth %</i>					69.0%	40.0%	46.1%	22.1%	29.8%	
<b>Service &amp; Business Development Income</b>	<b>286</b>	<b>424</b>	<b>725</b>	<b>1,417</b>	<b>2,425</b>	<b>3,425</b>	<b>4,413</b>	<b>5,559</b>	<b>6,342</b>	While increased card-in-force followed by spends led by new product launches should ensure continued service and BD income, the Co.'s strong third party partnerships and healthy payment network ties should lead to 20% CAGR in service and BD income
<i>Growth %</i>	66.4%	48.1%	71.0%	95.4%	71.1%	41.3%	28.8%	26.0%	14.1%	
<b>Total Revenue from operations</b>	<b>14,483</b>	<b>18,197</b>	<b>23,868</b>	<b>33,462</b>	<b>51,870</b>	<b>69,991</b>	<b>94,889</b>	<b>1,21,049</b>	<b>1,52,434</b>	Going forward, we expect 27% revenue CAGR over FY20-22E led by credit card spend (25% CAGR over FY20-22), higher subscription and interchange fees and other lending income
<i>Growth %</i>	42.7%	25.6%	31.2%	40.2%	55.0%	34.9%	35.6%	27.6%	25.9%	

# Higher yields & steady funding costs to enable 14% NIMs over FY20-22

Diversified Liability mix backed by robust bank funding & increased access to capital markets

...coupled with healthy credit rating



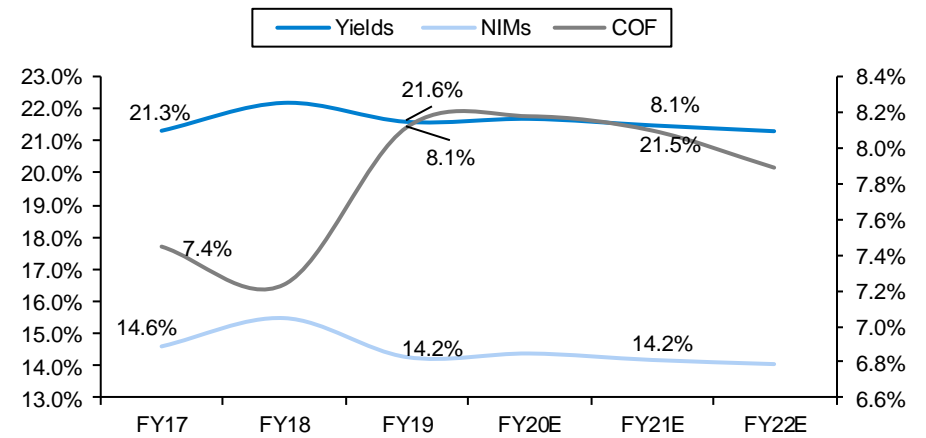
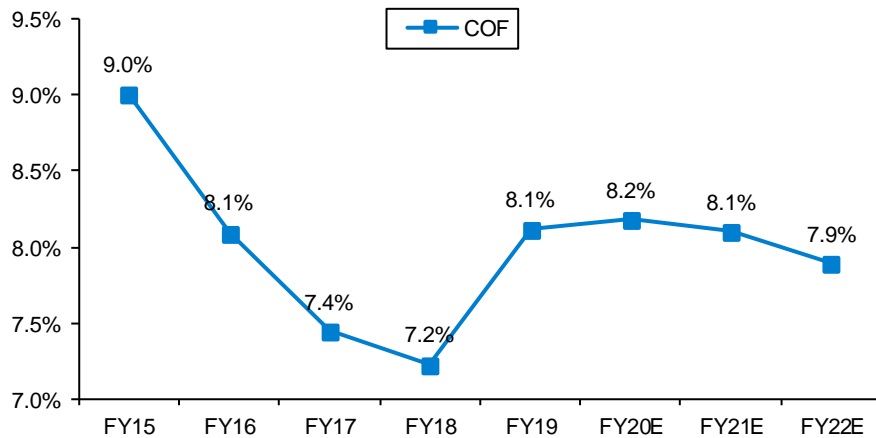
Rating Agency	Long term Rating	Short Term Rating
CRISIL	AAA / Stable	A1+
ICRA	AAA/ Stable	A1+

Source: Company, PL

Source: Company, PL

.. Should continue to aid steady cost of funds

High yielding revolver mix and steady CoF to aid robust NIMs



Source: Company, PL

Source: Company, PL

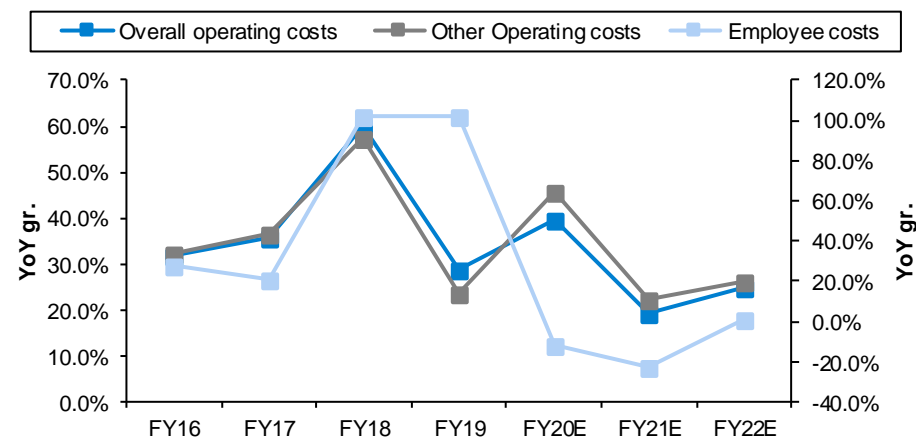
## 23% Opex CAGR led by higher acquisition & reward redemption costs

Operating Costs metrics (Rs.mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Employee Costs</b>	<b>792</b>	<b>953</b>	<b>1,931</b>	<b>3,904</b>	<b>3,460</b>	<b>2,687</b>	<b>2,709</b>
<i>Growth %</i>	27.4%	20.4%	102.6%	102.2%	-11.4%	-22.4%	0.8%
No. of employees		3,041	3,642	3,701	4,071	4,478	4,926
			19.8%	1.6%	10.0%	10.0%	10.0%
Depreciation, amortisation and impairment	8	48	245	811	990	1,322	1,578
<i>Growth %</i>	8.8%	468.4%	411.0%	231.1%	22.0%	33.6%	19.4%
<b>Operating and other costs</b>	<b>12,712</b>	<b>17,319</b>	<b>27,119</b>	<b>33,046</b>	<b>48,303</b>	<b>58,824</b>	<b>74,176</b>
<b><i>Growth %</i></b>	<b>32.1%</b>	<b>36.2%</b>	<b>56.6%</b>	<b>21.9%</b>	<b>46.2%</b>	<b>21.8%</b>	<b>26.1%</b>
Sales promotion costs	3,623	6,102	12,026	16,357	19,261	23,845	32,281
<i>Growth %</i>	30.3%	68.4%	97.1%	36.0%	17.8%	23.8%	35.4%
<i>% mix</i>	26.7%	33.2%	40.9%	43.2%	36.4%	37.8%	40.9%
Sales promotion costs/Incremental card additions	9,057	6,290	7,116	8,138	8,626	9,661	10,820
<i>Growth %</i>		-30.5%	13.1%	14.4%	6.0%	12.0%	12.0%
Reward points redemption costs	1,581	2,225	3,016	4,131	6,157	8,178	10,429
<i>Growth %</i>	70.8%	40.8%	35.5%	37.0%	49.0%	32.8%	27.5%
<i>% mix</i>	11.7%	12.1%	10.3%	10.9%	11.6%	13.0%	13.2%
Rewards as 1% of Annual Spend	2,933	4,344	7,649	10,326	13,377	16,851	21,141
<i>Growth %</i>	83.7%	87.9%	82.9%	68.9%	68.5%	69.0%	69.0%
Card transaction costs	964	1,377	2,106	3,094	4,227	5,604	7,379
<i>Growth %</i>	34.0%	42.9%	53.0%	47.0%	36.6%	32.6%	31.7%
<i>% mix</i>	7.1%	7.5%	7.2%	8.2%	8.0%	8.9%	9.4%
Transactions charges per annual Transaction	8.76	9.34	10.00	11.13	11.50	12.00	12.50
Processing costs (SBIBPMSL)	3,911	4,609	4,388	-	-	-	-
<i>Growth %</i>	26.6%	17.9%	-4.8%				
Other costs	2,634	3,006	5,585	9,464	10,032	11,537	13,268
<i>Growth %</i>	24.9%	14.1%	85.8%	69.5%	6.0%	15.0%	15.0%
CSR costs	46	70	98	142	191	268	375
<i>Growth %</i>	69.8%	51.7%	38.9%	45.1%	35.0%	40.0%	40.0%
<b>Total Employee + Other costs</b>	<b>13,558</b>	<b>18,390</b>	<b>29,393</b>	<b>37,903</b>	<b>52,945</b>	<b>63,101</b>	<b>78,839</b>
<b><i>Growth %</i></b>	<b>31.9%</b>	<b>35.6%</b>	<b>59.8%</b>	<b>29.0%</b>	<b>39.7%</b>	<b>19.2%</b>	<b>24.9%</b>
<b>Total Operating costs</b>	<b>17,861</b>	<b>23,674</b>	<b>36,508</b>	<b>48,075</b>	<b>66,065</b>	<b>80,267</b>	<b>1,00,104</b>
<b><i>Growth %</i></b>	<b>27.5%</b>	<b>32.5%</b>	<b>54.2%</b>	<b>31.7%</b>	<b>37.4%</b>	<b>21.5%</b>	<b>24.7%</b>

