

Jan 27, 2024

RESULT REPORT Q3 FY24 | Sector: Financials

SBI Cards and Payment Services

Most metrics witness deterioration

Slower card addition, higher credit cost and lower RoA/RoE

SBI Card delivered an in-line PPOP but 7% miss on PAT owing to higher credit cost. New card addition further moderated to 1.1mn during the quarter and was lower 4% qoq and 33% yoy, driving a significant deceleration in CIF growth to 16% yoy (from 20%+ in preceding quarters). Retail spends growth was robust at 20% qoq/35% yoy owing to strong festive spends and attractive cashbacks/rewards offered by the company. Receivables grew by solid 8.4% qoq/26.5% yoy and share of interest earning balances was stable at 62% (though Revolvers' share marginally declined within).

Sharp increase in CoF was almost offset by improvement in portfolio yield, and hence NIM was stable. Fee income growth was stronger-than-expected at 16% qoq/37% yoy, and almost mimicked the significant growth in spends. Non-employee opex grew sharply manifesting attractive cashbacks/rewards offered by the company in festive months. Cost/Income ratio rose to 60%. Notwithstanding much lower share of revolvers, the portfolio continued to witness higher delinquencies and flows. GNPLs rose to 2.6% and credit cost for the quarter stood at 7.5% (an eight-quarter high). Higher cost/income and provisions impacted RoA/RoE which stood at 4.1%/19.2%.

Management expects card addition to remain controlled and credit cost to remain elevated

In the light of sustained delinquency flows, the co. has taken requisite corrective actions in certain geographies and customer segments, which would likely keep new card addition run-rate under check for a couple of quarters. It was noticeable in Q3 FY24 that new sourcing was curtailed in Self-Employed customer profile, Category B Govt. Salaried segment, below 30 years age group and Tier-3 locations. As per the management, the increased delinquencies are not coming from a particular channel but from customers having multiple trade lines/loans. Besides abovementioned tightening of acquisition, the co. is also scrubbing credit bureau data of existing customers to take specific actions. With delinquency flow being generalized and not belonging to a particular cohort, the credit cost is expected to remain at current elevated levels for few quarters. CoF is expected to further increase in coming quarters owing to increased RW by RBI and tight liquidity conditions, and thus NIM would likely remain under pressure.

Lowered RoE and potential risk of losing Spends' market share; Downgrade to Neutral

With sustained moderated card addition (on the back of increased delinquencies), the growth in CIF is anticipated to decelerate further. This could impact future spends growth and co.'s market share, and hence slow the overall income growth. While NIMs should improve when interest rates soften, the extent of recovery could be restricted by limited/slower increase in revolvers' share. Since delinquencies are coming from across the portfolio, there is no visibility about when the credit cost would start to moderate. We cut FY25 earnings estimate by 6% as the pressure on RoE is likely to persist. Downgrade the Stock to Neutral with a 12m PT of Rs800.

Reco.	: NEUTRAL
CMP	: Rs 760
Target Price	: Rs 800
Potential Return	: 5.3%

Stock data (as on Jan 25, 2024)

Nifty	21,353
52 Week h/l (Rs)	933 / 696
Market cap (Rs/USD mn)	710184 / 8547
Outstanding Shares (mn)	951
6m Avg t/o (Rs mn)	1,166
Div yield (%)	0.3
Bloomberg code:	SBICARD IN
NSE code:	SBICARD

Stock performance



	1M	3M	1Y
Absolute return	-0.6%	-3.9%	8.7%

Shareholding pattern

Promoter	68.9%
FII+DII	26.4%
Others	4.7%

Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	ADD
Target Price	800	900

Δ in earnings estimates

	FY24e	FY25e	FY26e
EPS (New)	25.2	30.3	38.9
EPS (Old)	26.5	34.6	42.7
% Change	-4.8%	-12.3%	-8.9%

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Op. income	1,54,548	1,85,543	2,21,451
PPOP	65,027	80,194	97,367
Net profit	23,865	28,693	36,809
Growth (%)	5.7	20.2	28.3
EPS (Rs)	25.2	30.3	38.9
ABVPS (Rs)	122.3	149.2	184.4
P/E (x)	30.1	25.1	19.5
P/ABV (x)	6.2	5.1	4.1
ROE (%)	21.9	21.6	22.6
ROA (%)	4.7	4.6	5.0

