

SBI Cards

Estimate change



TP change



Rating change



| | |
|-----------------------|-------------|
| Bloomberg | SBICARD IN |
| Equity Shares (m) | 946 |
| M.Cap.(INRb)/(USD\$b) | 722.4 / 8.7 |
| 52-Week Range (INR) | 933 / 691 |
| 1, 6, 12 Rel. Per (%) | -2/-22/-13 |
| 12M Avg Val (INR M) | 1102 |

Financials & Valuations (INR b)

| Y/E MARCH | FY23 | FY24E | FY25E |
|-------------------|------|-------|-------|
| NII | 44.0 | 53.4 | 68.8 |
| OP | 51.9 | 64.6 | 83.4 |
| NP | 22.6 | 23.8 | 32.1 |
| NIM (%) | 12.2 | 11.6 | 11.9 |
| EPS (INR) | 23.9 | 25.1 | 34.0 |
| EPS Gr. (%) | 39.3 | 5.1 | 35.3 |
| BV/Sh. (INR) | 104 | 127 | 157 |
| ABV/Sh. (INR) | 101 | 123 | 154 |
| Ratios | | | |
| RoE (%) | 25.7 | 21.8 | 23.9 |
| RoA (%) | 5.6 | 4.6 | 5.0 |
| Valuations | | | |
| P/E(X) | 31.8 | 30.3 | 22.4 |
| P/BV (X) | 7.3 | 6.0 | 4.8 |
| P/ABV (X) | 7.5 | 6.2 | 4.9 |

Shareholding pattern (%)

| As On | Dec-23 | Sep-23 | Dec-22 |
|----------|--------|--------|--------|
| Promoter | 68.8 | 68.9 | 69.1 |
| DII | 16.3 | 17.3 | 16.7 |
| FII | 9.4 | 9.1 | 9.1 |
| Others | 5.6 | 4.4 | 5.1 |

FII Includes depository receipts

CMP: INR760

TP: INR850 (+12%)

Downgrade to Neutral

Asset quality continues to disappoint; NIMs stable

Spending growth remains healthy

- SBI Cards (SBICARD) reported another muted quarter as PAT missed our estimate by 8% due to high provisions (14% higher than our estimate). PAT declined 9% QoQ to INR5.49b in 3QFY24. NII grew 7% QoQ (largely inline).
- Margin was flat QoQ at 11.3% as an increase in yields was largely offset by an increase in CoF. The share of revolver further moderated, while EMI mix was stable. Spending growth was healthy at 41% YoY/22% QoQ, with retail spending up 35% YoY and corporate spending up 64% YoY.
- Asset quality remained under pressure, with GNPA/NNPA ratios increasing 21bp/7bp QoQ to 2.64%/0.96%. RoA/RoE too moderated to 4.1%/19.2%. Further, the increase in risk weights impacted CRAR by ~400bp to 18.4%.
- We further cut our FY24E/FY25E EPS by 2%/3%, factoring in higher credit costs. While we expect SBICARD to deliver healthy earnings CAGR over FY24-26 however the disappointing earnings run-rate over past several quarters which has driven consistent cut in our estimates along with limited near term earnings visibility keeps us watchful. **We downgrade our rating to Neutral with a revised TP of INR850 (premised on 21x Sep'25E EPS).**

Cost ratios to remain elevated; credit cost rises further

- SBICARD posted an 8% miss on PAT at INR5.49b (down 9% QoQ), as provisions came in 14% higher than our estimate at INR8.8b. Gross credit costs/ECL stood elevated at 7.5%/3.5% in 3QFY24.
- NII rose 21% YoY/ 7% QoQ to INR13.9b (in line). Margins stood flat QoQ at 11.3% as the cost of funds rose 50bp QoQ to 7.6%, while the mix of revolver declined marginally to ~23%. CoF is expected to stay elevated in 4Q as the impact on funding costs from the revision in risk weight will reflect fully.
- Fee income grew by a healthy 37% YoY/16% QoQ and formed 57% of total income. While Opex grew 23% YoY/17% QoQ to INR24.3b (9% higher than our estimate). Thus, PPop rose 33% YoY (in line). The C/I ratio inched up to 60% vs. 57% in 2Q and 56% in 1Q.
- Cards-in-force rose 16% YoY/3% QoQ to 18.5m in 3QFY24. New card sourcing declined marginally by 4% to ~1.1m (-33% YoY/-4% QoQ), as the company follows a cautious approach, with the open market channel now contributing 51% to total sourcing (58% on an outstanding basis).
- Overall spending jumped 41% YoY/22% QoQ, with retail/corporate spending rising 35%/64% YoY. The share of online retail spending was steady at 57% in 3Q. Receivables grew at a healthy pace of 8% QoQ (+26% YoY).
- GNPA/NNPA ratios inched up marginally by 21bp/7bp QoQ to 2.64%/0.96%. PCR was broadly stable at 64.1% in 3Q.

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Highlights from the management commentary

- Despite the impact of the revision in risk weight, SBICARD has a comfortable level of Tier-1 capital. The company raised tier-2 capital in Jan'24 and will be looking to raise more Tier-2 capital.
- From 2QFY25, the cost of funds is expected to stabilize. The credit cost guidance was 6% in 1QFY24, but now the company is already at 7.5%, amid the RBI's caution on rising delinquencies in unsecured retail.
- NIMs stood flat QoQ, but the cost pressure due to the increase in risk weights is expected to impact margins in 4Q as well.

