

DIVERSIFIED FINANCIALS

28 November 2023

Credit card spends hit festive high

- Sectoral credit card spends rose 27% YoY over Apr-Oct'23, with AXSB racking up the most market share and SBICARD holding steady
- Cards outstanding reached ~95mn in October and the top 4 players continued to dominate the market at 70% share
- SBICARD, ranked #2 and the only pure credit card player, remains undervalued – we maintain BUY with a TP of Rs 910 (unchanged)

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Festive cheer: India's credit card spending grew 38% YoY (25% MoM) to a monthly peak of Rs 1.79tn in Oct'23 owing to the festive season. Three of the top 4 card players registered 50-90% YoY growth along with unusual market share gains, while HDFCB lagged with 20% growth. Over Apr-Oct'23, spends grew 27% YoY to cross Rs 10tn, with the top 4 players holding over 75% of the market compared to 73.9% in the year-ago period. Axis Bank (AXSB: +290bps YoY) gained the most market share and SBI Card (SBICARD: +26bps) held its ground, but HDFC Bank (HDFCB: -60bps) and ICICI Bank (ICICIB: -115bps) showed declines.

Receivables share decelerates: Aggregate receivables (loans on balance sheet) grew 30% YoY to Rs 2.1tn in H1FY24. However, loans as a percentage of spends have fallen from 21% in FY21 to 13.5% in FY23 and 12.8% at the end of September. SBICARD, the only listed pure-play credit card business, has shown a similar trend in loans-to-spends ratio. Revolver accounts in the receivables mix were low across players when compared to pre-Covid levels and the focus remains on tapping customers who avail of EMIs.

Sustained uptrend in cards outstanding: Credit cards outstanding are growing at a smart clip, having risen 17% over FY21-FY23 to exit the month of March at 85.3mn before climbing further to 94.7mn in October. The top 4 players command 70% market share overall but a lower 60% share of cards added since March.

AXSB benefitting from Citi deal: AXSB is the fourth largest player in the credit card business, with 14% market share in CIF and 12% share in card spends as of H1FY24. The bank's market share has risen over the last three years as its CIF and spends clocked a 24%/72% CAGR, beating the industry's 17%/52% growth rate over H1FY21-H1FY24. During its recent analyst day, management indicated that erstwhile Citi credit card customers continue to get earlier benefits along with AXSB's wide range of offers. The bank has moved up from #4 to #2 in POS terminals, boosting its market share from 12.8% in FY21 to 18.6%.

Recommendation snapshot

Ticker	Price	Target	Rating
SBICARD IN	739	910	BUY

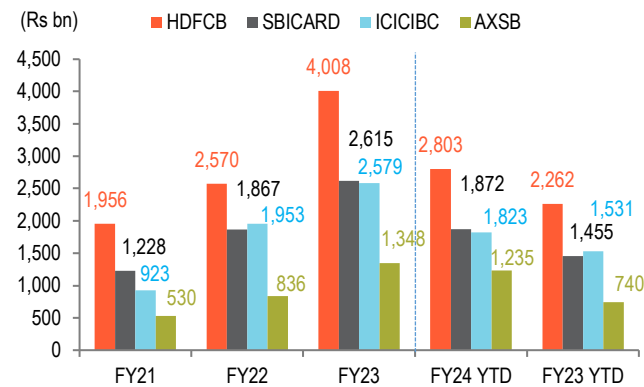
Price & Target in Rupees | Price as of 24 Nov 2023



Festive season buoys card spends

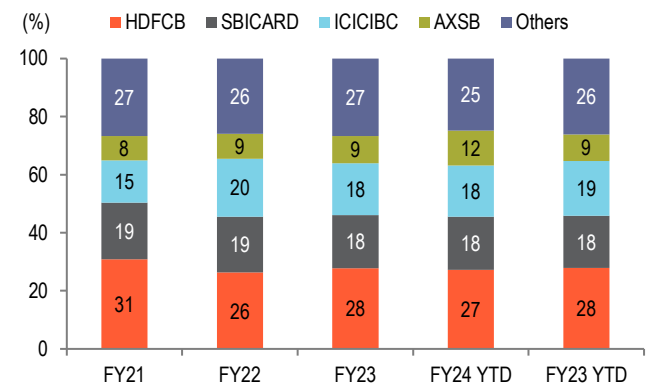
India's credit card spending has risen 27% YoY to Rs 10.3tn in FY24 YTD (Apr-Oct'23), with the top 4 players holding 75.3% of the market compared to 73.9% in the year-ago period. Axis Bank (AXSB: +290bps YoY) gained the most market share and SBI Card (SBICARD: +26bps) held its ground, but HDFC Bank (HDFCB: -60bps) and ICICI Bank (ICICIB: -115bps) showed declines.