# Operating leverage to reduce cost-income by 446bps

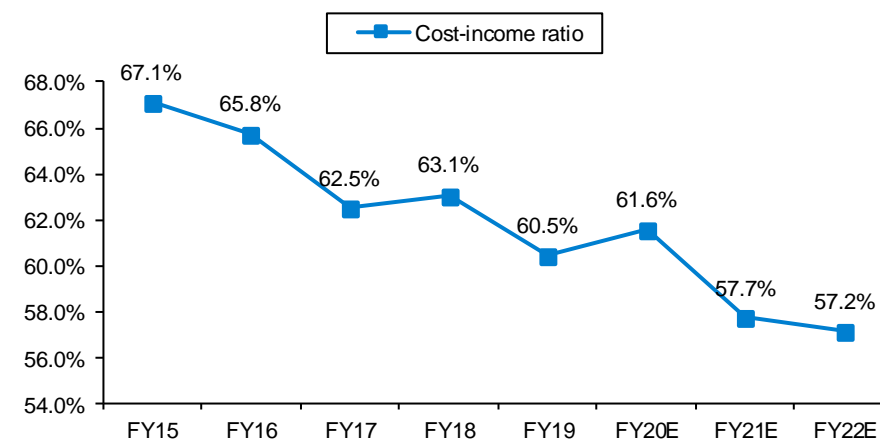
- Operating expenses are expected to increase on account of steadily increasing cardholder base that requires focus on market engagement programs.
- Discounts and cash-back offers are expected to continue to increase the brand-awareness on both online platforms and organised retail stores. These will lead to a rise in market engagement costs
- But the same should stand off-set by a reduction in sourcing, on-boarding and collection costs given the process automation and digitization initiatives such as mobile solutions to the field employees, e-PIN and digitized payments options, which will offset the operating expenses to an extent.
- Moreover, we expect SBI Cards to derive operating leverage through robust technological and analytics based systems that will help in better monitoring of portfolios, thereby limiting increase in operating expenses
- The Co. boasts of a scalable, modern and sophisticated technology infrastructure capable of servicing the entire credit card life cycle. Their core technology systems are capable of handling a much higher number of accounts and transaction volumes than they currently handle, which gives them the operating leverage to support the expansion of their cardholder base. To corroborate, the Co. has successfully tested their key technology systems' ability to support between 3x-5x the current level of their business volumes, which they believe provides them with a solid foundation for their future growth
- Therefore, on increasing revenue base, we expect the cost-income to decline to 57% by FY22 from 60% in FY19

## Rising cardholders + acquisition/reward cost = 23% CAGR in costs



Source : Company, PL

## Cost income to decline 446bps over FY19-22



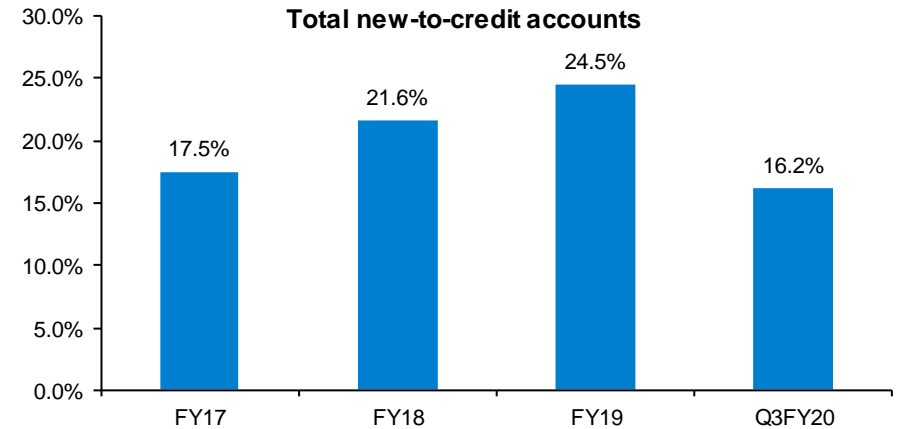
Source : Company, PL



# GNPA have softened from high levels of FY2018

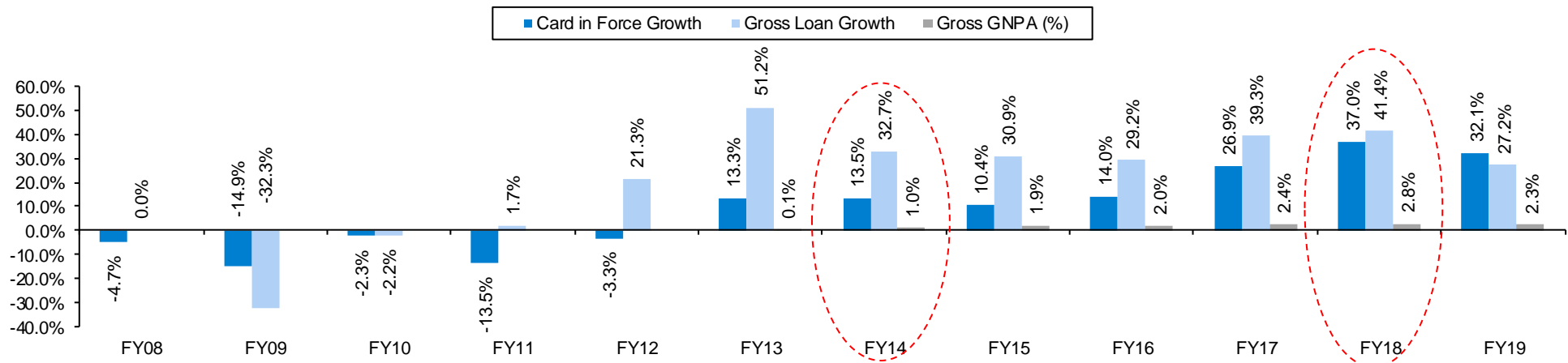
- We analyse SBI Credit cards historical NPA trends in accordance with growth in cardholder base .
- An aggressive customer acquisition drive had taken its toll on India's second largest credit card issuer. The customer addition run-rate jumped to 1,00,000 as against regular 25,000-30,000 a month during FY08 with delinquencies climbing to double digits as suggested by media reports. With due diligence being compromised, the NPAs stood as high as 16.3% as on 31st Dec'FY08 as against industry NPAs of 5-7%.
- Closer to recent periods, SBI Cards has also observed GNPA spike to 2.8% in FY18. Said that, calibrated customer and book expansion led by prudent new to credit accounts increase, we believe SBI Cards today stand well-prepared to experience new business cycles.

## New-to-credit accounts restricted to 25%



Source: Company, PL

## A picturesque of base and book expansion across cycles; matured and organized processes today should keep delinquencies in check



Source: Company, PL

# Manageable client concentration and controlled inter- bucket movement

- Change in Management Team coupled with healthy practices backed by recalibrated growth expansion plans, focus on concentrated client exposures and caps on single borrower exposure to ensure control on delinquencies ahead.