Valuation and view

SBICARD reported a sub-par quarter, characterized by elevated provisions. The outlook on margins remains weak due to a sharp rise in funding costs. The mix of revolvers and EMI loans remains stable, while the management indicated that the recent hardening of interest rates, along with the impact of risk weights, will exert pressure on funding costs in the coming quarters. As a result, margins should remain muted in 4Q and 1HFY25. The outlook on any increase in the mix of EMI and Revolver loans remains uncertain, while the asset quality stress is likely to drive provisions high in the coming quarters as well. However, on the positive side, spending growth remains healthy and the company sees healthy traction in new card additions. The reversal in the rate cycle and lagged improvements in revolver mix remain the key triggers, though they appear to be few quarters away from now. We further cut our FY24E/FY25E EPS by 2%/3%, factoring in higher credit costs. While we expect SBICARD to deliver healthy earnings CAGR over FY24-26 however the disappointing earnings run-rate over past several quarters which has driven consistent cut in our estimates along with limited near term earnings visibility keeps us watchful. **We downgrade our rating to Neutral with a revised TP of INR850 (premised on 21x Sep'25E EPS).**

Quarterly performance**(INR b)**

| | FY23 | | | | FY24 | | | | FY24E | FY24E 3QE | V/s our Est |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | |
| Net Interest Income | 10.8 | 11.2 | 11.4 | 11.7 | 12.3 | 13.0 | 13.9 | 14.2 | 53.4 | 13.5 | 2.5 |
| % Change (Y-o-Y) | 16.7 | 21.5 | 14.9 | 16.7 | 14.3 | 16.1 | 21.2 | 22.3 | 21.3 | 18.2 | |
| Other Income | 18.8 | 19.7 | 20.5 | 22.4 | 22.4 | 23.2 | 26.6 | 27.5 | 99.7 | 24.5 | 8.4 |
| Total Income | 29.5 | 30.9 | 31.9 | 34.1 | 34.8 | 36.2 | 40.5 | 41.7 | 153.1 | 38.1 | 6.3 |
| Operating Expenses | 16.6 | 18.3 | 19.7 | 19.8 | 19.6 | 20.7 | 24.3 | 24.0 | 88.5 | 22.3 | 8.9 |
| Operating Profit | 12.9 | 12.5 | 12.2 | 14.3 | 15.2 | 15.5 | 16.2 | 17.8 | 64.6 | 15.8 | 2.7 |
| % Change (Y-o-Y) | 22.5 | 18.3 | 6.4 | 22.0 | 17.3 | 23.9 | 33.1 | 24.2 | 24.5 | 29.6 | |
| Provisions | 4.5 | 5.5 | 5.3 | 6.3 | 7.2 | 7.4 | 8.8 | 9.3 | 32.7 | 7.7 | 14.3 |
| Profit before Tax | 8.4 | 7.1 | 6.8 | 8.0 | 8.0 | 8.1 | 7.4 | 8.5 | 31.9 | 8.1 | -8.4 |
| Tax | 2.1 | 1.8 | 1.7 | 2.0 | 2.0 | 2.1 | 1.9 | 2.2 | 8.1 | 2.1 | -8.2 |
| Net Profit | 6.3 | 5.3 | 5.1 | 6.0 | 5.9 | 6.0 | 5.5 | 6.3 | 23.8 | 6.0 | -8.5 |
| % Change (Y-o-Y) | 105.8 | 52.4 | 32.1 | 2.7 | -5.4 | 14.7 | 7.8 | 5.8 | 5.2 | 17.8 | |
| Operating Parameters | | | | | | | | | | | |
| Loan (INRb) | 320.8 | 365.0 | 373.5 | 393.6 | 418.1 | 435.6 | 471.6 | 497.5 | 497.5 | 466.4 | |
| Loan Growth (%) | 39.2 | 43.7 | 33.6 | 30.4 | 30.3 | 19.3 | 26.3 | 26.4 | 26.4 | 24.9 | |
| Asset Quality | | | | | | | | | | | |
| Gross NPA (%) | 2.2 | 2.1 | 2.2 | 2.4 | 2.4 | 2.4 | 2.6 | 2.8 | 2.7 | 2.4 | |
| Net NPA (%) | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 0.9 | |
| PCR (%) | 65.1 | 64.0 | 64.2 | 63.6 | 63.8 | 64.1 | 64.1 | 64.5 | 64.5 | 64.6 | |

