

SBI CARDS and Payments Services Ltd : Very Good Issue

IPO Note: 2nd largest company. Bottom-line grew at a CAGR of 52% in 2 years : Ranking****



Issue details

Price band (Rs)	Rs. 750-755
IPO Opening Date	02/03/20
IPO Closing Date	05/03/20
Issue Size	Rs.10354.77 Cr.

Recommendation

Total revenues grew at a CAGR of 44.89.% from Rs.3471.03 Crore for the financial year 2017 to Rs.7286.83 Crore for the financial year 2019. Net profit after tax grew from Rs.372.86 Cr. for the financial year 2017 to Rs.862.72 crore for the financial year 2019 at a CAGR of 52.11%. For nine months period ended on 31.12.19, it has earned a net profit of Rs.1161.21 cr. on revenue of Rs.7240.16 against a net profit of Rs.614.52 cr. on revenue of Rs.5278.68 cr. for the corresponding previous period. **If we attribute the latest earnings on expanded equity post IPO, then asking price is at a P/E of 45.81. The company has no peers to compare with it. SBI Card enjoys fancy due to parent SBI's credentials. Being a second-largest plastic money player in a growing economy like India with 52% bottme-line growth and the first mover in the segment to get listed, it may continue to generate high interest going forward. Although the issue appears fully priced, investors may consider investment.**

Highlights

- The company the 2nd largest credit card issuer in the country, with a 17.6% and 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding as of March 31, 2019, and November 30, 2019, respectively
- In India, it has just around 3% penetration compared to developed/developing economy
- Leading player in open market customer acquisitions using physical and digital channels in India.
- A well-known promoter in SBI with strong brand recognition
- Diversified credit card portfolio and partnerships with leading brands across industries

Company Introduction

Incorporated in 1998, SBI Cards and Payment Services Limited is a subsidiary of SBI, India's largest commercial bank in terms of deposits, advances and the number of branches. SBI currently holds (along with its nominees) 689,927,363 Equity Shares, constituting to 74.00 % of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Company.

The company the 2nd largest credit card issuer in the country, with a 17.6% and 18.1% market share of the Indian credit card market (number of credit cards) as of March 31, 2019, and November 30, 2019, respectively, and a 17.1% and 17.9% market share of the Indian credit card market (total credit card spends) in fiscal 2019 and in the eight months ended November 30, 2019.

SBI Cards offers a wide range of credit cards to individual and corporate clients including lifestyle, rewards, shopping, travel, fuel, banking partnership cards, and corporate cards, etc. SBI Cards has partnered with several leading names across industries, including Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, IRCTC, OLA Money and Yatra, amongst others. As a subsidiary of SBI, the company has access to SBI's extensive



www.sbicard.com

Financial Summary (Rs. In Crore)

Particulars	Nine Month ended Dec.19	FY2019	FY2018	FY2017
Total Income	7240.15	7286.83	7570.19	3471.03
Net Profit	1161.2	862.72	801.14	372.86
EPS (Rs)	12.36*	9.18	8.53	3.97

Source: RHP and ACE Equity

*EPS not annualized

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

network of 21,961 branches across India. The partnership enables it to market its cards to a huge customer base of 445.5 million customers. Headquartered in New Delhi, as of December 31, 2019, the company has a sales force of 38,677 outsourced sales personnel operating out of 145 Indian cities.

The object of the issue are to:

- The company will not receive any proceeds from the Offer for Sale.

Fresh Issue- The net proceeds of the Fresh Issue, i.e. Gross proceeds of the Fresh Issue less the Offer Expenses apportioned to the Company ("Net Proceeds") are proposed to be utilized for augmenting the capital base to meet company's future capital requirements.

IPO Issue Proceed

To part finance augmenting its capital base to meet future capital requirements, SBI Card is coming out with a maiden combo IPO of fresh equity issue (FV Rs.10) as well as offer for sale. SBI Card is issuing fresh equity share worth Rs.500 cr. (approx 6,622,516 shares) and an offer for sale of 130,526,798 shares. It has fixed the price band of Rs.750 – Rs.755 and thus mulls mobilizing Rs.10,286.20 cr. to Rs.10,354.77 cr. (based on lower and upper price bands). The offer includes a reservation of up to 1,864,669 shares for subscription by eligible employees and a reservation of 13052680 shares for subscription by SBI Shareholders (who are holding SBI shares in their demat account on 18.02.2020). The company is offering a discount of Rs.75 per share to eligible employees. There is no discount for any other category. The issue opens for subscription on 02.03.2020 and will close on 04.03.2020 for QIB Bidders and 05.03.2020 for all other categories of bidders. Minimum application is to be made for 19 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Issue constitutes approx. 14.61% of the post issue paid-up capital of the company. Post issue, SBI Card's current paid-up equity capital of Rs.932.33 cr. will stand enhanced to Rs.938.95 cr.

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