

### Issue Detail

Type	100% Book Built Issue
Issue Size (Rs. Cr)	10,354.77
Offer Price	Rs. 750 - 755
Employee Discount	Rs.75/- per Share
Min App Size	19 Shares
Issue Open	March 2, 2020
Issue Close (QIB BIDDERS)	March 4, 2020
Issue Close	March 5, 2020
Shares Offer	137,149,314
Face Value	Rs. 10

Lead Mgrs	Kotak Mahindra Capital Co. Ltd, Axis Capital Ltd, DSP Merrill Lynch Ltd, HSBC Securities and Capital Markets (India) PVT Ltd, Nomura Financial Advisory and Securities (India) PVT Ltd, SBI Capital Markets Ltd.
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Listing	BSE & NSE
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Registrar	Link Intime India Private Limited
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Market Cap (Post Issue)(Cr)	Rs. 70891.24
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Market cap., Issue size, shares offer are as per Upper price band

### No. of shares ( Post & Pre Issue)

No. of Shares (Pre Issue)	932,334,278
Offer for Sale	130,526,798
Fresh Issue made*	6,622,517
No. of Shares (Post Issue)	938,956,794

\* No. of shares as per Upper price band

### Bid allocation pattern

QIB	50%	68,574,657
Non-Institutional	15%	20,572,397
Retail	35%	48,002,260
SBI Employee	-	1,864,669
SBI S/H	-	13,052,680

### Management Team:

- Mr. Rajnish Kumar
  - Designation: Non-executive Chairman
- Mr. Hardayal Prasad
  - Designation: Managing Director and Chief Executive Officer

### Company Overview

- SBI Cards and Payment Services Ltd second-largest credit card issuer in India, with a 17.6% and 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding as of March 31, 2019 and November 30, 2019, respectively.
- Company offer an extensive credit card portfolio to individual cardholders and corporate clients which includes lifestyle, rewards, travel and fuel, shopping, banking partnership cards and corporate cards covering all major cardholder segments in terms of income profiles and lifestyles.
- Company has diversified revenue model whereby they generate both non-interest income (primarily comprised of feebased income such as interchange fees, late fees and annual fees, among others) as well as interest income on their credit card receivables.
- Revenue from operations that derive from non-interest income has steadily increased over the past three fiscal years, from 43.6% in fiscal 2017 to 48.9% in fiscal 2019
- Company have a diversified customer acquisition network that enables them to engage prospective customers across multiple channels. Company deploy a sales force of 32,677 outsourced sales personnel as of December 31, 2019 operating out of 145 Indian cities and which engages prospective customers through multiple channels, including physical points of sale in bank branches, retail stores, malls, fuel stations, railway stations, airports, corporate parks and offices, as well as through tele-sales, online channels, email, SMS marketing and mobile applications.
- In addition, Company's partnership with SBI provides them access to SBI's extensive network of 21,961 branches across India, which enables us to market our credit cards to SBI's vast customer base of 445.5 million customers as of December 31, 2019.

### Competitive Strengths

- Second largest credit card issuer in India with deep industry expertise and a demonstrated track record of growth and profitability.
- Diversified customer acquisition capabilities.
- Supported by a strong brand and pre-eminent Promoter.
- Diversified portfolio of credit card offerings.
- Advanced risk management and data analytics capabilities.
- Modern and scalable technology infrastructure.
- Highly experienced and professional management team.

### Strategies

- Expand their customer acquisition capabilities to grow their cardholder base.
- Tap into new cardholder segments by broadening their portfolio of credit card products
- Stimulate growth in credit card transaction volumes
- Continue to optimize their risk management processes
- Enhance cardholder experience
- Continue leveraging technology across our operations

### Objectives of the Issue

The Offer comprises of a Fresh Issue and an Offer for Sale :-

- **The Offer for Sale** - The object of the Offer for Sale is to allow the Selling Shareholders to sell an aggregate Equity Shares held by them. 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.