Quarterly snapshot

| | FY23 | | | | FY24E | | | Change (%) | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|------------|
| Profit and Loss (INR m) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | YoY | QoQ |
| Interest Income | 13,873 | 14,845 | 16,089 | 16,724 | 18,042 | 19,018 | 20,825 | 29 | 10 |
| Interest Expenses | 3,084 | 3,677 | 4,643 | 5,073 | 5,711 | 6,049 | 6,955 | 50 | 15 |
| Net Interest Income | 10,789 | 11,168 | 11,446 | 11,651 | 12,332 | 12,969 | 13,870 | 21 | 7 |
| Other Income | 18,755 | 19,689 | 20,473 | 22,442 | 22,419 | 23,197 | 26,591 | 30 | 15 |
| Fee Income | 15,380 | 16,108 | 16,697 | 17,857 | 18,981 | 19,739 | 22,929 | 37 | 16 |
| Others | 3,376 | 3,581 | 3,776 | 4,585 | 3,438 | 3,457 | 3,662 | -3 | 6 |
| Total Income | 29,545 | 30,856 | 31,919 | 34,093 | 34,750 | 36,165 | 40,461 | 27 | 12 |
| Operating Expenses | 16,633 | 18,340 | 19,745 | 19,799 | 19,599 | 20,656 | 24,256 | 23 | 17 |
| Employee | 1,386 | 1,290 | 1,421 | 1,521 | 1,453 | 1,478 | 1,444 | 2 | -2 |
| Others | 15,247 | 17,050 | 18,324 | 18,278 | 18,147 | 19,177 | 22,812 | 24 | 19 |
| Operating Profits | 12,912 | 12,517 | 12,174 | 14,294 | 15,151 | 15,510 | 16,205 | 33 | 4 |
| Provisions | 4,503 | 5,460 | 5,330 | 6,298 | 7,186 | 7,416 | 8,829 | 66 | 19 |
| PBT | 8,409 | 7,057 | 6,843 | 7,997 | 7,966 | 8,094 | 7,376 | 8 | -9 |
| Taxes | 2,140 | 1,800 | 1,749 | 2,032 | 2,033 | 2,064 | 1,885 | 8 | -9 |
| PAT | 6,269 | 5,256 | 5,095 | 5,965 | 5,933 | 6,030 | 5,491 | 8 | -9 |
| Balance Sheet (INR b) | | | | | | | | | |
| Loans | 3,20,790 | 3,64,998 | 3,73,540 | 3,93,610 | 4,18,130 | 4,35,565 | 4,71,640 | 26 | 8 |
| Asset Quality (INR b) | | | | | | | | | |
| GNPA | 7,440 | 8,074 | 8,575 | 9,570 | 10,428 | 10,954 | 12,896 | 50 | 18 |
| NNPA | 2,597 | 2,907 | 3,070 | 3,485 | 3,775 | 3,932 | 4,630 | 51 | 18 |
| Ratios | | | | | | | | | |
| | FY23 | | | | FY24E | | | Change (bp) | |
| Asset Quality Ratios (%) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | YoY | QoQ |
| GNPA | 2.2 | 2.1 | 2.2 | 2.4 | 2.4 | 2.4 | 2.6 | 42 | 21 |
| NNPA | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 16 | 7 |
| PCR (Calc.) | 65.1 | 64.0 | 64.2 | 63.6 | 63.8 | 64.1 | 64.1 | -10 | 0 |
| Credit Cost | 5.6 | 6.2 | 5.6 | 6.3 | 6.9 | 6.8 | 7.5 | 189 | 68 |
| ECL | 3.4 | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 | 3.5 | 20 | 10 |
| Business Ratios (%) | | | | | | | | | |
| Fees to Total Income | 52.1 | 52.2 | 52.3 | 52.4 | 54.6 | 54.6 | 56.7 | 436 | 209 |
| Cost to Income | 56.3 | 59.4 | 61.9 | 58.1 | 56.4 | 57.1 | 59.9 | -191 | 283 |
| Tax Rate | 25.4 | 25.5 | 25.6 | 25.4 | 25.5 | 25.5 | 25.6 | 0 | 6 |
| Profitability Ratios (%) | | | | | | | | | |
| Yield on loans | 17.1 | 16.4 | 16.4 | 16.7 | 16.9 | 16.8 | 17.2 | 80 | 40 |
| Cost of borrowings | 5.1 | 5.4 | 6.3 | 6.7 | 7.1 | 7.1 | 7.6 | 130 | 50 |
| Spreads | 12.0 | 11.0 | 10.1 | 10.0 | 9.8 | 9.7 | 9.6 | -50 | -10 |
| Margins | 13.2 | 12.3 | 11.6 | 11.5 | 11.5 | 11.3 | 11.3 | -30 | 0 |
| RoA | 7.0 | 5.4 | 4.8 | 5.0 | 5.1 | 4.9 | 4.1 | -70 | -80 |
| RoE | 30.8 | 24.1 | 22.0 | 24.6 | 23.3 | 22.3 | 19.2 | -280 | -310 |
| Other Details | | | | | | | | | |
| No of Cards (No in Mn) | 14.3 | 14.8 | 15.9 | 16.8 | 17.3 | 17.9 | 18.5 | 16 | 3 |
| Spends (INRb) | 596.7 | 623.1 | 688.4 | 716.9 | 739.1 | 791.6 | 968.6 | 41 | 22 |



Highlights from the management commentary

Business performance

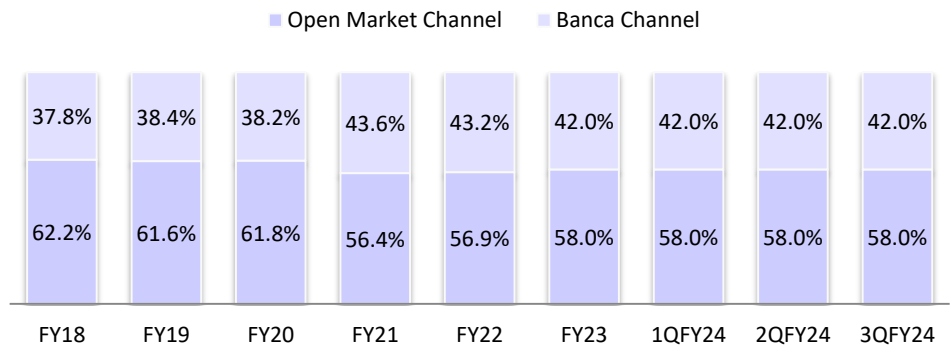
- Credit card industry has been witnessing robust growth and the highest-ever credit card spending.
- Regulatory measures, such as the increase in risk weights, will have prudent credit growth and good asset quality.
- Outstanding cards-in-force stood at 185m (up 16% YoY, market share at 18.9%, added 1.1m new accounts). Spending grew 41% YoY to INR986.6 (market share at 18.4%), and Receivables increased by 26% YoY / 8% QoQ to INR488.5b.
- Rolled 22,200 offers across 200 cities in 3Q. UPI on Ru-pay is gaining traction; monthly avg UPI spending increased to INR12k.
- SBICARD has launched a new co-branded credit card with Reliance, which is available online and at all Reliance retail stores.
- State Bank of India's YONO customers can now get SBI cards digitally.
- Revenue and profit growth remained healthy. Revenue at INR47.42b was up 30% YoY, and PAT at INR5.49b was up 8% YoY.
- CoF increased to 7.6% vs. 7.1% in 3QFY23 amid a higher borrowing rate and also due to an increase in RWAs from NBFCs. The rates have gone up by 25-30bp. CoF will increase in 4Q as the full quarter will be impacted.
- CRAR stood at 18.4%. Profits will continue to improve capital adequacy (above RBI's guidance of 15%). The company has increased its tier-2 bonds to meet this increase.
- RoA stood at 4.1%, impacted by increased credit cost and CoF.
- CoF is guided to be higher in 4Q, but the company will try to minimize the compression.
- The company will not look at curtailing growth in credit cards but will look at the district level and area level data for limiting the growth.
- SBIC does not serve new-to-credit customers in the open market but can acquire from the SBI.
- The festival season spending in retail grew 20% QoQ. In Oct'23, spending was at the peak, with some moderation in Nov-Dec'23.
- Corporate spending does not impact NIMs.
- NIMs stood flat QoQ, but cost pressure due to the increase in risk weights is expected to impact margins in 4Q.
- SBICARD has a comfortable level of Tier-1 capital and has raised tier-2 in this week and will be further looking to add.
- From 2QFY25, the cost of funds is expected to stabilize.
- The credit cost guidance was 6% in 1QFY24, but now the company is already at 7.5%, amid the RBI's caution on rising delinquencies in unsecured retail.
- The company acquires customers who have a bureau score of around 720-750, but as and when customers become vintage, the score may move toward 600.
- The company does not expect a slowdown in the credit card industry and expects growth to remain healthy.
- The company aims to maintain its current customer acquisition run rate going forward.

