



SBI Cards and Payment Services Limited IPO Note

About the Company:

SBI Cards and Payment Services Limited (SBICPSL) incorporated in 1998. SBICPSL is a subsidiary of State Bank of India (SBI), which is India's largest commercial bank in terms of deposits, advances and the number of branches. Company is the second largest credit card issuer in the country, with a 17.6% market share of the Indian credit card market as of March 31, 2019. As a subsidiary of SBI, the company has access to SBI's extensive network of branches and customers across India.

Company Promoters:

The promoter of the Company is SBI.

SBICPSL IPO Snapshot:

Open Date:	02.03.2020
Close Date:	05.03.2020
Total Shares:	137,193,464 Eq Shares
Face Value:	Rs 10
Issue Size:	137,193,464 Eq Shares of ₹10 (aggregating up to ₹10,354.77 Cr)
Lot Size:	19 Shares
Issue Price:	₹750 to ₹755 Per Equity Share
Cut-off date (for reckoning eligible shareholders of SBI):	18.02.2020
Listing At:	BSE, NSE
Listing Date:	16.03.2020 (Tentative)

Objects of the Issue:

Company proposes to utilize the net proceeds from the issue towards following objectives;

- To meet company's future capital requirements.
- Proceeds of the issue to be used for fresh expansion and future growth.

Products and Services offered:

- Credit cards for individuals and corporate clients.
- Payment solutions.

Competitive Strengths:

- Strong brand presence.
- Second-largest credit card issuer in India with 18% market share as of September 30, 2019.
- Diverse credit card portfolio including co-branded cards.
- Presence in 133 Indian cities and also has access to SBI's network of branches across India and their customers to market its products.
- Partnership with top brands in travel, fuel, fashion, healthcare and mobility industries like Air India, Apollo Hospitals, BPCL, Etihad Guest, Fbb, IRCTC, OLA Money and Yatra.

Risk factors to be considered:

- Macroeconomic condition can impact spending culture, receivables and in turn affect company's business.
- Competition from other players in the segment.
- Competition from new age fintech companies.
- Liquidity, credit risk on back of unsecured lending.
- Regulation or legislation limiting interchange fees, interest rates.
- Dependence on third-party payment networks to operate company's credit card business.
- Ability to retain existing co-brand partners and attract new co-brand partners.

SBI Shareholders Reservation:

Investors who hold SBI shares on the 18th Feb 2020 (the date of filing RHP with SEBI ie., 18.02.2020) are eligible to apply under the shareholder's category in this IPO.

SBI Employees Reservation:

Full-time or permanent employees of SBI (as on RHP filing date) can apply in the SBI Employees category of SBI Cards IPO. The maximum limit defined to apply in the Employee category is ₹5 lakhs. The maximum allotment to employees cannot be above ₹2 lakhs when the category is fully or oversubscribed.

Financials:

Particulars (Rs in Cr)	30-Sep-19 (Rs in cr)	31-Mar-19 (Rs in cr)	31-Mar-18 (Rs in cr)	31-Mar-17 (Rs in cr)
Total Revenue	4677.21	7286.83	5370.19	3471.04
Net Profit	725.88	862.72	601.14	372.86
Total Assets	24459.14	20239.63	15686.00	10764.99

Reasons to invest/ subscribe for the issue:

- Second largest credit card issuer in India.
- Advanced risk management and data analytics capabilities.
- Future business growth potential.
- Company supported and promoted by a strong brand and eminent Promoter entity.
- Brand goodwill.
- First of its kind business to get listed on Indian exchanges.
- Consistent growth in company's financials.
- Improvement in revenue and margins.
- Growth in Profit After Tax (PAT) from Rs. 372 Crores to Rs.862 Crores in the last 3 years.

Investment rationale:

SBI Cards and Payment Services Limited being a company in credit cards and payment solution business has immense growth potential in coming years. Credit card industry intends to grow 2.5 times in the next five years. Credit card spends have registered a robust growth. Industry is growing at a CAGR of 32 per cent from fiscal 2015 to fiscal 2019. Monetarily industry is expected reach Rs 6 lakh crore as of fiscal 2019. And expected to reach Rs 15 lakh crore by the end of fiscal 2024, which is 2.5 times over fiscal 2019. Government's active push towards a cashless and digital economy acts as a business enabler for such companies. Investors can apply for the issue as an investment bet and also to derive possible initial listing gains.

Information sources:

Information gathered in this document is from company's Draft Red Herring Prospectus (DHRP) filed by the company with SEBI and from other freely accessible web contents.

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