BUY
TP: Rs 1,139 | ▲ 33%

SBI CARD | NBFC | 28 October 2022

Dull quarter on high opex and credit costs

- **Operating expenses rose 33% YoY in Q2 on higher client acquisition cost; credit cost also moved up**
- **Lower revolver share in receivables mix coupled with increased funding cost weighed on NIM**
- **We cut FY23-FY25 EPS 6-12%, yielding a lower TP of Rs 1,139 (vs. Rs 1,227); maintain BUY**

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NII in line…: SBI Card's Q2FY23 net interest income (NII) at Rs.11.1bn was in line with our expectations, but management expects the full effect of higher funding costs to reflect in Q3. Revolvers at 24% share of the receivables mix remained low, keeping NIM under pressure. Non-interest income grew 29% YoY to Rs 18.1bn (vs. Rs 19bn est.) and total revenue increased 28% YoY to Rs 34.5bn (3% below est.).

…but PAT disappoints: Q2 net profit rose 52% YoY (-16% QoQ) to Rs 5.3bn but was 19% lower than our estimates primarily due to (i) a rise in operating expenses by 33% YoY (10% QoQ) to Rs 18.3bn (3% above est.) due to spending on new client acquisition, and (ii) an increase in credit cost by 21% QoQ (-8% YoY) to Rs 5.5bn (2% above est.) with gross credit cost above 6%. We, accordingly, lower our net profit estimates by 6-12% for FY23-FY25.

Corporate spends low; card addition robust: SBI Card's Q2 credit card spends grew 43% YoY to Rs 623bn (Rs 675bn est.) boosted by festive season e-commerce sales in the last week of September. Retail constituted 82% share and grew 45% YoY. Corporate spend grew 34% but was affected by the company's decision to exit some unprofitable categories. We revise card spends downwards by 4-6% to Rs 2.4tn/ Rs 2.9tn/Rs 3.4tn for FY23/FY24/FY25. The company's cards in force grew 18% YoY to 14.8mn (19.1% market share at end-Sep'22) with new account additions up 36%.

Asset quality strong: GNPA/NNPA remained stable at 2.1%/0.8% at end-Q2FY23, and we expect levels of <3%/~1% over FY23-FY25. Although credit cost was higher than expected in Q2, we anticipate a climbdown in coming quarters as ECL (expected credit losses) remained lower than pre-Covid levels. We bake in credit cost of ~6% over FY23-FY25 vs. our earlier forecast of 6.5-7.0%.

Maintain BUY: We lower EPS estimates by 6-12% over FY23-FY25 to factor in higher expenses and funding costs leading to a revised TP of Rs 1,139 (vs. Rs 1,227). Our TP reflects an unchanged FY24E P/E of ~36x, 1SD below the long-term mean. The stock is currently trading at an attractive valuation of 27x FY24E P/E. We retain BUY for a potential upside of 33%.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	SBICARD IN/Rs 858
Market cap	US$ 9.9bn
Free float	31%
3M ADV	US$ 16.4mn
52wk high/low	Rs 1,157/Rs 656
Promoter/FPI/DII	69%/9%/17%

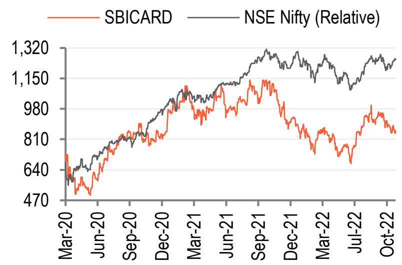
Source: NSE | Price as of 27 Oct 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Net interest income (Rs	38,387	45,730	58,782
NII growth (%)	(1.7)	19.1	28.5
Adj. net profit (Rs mn)	16,161	22,690	30,063
EPS (Rs)	17.0	23.9	31.6
Consensus EPS (Rs)	17.0	26.5	33.2
P/E (x)	50.4	35.9	27.1
P/BV (x)	10.5	8.3	6.5
ROA (%)	5.2	5.8	6.3
ROE (%)	23.0	25.9	27.0

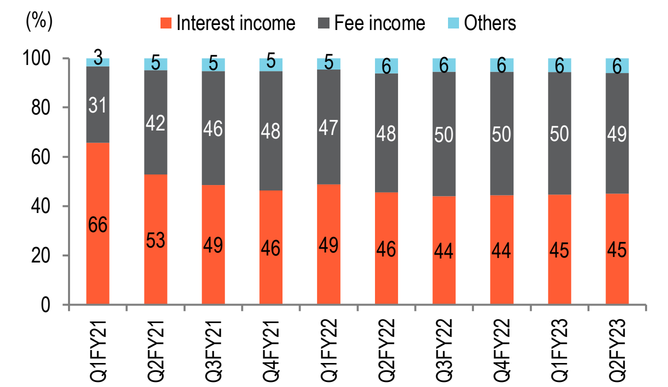
Source: Company, Bloomberg, BOBCAPS Research