Fig 1 – Top players saw high growth in credit card spends



Source: RBI, BOBCAPS Research

Fig 2 – Top 4 combined continue to dominate the market



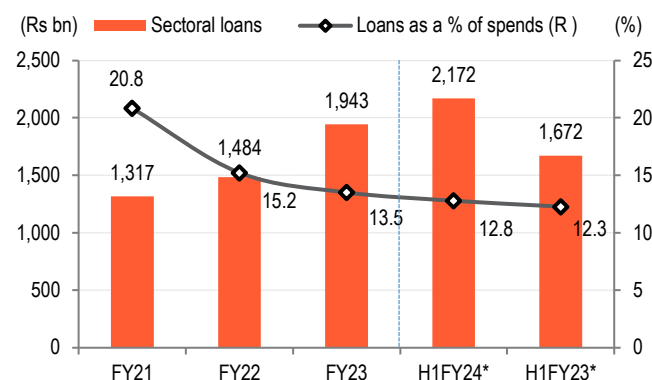
Source: RBI, BOBCAPS Research

As several e-commerce websites kicked off their annual sales during Diwali, sectoral credit card spends surged 38% YoY (25% MoM) to Rs 1.79tn in October, hitting a monthly high. SBICARD saw even better growth at 52% YoY, raising its market share in spends to 19.8% for the month from 18% in Oct'22. Number 3 player ICICIB also clocked an increase in market share to 19.1% from 16.7% last October as its spends climbed 58% YoY for the month. AXSB posted robust 92% YoY growth to Rs 218bn with a market share of 12.2%.

Loans-to-spends ratio moderates

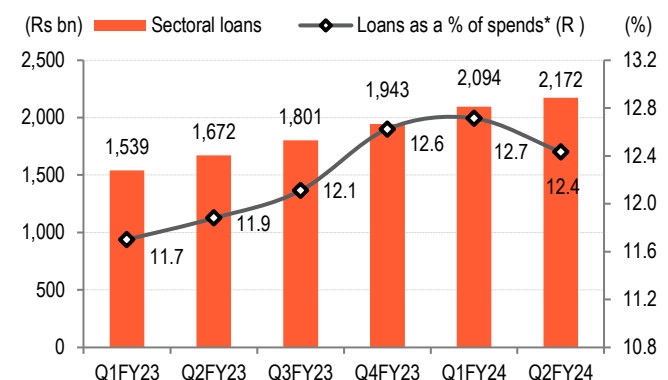
Receivables (loans on balance sheet), which comprise unpaid dues from transactions as well as revolving balances and conversion of spends to installment loans, grew 30% YoY to Rs 2.2tn in H1FY24. Loans as a percentage of spends have fallen from 21% in FY21 to 13.5% in FY23 and 12.8% at the end of September. SBICARD, the only listed pure-play credit card business, has seen a similar moderation in loans-to-spends ratio.

Fig 3 – Loans as a % of spends have moderated



Source: Company, BOBCAPS Research | *Data is annualised

Fig 4 – Q2FY24 sees a decline after a rising trend



Source: Company, BOBCAPS Research | *Data for loans as a % of spends is annualised