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Exhibit 1: Result table

(Rs mn)	Q3 FY24	Q2 FY24	% qoq	Q3 FY23	% yoy
Revenue from operations	46,217	40,874	13.1	35,071	31.8
Interest expenses	(6,955)	(6,049)	15.0	(4,643)	49.8
Net interest income	39,262	34,825	12.7	30,428	29.0
Other Income	1,199	1,341	(10.6)	1,490	(19.5)
Total Income	40,461	36,165	11.9	31,919	26.8
Total Expenses	(24,256)	(20,656)	17.4	(19,745)	22.8
Pre-provision profit	16,205	15,510	4.5	12,174	33.1
Provisions	(8,829)	(7,416)	19.1	(5,330)	65.6
Profit before Tax	7,376	8,094	(8.9)	6,843	7.8
Tax	(1,885)	(2,064)	(8.7)	(1,749)	7.8
Profit after Tax	5,491	6,030	(8.9)	5,095	7.8

Exhibit 2: Key Financial data

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
Yield on assets	17.2	16.8	0.4	16.4	0.8
Cost of funds	7.6	7.1	0.5	6.3	1.3
NIMs	11.3	11.3	-	11.6	(0.3)
Cost / Income	59.9	57.1	2.8	61.9	(2.0)
GNPA (%)	2.6	2.4	0.2	2.2	0.4
NNPA (%)	1.0	0.9	0.1	0.8	0.2
Provision coverage ratio (%)	64.1	64.1	-	64.2	(0.1)
CAR (%)	18.4	23.3	(4.9)	23.3	(4.9)
Tier I (%)	16.3	20.8	(4.5)	20.6	(4.3)
Tier II (%)	2.1	2.5	(0.4)	2.7	(0.6)
RoAA (%)	4.1	4.9	(0.8)	4.8	(0.7)
RoAE (%)	19.2	22.3	(3.1)	22.0	(2.8)

Source: Company, YES Sec

Exhibit 3: Composition of Receivables

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
Term Balances /EMI	38.0	38.0	-	37.0	1.0
Revolver	23.0	24.0	(1.0)	24.0	(1.0)
RBI RE	-	-	-	-	-
Transactor	38.0	38.0	-	39.0	(1.0)

Source: Company, YES Sec

Exhibit 4: Cards and Spends data

Key Indicators	Q3 FY24	Q2 FY24	qoq (%)	Q3 FY23	yoy (%)
CIF ('000)	18,500	17,900	3.4	15,900	16.4
New accounts ('000)	1,096	1,142	(4.0)	1,634	(32.9)
Spends (Rs mn)	9,68,600	7,91,640	22.4	6,88,350	40.7
Corporate Spends (Rs mn)	2,33,410	1,77,180	31.7	1,42,730	63.5
Retail Spends (Rs mn)	7,35,190	6,14,460	19.6	5,45,620	34.7
Retail Spends (% of Total Spends)	75.9	77.6	(1.7)	79.3	(3.4)
Online Spends (% of Retail Spends)	57.0	57.0	-	57.0	-
Avg. Annual Spend/Card ('000)	213	180	18.3	179	19.0
30 days active - (%)	52.0	50.0	2.0	51.0	1.0
Receivables (Rs mn)	4,88,500	4,50,780	8.4	3,86,260	26.5
Receivables per card (Rs)	26,438	25,220	4.8	24,318	8.7
Market Share in Industry CIF (%)	18.9	19.2	(0.3)	-	18.9
Market Share in Industry Spends (%)	18.3	17.9	0.4	-	18.3