Stock performance



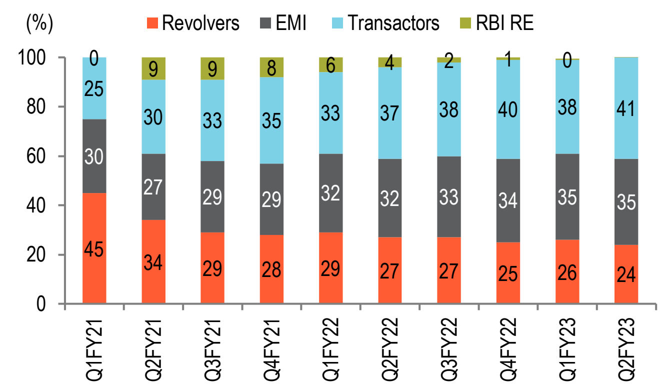
Source: NSE

Fig 1 – Interest income growth QoQ better than fee income



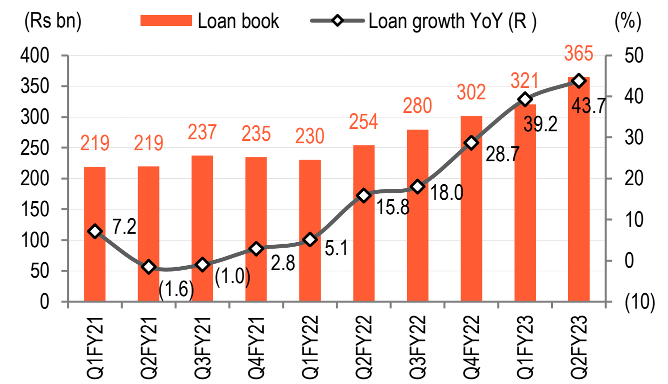
Source: Company, BOBCAPS Research

Fig 2 – Revolvers declined 2ppt QoQ in receivables mix



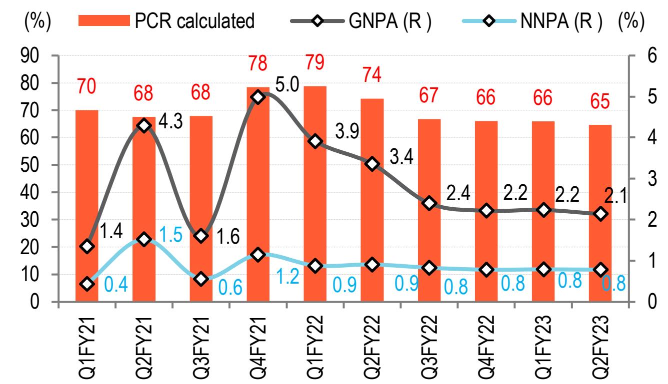
Source: Company, BOBCAPS Research | EMI: Equated Monthly Installment, RBI RE: - RBI Restructuring

Fig 3 – Loan book grew 44% YoY



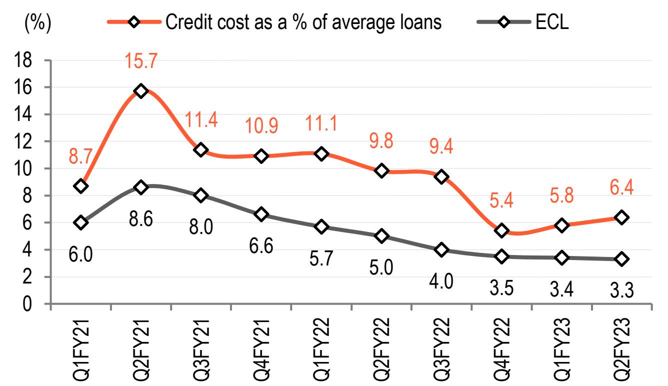
Source: Company, BOBCAPS Research

Fig 4 – Asset quality strong



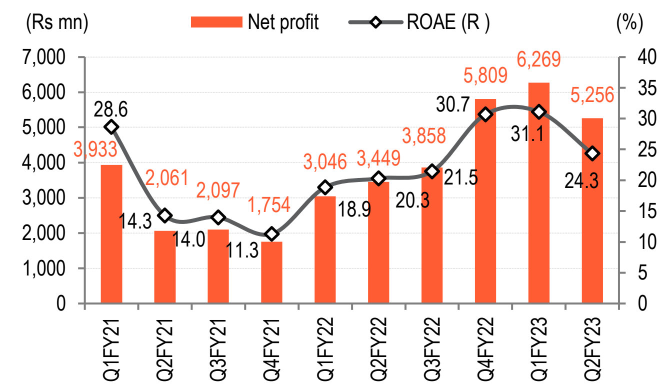
Source: Company, BOBCAPS Research | PCR: Provision Coverage Ratio, GNPA & NNPA: Gross & Net Non-Performing Assets