Fig 5 – Top 4 beat sector on loans-to-spends ratio, average balance per card

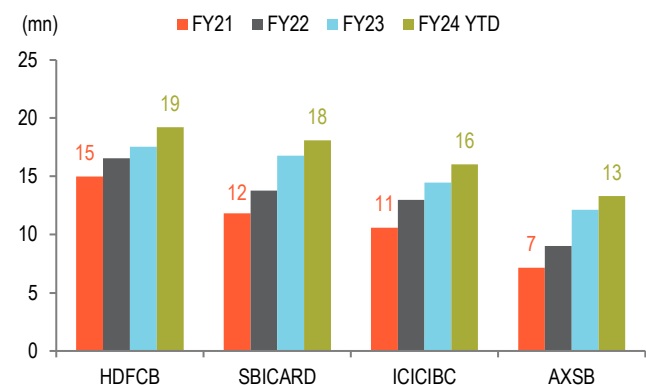
Particulars	FY21	FY22	FY23	H1FY24*	H1FY23*
Sector					
Spends (Rs bn)	6,324	9,748	14,373	8,485	6,807
Loans (Rs bn)	1,317	1,484	1,943	2,172	1,672
Loans/Spends (%)	20.8	15.2	13.5	12.8	12.3
Card o/s (mn)	62.0	73.6	85.3	93.0	77.7
Avg balance per card (Rs)	21,226	20,158	22,775	23,351	21,515
HDFCB					
Spends (Rs bn)	1,956	2,570	4,008	2,350	1,885
Loans (Rs bn)	647	768	861	909	820
Loans/Spends (%)	33.1	29.9	21.5	19.3	21.7
Card o/s (mn)	15.0	16.5	17.5	18.8	16.3
Avg balance per card (Rs)	43,157	46,416	49,102	48,273	50,198
SBICARD					
Spends (Rs bn)	1,228	1,867	2,615	1,517	1,222
Loans (Rs bn)	235	302	394	436	365
Loans/Spends (%)	19.1	16.2	15.1	14.4	14.9
Card o/s (mn)	11.8	13.8	16.8	17.9	14.8
Avg balance per card (Rs)	19,844	21,927	23,482	24,369	24,615
ICICIB					
Spends (Rs bn)	923	1,953	2,578	1,481	1,314
Loans (Rs bn)	173	251	378	432	334
Loans/Spends (%)	18.7	12.8	14.7	14.6	12.7
Card o/s (mn)	10.6	13.0	14.5	15.6	13.3
Avg balance per card (Rs)	16,355	19,310	26,172	27,628	25,077
AXSB					
Spends (Rs bn)	530	836	1,348	1,017	626
Loans (Rs bn)	134	158	317	358	206
Loans/Spends (%)	25.2	19.0	23.5	17.6	16.5
Card o/s (mn)	7.1	9.0	12.1	13.1	8.8
Avg balance per card (Rs)	18,725	17,540	26,126	27,270	23,383

Source: Company, BOBCAPS Research | *Data for loans as a % of spends is annualised | Note: For HDFCB, loans from FY22 onwards are for payment products as the bank does not provide data for credit cards separately

Cards outstanding continue to rise

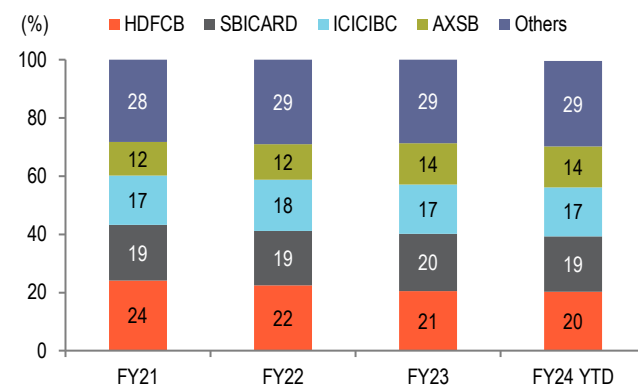
Sectoral credit cards outstanding have increased at a strong 17% CAGR over FY21-FY23 to 85.3mn and further to 94.7mn at the end of Oct'23. The top 4 players constituted 70% market share and held on to their rankings.

Fig 6 – Aggregate cards outstanding growing rapidly



Source: Company, BOBCAPS Research

Fig 7 – Top 4 market share largely maintained at >70%



Source: Company, BOBCAPS Research

Fig 8 – Cards outstanding – Top 4 constitute 60% of the net addition in FY24 YTD

(mn)	FY23	FY24 YTD	Net Addition
Sector	85.3	94.7	9.4
HDFCB	17.5	19.2	1.7
SBICARD	16.8	18.1	1.3
ICICIBC	14.5	16.0	1.5
AXSB	12.1	13.3	1.2

Source: Company, BOBCAPS Research

AXSB ramping up focus on cards business

AXSB, in its recent analyst day, confirmed the growing importance of its credit card business. The Citi deal has had a positive impact, as reflected in the 20% rise in monthly retail spends per account and 15% rise in balance per account during Jul-Sep'23 as compared to Dec'22- Feb'23.