## SBI cards client concentration on retail unsecured inching up

Portfolio segment (Rs mn)	FY17	FY18	FY19	H1FY20
Corporate - Secured	0.7%	0.5%	0.2%	0.2%
Corporate - Unsecured	1.0%	1.8%	1.5%	0.8%
Retail - Secured	2.0%	1.3%	1.1%	1.3%
Retail - Unsecured	96.3%	96.4%	97.1%	97.7%

## ...but single borrower exposure on declining trend

ECL % on Stage 3 portfolio exposure	FY17	FY18	FY19	H1FY20
Corporate - Unsecured	62.1%	62.1%	0.0%	59.8%
Retail - Unsecured	68.2%	67.6%	66.7%	67.1%

- Moreover, Co's robust risk management characterized by access to credit bureau data and large database of cardholders' demographic and socio-economic data, tailor-made underwriting scorecard models aid better handling of NPA risks

## While Stage 2 GNPA's stand under control, a typical credit card model witnessing slightly elevated shorter tenure movements

Stage-wise NPA classification (Rs bn)	FY17	FY18	FY19	1H19	1H20
Stage 1	93.7	130.3	167.0	145.3	206.5
YoY Gr.		39.1%	28.1%		42.2%
Stage 2	7.0	11.2	13.7	12.7	18.5
YoY Gr.		61.1%	22.2%		44.9%
Stage 3	2.4	4.1	4.5	4.6	5.4
YoY Gr.		71.2%	9.8%		17.7%
<b>Total</b>	<b>103.1</b>	<b>146.7</b>	<b>185.8</b>	<b>162.6</b>	<b>231.3</b>
<b>YoY Gr.</b>		<b>42.4%</b>	<b>26.6%</b>		<b>42.2%</b>

## Client concentration remains under manageable limits

Client concentration	FY17	FY18	FY19
Single Borrower Exposure	4.3%	4.3%	4.1%
Group Borrower Exposure	9.4%	8.0%	8.6%

- Internal capping on single borrower exposure stands at Rs2000mn; single borrower exposure =15% of net owned funds, group borrower exposure = 25% of the net owned funds

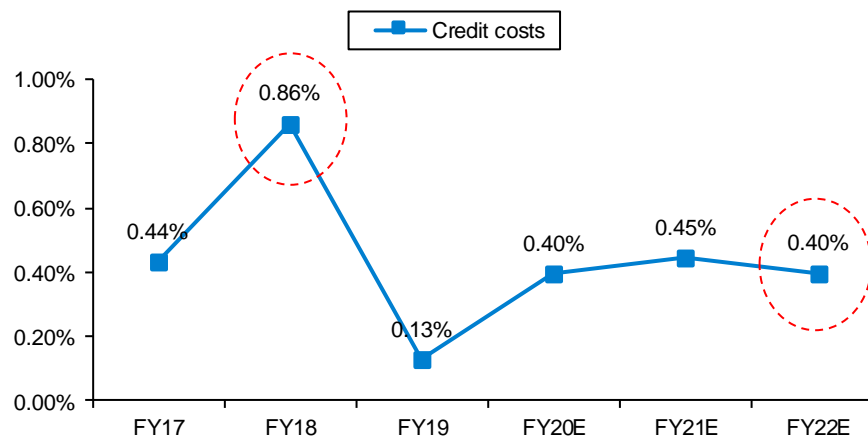
# GNPAs to stay range-bound, credit costs expected to stay elevated

Factoring in unsecured business and acute competition yet robust risk management would imply GNPA to be ranged between 2.5-2.6% over FY21-22E

Non Performing Assets	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Gross NPA (Rs mn)</b>	<b>434</b>	<b>1,069</b>	<b>1,465</b>	<b>2,409</b>	<b>4,125</b>	<b>4,529</b>	<b>6,100</b>	<b>8,009</b>	<b>10,405</b>
<b>Growth YoY %</b>		<b>146.4%</b>	<b>37.0%</b>	<b>64.5%</b>	<b>71.2%</b>	<b>9.8%</b>	<b>34.7%</b>	<b>31.3%</b>	<b>29.9%</b>
<b>Gross NPA (%)</b>	<b>1.0%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>2.4%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.5%</b>	<b>2.6%</b>
Net NPA (Rs mn)	321	798	1,095	773	1,348	1,518	2,135	2,615	3,387
Growth YoY %			37.2%	-29.4%	74.3%	12.7%	40.6%	22.5%	29.5%
Net NPA (%)	0.7%	1.4%	1.5%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%
Provisions (Rs mn)	113	271	369	1,636	2,777	3,011	3,965	5,394	7,018
Growth YoY %			36.4%	342.9%	69.8%	8.4%	31.7%	36.0%	30.1%
<b>NPA Coverage (%)</b>	<b>26.0%</b>	<b>25.3%</b>	<b>25.2%</b>	<b>67.9%</b>	<b>67.3%</b>	<b>66.5%</b>	<b>65.0%</b>	<b>67%</b>	<b>67%</b>

Source : Company, PL

We maintain conservatism on credit costs (27bps increase over FY19-22) with business expansion into uncharted territories



Source : Company, PL

# RoA and ROE estimated at 6% and 28% by FY22

- Blended yields to be guided by revolver and term loans mix; we expect 70% of the portfolio to emerge from revolver and transaction based segments. Funding costs bring comfort on string parentage and higher credit rating ensuring high order NIMs of steady 14%
- Fee income traction should be largely determined by continued traction in spends based fees (dominated by interchange fees from merchants), instance based and subscription based fees that together form ~50% of the overall revenue streams for SBI Cards
- **Spends growth at 26% should exceed cards-in-force growth of 23% by FY22 ensuring robust revenue traction for SBI Cards. Robust revenue CAGR and operating leverage emerging from improved data analytics and technological upkeep to boost 34% operating profit CAGR over FY20-22E**
- Elevated credit costs at 0.4%, steady write-offs and conservative ECL provisions would keep overall provisioning higher.
- **With steady market share, higher yields coupled with strong fee income, operating leverage benefits, controlled delinquencies and improved tax structure under new regime, SBI cards stand poised to clock 6% RoA and 28% RoE by FY22**

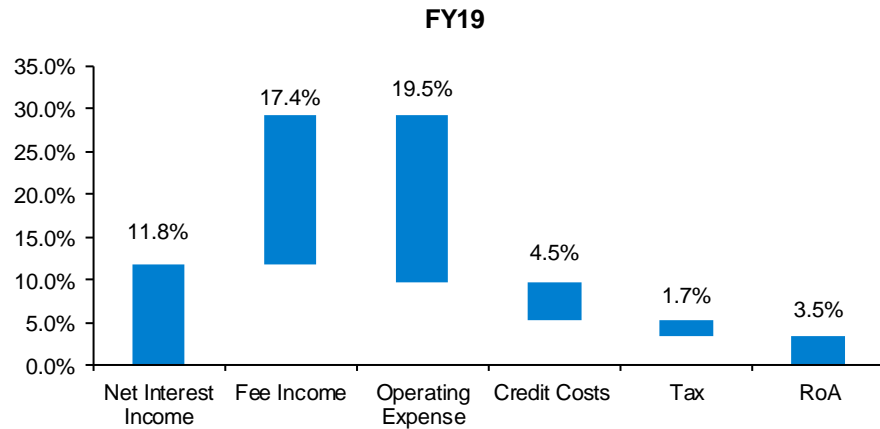
## SBI CARDS stands poised to deliver higher order 6% ROAs and 28% RoEs