Asset quality

- GNPA was at 2.64%; credit cost stood at 7.5%.
- Credit bureau suggests some increase in delinquencies in credit cards and PL. There is an increase in 30+ DPD as stated by the bureau report and the RBI has taken certain measures.
- The company has refined underwriting practices when accounting for delinquencies.
- When an account gets into NPL, the credit limit gets reinstated and the company looks at bureau data.
- In 3Q, credit cost increased by INR1.40b and is expected to stay high. But the company may look at the data for the next two quarters.
- The company will look at the bureau behavior for the movement in asset quality. The company also looks at various cohorts like age, geography, income level, etc.
- The ECL model requires validation on annual basis. The company continues to refresh the model as and when required.

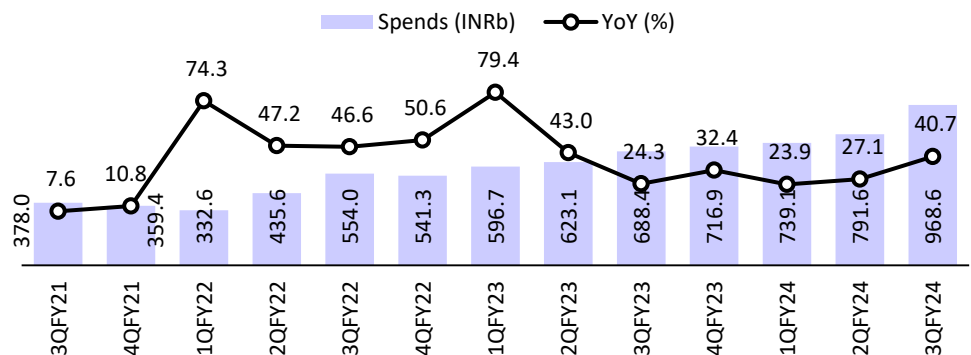
Key exhibits

Exhibit 1: ~58% of outstanding cards have been acquired via the open market channel (%)



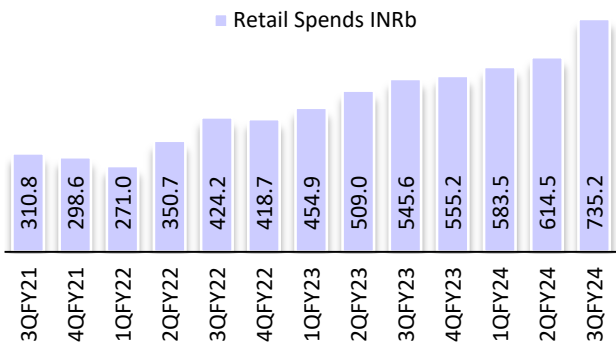
Source: MOFSL, Company

Exhibit 2: Spending remains healthy and grew 41% YoY (+22% QoQ)