Fig 5 – Credit cost increased in Q2 but ECL stable



Source: Company, BOBCAPS Research

Fig 6 – High-margin business saw higher expenses



Source: Company, BOBCAPS Research

Earnings call highlights – Q2FY23

Cost of funding to rise further

- Funding cost remained high in Q2FY23 even as management expects the full impact of rising interest rates to be felt in Q3, guiding for a minimum increase of 40-50bps.
- Q2 NIM stood at 12.3% and management expects it to remain stable as optimisation of the receivables mix likely offsets the cost of funds impact, limiting margin movement to +/-10-20bps on a sequential basis.

Receivables mix – Lower revolvers share

- Revolver share remained low in the gross receivables mix at 24% for Q2. According to management, if the last 10 days of September (e-commerce annual sales) were excluded, then the revolver share would be almost equal to Q1FY23. The percentage of customers who are revolving is more or less stable. Moreover, lower revolvers remain an industry-wide phenomenon.
- On account of the festival season, the percentage of spends converting into equated monthly installments (EMI) was higher than normal. SBI Card indicated that it was difficult to gauge the proportion of revolving spends because of the large volumes of customers shifting from revolver to transactor and vice versa.
- Management expects the share of corporate spending to return to 24-25% of overall spends in a gradual, calibrated manner.

Cards outstanding strong

- SBI Card exited the quarter at a strong tally of 470,000 cards. The parent bank's (SBIN) channel contributed 40% of these. Bancassurance contribution has increased since July this year.
- The company reiterated its plan of adding a minimum of 300,000 cards (net) per month.

Cash-back card launched

- SBI Card launched a new cash-back card last month. From the profitability perspective, costs are expected to be low because (i) acquisition is only through digital channels, and (ii) annual fees are Rs 999 vs. its 'Simply Click' card fee of Rs 499.

Operating expenses and cost ratios climb higher

- The increase in Q2 operating expenses was led by higher customer acquisition cost. The festive season extends to Q3 this year and hence we expect the company's cost-to-income ratio to remain elevated.
- Employee costs declined sequentially despite the same headcount due to a change in actuarial estimates on long-term employee benefits.

Credit costs increased sequentially

- Credit costs increased sequentially primarily due to (i) Stage 1 provisions at 1.7% where repayments will occur only over a period of time, and (ii) recalibration in risk appetite which led to an increase in Stage 3 and 4 provisions.
- In our view, credit costs need to be looked at in conjunction with ECL which is a better indicator of future performance. SBI Card's ECL at 3.3% is still below pre-Covid levels of 3.5-3.75%.

Limited impact of new RBI rule

- Over 95% of SBI Card's portfolio consists of spend- or balance-active cards and, therefore, the new RBI regulation requiring closure of cards inactive for over a year has had a limited impact. Moreover, the company's 30-day active rate remains at 50% and has improved steadily MoM since August.
- Over-limit fee which is 5-6% of fee income will be negatively affected as the new rules coming into effect from 1 October mandate that penal interest, late payment charges and other related charges be levied only on the amount outstanding after the due date and not on the total amount. However, management did not offer any guidance on potential EPS impact.