ROA decomposition (% of Average Assets)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Income	17.2%	20.8%	19.7%	19.5%	20.3%	20.9%	19.9%	19.8%	19.5%	19.2%
Interest Expense	6.0%	7.3%	6.8%	6.1%	5.7%	5.4%	5.7%	5.5%	5.4%	5.2%
<b>Net Interest Income</b>	<b>11.2%</b>	<b>13.5%</b>	<b>12.9%</b>	<b>13.4%</b>	<b>14.6%</b>	<b>15.5%</b>	<b>14.2%</b>	<b>14.4%</b>	<b>14.2%</b>	<b>14.0%</b>
<b>Fee Income</b>	<b>11.8%</b>	<b>14.4%</b>	<b>13.4%</b>	<b>14.2%</b>	<b>15.6%</b>	<b>18.4%</b>	<b>19.1%</b>	<b>19.6%</b>	<b>18.3%</b>	<b>18.2%</b>
Other income	1.3%	1.5%	1.5%	1.5%	1.3%	1.4%	1.6%	1.7%	1.7%	1.7%
Net revenues	24.3%	29.4%	27.9%	29.2%	31.6%	35.2%	34.9%	35.7%	34.1%	33.9%
<b>Operating expenses</b>	<b>16.9%</b>	<b>18.1%</b>	<b>18.7%</b>	<b>19.2%</b>	<b>19.7%</b>	<b>22.2%</b>	<b>21.1%</b>	<b>22.0%</b>	<b>19.7%</b>	<b>19.4%</b>
<b>PPOP</b>	<b>7.4%</b>	<b>11.3%</b>	<b>9.2%</b>	<b>10.0%</b>	<b>11.8%</b>	<b>13.0%</b>	<b>13.8%</b>	<b>13.7%</b>	<b>14.4%</b>	<b>14.5%</b>
Provisions and Contingencies	3.5%	4.2%	4.2%	3.8%	5.7%	6.0%	6.4%	6.0%	6.6%	6.5%
PBT	3.9%	7.1%	4.9%	6.2%	6.1%	7.0%	7.4%	7.7%	7.8%	8.1%
Provision for Tax	0.0%	0.0%	0.1%	2.2%	2.1%	2.4%	2.6%	2.2%	2.0%	2.0%
<b>ROA</b>	<b>3.9%</b>	<b>7.1%</b>	<b>4.9%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>6.0%</b>
<b>ROE</b>	<b>28.4%</b>	<b>51.7%</b>	<b>32.5%</b>	<b>28.0%</b>	<b>30.7%</b>	<b>33.6%</b>	<b>29.0%</b>	<b>29.6%</b>	<b>28.2%</b>	<b>28.2%</b>

Source : Company, PL

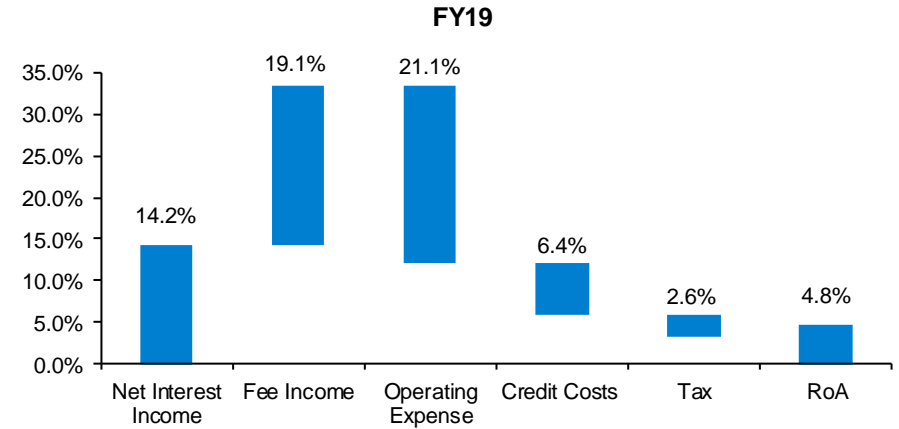
# DuPont Analysis - SBI Cards v/s industry and global peers

## Industry ROA metrics



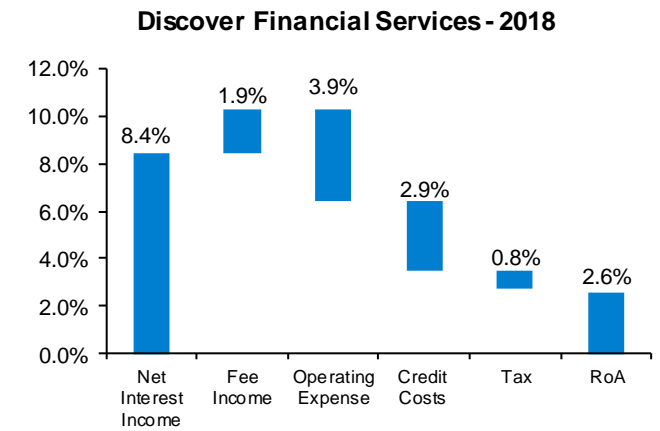
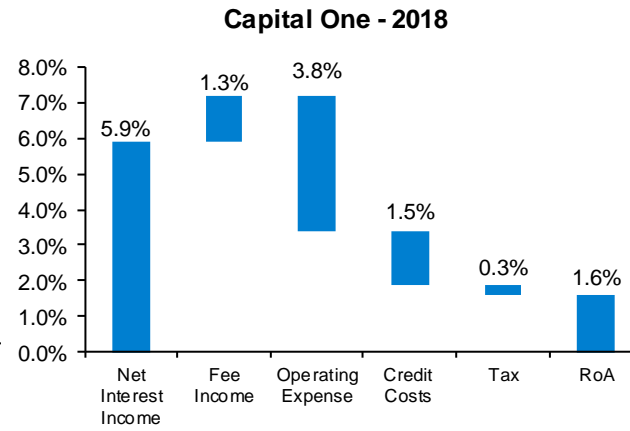
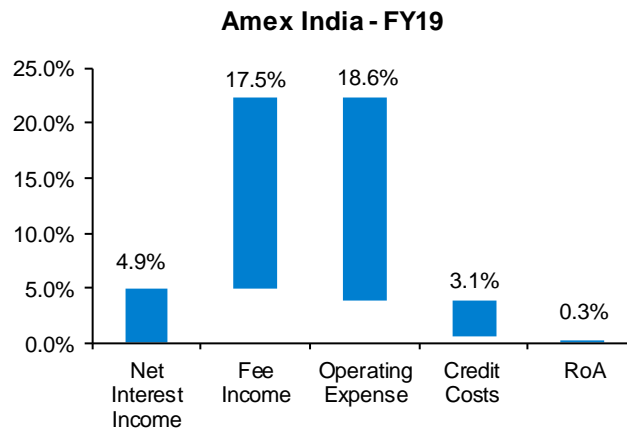
Source: Company, PL

## SBI Cards RoA metrics



Source: Company, PL

## ROA Metrics across key global players



Source: Company, PL

# High growth and scarcity justifies premium valuations

*At higher end of IPO price band of Rs755, SBI Cards is being valued at a PE of 29x FY22 annualized EPS. We note that SBI cards is being offered at significant premium to global peers which are trading at 9x-13x FY22 EPS. We expect premium valuations to sustain given unique business model of standalone cards business, 35% EPS CAGR and attractive return ratios. We value the stock at 45.5x FY22 EPS of Rs26 and arrive at a target price of Rs1,191. Risks of cap on MDR and rising competition in highly profitable credit cards business are a risk to our call.*

*Premium valuations; high risk-high reward play: Benchmarking valuations with one of the largest US based credit card player; viz, American Express (58mn cards-in-force, market cap: USD98bn) with PEG of 1.3, our valuations for SBI Cards translates into PEG of 1.2 factoring high growth and best-in-class return profile. SBI Cards continues to demand premium valuations with PE ratio of 28x FY22 annualised EPS as against PE multiple of 9x to 15x of other global credit card players (Japanese, Chinese & American). Subscribe to IPO and recommend BUY.*

- Towering scale and market reach, largely supported by tall parent franchise, SBI Credit Cards stands poised to carry the torch forward of a pure credit card player and consistently at the forefront of innovation.
- Maintaining conservative assumptions, we expect SBI cards likely to maintain in-line with 23% industry CAGR in terms of cards-in-force during FY20-22E.
- With deepened industry expertise and a demonstrated track record of growth and profitability (34% CAGR for both between FY15-19), SBI Cards stands second largest credit card issuer in India. Large scale and leading market positioning have resulted into economies of scale generating operating leverage with ability to diversify certain risks (regional or geographical), thus, SBI Cards is poised to witness doubling of credit card base from current 8mn (FY19) to 16mn (FY22), spends from current Rs1038bn (FY19) to Rs2114bn (FY22) and card loan receivables from Rs185bn (FY19) to Rs408bn by FY22.
- SBI Cards' multi-channel customer acquisition network providing deeper reach into potential customers, wide range of high value card offerings, deepening liability profile and strong pricing power position, scalable and sophisticated infrastructure backed by data analytics and in-depth approach to credit analytics in their periodic credit monitoring processes should drive:
  - (a) 27% card loan receivables CAGR (b) steady 14% NIMs (c) 27% revenue CAGR (d) limit GNPA's to 2.6% but credit costs to stay at elevated 0.4% levels driving equally strong earnings CAGR (35%). Such a strong business stands poised to deliver best-in-class RoAs of 6.2% and RoEs of 28% by FY22.

