28 July 2024

1QFY25 Results Update | Sector: Financials

SBI Cards

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	SBICARD IN
Equity Shares (m)	951
M.Cap.(INRb)/(USDb)	686.4 / 8.2
52-Week Range (INR)	893 / 648
1, 6, 12 Rel. Per (%)	-5/-21/-43
12M Avg Val (INR M)	1237

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	51.5	61.9	75.1
OP	65.2	78.9	98.0
NP	24.1	26.7	35.8
NIM (%)	11.2	11.1	11.3
EPS (INR)	25.4	28.0	37.7
EPS Gr. (%)	6.2	10.5	34.4
BV/Sh. (INR)	127	152	187
ABV/Sh. (INR)	123	147	181
Ratios			
RoE (%)	22.0	20.1	22.2
RoA (%)	4.6	4.2	4.7
Valuations			
P/E(X)	28.4	25.7	19.1
P/BV (X)	5.7	4.7	3.9
P/ABV (X)	5.8	4.9	4.0

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	68.6	68.6	69.0
DII	16.5	16.7	17.2
FII	8.7	8.6	9.5
Others	6.1	6.1	4.4

FII Includes depository receipts

CMP: INR722 TP: INR770 (+7%) Neutral

Asset quality woes continue; credit cost rises further

NIM stable at 10.9%

- SBI Cards (SBICARD)'s PAT was 8% below estimate at INR5.9b due to lower revenue from operations and higher provisions. NII inched up 4.4% QoQ.
- Margin was broadly stable at 10.9%. The share of revolver mix was stable at 24%, while EMI mix inched up to 38% (vs. 37% in 4QFY24).
- Spending growth decelerated 3% QoQ amid a sharp 49.8% QoQ decline in corporate spending. Retail spending, however, grew 23% YoY/3.9% QoQ.
- Asset quality remained under pressure with GNPA/NNPA ratios increasing 30bp/12bp QoQ to 3.06%/1.11%. The drop in corporate spending led to a decline in overall opex, and as a result, RoA/RoE stood at 4.1%/19.1%.
- We further cut our FY25E/FY26E EPS by 8.3%/9.5%, factoring in an elevated credit cost and subdued margins and revenue growth. **Reiterate Neutral with a TP of INR770 (premised on 20x FY26E EPS)**.

Corporate spending dips sharply; credit cost continues to disappoint

- SBICARD reported an 8% miss on PAT at INR5.95b (down 10% QoQ), as NII came in line, while other income was lower and provisions stood elevated. Gross credit cost/ECL came in high at 8.5%/3.6% in 1QFY25.
- NII rose 19.7% YoY/4.4% QoQ to INR14.8b (in line). Margin stood broadly stable at 10.9%, owing to an improvement in yields but offset by the rise in costs. Revolver mix stood broadly stable at 24%, while EMI mix improved to 38%. CoF stood elevated, and it is likely to remain at elevated levels for some time. CoF should start declining once the rate reversal cycle begins to play out, keeping NIM under check.
- Fee income as a proportion of total income declined for another quarter to 52%. Opex too declined amid a decline in corporate spending. Thus, PPoP rose 4% QoQ to INR18.9b (in line). C/I ratio declined to 49% vs. 51% in 4Q.
- Cards-in-force rose 11% YoY/1.6% QoQ to 19.2m. New card sourcing declined 12% QoQ to ~0.9m (-18% YoY), with the open market channel contributing 58% to total sourcing (59% on an outstanding basis).
- Spending growth moderated to 4% YoY as corporate spending slumped 50% QoQ. This was because the company continued to focus on profitability. Retail spending growth was healthy at 23% YoY. Receivables grew at a healthy pace of 4% QoQ (+22% YoY).
- GNPA/NNPA ratios increased 30bp/12bp QoQ to 3.06%/1.11%. PCR was broadly stable QoQ at 64.4% in 1Q, supported by a 90bp QoQ rise in credit cost to 8.5%. Provisioning expenses thus increased 53% YoY to INR11b.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.Sankharva@MotilalOswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

Highlights from the management commentary

- **Guidance**: Credit cost will be in the range of 7-8% for FY25. Credit cost has increased due to over-leveraging by customers, affecting repayment capacity.
- About 0.5m customers have had their limits reduced by up to 25%; the average limit stood at INR0.1m.
- Delinquency began in the previous fiscal year and is spread across both lower ticket sizes as well as higher ticket sizes of INR0.2-0.4m.

Valuation and view: Reiterate Neutral with a revised TP of INR770

SBICARD reported another weak quarter characterized by an earnings miss and increased stress in the system, affecting margins and asset quality. However, opex was lower due to reduced corporate spending, but higher credit cost dented earnings. Spending growth moderated due to a sharp decline in corporate spending, but management expects a near-term recovery. The mix of revolvers remained stable, while management focused on expanding the EMI mix. Margin was stable as funding cost remained elevated, and we estimate a mild recovery from 2HFY25. Credit cost inched up further to 8.5% with management guiding a credit cost of 7-8% for FY25. The reversal in the rate cycle and improvement in the revolver mix are the key triggers, though they appear to be a few quarters away. We further cut our FY25E/FY26E EPS sharply by 8.3%/9.5%, factoring in elevated credit cost and subdued margin and revenue growth. **Reiterate Neutral with a TP of INR770 (premised on 20x FY26E EPS)**.