Earnings call highlights – Q1FY23

- **Card sourcing:** New sourcing of cards by SBIN was low at 32% in Q1FY23 because of audits held at bank branches in April on account of the year end. SBI Card maintains its strategy of sourcing 50% of new cards from the bank and expects to see this mix from Q2. However, management indicated that it has ramped up open market sourcing to make up for the lower SBIN-led acquisition.
- **Card addition:** SBI Card intends to add a minimum of 0.3mn new cards per month. In Q4FY22, the company added ~1mn cards followed by 0.9mn in Q1. It also aims to address the high customer attrition rate.
- **Cost of funding:** The company meets 60-65% of its total debt requirements by borrowing for the short term. In Q2FY23, we could see the cost of funds rising to 5.6-5.8% as higher interest rates kick in.
- **Spends-based fee:** Management does not expect the spends-based fee to reach the erstwhile 160bps as several new categories such as utility, insurance and fuels that increased during the pandemic attract a lower interchange fee. However, travel and lodging have now crossed pre-Covid levels and should see the impact on spends-based fees going forward.
- **Member-based fees:** Member-based fees, which are charged to new customers, have seen a downward trend per card because there are reversal fees once a customer meets certain spending criteria.
- **Revolver mix:** Revolver share in the receivables mix has increased, which is positive as this has come with an increase in customers. Also, the term book has risen to ~35% at end-Q1FY23 vs. 34% QoQ. Interest earning assets (IEA) have moved from 59% in Q4FY22 to 61% in Q1FY23.
- **Spreads:** The company intends to protect spreads but cannot increase the yield due to competitive pressures. However, if an opportunity arises to raise yield on the term book, it will be taken.
- **Risk matrix:** Overall credit cost reduction gives the company an opportunity to recalibrate certain segments. For instance, the share of self-employed clients has been rising in the last few quarters and they have a higher propensity to revolve.
- **Spends:** Spends per active card are similar in the bancassurance and non-banca channels. Revolve rates in banca are lower than non-banca.
- **Commercial spends:** This is not a specific product. Some corporates do B2B spends like vendor payments. However, as these go through various aggregators and it leads to changes in pricing which is not beneficial for SBI Cards, the business has been curtailed currently.
- **Term loan book:** This can be divided into: (1) loans given on top of credit card limit (average is 33-34 months), (2) spends converted into term product (8.5-9 months).
- **Key markets:** Tier-3 & above cities provide 50% of the incremental business for SBI Card. Cost of acquisition here is lower as business is sourced primarily from the

bancassurance channel. The SBIN brand is strong in such cities. Online percentage of spends is similar to tier 1 although spends are comparatively lower.

- **Market share:** SBI Card has a strategy to increase market share by boosting technology and enhancing underwriting channels, which will also be margin accretive. However, the company remains mindful of the right customer mix.

- **Co-branded card:** The company has a co-branded card with Aditya Birla Finance – the latter is a regulated entity and hence the card can be offered to many of its customers without any documentation/KYC.

- **UPI Rupay card:** The RBI has allowed Rupay credit cards to be operational on UPI, which is positive for the company as it has 1mn+ such cards and is one of the largest providers of these cards in the industry. The benefits are increased spends and higher usage by customers in smaller towns and cities as they are on the UPI platform. Discussions on merchant discount rate (MDR) are underway at NPCI (National Payments Corporation of India), specifically on lower value transactions.

  However, credit card companies need the MDR as (1) the customer gets a credit-free period of 52 days which entails a cost of funds for the issuer, (2) the customer gets a value proposition and rewards which is a cost for the company, (3) there are certain costs although small at the initial stage because of RBI guidelines such as second-factor authentication and PIN.

- **Online vs. offline:** Profitability from products purchased doesn't vary with the buying medium, but is more customer dependent. In other words, there is no difference in the MDR earned by SBI Card if a customer purchases online or offline.

- **Cards backed by FD:** The company's card offering backed by fixed deposits, and hence secured, has not been successful as customers often look to break their FDs within 6-9 months. Also, the attrition was high in such products and the customer stickiness low, thus impacting profitability.

- **Corporate cards:** These are fewer in number at 50-60k out of a total of ~14mn cards for the company.

- **Restructuring:** The company's RBI restructuring is almost complete with just Rs 1.5bn left. The ECL (Expected Credit Loss) is 3.3% and this signifies a standard provisioning model.

Financial highlights

Fig 7 – P&L account

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
Interest income	14,845	11,732	26.5	13,873	7.0	48,660	49,467	(1.6)
Interest expense	3,677	2,541	44.7	3,084	19.2	10,273	10,434	(1.5)
Net Interest Income (NII)	11,168	9,190	21.5	10,789	3.5	38,387	39,033	(1.7)
Non -interest income	18,126	14,031	29.2	17,130	5.8	58,112	43,498	33.6
-Fee income	16,108	12,440	29.5	15,380	4.7	52,266	39,077	33.8
Revenue from operations	**32,971**	**25,762**	**28.0**	**31,003**	**6.3**	**1,06,773**	**92,965**	**14.9**
Other income	1,562	1,192	31.1	1,626	(3.9)	6,243	4,171	49.7
Total income	34,533	26,955	28.1	32,628	5.8	1,13,015	97,136	16.3
Operating expenses	18,340	13,833	32.6	16,633	10.3	58,462	47,079	24.2
PPOP	**12,517**	**10,580**	**18.3**	**12,912**	**(3.1)**	**44,280**	**39,623**	**11.8**
Provisions and contingencies	**5,460**	**5,939**	**(8.1)**	**4,503**	**21.3**	**22,558**	**26,386**	**(14.5)**
PBT	7,057	4,641	52.0	8,409	(16.1)	21,722	13,237	64.1
Tax	1,800	1,192	51.0	2,140	(15.9)	5,560	3,392	63.9
PAT	**5,256**	**3,449**	**52.4**	**6,269**	**(16.2)**	**16,161**	**9,845**	**64.2**