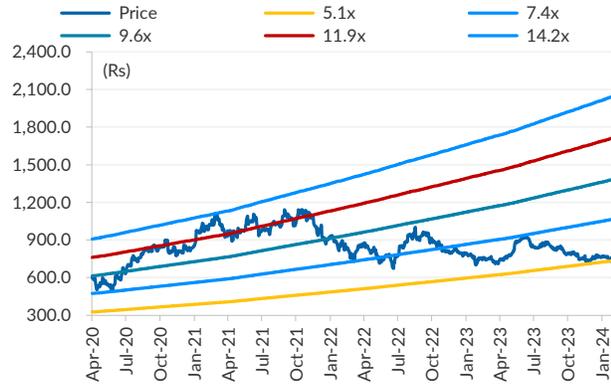
Source: Company, YES Sec

Exhibit 5: New Sourcing profile

(%)	Q3 FY24	Q2 FY24	chg qoq	Q3 FY23	chg yoy
Channel Mix (%)					
SBI sourcing	49.0	49.0	-	49.0	-
Open market sourcing	51.0	51.0	-	51.0	-
Occupation Mix (%)					
Salaried	62.0	59.0	3.0	66.0	(4.0)
Self employed	38.0	41.0	(3.0)	34.0	4.0
Salaried Mix (%)					
Govt. / PSU	33.0	28.0	5.0	28.0	5.0
Category A	24.0	24.0	-	28.0	(4.0)
Category B	44.0	48.0	(4.0)	44.0	-
Age Profile Mix (%)					
Under 30	33.0	35.0	(2.0)	36.0	(3.0)
31-45	47.0	48.0	(1.0)	49.0	(2.0)
>45	21.0	17.0	4.0	15.0	6.0
City Tier Mix (%)					
Tier 1	28.0	27.0	1.0	28.0	-
Tier 2	18.0	18.0	-	18.0	-
Tier 3	32.0	33.0	(1.0)	31.0	1.0
Others	22.0	22.0	-	22.0	-

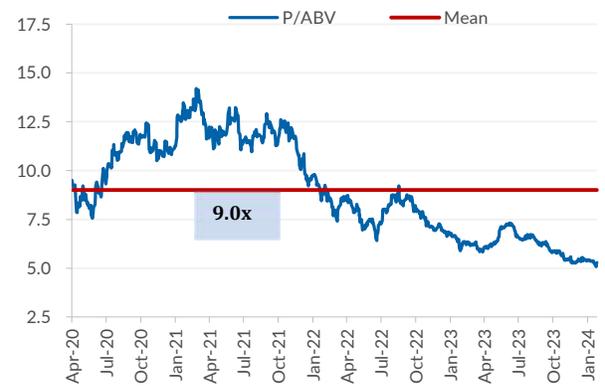
Source: Company, YES Sec

Exhibit 6: 1-yr rolling P/ABV band



Source: Company, YES Sec

Exhibit 7: 1-year rolling P/ABV vis-a-vis the mean



Source: Company, YES Sec

FINANCIALS

Exhibit 8: Balance Sheet

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
Equity and Liabilities					
Equity Share Capital	9,432	9,461	9,461	9,461	9,461
Other Equity	68,095	88,840	1,10,167	1,36,323	1,70,594
Share-holders fund	77,527	98,301	1,19,628	1,45,784	1,80,055
Financial Liabilities	2,56,828	3,42,010	4,26,807	5,08,067	6,03,788
Derivative financial instruments	0	11	11	11	11
Payables	11,277	14,060	16,872	20,246	23,283
Debt Securities	71,063	66,062	82,578	98,267	1,16,938
Borrowings (Other than Debt Securities)	1,46,801	2,31,429	2,89,286	3,44,250	4,09,658
Subordinated Liabilities	11,960	13,605	17,007	20,238	24,083
Other Financial Liabilities	15,727	16,843	21,054	25,055	29,815
Non-Financial Liabilities	12,129	15,145	17,417	20,029	23,033
Provisions	4,774	6,380	7,337	8,437	9,703
Other non-financial liabilities	7,355	8,765	10,080	11,592	13,330
Total Liabilities + Equity	3,46,484	4,55,456	5,63,852	6,73,880	8,06,876
Assets					
Financial Assets	3,29,726	4,34,138	5,38,909	6,44,399	7,71,793
Cash and Cash Equivalents	7,582	9,898	3,323	5,002	8,135
Bank balances	3,482	3,647	4,194	4,823	5,546
Derivative financial instruments	0	0	0	0	0
Receivables	1,685	1,422	1,422	1,422	1,422
Loans	3,01,873	3,93,610	5,01,852	6,02,223	7,22,668
Investments	12,972	21,397	23,537	25,890	28,479
Other Financial Assets	2,133	4,165	4,581	5,040	5,543
Non- Financial Assets	16,758	21,318	24,943	29,481	35,083
Current tax assets (Net)	412	57	0	0	0
Deferred tax assets (Net)	2,185	2,467	2,467	2,467	2,467
Property, Plant and Equipment	392	604	634	665	699
Capital WIP	5	61	61	61	61
Intangible assets	1,302	1,201	1,201	1,201	1,201
Right-of-use Assets	2,839	3,872	4,259	4,685	5,153
Other Non-Financial Assets	9,623	13,058	16,322	20,403	25,503
Total Assets	3,46,484	4,55,456	5,63,852	6,73,880	8,06,876