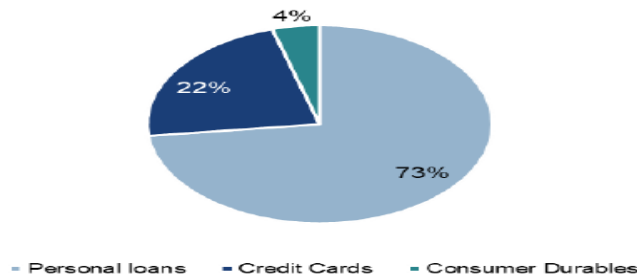
### View & Valuation

SBI Card is second largest credit card issuer with 18% market share. It has huge potential to acquire diversified customer base in under penetrated markets using distribution network of strong parentage. Credit Card industry growth is expected to be Rs 15 trillion by FY24 which is 2.5 times of FY19. The total credit card spends has grown by CAGR 35% while outstanding credit growth was CAGR 54% during FY17-19. At higher band of offer price, the expected valuation comes around 12x PBV and 45x PE of FY2020 annualised earnings. This is significant premium to global peers despite similar RoE. However, higher earnings growth of 41 percent plus for SBICard vs 16-19 percent growth for global peers should command a higher premium. Hence we assign a subscribe rating for long-term investments.

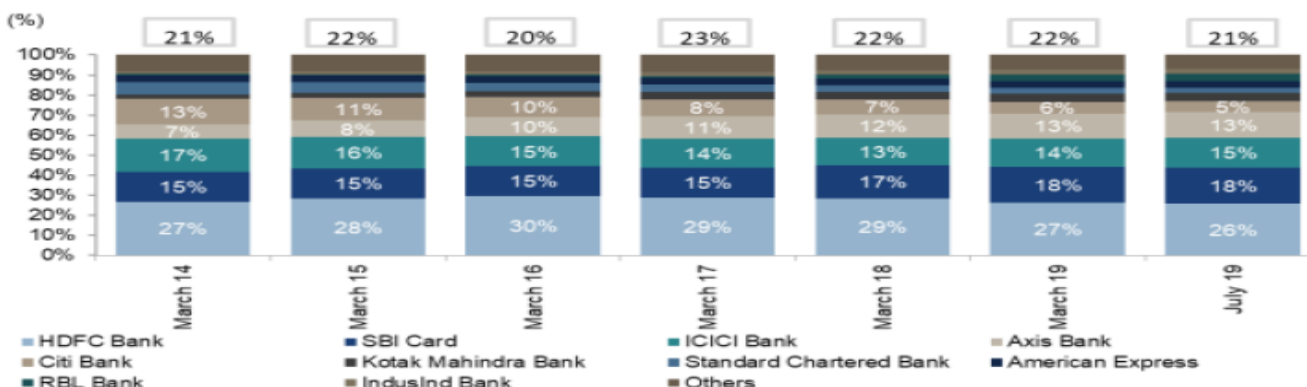
### INDUSTRY OVERVIEW

- ❑ **GDP expected to grow faster over the next five years:** Private consumption and investment drove real gross domestic product (“GDP”) growth in India from fiscal 2014 until fiscal 2019. Low inflation, benign interest rates and the revision of government employees’ salaries in line with the Seventh Pay Commission’s recommendations bolstered growth in private consumption. Investments saw a gradual pick-up in the last few years, but most of it has been led by government spending either through budgetary resources or by nudging public sector enterprises to take on capital expenditure. Recapitalisation of banks and partial credit guarantee by the government to facilitate the purchase of non-banking finance companies (“NBFC”) loans from banks is expected to improve the ability of the financial sector to extend credit.
- ❑ **Median age lowest for India compared to other countries:** Currently, India has one of the largest young populations in the world, with an estimated median age of approximately 28 years as of calendar year 2020. which fairly represents the working age population and has increase over the years.
- ❑ **Urbanization:** Urbanization is a big growth driver for India as this leads to fast infrastructure development, job creation, development of modern consumer services and the city’s ability to mobilize savings. The share of urban population as a percentage of total population has been consistently rising over the years and stood at approximately 31.0% in 2011 and is expected to reach 35.0% by 2021, spurring more demand.
- ❑ **Retail credit growth to continue on a strong footing:** Retail credit, including domestic bank and non-bank credit, is expected to continue its momentum in India, which will double over the next five years to Rs. 117.0 trillion as of fiscal 2024. This growth in retail credit will be propelled by an increase in private consumption with a steady rise in disposable income, an attitudinal shift in consumers being increasingly open to taking on debt, a continuing trend of urbanization and nuclearisation, an increased availability of data from credit bureaus, as well as non-traditional data and financiers leveraging technology and data analytics to serve their target markets in a more efficient manner.
- ❑ **Unsecured loans expected to grow at a faster pace than retail credit growth:** Unsecured loans, which comprise of credit cards, personal and consumer durables loans, is a strong growth driver of retail credit. Compared to retail credit, unsecured loans have grown at a faster pace in India at a CAGR of 28.0% to reach approximately 5.0 trillion unsecured loans as of fiscal 2019. High usage of technology by today’s tech-savvy generation has led players to improve their offering through digital initiatives to boost growth. In particular, for low-ticket size offerings such as credit cards and personal loans, there is a higher preference for accessing the digital route from documentation to payment.
- ❑ **Credit cards expected to grow at the fastest rate as part of the unsecured loans market:**

