

November 2022

VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	76,568
Enterprise value (Rs in Cr)	103,719
52-Week High/Low	1095/656
EPS (TTM)	22.5
P/E Ratio (TTM)	36.1
Book Value per share (Rs)	94.6
Industry P/E	26.2
P/B Ratio (calc at CMP)	8.61
Dividend Yield (%)	0.31
Cash equivalents (Rs. Cr)	1036
Debt (Rs. Cr)	28,186

SHAREHOLDING PATTERN (%)

Promoters	69.41
FII's	8.82
DII's	16.99
Public	4.78

FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
NII	3838.7	4500	5690
Growth (%)	-1.2	17.22	26.4
Operating Profit	4428	5380	6280
PAT	1616	2450	3120
PAT growth (%)	64	51	27
NIM (%)	13.5	13	13.2
EPS (Rs)	17.1	26.1	33.1
RoE (%)	23	27.5	27.8
RoA (%)	5.2	6.1	6.8
P/E	50	32.8	25.8
P/BV	10.4	8.2	6.4
P/ABV	10.7	8.3	6.7

PRICE PERFORMANCE



Our Recommendation: SBI Cards is India's second largest card provider company that has good brand name. The company has positioned itself a big player in growing credit card market in India. Asset quality is expected to remain under good control, but margin may remain under pressure as borrowing cost increases. Festive season and linkage of RuPay credit card to UPI will help company improve its financial numbers in coming quarters. We value the stock at Rs. 970 (premised on 30x FY24E EPS). We recommend BUY in price range Rs. 780-800 with target price Rs 970 (upside 22%).

Investment Rationale:

About Company: SBI Cards and Payment Services Ltd is an Indian credit card company. Individual cardholders and corporate clients can choose from a credit card portfolio that includes lifestyle, rewards, travel and fuel, shopping, banking partnership cards, and corporate cards that cater to all cardholder income profiles and lifestyles. It provides a diverse credit card portfolio that includes SBI Card-branded credit cards as well as co-branded credit cards that bear the SBI Card brand as well as the brands of its co-brand partners. It provides four primary SBI Card-branded credit cards: SimplySave, SimplyClick, Prime, and Elite, each of which caters to a different set of cardholder needs.

Q2FY23 Results: SBI Cards reported an average set of numbers.

- Revenue increased by 27.98% year on year to Rs. 3297 crore in Q2FY23, up from Rs. 2576 crore in Q2FY22. Revenue increased by 6.35% sequentially from Rs. 3100 crores in the previous quarter (Q1FY23).
- Net interest income expanded to Rs. 1,117cr (+3.5% QoQ, +21.5% YoY).
- SBI Cards reported 12.3% NIMs, owing to a drop in gross interest yields from 16.7% in Q1FY23 to 15.7% in Q2FY23.
- SBI Cards reported a consolidated net profit of Rs. 526 crores, up 52.4% YoY from Rs. 345 crores in Q2FY22. Sequentially Net Profit declined by 16% from Rs. 626.91 crore.

Con-Call Highlights:

- Industry spends increased 53% YoY in September 2022 due to festive season spends, improving economic activities.
- Strong growth in electronics, hotel, restaurant, entertainment and furnishing segments.
- The management is hoping to see healthy discretionary spending in coming quarters.
- Spendings per average card increased from Rs. 1.42 lakh to Rs. 1.7 lakh.
- Credit card spends have surpassed Rs.1 trillion for the sixth consecutive month, with September'22 seeing the highest spends due to the early festive season and robust festive demand.
- The impact of the new RBI guidelines on inactive cards is limited because approximately 95% of cards are in accordance with the order.
- NIMs guidance is expected to remain stable at around 12%, and management is confident that the effect of higher CoFs will be passed on.
- The company's monthly net issuance target of 300,000 cards remains unchanged.

Quarterly financial result, standalone (Rs. Cr)

Y/E March (INR Crore)	Q2FY23	Q2FY22	YoY chang. (%)	Q1FY23	QoQ chang. (%)
Interest income	1484	1173	26.5%	1387	7.0%
interest expenses	368	254	44.9%	308	19.5%
NII	1117	919	21.5%	1079	3.5%
Non-interest income	1969	1522	29.4%	1876	5.0%
Total net income	3086	2411	28.0%	2934	5.2%
Total Income	3453	2696	28.1%	3263	5.8%
operating expenses	1834	1383	32.6%	1663	10.3%
Total Expenditure	2202	1638	34.4%	1972	11.7%
Pre provision profit	1252	1058	18.3%	1291	-3.0%
provisions	546	594	-8.1%	450	21.3%
PBT	706	464	52.2%	841	-16.1%
Tax	180	119	51.3%	214	-15.9%
Net profit	526	345	52.5%	627	-16.1%
EPS	5.5	3.6	52.8%	6.6	-16.7%