# Peer valuation metrics

Pure Play Credit Card Business	Country	Mcap (USD Bn)	Forward P/E		EPS Growth 5 Year CAGR	PEG	Forward P/BV		ROE		ROA	
			FY20E	FY21E			FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
<b>SBI Credit Card</b>	<b>India</b>	<b>8.3</b>	<b>52.8</b>	<b>37.7</b>	<b>32.0</b>	<b>1.2</b>	<b>12.3</b>	<b>9.6</b>	<b>28.0%</b>	<b>27.6%</b>	<b>5.6%</b>	<b>5.9%</b>
Aeon Financial Services	Japan	3.3	10.3	9.3	3.3	2.8	0.93	0.88	9.3%	9.9%	0.8%	0.8%
American Express	USA	98.2	13.4	12.2	9.2	1.3	4.09	3.63	31.7%	32.2%	3.5%	3.6%
Capital One Financial Corp	USA	43.2	8.0	7.3	11.7	0.6	0.73	0.66	8.9%	9.6%	1.3%	1.4%
Discover Financial Services	USA	21.8	8.0	7.3	12.3	0.6	1.86	1.66	25.3%	25.8%	2.4%	2.3%
JP Morgan Chase	USA	393.5	11.8	11.0	14.9	0.7	1.63	1.54	14.2%	14.5%	1.2%	1.2%
KrungThai Card	Thailand	3.2	16.1	14.9	36.8	0.4	4.29	3.6	29.1%	26.6%	7.3%	7.3%

## High ROE Business in India

Bajaj Finance	India	40.5	46.8	32.5	43.4	0.7	8.5	6.8	22.5%	22.4%	4.0%	4.2%
Aavas Financiers	India	2.1	57.7	54.6	38.3	1.4	7.1	6.2	13.4%	14.0%	4.0%	3.6%

SBI Card Valuation Metrics	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
EPS, (Rs)	1.7	3.7	3.4	3.6	4.8	7.7	10.3	14.3	20.0	26.2
EPS Growth		115%	-9%	6%	31%	61%	35%	39%	40%	31%
P/E Ratio (x)	434.8	202.2	222.2	208.7	158.9	98.6	73.3	52.8	37.7	28.9

# Risks & Concerns

- Being part of a highly competitive credit card market SBI Cards continue to face high competitive intensities not only led by fellow credit card players but also other payment solutions providers including Unified Payment Interface (UPI) and mobile wallets. This may certain impact on pricing power and margins.
- The unsecured nature of the business with >98.5% portfolio of BSI cards catering to perceived riskier customer base could call for asset quality risks ahead. Moreover, erratic customer spend patterns and failure to brace-up with technological upgradations could call for underwriting risks. Slowdown in economic growth which can impact the repayment capabilities of customers can also pose as another NPA risks.
- Interchange fees for credit cards today does not fall under regulatory purview. Even the high interest rates charged by credit card companies are not regulated and any regulatory action on these two counts could significantly impact the revenue trajectory of the company.

## Sensitivity Analysis : Key risk to rich return profile lie in high order NPAs and slowdown in loans

	Base Case			Bear Case			Bull Case		
	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
<b>Loans as % of spend</b>	<b>19%</b>	<b>19%</b>	<b>19%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
Loans	2,54,162	3,26,908	4,08,024	1,33,769	1,68,509	2,11,412	3,34,423	4,21,273	5,28,529
GNPA	2%	2%	3%	3.5%	4.0%	5.0%	1%	1%	1%
PCR	65%	67%	67%	91.4%	93%	94%	20%	20%	27%
ROA	6%	6%	6%	4%	2%	2%	7%	7%	7%
ROE	28%	28%	28%	15%	6%	6%	40%	37%	34%

Source: PL



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# Financials

# Key Card Metrics

Credit Card Data	FY17	FY18	FY19	9MFY20
<b>Cards in Force (Units Mn)</b>	<b>4.6</b>	<b>6.3</b>	<b>8.3</b>	<b>10.0</b>
Net Addition Cards (Units Mn)	1.0	1.7	2.0	1.8
Total accounts in force (units mn)	3.9	5.6	7.6	9.3
Total new-to-credit accounts(%)	18%	22%	25%	16%
Salaried cardholders (%)	90%	89%	87%	85%
Self-employed cardholders (%)	10%	11%	13%	15%
<b>30-day active accounts (%)</b>	<b>54.1%</b>	<b>57.0%</b>	<b>55.9%</b>	<b>55.1%</b>
Active Accounts- 30 Days (Units Mn)	2.1	3.2	4.3	5.1
<b>90-day active accounts (%)</b>	<b>69.0%</b>	<b>69.5%</b>	<b>67.8%</b>	<b>68.6%</b>
Active Accounts- 90 Days (Units Mn)	2.7	3.9	5.2	6.4
<b>Premium Cards as % of Total cards-in-force</b>	<b>15.7%</b>	<b>15.5%</b>	<b>14.8%</b>	<b>13.7%</b>
No. of transactions (units mn)	147.4	210.5	278.1	285.3
<b>Avg spend per transaction (Rs.)</b>	<b>2,835</b>	<b>3,635</b>	<b>3,713</b>	<b>3,452</b>
Spends (Rs.Bn)	434	765	1,033	985
Gross Loan receivables (Rs mn)	1,03,052	1,45,698	1,85,263	2,44,760
<b>Loan book as % of spend</b>	<b>23.7%</b>	<b>19.0%</b>	<b>17.9%</b>	<b>24.9%</b>
Avg. credit limit (Rs'000s)	77	71	80	79
Total Cards O/S - open market channels (%)	67%	62%	59%	59.3
Total cards O/S - bank (SBI) distribution channels (%)	33%	38%	41%	41%
<b>New accounts acquisition - channel wise mix (%)</b>				
<b>Open Market Customers Acquisition Channel</b>	<b>64%</b>	<b>54%</b>	<b>44%</b>	<b>52%</b>
Bank Distribution Channel (SBI)	36%	46%	56%	48%
<b>New accounts sourcing – geography-wise (%)</b>				
Metro areas (top 8)	67%	54%	43%	42%
<b>Non-metro areas</b>	<b>33%</b>	<b>46%</b>	<b>57%</b>	<b>58%</b>

- 95-97% of SBI Cards are charged fee
- Avg credit card limit for SBI cards ranges between Rs 75000-80000
- 16% of the overall accounts are new-to-credit
- 55% is active customer base in 30-day period
- 69% is active customer base active in 90-day period
- Avg spend per card stacks up to Rs 3700 for SBI Cards
- Almost 17-19% of spends get converted into loans
- 14% of total cards-in-force are premium cards
- 52% of the customer acquisition channel is SBI Cards' own channel
- 58% of new accounts emerge from non-metros