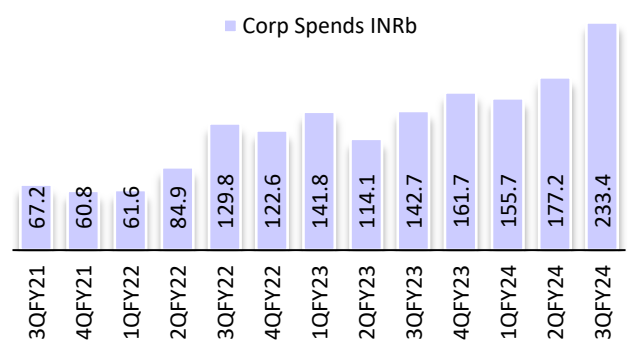
Source: MOFSL, Company

Exhibit 3: Retail spending robust at ~INR735b



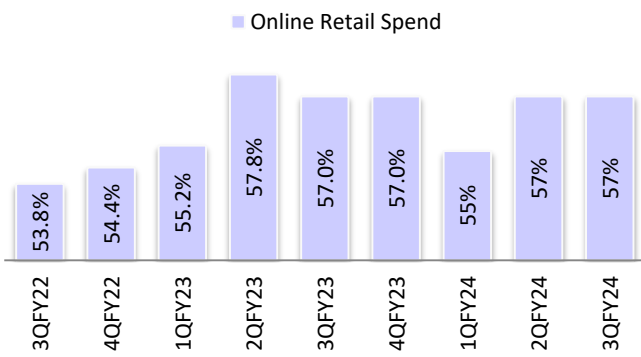
Source: MOFSL, Company

Exhibit 4: Corporate spending steady at ~INR233b



Source: MOFSL, Company

Exhibit 5: Online spending comprises ~57% of retail spending



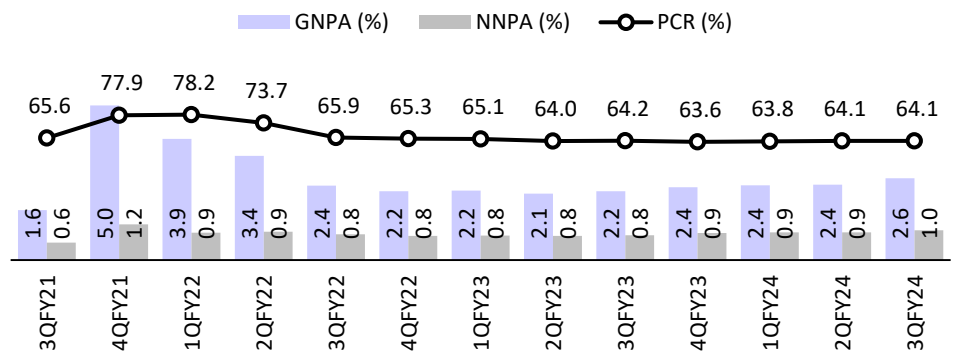
Source: MOFSL, Company

Exhibit 6: Category-wise spending growth

| Spending category | Growth in total | Growth in online | Growth in POS |
|------------------------------------------|-----------------|------------------|---------------|
| Category 1 | 34% | 38% | 21% |
| Departmental Stores, Health, Utilities | | | |
| Education and Direct Marketing | | | |
| Category 2 | 4% | (24%) | 22% |
| Consumer durables, Furnishing & Hardware | | | |
| Apparels & Jewelry | | | |
| Category 3 | 23% | 30% | 13% |
| Travel agents, Hotels, Airline, Railways | | | |
| Restaurant and Entertainment | | | |

*% growth in 9MFY24 over 9MFY23 Source: MOFSL, Company, RBI

Exhibit 7: GNPA ratios increased 21bp QoQ to 2.64%, NNPA increased to 0.96%



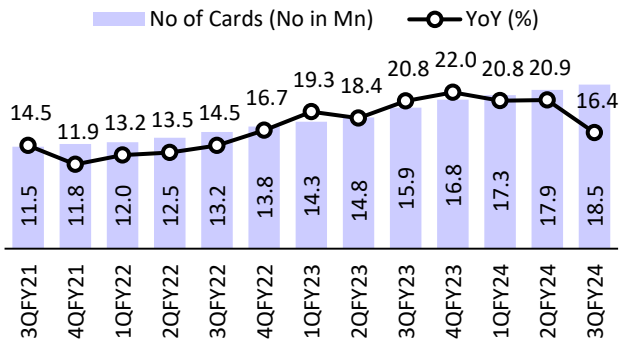
Source: MOFSL, Company

Valuation and view

- SBICARD has strengthened its position as the second-largest card player in the country. Its market share moderated to 18.9% in 3Q in outstanding cards, while spending share stood at 18.3%. It has an outstanding card base of 18.5m, up 16% YoY/3% QoQ. The company is also the market leader in terms of open-market sourcing and is the largest co-branded card issuer in India.
- SBICARD has access to parent State Bank of India's vast network of branches and customer base, along with strong open-market sourcing capabilities. With robust distribution and co-branded channels, it is well placed to capitalize on growth opportunities, as the market remains significantly underpenetrated. Open-market sourcing has picked up, and the banca channel is also growing strongly, which provides better risk underwriting and lowers opex. The near-term outlook remains a bit weak amid tightening of regulations and increasing cost pressures.
- Asset quality ratios deteriorated slightly, while provisions remained elevated. The management indicated a stress pool building up, with retail consumer loans already showing stress. This remains a key monitorable. We estimate GNPA/NNPA ratios of 2.5%/0.8% by FY25 vs. 2.7%/1.0% in FY24, while we estimate PCR to sustain at ~67%.
- The revolver mix saw a slight moderation in 3QFY24 but is not expected to improve within the next 6-9 months due to a change in customer behavior. Steady EMI mix, sticky revolver share, increasing CoF and muted yields should keep margins in check. We estimate margin to be at 11.6% in FY24 and 11.9% by FY25 (vs. 12.2% in FY23).
- **Downgrade to Neutral with a TP of INR850:** SBICARD reported a sub-par quarter, characterized by elevated provisions. The outlook on margins remains weak due to a sharp rise in funding costs. The mix of revolvers and EMI loans remains stable, while the management indicated that the recent hardening of interest rates, along with the impact of risk weights, will exert pressure on funding costs in the coming quarters. As a result, margins should remain muted in 4Q and 1HFY25. The outlook on any increase in the mix of EMI and Revolver loans remains uncertain, while the asset quality stress is likely to drive provisions high in the coming quarters as well. However, on the positive side, spending growth remains healthy and the company sees healthy traction in new card additions. The reversal in the rate cycle and lagged improvements in revolver mix remain the key triggers, though they appear to be few quarters away from now. We further cut our FY24E/FY25E EPS by 2%/3%, factoring in higher credit costs. While we expect SBICARD to deliver healthy earnings CAGR over FY24-26 however the disappointing earnings run-rate over past several quarters which has driven consistent cut in our estimates along with limited near term earnings visibility keeps us watchful. **We downgrade our rating to Neutral with a revised TP of INR850 (premised on 21x Sep'25E EPS).**