Fig 9 – Citi integration benefitting the cards business



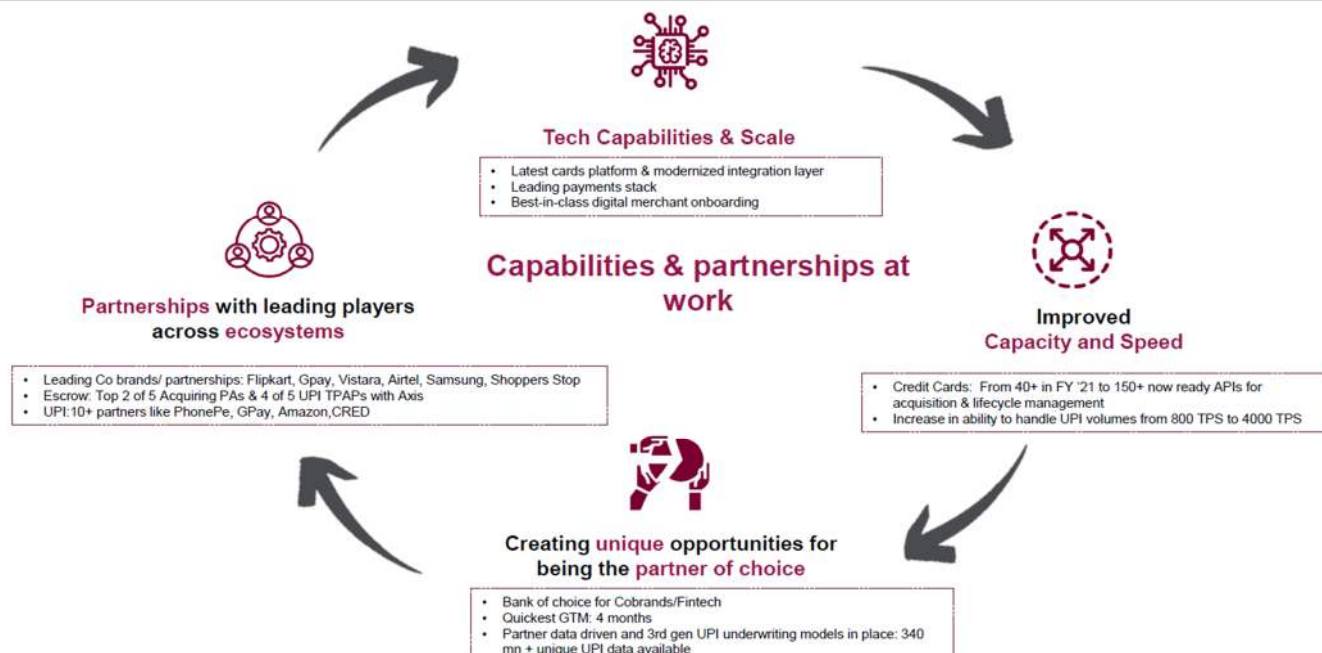
* active card customer in Rs - these are average of 3 months (Dec'22-Feb'23 taken for Pre LD1 and Jul-Sep'23 taken for One Axis)

Source: Company, BOBCAPS Research | LD1= Legal Day1

Analyst day highlights

- AXSB is the fourth largest player in the credit card business, with 14% market share in cards in force (CIF) and 12% share in card spends as of H1FY24.
- The bank's market share has risen over the last three years as its CIF and spends clocked a 24%/72% CAGR, beating the industry's 17%/52% growth rate over H1FY21-H1FY24.
- The bank has witnessed 72% YoY growth in its credit card portfolio during Q2FY24, leading to a 39% increase in retail cards and payment fees.
- During the 12 months to September, AXSB has issued 4.5mn cards, one of the highest in the industry.
- In UPI PSP (payment service provider), the bank is the second largest player with 19% market share and has posted an 81% CAGR between H1FY21 and H1FY24, marginally higher than the industry's 80%.
- AXSB is the second-largest merchant-acquiring bank, commanding 18.6% market share in point-of-sale (POS) terminals at end-H1FY24 as compared to 12.8% share at end-FY21 (fourth position).
- The bank continues to attract customers through its reward programmes: 'Miles Transfer', 'Dining Delights' and 'Duty Free'.

Fig 10 – Card business capabilities



Source: Company, BOBCAPS Research | API: Application Programming Interface; GTM: Go to Market; TPAP: Third Party Application Providers; TPS: Transaction Per Second; UPI: Unified Payment Interface

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Note: Recommendation structure changed with effect from 21 June 2021

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