# Income Statement & Balance Sheet

Profit & Loss (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Interest Income	6,014	8,539	10,823	13,803	18,882	27,600	35,757	47,678	62,465	78,344
Interest Expense	2,101	3,003	3,728	4,303	5,284	7,115	10,172	13,120	17,166	21,265
<b>Net Interest Income</b>	<b>3,912</b>	<b>5,536</b>	<b>7,095</b>	<b>9,500</b>	<b>13,597</b>	<b>20,485</b>	<b>25,585</b>	<b>34,557</b>	<b>45,299</b>	<b>57,079</b>
<i>% Growth</i>		<b>41.5%</b>	<b>28.2%</b>	<b>33.9%</b>	<b>43.1%</b>	<b>50.7%</b>	<b>24.9%</b>	<b>35.1%</b>	<b>31.1%</b>	<b>26.0%</b>
Income from securitization	4,136	5,944	7,374	10,065	14,580	24,270	34,234	47,212	58,584	74,091
Other income	443	622	848	1,054	1,249	1,832	2,877	4,172	5,424	6,779
Gross income	8,491	12,102	15,317	20,619	29,426	46,587	62,696	85,941	1,09,307	1,37,949
Employees Expenses	450	547	621	792	953	1,931	3,904	3,460	2,687	2,709
Other Operational Expenses	5,471	6,909	9,658	12,766	17,437	27,462	33,999	49,484	60,415	76,130
<b>Operating Profit</b>	<b>2,571</b>	<b>4,647</b>	<b>5,038</b>	<b>7,061</b>	<b>11,036</b>	<b>17,194</b>	<b>24,793</b>	<b>32,996</b>	<b>46,206</b>	<b>59,110</b>
<i>% Growth</i>		<b>80.8%</b>	<b>8.4%</b>	<b>40.2%</b>	<b>56.3%</b>	<b>55.8%</b>	<b>44.2%</b>	<b>33.1%</b>	<b>40.0%</b>	<b>27.9%</b>
Tax	(8)	(0)	40	1,543	1,988	3,182	4,689	5,221	6,322	8,265
Loan Loss Provisions	1,216	1,728	2,331	2,679	5,320	8,001	11,477	14,351	21,087	26,275
<b>Net Profit</b>	<b>1,363</b>	<b>2,919</b>	<b>2,667</b>	<b>2,839</b>	<b>3,729</b>	<b>6,011</b>	<b>8,627</b>	<b>13,425</b>	<b>18,796</b>	<b>24,571</b>

Balance Sheet (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Capital	7,850	7,850	7,850	7,850	7,850	7,850	8,372	9,390	9,390	9,390
Reserves and Surplus	(3,320)	(390)	1,806	3,700	6,638	15,681	27,445	50,525	67,052	88,613
Borrowings	28,035	35,825	46,988	59,281	82,684	1,14,128	1,36,505	1,84,282	2,39,567	2,99,458
Other liabilities	2,367	4,065	5,929	7,972	10,478	19,201	30,074	34,772	45,205	55,657
<b>Total</b>	<b>34,932</b>	<b>47,349</b>	<b>62,573</b>	<b>78,803</b>	<b>1,07,650</b>	<b>1,56,860</b>	<b>2,02,396</b>	<b>2,78,969</b>	<b>3,61,213</b>	<b>4,53,117</b>
Fixed assets	12	14	16	21	238	2,768	3,066	4,160	5,026	5,135
Other non current assets	1	1	1,006	916	1,317	2,019	1,971	1,500	2,192	2,490
Investments	-	-	-	-	0	0	15	20	25	25
Cash and bank balances	837	1,619	2,914	2,745	2,829	4,727	7,768	7,822	13,045	18,582
Loans and advances	32,981	43,718	57,240	73,957	99,829	1,40,455	1,79,087	2,54,162	3,26,908	4,08,024
Other current assets	1,101	1,997	1,397	1,165	3,437	6,890	10,490	11,305	14,018	18,861
<b>Total</b>	<b>34,932</b>	<b>47,349</b>	<b>62,573</b>	<b>78,803</b>	<b>1,07,650</b>	<b>1,56,860</b>	<b>2,02,396</b>	<b>2,78,969</b>	<b>3,61,214</b>	<b>4,53,117</b>

# Key Ratios

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Per Share Data</b>										
Book value per share, (Rs)	5.8	9.5	12.3	14.7	18.5	30.0	42.8	63.8	81.4	104.4
Adj. Book value per share, (Rs)	5.8	9.1	11.3	13.3	17.5	28.3	41.0	61.5	78.6	100.8
Price/ Adj. Book value (x)	130.8	83.0	66.9	56.7	43.2	26.7	18.4	12.3	9.6	7.5
EPS, (Rs)	1.7	3.7	3.4	3.6	4.8	7.7	10.3	14.3	20.0	26.2
EPS Growth		115%	-9%	6%	31%	61%	35%	39%	40%	31%
P/E Ratio (x)	434.8	202.2	222.2	208.7	158.9	98.6	73.3	52.8	37.7	28.9
<b>Business Ratios</b>										
RoAA (%)	3.9%	7.1%	4.9%	4.0%	4.0%	4.5%	4.8%	5.6%	5.9%	6.0%
Core RoE (%)	30.1%	48.9%	31.2%	26.8%	28.6%	31.6%	29.1%	28.0%	27.6%	28.2%
Dividend Yield (%)					0.1%	0.0%	0.1%	0.2%	0.3%	0.4%
Dividend payout (%)	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	10.0%	11.2%	11.5%	11.8%
<b>Asset Quality</b>										
Gross NPA, (Rs mn)	37	434	1,069	1,465	2,409	4,125	4,529	6,100	8,009	10,405
Gross NPA (%)	0.1%	1.0%	1.9%	2.0%	2.4%	2.8%	2.3%	2.4%	2.5%	2.6%
Net NPA, (Rs mn)	-	321	798	1,095	773	1,348	1,518	2,135	2,615	3,387
Net NPA (%)	0.0%	0.7%	1.4%	1.5%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%
% coverage of NPA	100.0%	26.0%	25.3%	25.2%	67.9%	67.3%	66.5%	65.0%	67.3%	67.5%
<b>Earnings Ratios</b>										
Yield on Advances (%)	18.2%	22.3%	21.4%	21.0%	21.7%	23.0%	22.4%	22.0%	21.5%	21.3%
Interest Income/ Avg.assets	17.2%	20.8%	19.7%	19.5%	20.3%	20.9%	19.9%	19.8%	19.5%	19.2%
Interest Expense/ Avg. assets	6.0%	7.3%	6.8%	6.1%	5.7%	5.4%	5.7%	5.5%	5.4%	5.2%
Net Interest Margin (%)	11.2%	13.5%	12.9%	13.4%	14.6%	15.5%	14.2%	14.4%	14.2%	14.0%
<b>Cost Ratio</b>										
Interest Expended/ Interest Earned (%)	34.9%	35.2%	34.4%	31.2%	28.0%	25.8%	28.4%	27.5%	27.5%	27.1%
Cost/ Income Ratio (%)	69.7%	61.6%	67.1%	65.8%	62.5%	63.1%	60.5%	61.6%	57.7%	57.2%
Provisioning/ Operating Profit (%)	47.3%	37.2%	46.3%	37.9%	48.2%	46.5%	46.3%	43.5%	45.6%	44.5%
Other income as % of total income	4.2%	4.1%	4.5%	4.2%	3.6%	3.4%	3.9%	4.2%	4.3%	4.3%

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# Annexures

# Board of Directors

Name	Profile		
	Academics	Past Experience	Current Designation
Mr. Rajnish Kumar	Master's degree in physics	Ex- MD and CEO of SBICAP. He also served as MD (national banking group & compliance & risk) in SBI.	Non-executive Chairman of Company & Nominee Director of SBI on Board
Mr. Dinesh Kumar Khara	<b>Bachelor's and a Master's degree in commerce and a master's degree in business administration, associate of IIB.</b>	<b>Ex-MD and CEO - SBI Funds Management Pvt. Ltd</b>	<b>Non-executive nominee Director of SBI on Board</b>
Mr. Hardayal Prasad	<b>Master's degree in chemistry &amp; associate of IIB</b>	<b>Ex- General Manager at SBI and VP in Los Angeles</b>	<b>MD &amp; CEO and nominee director of SBI on Board</b>
Mr. Shree Prakash Singh	Bachelor's and a Master's degree in physics	Ex- MD and CEO of the SBI Infra Management Solution Private Limited	Nominee Director of SBI on Board
Mr. Sunil Kaul	Bachelor's degree in technology in electrical engineering and a PGDM from the IIM-B	Ex- President of Citibank Japan Limited and the chairman of CitiCards Japan KK and CitiFinancials Japan KK. Also held non-executive director positions on the boards of Ta Chong Bank in Taiwan and Diamond Bank in Nigeria.	Non-executive nominee Director of CA Rover on Board.
Dr. Tejendra Mohan Bhasin	Bachelor's degree in laws and a Master's degree in business administration and associate of the IIB	Formerly associated with Oriental Bank of Commerce as the GM. Also served as executive director on the board of United Bank of India and the chairman and MD of Indian Bank.	Independent Director
Mr. Nilesh Shivji Vikamsey	Bachelor's degree in science (honours)	Ex-chairman and the MD of LIC.	Independent Director
Mr. Rajendra Kumar Saraf	Bachelor's & Master's degree in science and associate of IIB	Ex- Deputy MD and CFO of SBI & he was an advisor for NPCI	Independent Director
Mr. Dinesh Kumar Mehrotra	Bachelor's degree in science honours)	Ex- Executive director (international operations) at LIC's office in Fiji.	Independent Director
Ms. Anuradha Shripad Nadkarni	Bachelor's degree in commerce & PGDM from IIM-B. She is a member of the Council of CFA.	Ex- Head of financial institutions group at Standard Chartered Bank and . She was also associated with Lotus India Asset Management Company Private Limited as the head of business development and strategic initiatives and has served as an independent director on the board of Pudhuaaru Financial Services Private Limited.	Independent Director