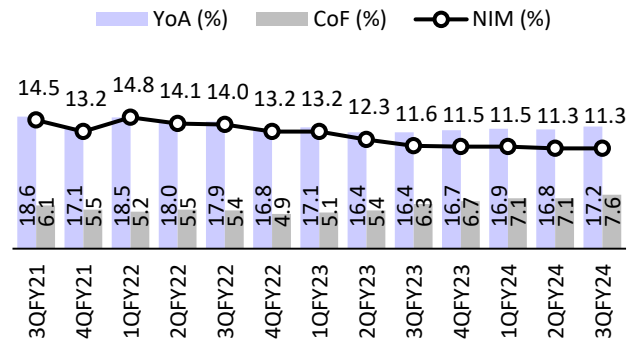
Story in charts

Exhibit 8: No. of cards up ~16% YoY at 18.5m



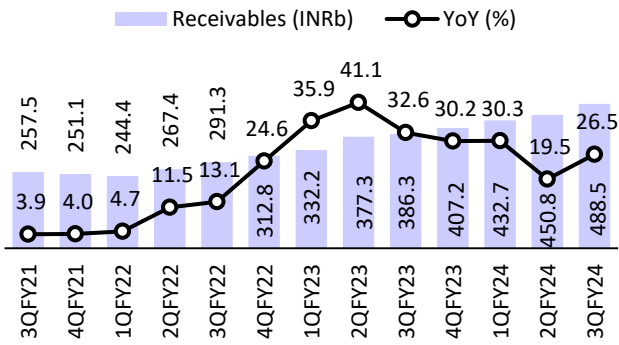
Source: MOFSL, Company

Exhibit 9: Margin remained flat QoQ at 11.3%



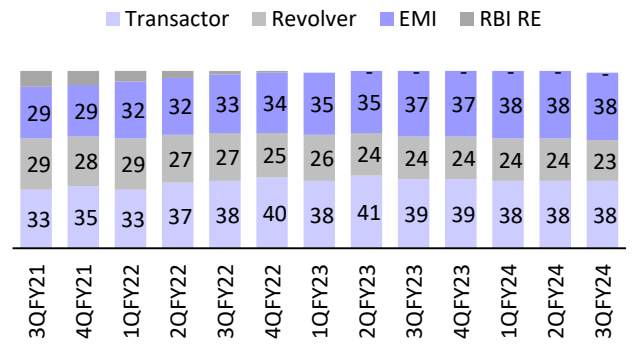
Source: MOFSL, Company

Exhibit 10: Receivables up 26% YoY to ~INR489b



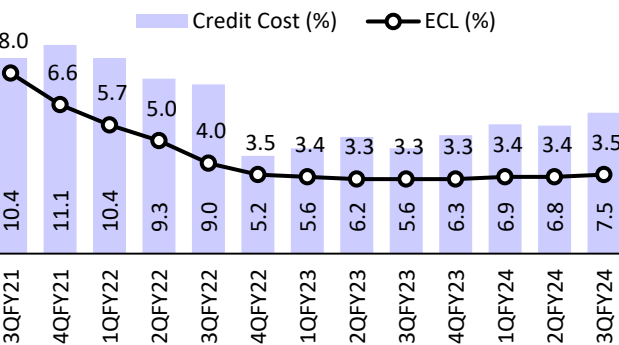
Source: MOFSL, Company

Exhibit 11: Revolver mix declined to 23% as of 3QFY24



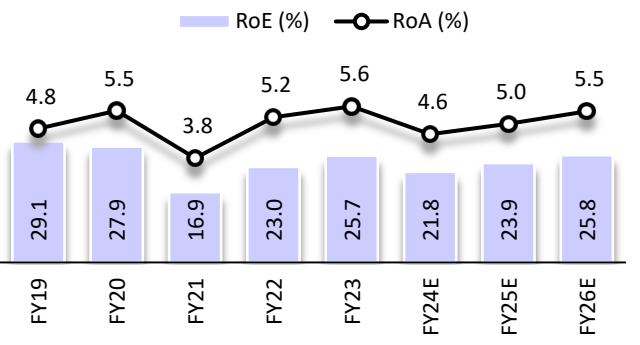
Source: MOFSL, Company

Exhibit 12: Credit cost increased to 7.5%; ECL at 3.5%



Source: MOFSL, Company

Exhibit 13: RoA/RoE to improve to 5%/23.9% in FY25E and further in FY26E after a dip in FY24E



Source: MOFSL, Company

Exhibit 14: DuPont Analysis – return ratios to improve in FY25/26E after a dip in FY24E