Source: Company, BOBCAPS Research

Fig 8 – Balance sheet

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
Financial assets	3,98,395	2,75,690	44.5	3,51,960	13.2	3,29,726	2,54,133	29.7
Cash and bank balances	10,355	7,270	42.4	10,530	(1.7)	11,064	7,201	53.6
Loans	3,64,998	2,53,940	43.7	3,20,790	13.8	3,01,873	2,34,591	28.7
Other financial assets	23,042	14,480	59.1	20,640	11.6	16,790	12,341	36.1
Non- financial assets	17,416	15,980	9.0	16,630	4.7	16,758	15,996	4.8
Deferred tax assets	2,470	3,610	(31.6)	2,300	7.4	2,185	3,951	(44.7)
PP&E, other fixed and intangible	4,471	3,580	24.9	4,540	(1.5)	4,537	3,182	42.6
Other non-financial assets	10,475	8,790	19.2	9,790	7.0	10,036	8,863	13.2
Total Assets	**4,15,811**	**2,91,670**	**42.6**	**3,68,590**	**12.8**	**3,46,484**	**2,70,129**	**28.3**
Financial liabilities	3,13,330	2,03,010	54.3	2,72,140	15.1	2,56,828	1,96,636	30.6
Borrowings including lease liabilities	2,81,860	1,90,230	48.2	2,47,920	13.7	2,29,825	1,78,948	28.4
Other financial liabilities	31,470	12,780	146.2	24,220	29.9	27,004	17,688	52.7
Non- financial liabilities	13,291	18,790	(29.3)	12,710	4.6	12,129	10,472	15.8
Provisions	5,515	12,400	(55.5)	5,030	9.6	4,774	4,097	16.5
Other non-financial liabilities	7,777	6,390	21.7	7,680	1.3	7,355	6,376	15.4
Total Liabilities	3,26,621	2,21,800	47.3	2,84,850	14.7	2,68,957	2,07,108	29.9
Equity	**89,190**	**69,870**	**27.7**	**83,740**	**6.5**	**77,527**	**63,020**	**23.0**
Equity share capital	9,433	9,410	0.2	9,432	0.0	9,432	9,405	0.3
Other equity	79,757	60,460	31.9	74,308	7.3	68,095	53,615	27.0
Total Liabilities and Equity	**4,15,811**	**2,91,670**	**42.6**	**3,68,590**	**12.8**	**3,46,484**	**2,70,129**	**28.3**

Source: Company, BOBCAPS Research

Fig 9 – Ratio analysis

(%)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
Yield	17.3	19.4	(206bps)	17.8	(51bps)	18.1	21.4	(324bps)
Cost of funds	5.6	5.6	(6bps)	5.2	39bps	5.0	5.9	(88bps)
Spread	11.8	13.8	(200bps)	12.7	(90bps)	13.2	15.5	(236bps)
Net interest margin (NIM - calculated)	11.9	14.0	(207bps)	12.7	(76bps)	13.1	15.9	(272bps)
NIM (as provided)	12.3	14.1	(184bps)	13.2	(96bps)	13.9	15.9	(200bps)
Return on avg. Assets (ROAA)	5.4	4.9	41bps	7.0	(165bps)	5.2	3.8	148bps
Return on avg equity (ROAE)	24.3	20.3	403bps	31.1	(678bps)	23.0	16.9	609bps
Cost to income	59.4	56.7	277bps	56.3	314bps	56.9	54.3	260bps
Credit costs	6.4	9.8	(344bps)	5.8	58bps	8.4	11.4	(299bps)
GNPA	2.1	3.4	(122bps)	2.2	(8bps)	2.2	5.0	(277bps)
NNPA	0.8	0.9	(13bps)	0.8	0bps	0.8	1.2	(37bps)

Source: Company, BOBCAPS Research

Fig 10 – Corporate spends lower in Q2 as some categories are no longer served

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Retail	2,70,980	3,50,700	4,24,170	4,18,720	4,54,880	5,08,950
Corporate	61,620	84,910	1,29,800	1,22,630	1,41,830	1,14,110
Total spends	**3,32,600**	**4,35,610**	**5,53,970**	**5,41,350**	**5,96,710**	**6,23,060**
Composition (in %)						
Retail	81.5	80.5	76.6	77.3	76.2	81.7
Corporate	18.5	19.5	23.4	22.7	23.8	18.3