# Key Management Personnel

Name	Profile		
	Academics	Past Experience	Current Designation
Mr. Richhpal Singh	Bachelor's degree in arts	Previously associated with Jio Payments Bank Limited and SBI.	Chief Operating Officer.
<b>Mr. Nalin Negi</b>	<b>Bachelor's degree in commerce &amp; Associate of the ICAI</b>	<b>Previously associated with Nestle, American Express (India) Pvt Ltd, exl Service.com (India) Pvt Ltd and ITC Limited.</b>	<b>Executive Vice President, Finance &amp; Chief Financial Officer</b>
Ms. Aparna Kuppuswamy	Master's degree in finance and control	Previously associated with American Express Financial Advisors, Bank of America and ABN AMRO Bank, GE Money Financial Services Ltd	Executive Vice President and Chief Risk Officer.
Mr. Manish Dewan	Bachelor's degree in engineering (mechanical) and a PGDM from IIM	Previously associated with Standard Chartered Bank and American Express Bank Limited and SBIBPMSL	Executive Vice President & Chief Sales Officer.
Mr. Girish Budhiraja	Bachelor's degree in technology in mining engineering and a PGDM from IIM-B	Previously associated with American Express Bank Ltd, and ICI India Ltd.	Executive Vice President and Chief Product and Marketing Officer.
Ms. Suruchi Nagpal	Degree in master of arts (economics)	Associated with SBI since 1984	Executive Vice President and Head, Workforce Effectiveness
Mr. Naresh Kumar Kapur	Bachelor's degree in science	Associated with SBI since 1990	Executive Vice President and Chief People Officer
Mr. Rajendra Singh Chauhan	Associate of the IIB.	Associated with SBI since 1985	Executive Vice President and Head, Internal Audit
Ms. Rinku Sharma	Bachelor's degree in science (honours) & a PGDM in Management	Previously associated with DCM Financial Service	Executive Vice President and Chief Compliance Officer.
Mr. Ugen Tashi Bhutia	Bachelor's in Law	Previously associated with Lakshmikumaran & Sridharan Attorneys and Fox Mandal & Co.	Executive Vice President and Head, Legal.
Mr. Amit Batra	Diploma in hotel management	He was associated with various GE group companies including the erstwhile SBIBPMSL	Executive Vice President and Head, Operations.
Mr. Monish Vohra	Bachelor's degree in engineering (electrical) & a Master's degree in business administration	Previously associated with PNB MetLife India Insurance Co. Ltd	Executive Vice President and Head, Customer Service.
Mr. Pradeep Khurana	Bachelor's degree in engineering	Previously associated with IGE India Limited.	Executive Vice President and Chief Information Officer.
Ms. Anu Choudhary Gupta	Bachelor's degree in commerce & a PGDM in Management	Previously associated with Standard Chartered Bank & SBIBPMSL	Executive Vice President and Head, Collections.
Ms. Payal Mittal Chhabra	Associate of ICSI & Bachelor's in Commerce and Law	Previously associated with Orbis Financial Corporation Ltd.	Senior Vice President, Company Secretarial.

# SBI Credit Card product dynamics













Card Type	Annual Fee	Key Features	Utility	Benefits
SBI SimplySAVE Credit Card	499	1 Reward Points per ₹100	Fuel	Accelerated Reward Points Program
		10X Rewards on Dining, Movies & Grocery	Shopping	Exclusive Dining Privileges
		2,000 Bonus RP on spending ₹2,000 in 60 days	Dining	Fuel Surcharge Waiver
SBI SimplyCLICK Credit Card	499	1 Reward Points per ₹100	Online Shopping	Exclusive Deals and Discounts Online
		10X Rewards on Dining, Movies & Grocery	Rewards	Reward Points on Online Spends
		2,000 Bonus RP on spending ₹2,000 in 60 days	Fuel Spends	Fuel Surcharge Waiver
Air India SBI Platinum Credit Card	1499	Fuel surcharge waiver of 1% when the card is being used for refuelling at any petrol pump across the country for transaction amount ranging between Rs 500 and Rs 4,000	Air Tickets	Air India Frequent Flyer Program – Flying Returns
		Complimentary lost card liability cover of Rs. 1 lakh	Fuel	Visa Airport Lounge Access
			Travel	Fuel Surcharge Waiver
Air India SBI Signature Credit Card	4999	Fuel surcharge waiver of 1% when the card is being used for refuelling at any petrol pump across the country for transaction amount ranging between Rs 500 and Rs 4,000	Air Tickets & Train	Air India Frequent Flyer Program – Flying Returns
		Worldwide Usage – Air India SBI Signature credit card is accepted at over 2 million Visa outlets worldwide and over 2, 85,000 outlets in India	Fuel	Railway Ticket Booking Facility
		Lost Card Liability Cover – Get complimentary lost card liability insurance cover of Rs. 1 lakh valid from 48 hours prior to the lost report being intimated and till 7 days of such intimation of the report	Rewards	Fuel Surcharge Waiver
SBI STYLEUP Contactless Credit Card	499	Contactless Technology – The STYLEUP Contactless credit card allows its users to make fast payments without swiping at a POS Machine	Shopping At Big Bazaar, FBB, Food Bazaar	10% Discount on Big Bazaar Purchases
		Worldwide Acceptance – The STYLEUP Contactless credit card is acceptable in over 24 million Visa outlets worldwide and over 3, 25,000 outlets in India		10X Reward Points at Big Bazaar
		Emergency Card Replacement – The card can be replaced anywhere around the world by calling on the 24X7 helpline		Fuel Surcharge Waiver
SBI IRCTC Credit Card	500	Avail IRCTC Travel Offers: Users can avail special travel packages that could be adventurous, wildlife tourism, pilgrimage or leisure tours to various places in India	Booking Ticketss through IRCTC	Exclusive Value Back on AC Ticket Booking
		No Transaction Charge on the Tickets: Users save the 1.8% transaction charge on their railway tickets if they book tickets through IRCTC website		Transaction Cahrges Waiver at IRCTC Platform
		Exclusive Value Back Benefits: Through SBI IRCTC credit card users get up to 10% value back on AC1, AC2 and CC bookings when made through IRCTC website. The card also offers reward points on everyday purchases		Special Travel Packages