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Interest Income | 21.3 | 18.8 | 15.6 | 15.1 | 15.6 | 15.9 | 16.1 |
| Interest Expense | 5.7 | 4.0 | 3.3 | 4.1 | 5.2 | 5.2 | 5.0 |
| Net Interest Income | 15.6 | 14.8 | 12.3 | 11.0 | 10.4 | 10.7 | 11.1 |
| Fee Income | 17.5 | 14.9 | 17.0 | 16.5 | 16.1 | 16.1 | 16.2 |
| Trading and others | 4.1 | 3.4 | 4.1 | 4.1 | 3.3 | 3.1 | 3.0 |
| Non-Interest income | 21.6 | 18.3 | 21.0 | 20.5 | 19.4 | 19.2 | 19.2 |
| Total Income | 37.2 | 33.1 | 33.3 | 31.5 | 29.8 | 29.9 | 30.3 |
| Operating Expenses | 21.0 | 18.0 | 19.0 | 18.6 | 17.2 | 16.9 | 16.9 |
| Employee cost | 2.1 | 1.9 | 1.5 | 1.4 | 1.3 | 1.3 | 1.3 |
| Others | 19.0 | 16.1 | 17.4 | 17.2 | 15.9 | 15.6 | 15.7 |
| Operating Profits | 16.1 | 15.1 | 14.4 | 12.9 | 12.6 | 13.0 | 13.4 |
| Provisions | 8.5 | 10.1 | 7.3 | 5.4 | 6.4 | 6.3 | 6.1 |
| NPA | 5.4 | 8.3 | 9.1 | 4.7 | 5.8 | 5.8 | 5.7 |
| Others | 3.1 | 1.8 | (1.8) | 0.7 | 0.5 | 0.5 | 0.5 |
| PBT | 7.6 | 5.1 | 7.0 | 7.6 | 6.2 | 6.7 | 7.3 |
| Tax | 2.1 | 1.3 | 1.8 | 1.9 | 1.6 | 1.7 | 1.9 |
| RoA | 5.5 | 3.8 | 5.2 | 5.6 | 4.6 | 5.0 | 5.5 |
| Leverage (x) | 5.1 | 4.5 | 4.4 | 4.6 | 4.7 | 4.8 | 4.7 |
| RoE | 27.9 | 16.9 | 23.0 | 25.7 | 21.8 | 23.9 | 25.8 |

Financials and valuations

| Income Statement | | | | | | | (INR m) |
|-----------------------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
| Interest Income | 48,413 | 49,277 | 48,212 | 60,502 | 80,255 | 1,02,096 | 1,29,368 |
| Interest Expense | 13,009 | 10,434 | 10,273 | 16,476 | 26,835 | 33,336 | 40,378 |
| Net Interest Income | 35,404 | 38,843 | 37,939 | 44,025 | 53,420 | 68,760 | 88,990 |
| Growth (%) | 38.0 | 9.7 | -2.3 | 16.0 | 21.3 | 28.7 | 29.4 |
| Non-Interest Income | 49,110 | 47,859 | 64,803 | 82,353 | 99,692 | 1,23,328 | 1,54,371 |
| Total Income | 84,514 | 86,702 | 1,02,742 | 1,26,379 | 1,53,112 | 1,92,088 | 2,43,361 |
| Growth (%) | 34.6 | 2.6 | 18.5 | 23.0 | 21.2 | 25.5 | 26.7 |
| Operating Expenses | 47,815 | 47,079 | 58,462 | 74,484 | 88,489 | 1,08,683 | 1,35,657 |
| Pre Provision Profits | 36,699 | 39,623 | 44,280 | 51,895 | 64,623 | 83,405 | 1,07,704 |
| Growth (%) | 47.8 | 8.0 | 11.8 | 17.2 | 24.5 | 29.1 | 29.1 |
| Provisions (excl tax) | 19,402 | 26,386 | 22,558 | 21,591 | 32,729 | 40,258 | 48,986 |
| PBT | 17,296 | 13,237 | 21,722 | 30,304 | 31,894 | 43,147 | 58,719 |
| Tax | 4,848 | 3,392 | 5,560 | 7,721 | 8,133 | 11,003 | 14,973 |
| Tax Rate (%) | 28.0 | 25.6 | 25.6 | 25.5 | 25.5 | 25.5 | 25.5 |
| PAT | 12,448 | 9,845 | 16,161 | 22,583 | 23,761 | 32,145 | 43,745 |
| Growth (%) | 43.9 | -20.9 | 64.2 | 39.7 | 5.2 | 35.3 | 36.1 |
| OCI | (31) | 128 | 102 | (28) | - | - | - |
| Total Comprehensive Income | 12,417 | 9,974 | 16,263 | 22,555 | 23,761 | 32,145 | 43,745 |
| Growth (%) | 44.1 | -19.7 | 63.1 | 38.7 | 5.3 | 35.3 | 36.1 |

Balance Sheet

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Share Capital | 9,390 | 9,405 | 9,432 | 9,461 | 9,461 | 9,461 | 9,461 |
| Reserves & Surplus | 44,023 | 53,615 | 68,095 | 88,840 | 1,10,234 | 1,39,540 | 1,80,447 |
| Net Worth | 53,412 | 63,020 | 77,527 | 98,301 | 1,19,695 | 1,49,001 | 1,89,908 |
| Borrowings | 1,75,728 | 1,78,948 | 2,29,825 | 3,11,096 | 3,95,092 | 4,93,865 | 6,12,393 |
| Other Liabilities & Prov. | 23,927 | 28,161 | 39,133 | 46,059 | 56,652 | 70,816 | 88,519 |
| Total Liabilities | 2,53,067 | 2,70,129 | 3,46,484 | 4,55,456 | 5,71,439 | 7,13,682 | 8,90,820 |
| Current Assets | 6,774 | 7,201 | 11,064 | 13,545 | 15,983 | 19,179 | 23,015 |
| Investments | 15 | 9,576 | 12,972 | 21,397 | 25,676 | 31,839 | 39,798 |
| Growth (%) | 0.0 | 65,347.3 | 35.5 | 64.9 | 20.0 | 24.0 | 25.0 |
| Loans | 2,28,116 | 2,34,591 | 3,01,873 | 3,93,610 | 4,97,523 | 6,23,894 | 7,81,115 |
| Growth (%) | 27.4 | 2.8 | 28.7 | 30.4 | 26.4 | 25.4 | 25.2 |
| Fixed Assets | 3,346 | 3,182 | 4,537 | 5,737 | 6,023 | 6,385 | 6,768 |
| Other Assets | 14,817 | 15,579 | 16,039 | 21,168 | 26,234 | 32,385 | 40,124 |
| Total Assets | 2,53,067 | 2,70,129 | 3,46,484 | 4,55,456 | 5,71,439 | 7,13,682 | 8,90,820 |