Unsecured loans Breakup



### Competitive Scenario in the Credit Card Industry; Market Share



### INDUSTRY OVERVIEW

#### Peer comparison

	FY14	FY15	FY16	FY17	FY18	FY19	Market share as of FY19	CAGR growth
<b>Number of credit cards in force (in million)</b>								
HDFC Bank	5.1	6	7.3	8.5	10.7	12.5	27%	19%
SBI Card	2.9	3.2	3.6	4.6	6.3	8.3	18%	24%
ICICI Bank	3.2	3.3	3.7	4.2	5	6.6	14%	16%
Axis Bank	1.4	1.7	2.4	3.3	4.5	6	13%	34%
Citi Bank	2.4	2.4	2.4	2.5	2.7	2.7	6%	2%
<b>Number of transactions (in million)</b>								
HDFC Bank	161	198	253	333	405	486	27%	25%
SBI Card	65	78	110	155	212	280	16%	34%
ICICI Bank	72	91	109	150	189	241	14%	27%
Axis Bank	27	41	59	88	128	168	9%	44%
Citi Bank	96	112	131	173	219	239	13%	20%
<b>Total spend (Rs million)</b>								
HDFC Bank	4,57,408	5,77,599	7,49,981	9,74,749	13,24,039	17,04,208	28%	30%
SBI Card	1,64,928	2,12,845	2,93,324	4,38,545	7,70,232	10,38,353	17%	44%
ICICI Bank	172,036	2,15,646	2,68,101	3,62,055	5,15,331	6,73,006	11%	31%
Axis Bank	88,487	1,36,023	1,83,862	2,87,305	4,43,288	6,20,827	10%	48%
Citi Bank	2,67,476	3,08,629	3,55,839	4,25,583	4,88,652	5,32,185	9%	15%
<b>Average spend per transaction</b>								
HDFC Bank	2,847	2,918	2,964	2,929	3,273	3,504	-	4%
SBI Card	2,520	2,726	2,669	2,835	3,635	3,713	-	8%
ICICI Bank	2,376	2,380	2,454	2,409	2,724	2,795	-	3%
Axis Bank	3,243	3,350	3,098	3,257	3,453	3,695	-	3%
Citi Bank	2,785	2,764	2,716	2,458	2,236	2,227	-	-4%
<b>Average spend per card in force (Rs)</b>								
HDFC Bank	84,252	1,03,964	1,14,485	1,19,356	1,35,181	1,44,770	-	11%
SBI Card	60,458	71,547	86,011	1,07,737	1,40,975	1,44,813	-	19%
ICICI Bank	56,543	65,685	77,555	90,611	1,12,042	1,17,203	-	16%
Axis Bank	72,304	88,227	90,193	1,00,167	1,12,877	1,21,220	-	11%
Citi Bank	1,11,642	1,28,731	1,49,410	1,74,225	1,87,045	1,99,881	-	12%
<b>Average outstanding per card in force (Rs)</b>								
HDFC Bank	23,853	27,044	28,180	30,428	33,781	35,909	-	9%
SBI Card	15,311	18,125	20,431	22,490	23,281	22,398	-	8%
ICICI Bank	10,377	12,103	14,989	17,511	18,563	18,514	-	12%
Axis Bank	12,713	12,889	17,218	20,078	18,408	20,622	-	10%
Citi Bank	Na	Na	Na	Na	Na	Na	-	-
<b>Number of POS terminals</b>								
HDFC Bank	2,15,524	2,44,991	2,83,274	4,29,749	4,03,567	4,90,180	13%	18%
SBI Card	Na	Na	Na	Na	Na	Na	-	-
ICICI Bank	2,93,166	2,21,663	2,00,759	3,06,593	3,25,358	3,91,625	11%	6%
Axis Bank	2,48,482	2,48,786	2,63,951	4,33,034	5,02,226	5,07,409	14%	15%
Citi Bank	17,844	20,238	23,676	28,261	34,732	34,744	1%	14%