Source: Company, BOBCAPS Research

Fig 11 – Recalibrating the sourcing risk; self-employed had a higher share in Q2

Business	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
New sourcing (%)						
Salaried	83	80	78	76	74	70
Self employed	17	20	22	24	26	30
Cards in force (%)						
Salaried	84	85	85	84	84	83
Self employed	16	15	15	16	16	17
Cards in force - Indexed 30+ delinquency						
Salaried	0.91	0.92	0.93	0.95	0.96	0.97
Self employed	1.53	1.51	1.44	1.33	1.30	1.20

Source: Company, BOBCAPS Research

Valuation methodology

We remain positive on credit card growth in India given the government's push for digital transactions and the growing internet reach. Demonetisation and Covid-19 have also lent a fillip to the cashless mode of transactions. SBI Card is the only listed credit card player in India and in a strong position to grow, backed by a wide array of offerings, including co-branded cards, that drive robust spends. The company derives key synergistic benefits from parent SBIN, including access to an extensive branch network and ready customer base with high cross-sell opportunities.

During Q2FY23, the company recorded its highest ever spends owing to online festive shopping but saw a mixed performance overall. Although spends were robust, the company decided to exit some unprofitable corporate categories, leading us to revise card spend estimates down by 4-6% to Rs 2.4tn/Rs 2.9tn/Rs 3.4tn for FY23/FY24/FY25. While we expect operating expenses to remain high due to customer acquisition costs, robust asset quality prompts us to reduce our credit cost assumptions by 9-12% over FY23-FY25, especially considering ECL is below pre-Covid levels.

Overall, we lower our FY23/FY24/FY25 EPS estimates by 12%/7%/6% to factor in higher expenses and funding costs partially offset by lower credit costs, leading to a revised TP of Rs 1,139 (vs. Rs 1,227). Our TP is based on an unchanged ~36x FY24E P/E, 1SD below the long-term mean. The stock is currently trading at an attractive valuation of 27x FY24E P/E. We retain BUY for a potential upside of 33%. Our secondary residual income model assumes COE of 11.9% and terminal growth of 5.5%, and yields a similar target price.

Fig 12 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Spends	24,30,759	29,14,666	33,91,452	25,74,332	30,59,593	35,48,789	(5.6)	(4.7)	(4.4)
Loans	3,88,922	4,69,261	5,49,415	3,73,278	4,51,290	5,28,770	4.2	4.0	3.9
Total income	1,39,514	1,70,114	2,01,339	1,43,549	1,74,848	2,08,259	(2.8)	(2.7)	(3.3)
PPOP	50,889	64,991	78,790	58,041	71,246	84,586	(12.3)	(8.8)	(6.9)
Credit costs	20,554	24,800	29,036	23,499	27,927	31,872	(12.5)	(11.2)	(8.9)
PAT	22,690	30,063	37,216	25,838	32,403	39,430	(12.2)	(7.2)	(5.6)

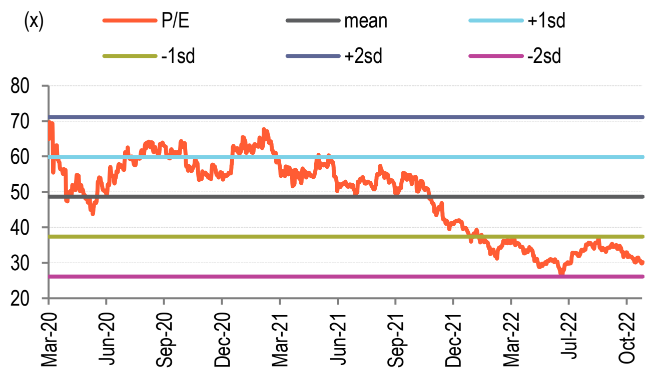
Source: Company, BOBCAPS Research

Fig 13 – Valuation summary

Parameter	
Cost of equity (%)	11.9
Terminal growth rate (%)	5.5
PV of Residual Income (Rs mn)	9,92,949
Current Book Value (Rs mn)	89,190
Estimated Market Value (Rs mn)	10,82,139
Shares (mn)	951
Estimated Price Per Share (Rs)	1,138