Asset Quality

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-------|--------|-------|-------|--------|--------|--------|
| GNPA (INR m) | 4,844 | 12,543 | 6,934 | 9,575 | 13,685 | 16,122 | 18,618 |
| NNPA (INR m) | 1,589 | 2,776 | 2,409 | 3,487 | 4,862 | 5,265 | 5,488 |
| GNPA Ratio | 2.0 | 5.0 | 2.2 | 2.4 | 2.7 | 2.5 | 2.3 |
| NNPA Ratio | 0.7 | 1.1 | 0.8 | 0.9 | 1.0 | 0.8 | 0.7 |
| Slippage Ratio | 5.9 | 12.8 | 8.0 | 6.0 | 6.5 | 6.2 | 6.0 |
| Credit Cost | 9.1 | 10.7 | 8.0 | 6.0 | 7.1 | 6.9 | 6.7 |
| PCR (Excl Tech. write off) | 67.2 | 77.9 | 65.3 | 63.6 | 64.5 | 67.3 | 70.5 |

Business Metrics

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total No of Cards (Nos in Mn) | 10.5 | 11.8 | 13.8 | 16.8 | 20.5 | 25.2 | 31.0 |
| Total spends (INR b) | 1,309.2 | 1,224.2 | 1,863.5 | 2,625.0 | 3,360.0 | 4,267.2 | 5,419.3 |
| Spends per card (INR k) | 124.1 | 103.5 | 135.4 | 156.2 | 163.9 | 169.3 | 174.8 |
| Loans per card (INR) | 21,628 | 19,844 | 21,927 | 23,429 | 24,274 | 24,748 | 25,190 |
| Loans as % of spends | 17.4 | 19.2 | 16.2 | 15.0 | 14.8 | 14.6 | 14.4 |
| Fee income earned per card | 3,772 | 3,305 | 3,796 | 3,931 | 4,033 | 4,107 | 4,190 |

Financials and valuations

Ratios

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E | FY26E |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Yield & Cost Ratios (%) | | | | | | | |
| Avg. Yield on loans | 22.7 | 20.0 | 17.1 | 16.8 | 17.4 | 17.6 | 17.8 |
| Avg. Cost of Borrowings | 8.4 | 5.9 | 5.0 | 6.1 | 7.6 | 7.5 | 7.3 |
| Interest Spread | 14.3 | 14.1 | 12.1 | 10.7 | 9.8 | 10.1 | 10.5 |
| Net Interest Margin | 16.6 | 15.8 | 13.5 | 12.2 | 11.6 | 11.9 | 12.2 |

Capitalisation Ratios (%)

| | | | | | | | |
|---------|------|------|------|------|------|------|------|
| Tier I | 17.7 | 20.9 | 21.0 | 20.4 | 17.5 | 17.1 | 16.8 |
| Tier II | 4.7 | 3.9 | 2.8 | 2.7 | 1.9 | 1.4 | 1.1 |
| CAR | 22.4 | 24.8 | 23.8 | 23.1 | 19.4 | 18.6 | 17.9 |

Asset-Liability Profile (%)

| | | | | | | | |
|----------------------------|------|------|------|------|------|------|------|
| Cost/Assets | 21.0 | 18.0 | 19.0 | 18.6 | 17.2 | 16.9 | 16.9 |
| Cost/Total Income | 56.6 | 54.3 | 56.9 | 58.9 | 57.8 | 56.6 | 55.7 |
| Int. Expense/Int.Income | 26.9 | 21.2 | 21.3 | 27.2 | 33.4 | 32.7 | 31.2 |
| Fee Income/Total Income | 47.1 | 45.1 | 50.9 | 52.3 | 54.0 | 53.9 | 53.4 |
| Non Int. Inc./Total Income | 58.1 | 55.2 | 63.1 | 65.2 | 65.1 | 64.2 | 63.4 |
| Empl. Cost/Total Expense | 9.8 | 10.4 | 8.1 | 7.5 | 7.7 | 7.6 | 7.4 |

Valuation

| | | | | | | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RoE | 27.9 | 16.9 | 23.0 | 25.7 | 21.8 | 23.9 | 25.8 |
| RoA | 5.5 | 3.8 | 5.2 | 5.6 | 4.6 | 5.0 | 5.5 |
| RoRWA | 5.9 | 4.1 | 5.8 | 6.2 | 4.7 | 4.6 | 4.8 |
| Book Value (INR) | 57 | 67 | 82 | 104 | 127 | 157 | 201 |
| Growth (%) | 32.7 | 17.8 | 22.7 | 26.4 | 21.8 | 24.5 | 27.5 |
| Price-BV (x) | 13.4 | 11.3 | 9.2 | 7.3 | 6.0 | 4.8 | 3.8 |
| Adjusted BV (INR) | 56 | 65 | 80 | 101 | 123 | 154 | 197 |
| Price-ABV (x) | 13.6 | 11.7 | 9.5 | 7.5 | 6.2 | 4.9 | 3.9 |
| EPS (INR) | 14.0 | 10.5 | 17.2 | 23.9 | 25.1 | 34.0 | 46.2 |
| Growth (%) | 31.4 | -25.3 | 63.8 | 39.3 | 5.1 | 35.3 | 36.1 |
| Price-Earnings (x) | 54.2 | 72.5 | 44.3 | 31.8 | 30.3 | 22.4 | 16.4 |

E: MOFSL Estimates

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|----------------------------------|----------------------------------------------------------------------------------------------|
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| SELL | < - 10% |
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