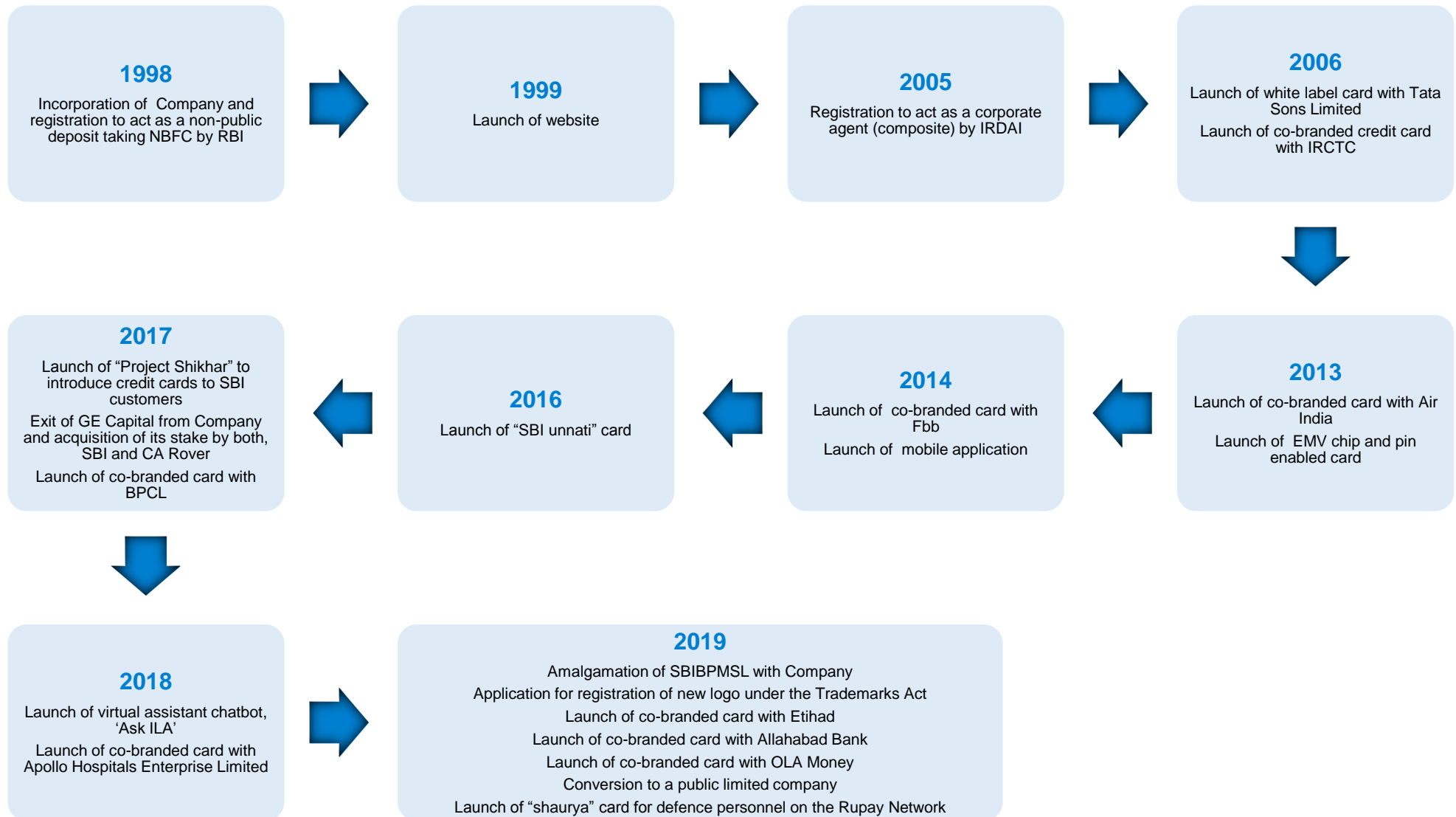
# SBI Credit Card product dynamics

Card Type	Annual Fee	Key Features	Utility	Benefits
SBI Elite Credit Card	4999	Fuel Surcharge Waiver- You can enjoy 1% fuel surcharge waiver on fuel transactions at all the petrol pumps.	Travel	Priority Pass Membership
		Global Acceptance- SBI cards are accepted in over 24 million outlets across the world, including 3,25,000 outlets in India.	Rewards	Club Vistara Silver Membership
		Fraud Liability Cover- You can avail complimentary credit card fraud liability cover of Rs. 1 lakh.	Movie	Free Movie Tickets
Mumbai Metro SBI Card	499	Flexipay – This card allows one to buy anything and repay in easy monthly installments with the flexipay feature	Travelling in Mumbai Metro	Auto Top-up Facility
		Convenience of Technology E-statement – The customers can get their monthly statement delivered directly to the email which saves time from postal delays or lost statements		Exclusive Rewards Program
		Utility Bill Payment Facility – The customers can also pay utility bills like electricity, insurance, telephone from Mumbai Metro SBI Card		Fuel Surcharge Waiver
Yatra SBI Card	499	Global Acceptance- SBI cards are accepted in over 24 million outlets across the world, including 3,25,000 outlets in India.	Travel Booking through Yatra	Yatra.com Welcome Vouchers
		Flexipay – This card allows one to buy anything and repay in easy monthly installments with the flexipay feature		Discounts on Flight and Hotel Booking
		Utility Bill Payment Facility – The customers can also pay utility bills like electricity, insurance, telephone from Mumbai Metro SBI Card		Fuel Surcharge Waiver
SBI Card Prime	2999	Contactless Transaction – This card is fast and convenient to use. The customer doesn't have to hand over his/her card or look for cash to make everyday purchases. He/she simply has to wave the card at a secure reader to transact	Premium Travel	Trident Privilege Membership
		Global Acceptance- SBI cards are accepted in over 24 million outlets across the world, including 3,25,000 outlets in India.	Leisure	Club Vistara Membership
		Fraud Liability Cover- You can avail complimentary credit card fraud liability cover of Rs. 1 lakh.	Rewards	Golf Sessions under Mastercard/Visa Privileges
BPCL SBI Card	499	Global Acceptance- SBI cards are accepted in over 24 million outlets across the world, including 3,25,000 outlets in India.	Fuel Savings	Welcome Gift Points
		Flexipay – This card allows one to buy anything and repay in easy monthly installments with the flexipay feature	Rewards	Fuel Freedom Benefits
		Utility Bill Payment Facility – The customers can also pay utility bills like electricity, insurance, telephone from Mumbai Metro SBI Card		Accelerated Reward Points

# Diversified Credit Card Offerings of SBI Cards

 <p>30% OFF</p> <p><b>fabHOTELS</b></p> <p>Extra 30% off on Fab Hotels</p>	 <p>5% OFF</p> <p><b>KLOOK</b></p> <p>Additional 5% Instant Discount on Klook</p>	 <p>5% CASH BACK</p> <p><b>Great Eastern RETAIL</b></p> <p>5% CASHBACK</p> <p>5% cashback at Great Eastern Retail</p>	 <p>5% CASH BACK</p> <p><b>thomas cookin</b></p> <p>5% Cashback at Thomas Cook!</p>
 <p>5% CASH BACK</p> <p><b>STYLE BAAZAR</b></p> <p>5% cashback at Style Bazar</p>	 <p>10% OFF</p> <p>Additional 10% Instant Discount on Treebo Hotels</p>	 <p>UP TO 25% OFF</p> <p><b>MED LIFE</b></p> <p>Upto 25% off on prescribed medicines on Medlife</p>	 <p>UP TO 12% OFF</p> <p><b>Tiqets</b></p> <p>Get up to 12% Off on booking visit to museums, attractions and theme parks at tiqets.com</p>
 <p>5% CASH BACK</p> <p><b>VIP</b></p> <p>5% cashback at VIP Bags</p>	 <p>5% CASH BACK</p> <p><b>HONDA</b></p> <p>Honda Motorcycles &amp; Scooters Cashback</p>	 <p>UP TO ₹18,999</p> <p><b>INTERNATIONAL SHOPPING FESTIVAL</b></p> <p>Top 3000 spenders in foreign currency get Vouchers* worth up to Rs. 18,999</p>	 <p>5% CASH BACK</p> <p><b>spencer's</b></p> <p>5% cashback at Spencer's</p>

# Major events and milestones



# Global landscape of credit card and payment network players

	USA	China	Japan
<b>Payment networks</b>	Visa Mastercard Discover American Express	Union Pay	Visa Mastercard JCB American Express
<b>Payment networks issuing cards</b>	Discover American Express	NA	JCB American Express
<b>Card issuing Cos</b>	American Express Chase Citibank Bank of America US Bank Discover Wells Fargo	Bank Of China China Merchants Bank China Construction Bank Bank of Communication Industrial & Commercial Bank of China China CITIC Bank Agricultural Bank of China	Credit Saison Jaccs co. Ltd Japan Post Bank The Awa Bank AEON Financial Seven Bank The Iyo Bank

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Prabhudas Lilladher Pvt. Ltd. - 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai 400 018, India. Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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<b>Buy</b>	:	<b>&gt; 15%</b>
<b>Accumulate</b>	:	<b>5% to 15%</b>
<b>Hold</b>	:	<b>+5% to -5%</b>
<b>Reduce</b>	:	<b>-5% to -15%</b>
<b>Sell</b>	:	<b>&lt; -15%</b>
<b>Not Rated (NR)</b>	:	<b>No specific call on the stock</b>
<b>Under Review (UR)</b>	:	<b>Rating likely to change shortly</b>

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