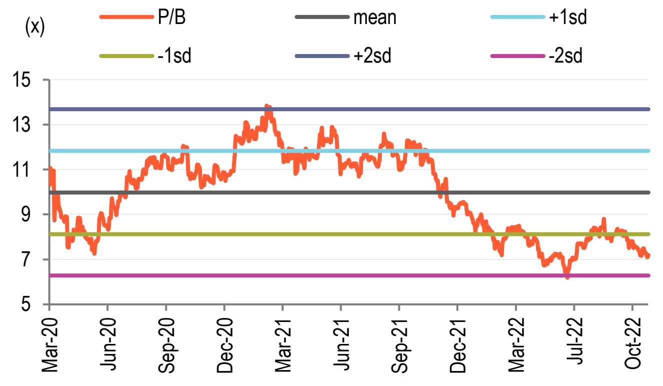
Source: Company, BOBCAPS Research

Fig 14 – SBI Card: 1Y fwd P/E



Source: Company, BOBCAPS Research

Fig 15 – SBI Card: 1Y fwd P/B



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- **UPI gaining market share:** Digital payments have gained market share over the last few years owing to their ease of use and secure process, with the usage of cards, UPI (unified payment interface) and wallet-based payment systems rising considerably. UPI's market share (by value) has soared from 1% in FY17 to 88% at end-FY22, proving to be a challenge to the credit card business which saw its share decline from 19.9% at end-FY17 to 2% at end-FY22. UPI has been highly popular as there are no merchant discount rate (MDR) charges on transactions, which are instead borne by the RBI and banks. However, we believe that such services can't be offered for free indefinitely. Besides, UPI is a prepaid mode of transaction.

- **MDR overhang:** RBI has sporadically raised the issue of lowering the merchant discount rate on credit cards. The overall MDR range is currently 1-3%. With this rate being regulated for debit cards, there lies a risk that credit cards could also be brought under regulation. However, there is a cost for financial institutions to set up the payments infrastructure and, thus, there should be compensation. Therefore, despite the risk, we believe MDR is unlikely to be eliminated altogether.

- **Static per card spends:** Spends per card per month have remained broadly static for the industry – growing from Rs 10,285 in FY18 to Rs 10,636 in FY20 (but down to Rs 8,494 in FY21 which was an aberration) and Rs 11,033 in FY22. SBI Card showed similar trends, growing from Rs 10,256 in FY18 to Rs 10,395 in FY20 (Rs 8,656 in FY21) and Rs 11,302 in FY22.

- **Other risks:** (1) Any modification of terms with the parent or SBIN lowering its stake further could be detrimental to growth. SBI Card is required to pay a royalty fee of 2% of PAT or 0.2% of total income, whichever is higher, to SBIN within two months of the end of every financial year. (2) Technology plays an important part in the credit card business. With the increased use of digital payments, there is a constant risk of cyberattacks which could disrupt day-to-day operations. This apart, RBI is very strict about customer data storage which could lead to restrictions on sourcing new clients, as was recently seen with a leading card player. Although these matters will be resolved eventually, there could be business losses in the interim.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	**39,033**	**38,387**	**45,730**	**58,782**	**72,032**
NII growth (%)	10.2	(1.7)	19.1	28.5	22.5
Non-interest income	43,498	58,112	72,074	83,146	94,985
Total income	97,136	1,13,015	1,39,514	1,70,114	2,01,339
Operating expenses	47,079	58,462	73,220	85,810	99,335
PPOP	39,623	44,280	50,889	64,991	78,790
PPOP growth (%)	8.0	11.8	14.9	27.7	21.2
Provisions	26,386	22,558	20,554	24,800	29,036
PBT	13,237	21,722	30,335	40,191	49,754
Tax	3,392	5,560	7,644	10,128	12,538
Reported net profit	**9,845**	**16,161**	**22,690**	**30,063**	**37,216**
Adjustments	0	0	0	0	0
Adjusted net profit	**9,845**	**16,161**	**22,690**	**30,063**	**37,216**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity capital	9,405	9,432	9,432	9,432	9,432
Reserves & surplus	53,615	68,095	88,409	1,15,145	1,48,559
Net worth	63,020	77,527	97,841	1,24,577	1,57,991
Debt securities	59,329	71,063	91,192	1,09,590	1,27,795
Borrowings	1,06,635	1,46,801	1,88,381	2,26,388	2,63,995
Other liab. & provisions	41,144	51,093	57,357	61,876	65,730
Total liab. & equities	**2,70,129**	**3,46,484**	**4,34,771**	**5,22,432**	**6,15,512**
Cash & bank balance	7,201	11,064	5,980	7,094	9,644
Investments	9,576	12,972	17,015	20,403	23,740
Advances	2,34,591	3,01,873	3,88,922	4,69,261	5,49,415
Fixed & Other assets	18,761	20,576	22,855	25,675	32,712
Total assets	**2,70,129**	**3,46,484**	**4,34,771**	**5,22,432**	**6,15,512**
Total debt growth (%)	2.8	26.1	27.2	20.2	16.6
Advances growth (%)	2.8	28.7	28.8	20.7	17.1