### BUSINESS OVERVIEW

- ❑ SBI Cards and Payment Services Ltd is the second-largest credit card issuer in India, with a 17.6% and 18.1% market share of the Indian credit card market in terms of the number of credit cards outstanding as of March 31, 2019 and November 30, 2019, respectively, and a 17.1% and 17.9% market share of the Indian credit card market in terms of total credit card spends in fiscal 2019 and in the eight months ended November 30, 2019, respectively, according to the RBI.
- ❑ Company has an broad credit card portfolio that includes SBI Card-branded credit cards as well as co-branded credit cards that bear both the SBI Card brand and their co-brand partners' brands. Company offer four primary SBI Cardbranded credit cards: SimplySave, SimplyClick, Prime and Elite, each catering to a varying set of cardholder needs. Company have partnerships with several major players in the travel, fuel, fashion, healthcare and mobility industries, including Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, IRCTC, OLA Money and Yatra, among others.
- ❑ Company issue their credit cards in partnership with the Visa, MasterCard and RuPay payment networks, and they are continuously looking to expand their payment network partnerships to broaden the reach and functionality of their credit card offerings.
- ❑ Company have established a proven track record of consistently generating profits over the past three fiscal years. Company's total income increased from Rs. 34,710.38 million in fiscal 2017 to Rs. 72,868.35 million in fiscal 2019 at a CAGR of 44.9% and their revenues from operations have increased from Rs. 33,462.03 million in fiscal 2017 to Rs. 69,991.11 million in fiscal 2019 at a CAGR of 44.6%. Company's net profit increased from Rs. 3,728.61 million in fiscal 2017 to Rs. 8,627.22 million in fiscal 2019 at a CAGR of 52.1%. Company's ROAE has remained stable at 28.5% in fiscal 2017 and 28.4% in fiscal 2019, while their ROAA increased from 4.0% in fiscal 2017 to 4.8% in fiscal 2019.
- ❑ Company operate in the Indian credit card market, which presents significant growth potential due to its favorable demographic changes and relatively low credit card penetration rate. The average number of credit cards outstanding per 100 persons in India was 2.2 as compared to 320.0 in the United States, 42.0 in China and 73.0 in Brazil, and credit cards spends as a percentage of GDP stood at 3.0% as compared to 17.0% in the United States, 25.0% in Hong Kong and 12.0% in Brazil.
- ❑ Company operate in a highly competitive environment, and they face competition in all aspects of their business from numerous bank and non-bank providers of financial services. Company's credit cards business competes with international and national credit card issuers and, to a certain extent, issuers of debit cards. Company also encounter competition from businesses that operate their own mobile wallets or extend credit to their customers and other fintech service providers. In general, customers are attracted to credit card issuers largely on the basis of price, credit limit, reward programs and other product features.
- ❑ **Widening the net with co-branding credit card partnerships:**

	Number of co-branded partners	Travel	Shopping / Entertainment	Payments	Lending	Healthcare	Others
SBI CARD	18	7	3	-	-	1	7
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	-	-	-	-	-