Asset Quality

Y/E March (INR Crore)	Q2FY23	Q2FY22	YoY chang. (%)	Q1FY23	QoQ chang. (%)
Gross NPAs	807.4	898.5	-10.10%	744	8.50%
Net NPAs	235.5	222.4	5.90%	262.4	-10.30%
Gross NPAs (%)	2.10%	3.40%	-122 bps	2.24%	-10 bps
Net NPAs (%)	0.78%	0.90%	-13 bps	0.79%	-1 bps

Income statement, standalone (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Interest Income	2,760	3,576	4,841	4,928	4,866
Interest Expense	712	1,009	1,301	1,043	1,027.3
Net Interest Income	2,049	2,566	3,540	3,884	3,838
<i>Growth (%)</i>	<i>50.70%</i>	<i>25%</i>	<i>38%</i>	<i>10%</i>	<i>-2%</i>
Non-Interest Income	2,610	3,711	4,911	4,786	6,480
Total Income	4,659	6,277	8,451	8,670	10,274
<i>Growth (%)</i>	<i>58.3</i>	<i>34.7%</i>	<i>34.6%</i>	<i>2.6%</i>	<i>18.5%</i>
Operating Expenses	2,939	3,795	4,782	4,708	5,846
Pre-Provision Profit	1,719	2,483	3,670	3,962	4,428
<i>Growth (%)</i>	<i>55.8</i>	<i>44.4%</i>	<i>47.8%</i>	<i>8.0%</i>	<i>11.8%</i>
Provisions (excl. tax)	800	1,148	1,940	2,639	2,256
PBT	919	1,335	1,730	1,324	2,172
Tax	318	470	485	339	556
<i>Tax Rate (%)</i>	<i>34.6%</i>	<i>35.2%</i>	<i>28.0%</i>	<i>25.6%</i>	<i>25.6%</i>
PAT	601	865	1,245	984	1,616
<i>Growth (%)</i>	<i>61.20%</i>	<i>43.9%</i>	<i>43.9%</i>	<i>-20.9%</i>	<i>64.2%</i>

Balance Sheet, standalone (Rs Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Share Capital	785	837	939	941	943
Reserves and Surplus	1,568	2,751	4,402	5,362	6,810
Net Worth	2,353	3,588	5,341	6,302	7,753
Borrowings	11,413	13,549	17,573	17,895	22,983
Other Liabilities and Prov.	1,920	3,009	2,393	2,816	3,913
Total Liabilities	15,686	20,146	25,306	27,013	34,649
Current Assets	473	777	677	720	1,106
Investments	0	1.5	1.5	958	1,297
Loans	14,046	17,909	22,812	23,459	30,187
Growth (%)	40.7	27.5%	27.4%	2.8%	28.7%
Fixed Assets	277	216	335	318	454
Other Assets	891	1,243	1,481	1,558	1,604
Total Assets	15,686	20,146	25,306	27,013	34,649

Y/E March	FY18	FY19	FY20	FY21	FY22
GNPA (INR Cr)	412.5	452.9	484.4	1,254.3	693.4
NNPA (INR Cr)	134.8	151.8	158.9	277.6	240.9
GNPA Ratio	2.8	2.4	2	5	2.2
NNPA Ratio	0.9	0.8	0.7	1.1	0.8
Slippage Ratio	3.1	5.9	5.9	12.8	8
Credit Cost	6.4	6.2	9.1	10.7	8

Key Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22
Per Share Data (Rs)					
EPS	7.4	9.43	13.35	10.48	17.16
BV/Share	29.98	42.78	56.88	67.01	82.2
DPS	0	1	1	0	3
Valuation Ratios					
P/E	112	80.4	61.2	81.9	50
P/BV	28.6	20	15.1	12.8	10.4
Return Ratios (%)					
ROE	31.6	29.1	27.9	16.9	23
ROA	4.5	4.8	5.5	3.8	5.2
Asset Quality					
GNPA	2.8	2.4	2	5	2.2
NNPA	0.9	0.8	0.7	1.1	0.8
Slippage Ratio	3.1	5.9	5.9	12.8	8
Credit Cost	6.4	6.2	9.1	10.7	8

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