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	10.4	17.0	23.9	31.6	39.2
Dividend per share	0.0	2.5	2.5	3.5	4.0
Book value per share	66.4	81.6	102.9	131.1	166.2

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
P/E	82.7	50.4	35.9	27.1	21.9
P/BV	12.9	10.5	8.3	6.5	5.2
Dividend yield (%)	0.0	0.3	0.3	0.4	0.5

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Net interest income	14.9	12.5	11.7	12.3	12.7
Non-interest income	16.6	18.8	18.5	17.4	16.7
Operating expenses	18.0	19.0	18.7	17.9	17.5
Provisions	10.1	7.3	5.3	5.2	5.1
ROA	3.8	5.2	5.8	6.3	6.5
Leverage (x)	4.5	4.4	4.5	4.3	4.0
ROE	16.9	23.0	25.9	27.0	26.3

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Net interest income	10.2	(1.7)	19.1	28.5	22.5
Pre-provisioning profit	8.0	11.8	14.9	27.7	21.2
EPS	(21.4)	64.0	40.3	32.5	23.8
Profitability & Return ratios (%)					
Net interest margin	15.9	13.1	12.3	12.8	13.2
Fees / Avg. assets	16.6	18.8	18.5	17.4	16.7
Cost-Income	54.3	56.9	59.0	56.9	55.8
ROE	16.9	23.0	25.9	27.0	26.3
ROA	3.8	5.2	5.8	6.3	6.5
Asset quality (%)					
GNPA	5.0	2.2	2.3	2.6	2.7
NNPA	1.2	0.8	0.9	0.9	1.0
Slippage ratio	12.6	7.2	4.3	4.3	4.3
Credit cost	11.4	8.4	6.0	5.8	5.7
Provision coverage	77.9	65.3	63.9	65.5	64.0
Ratios (%)					
Loans to Total debt	129.8	132.5	134.2	134.7	135.3
CAR	24.8	23.8	23.2	23.9	25.6
Tier-1	20.9	21.0	20.9	22.0	24.0

Source: Company, BOBCAPS Research

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

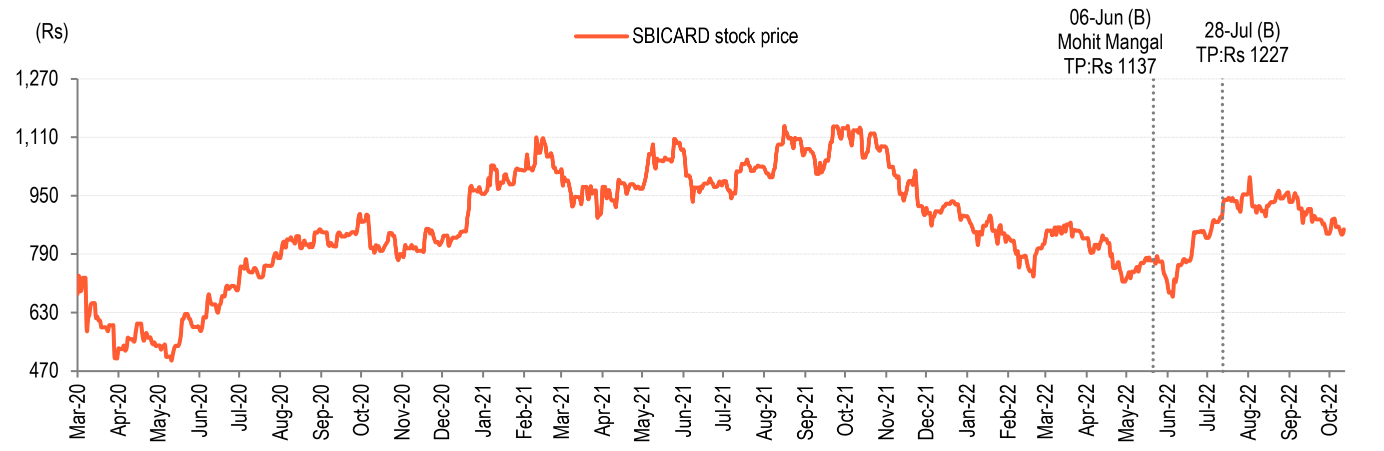
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SBI CARD (SBICARD IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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