## Financials Snap Shot

Income Statement					Key Ratios				
Rs in Crores									
Y/E March	FY18	FY19	9MFY19	9MFY20	Y/E March	FY18	FY19	9MFY19	9MFY20
<b>Revenue (Net)</b>	5,186.98	6,999.11	5,083.92	6,843.06	EPS	7.42	9.46	6.74	12.46
Other Income	183.22	287.72	194.75	397.10	Book Value Per share	29.05	39.27	37.52	50.96
<b>Total Revenue</b>	<b>5,370.19</b>	<b>7,286.84</b>	<b>5,278.68</b>	<b>7,240.16</b>	<b>Valuation(x)</b>				
Employee benefits expenses	193.09	390.40	287.97	334.45	P/E ( Upper Band )	101.73	79.81	112.05	60.62
Operating and other expenses	2,711.92	3,304.59	2,443.15	3,141.21	P/E ( Lower Band )	101.06	79.28	111.31	60.22
CSR expenses	9.78	14.19	3.36	3.37	Price / Book Value	25.99	19.22	20.12	14.81
Impairment losses & bad debts	800.06	1,147.74	796.02	1,102.06	Provision	67.33%	66.48%	67.28%	66.96%
<b>Total Expenses</b>	<b>3,714.84</b>	<b>4,856.92</b>	<b>3,530.49</b>	<b>4,581.08</b>	GNPA	2.83%	2.44%	2.60%	2.47%
<b>EBITDA</b>	<b>1,655.35</b>	<b>2,429.91</b>	<b>1,748.18</b>	<b>2,659.08</b>	NPA	0.94%	0.83%	0.87%	0.83%
Depreciation	24.49	81.10	58.11	74.04	Net Asset Value (NAV)	29.05	39.27	37.52	50.96
<b>EBIT</b>	<b>1,630.86</b>	<b>2,348.81</b>	<b>1,690.08</b>	<b>2,585.04</b>	RoNW	25.5%	24.1%	18.0%	24.4%
Finance Costs	711.51	1,017.21	742.57	966.37	ROAE (%)	31.00%	28.40%	27.70%	36.50%
<b>Profit before Tax</b>	<b>919.34</b>	<b>1,331.60</b>	<b>947.51</b>	<b>1,618.67</b>	Market Share (%)	16.70	17.60	17.00	18.10
Exceptional item	-	-	-	-	NIM	16.5%	15.5%	15.5%	15.6%
Total tax expense	318.20	468.88	333.00	457.47	Average cost of funds	7.2%	8.1%	8.1%	8.0%
<b>PROFIT AFTER TAX</b>	<b>601.14</b>	<b>862.72</b>	<b>614.52</b>	<b>1,161.21</b>					
Share in Profit/(Loss) of Joint Ventures	-	-	-	-					
<b>Profit for the Period/Year After Tax</b>	<b>601.1</b>	<b>862.7</b>	<b>614.5</b>	<b>1,161.2</b>					