Source: Company, YES Sec

Exhibit 9: Income statement

Y/e 31 Mar (Rs m)	FY22	FY23	FY24E	FY25E	FY26E
Income from Operations	1,06,773	1,36,667	1,75,836	2,12,484	2,52,144
Interest expense	(10,273)	(16,476)	(26,364)	(32,525)	(36,835)
Net interest income	96,500	1,20,190	1,49,472	1,79,959	2,15,309
Non-interest income	6,243	6,190	5,076	5,584	6,142
Total operating income	1,02,742	1,26,381	1,54,548	1,85,543	2,21,451
Total operating expenses	(58,462)	(74,484)	(89,521)	(1,05,348)	(1,24,084)
PPoP	44,280	51,896	65,027	80,194	97,367
Provisions	(22,558)	(21,591)	(33,004)	(41,692)	(47,975)
Profit before tax	21,722	30,306	32,023	38,502	49,392
Taxes	(5,560)	(7,721)	(8,158)	(9,809)	(12,584)
Net profit	16,162	22,585	23,865	28,693	36,809

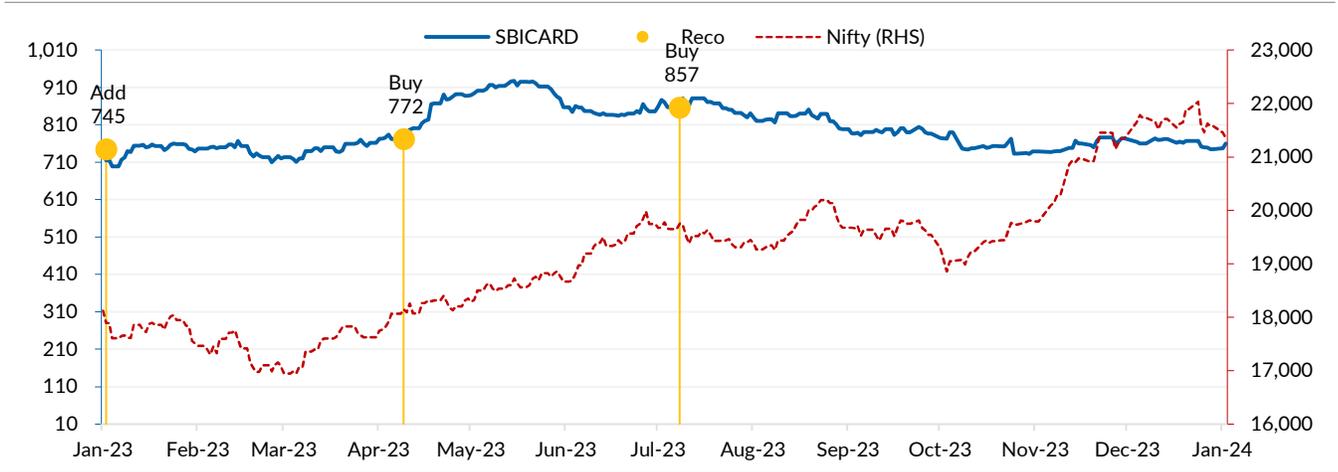
Source: Company, YES Sec

Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Net interest income	16.9	24.5	24.4	20.4	19.6
Total op income	18.5	23.0	22.3	20.1	19.4
Op profit (pre-provision)	11.8	17.2	25.3	23.3	21.4
Net profit	64.2	39.7	5.7	20.2	28.3
Loans	28.7	30.4	27.5	20.0	20.0
Borrowings + Debt	28.4	35.4	25.0	19.0	19.0
Total assets	28.3	31.5	23.8	19.5	19.7
Profitability Ratios (%)					
NIM	12.5	11.2	10.6	10.9	11.3
Non-interest income /Total income	6.1	4.9	3.3	3.0	2.8
Return on Avg. Assets	5.2	5.6	4.7	4.6	5.0
Return on Avg. Equity	23.0	25.7	21.9	21.6	22.6
Per share ratios (Rs)					
EPS	17.1	23.9	25.2	30.3	38.9
Adj. BVPS	79.6	100.2	122.3	149.2	184.4
DPS	2.5	2.5	2.5	2.5	2.5
Other key ratios (%)					
Loans/Borrowings	131.3	126.5	129.1	130.1	131.2
Cost/Income	56.9	58.9	57.9	56.8	56.0
CAR	23.8	23.1	17.1	17.1	17.3
NNPA (%)	0.8	0.9	0.8	0.8	0.8
Credit Cost	8.0	6.0	7.1	7.3	7.0
Tax rate	25.6	25.5	25.5	25.5	25.5

Source: Company, YES Sec

Recommendation Tracker



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