Balance Sheet					Cash Flow Statement				
Rs in Crores					Rs in Crores				
Y/E March	FY18	FY19	9MFY19	9MFY20	Y/E March	FY18	FY19	9MFY19	9MFY20
<b>Share Capital</b>	<b>785.00</b>	<b>837.22</b>	<b>837.22</b>	<b>932.33</b>	<b>Profit / (Loss) before tax</b>	<b>919.34</b>	<b>1331.60</b>	<b>947.51</b>	<b>1618.67</b>
Reserves	1,568.06	2,744.50	2,584.68	3,818.98	<b>Adjustments for:</b>				
<b>Net Worth (A)</b>	<b>2,353.06</b>	<b>3,581.73</b>	<b>3,421.90</b>	<b>4,751.31</b>	Depreciation and amortization expense	24.49	81.10	58.11	74.04
<b>LIABILITIES</b>					Liabilities written back	-1.77	-1.09	-1.09	-161.93
<b>Financial liabilities</b>					Impairment loss and provision for doubtful debts	800.06	1146.48	796.02	1102.06
Derivative financial instruments	2.85	109.54	222.29	32.28	Net impact of assets derecognized pursuant to adoption of Ind AS 116	0.67	-0.14	-0.18	-
Trade payables	518.22	661.50	49.78	79.03	Other Interest Income	-7.64	-17.81	-10.27	-3.81
Other payables	11.34	3.56	3.43	6.19	Employee stock options	-	-	-	9.17
Debt Securities	2,948.93	4,079.32	3,517.68	6,714.98	Finance Cost	711.51	1017.21	742.57	966.37
Borrowings (Other than Debt Securities)	7,465.86	8,374.41	8,644.57	10,616.20	Unrealized foreign exchange (Gain)/loss (net) on Borrowing	-	-	56.03	-
Subordinated Liabilities	998.04	1,196.80	998.37	1,246.52	Loss/ (Profit) on sale of property, plant & equipment	0.06	-0.02	-0.01	0.23
Other financial liabilities	644.9	957.7	727.6	810.75	Profit on sale on investments	-0.54	-0.38	-0.38	-0.44
<b>Total financial liabilities (B)</b>	<b>12,590.09</b>	<b>15,382.81</b>	<b>14,163.70</b>	<b>19,505.93</b>	Fair valuation of derivatives	2.85	-0.10	-65.32	0.10
<b>Non-financial liabilities</b>					<b>Operating profit before working capital changes</b>	<b>2449.04</b>	<b>3556.84</b>	<b>2522.99</b>	<b>3604.46</b>
Current Tax liabilities (Net)	10.40	76.23	0.37	3.78	<b>Adjustments for (increase) / decrease in operating assets:</b>				
Provisions	392.42	628.42	1,119.26	1,248.43	Trade Receivables	80.62	-125.82	-10.84	90.33
Other Non-financial liabilities	340.04	570.46	393.47	484.02	Other Receivables	-18.76	-17.37	7.75	190.98
<b>Total Non-financial liabilities (C)</b>	<b>742.86</b>	<b>1,275.11</b>	<b>1,513.09</b>	<b>1,736.23</b>	Other financial assets	-36.42	79.72	59.60	0.79
<b>TOTAL LIABILITIES (B+C)</b>	<b>13,332.94</b>	<b>16,657.91</b>	<b>15,676.79</b>	<b>21,242.15</b>	Other non financial assets	-279.12	-211.77	-123.27	-118.06
<b>TOTAL LIABILITIES (A+B+C)</b>	<b>15,686.01</b>	<b>20,239.64</b>	<b>19,098.69</b>	<b>25,993.47</b>	Loans	-4862.75	-5010.93	-3990.86	-7126.51
<b>ASSETS</b>					<b>Adjustments for increase / (decrease) in operating liabilities:</b>				
<b>Financial Assets</b>					Other financial liabilities	297.82	241.91	31.84	-166.60
Cash and cash equivalents	311.90	733.50	445.24	452.76	Other non financial liabilities	171.98	230.40	52.94	-88.07
Bank Balance other than	160.77	43.27	155.36	55.02	Provisions	-35.15	130.05	720.36	716.59
Derivative financial instruments	-	0.10	-	-	Trade payables	305.61	135.50	-476.35	-579.85
Receivables	150.73	295.02	154.91	177.27	<b>Cash from/ (used) in operations</b>	<b>-1927.12</b>	<b>-991.48</b>	<b>-1205.84</b>	<b>-3475.95</b>
Loans	14,045.54	17,908.73	17,240.38	23,933.18	Finance Cost Paid	-691.72	-894.62	-682.83	-889.00
Investment	0.00	1.46	1.46	1.46	Cash generated from operations	-2618.84	-1886.11	-1888.67	-4364.95
Other financial assets	113.92	30.61	55.23	29.49	Income Tax Paid	-258.25	-478.84	-354.84	-500.50
<b>Total financial assets (D)</b>	<b>14,782.87</b>	<b>19,012.70</b>	<b>18,052.59</b>	<b>24,649.17</b>	<b>Net cash from operating activities (A)</b>	<b>-2877.09</b>	<b>-2364.94</b>	<b>-2243.51</b>	<b>-4865.45</b>
<b>Non-financial assets</b>					<b>Net cash from / (used in) investing activities (B)</b>	<b>-31.49</b>	<b>-72.39</b>	<b>-39.80</b>	<b>-56.73</b>
Deferred tax assets (Net)	88.01	166.51	108.24	137.37	<b>Net cash from / (used in) financing activities (C)</b>	<b>2934.90</b>	<b>2741.43</b>	<b>2411.24</b>	<b>4653.18</b>
Property plant and equipment	41.86	57.54	46.33	57.18	<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>	<b>26.32</b>	<b>304.10</b>	<b>127.92</b>	<b>-269.00</b>
Capital work in progress	13.34	4.34	5.47	18.31	<b>Cash and cash equivalents at the beginning of the Year</b>	<b>282.95</b>	<b>472.68</b>	<b>472.68</b>	<b>776.78</b>
Intangible assets	43.98	64.60	54.34	73.82	<b>Cash and cash equivalents at the end of the Year</b>	<b>472.68</b>	<b>776.78</b>	<b>600.60</b>	<b>507.77</b>
Intangible assets under development	21.72	15.83	15.35	14.62					
Right-of-use Assets	155.92	164.28	154.79	171.10					
Other non-Financial assets	538.31	753.83	661.58	871.89					
<b>Total non-financial assets (E)</b>	<b>903.14</b>	<b>1,226.94</b>	<b>1,046.10</b>	<b>1,344.29</b>					
<b>TOTAL ASSETS (D+E)</b>	<b>15,686.01</b>	<b>20,239.64</b>	<b>19,098.69</b>	<b>25,993.47</b>					

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