Quarterly performance **(INR b)**

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Est
Net Interest Income	**12.3**	**13.0**	**13.9**	**14.1**	**14.8**	**15.3**	**16.0**	**15.9**	**51.5**	**61.9**	**14.0**	**5%**
% Change (YoY)	14.3	16.1	21.2	21.4	19.7	17.9	15.1	12.2	17.0	20.2	13.8	
Other Income	22.4	23.2	26.6	23.4	22.4	24.6	27.8	26.8	97.4	101.5	26.2	-15%
Total Income	**34.8**	**36.2**	**40.5**	**37.5**	**37.2**	**39.9**	**43.8**	**42.6**	**148.9**	**163.4**	**40.3**	**-8%**
Operating Expenses	19.6	20.7	24.3	19.2	18.2	19.4	24.4	22.5	83.7	84.5	21.9	-17%
Operating Profit	**15.2**	**15.5**	**16.2**	**18.3**	**19.0**	**20.5**	**19.4**	**20.1**	**65.2**	**78.9**	**18.3**	**4%**
% Change (YoY)	17.3	23.9	33.1	28.2	25.4	32.0	19.4	9.8	25.6	21.1	20.9	
Provisions	7.2	7.4	8.8	9.4	11.0	11.9	10.2	10.0	32.9	43.1	9.9	11%
Profit before Tax	**8.0**	**8.1**	**7.4**	**8.9**	**8.0**	**8.5**	**9.1**	**10.2**	**32.3**	**35.8**	**8.4**	**-5%**
Tax	2.0	2.1	1.9	2.3	2.0	2.2	2.3	2.6	8.2	9.1	2.1	-5%
Net Profit	**5.9**	**6.0**	**5.5**	**6.6**	**5.9**	**6.4**	**6.8**	**7.6**	**24.1**	**26.7**	**6.3**	**-5%**
% Change (YoY)	-5.4	14.7	7.8	11.0	0.2	5.5	23.7	14.4	6.6	10.8	5.6	
Operating Parameters												
Loan (INRb)	418.1	435.6	471.6	490.8	508.1	531.8	559.8	584.0	490.8	584.0	512.4	
Loan Growth (%)	30.3	19.3	26.3	24.7	21.5	22.1	18.7	19.0	24.7	19.0	22.5	
Borrowings (INRb)	329.6	340.8	380.1	398.9	408.7	433.6	457.3	477.8	398.9	477.8	416.3	
Borrowing Growth (%)	32.9	20.9	29.3	28.2	24.0	27.2	20.3	19.8	28.2	19.8	26	
Asset Quality												
Gross NPA (%)	2.4	2.4	2.6	2.8	3.1	3.5	3.5	3.6	2.8	3.6	2.8	
Net NPA (%)	0.9	0.9	1.0	1.0	1.1	1.2	1.2	1.2	1.0	1.2	1.0	
PCR (%)	63.8	64.1	64.1	64.9	64.4	64.7	65.8	66.7	64.9	66.7	65.0	

Quarterly snapshot

Profit and Loss (INR b)	FY24				FY25	Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Interest Income	18.0	19.0	20.8	21.4	22.4	24	5
Interest Expenses	5.7	6.0	7.0	7.2	7.7	34	6
Net Interest Income	**12.3**	**13.0**	**13.9**	**14.1**	**14.8**	**20**	**4**
Other Income	**22.4**	**23.2**	**26.6**	**23.4**	**22.4**	**0**	**-4**
Fee Income	19.0	19.7	22.9	20.0	19.3	2	-4
Others	3.4	3.5	3.7	3.4	3.1	-9	-7
Total Income	**34.8**	**36.2**	**40.5**	**37.5**	**37.2**	**7**	**-1**
Operating Expenses	**19.6**	**20.7**	**24.3**	**19.2**	**18.2**	**-7**	**-5**
Employee	1.5	1.5	1.4	1.3	1.3	-8	1
Others	18.1	19.2	22.8	17.9	16.8	-7	-6
Operating Profits	**15.2**	**15.5**	**16.2**	**18.3**	**19.0**	**25**	**4**
Provisions	7.2	7.4	8.8	9.4	11.0	53	17
PBT	**8.0**	**8.1**	**7.4**	**8.9**	**8.0**	**0**	**-10**
Taxes	2.0	2.1	1.9	2.3	2.0	1	-9
PAT	**5.9**	**6.0**	**5.5**	**6.6**	**5.9**	**0**	**-10**
Balance Sheet							
Loans	418.1	435.6	471.6	490.8	508.1	22	4
Borrowings	329.6	340.8	380.1	398.9	408.7	24	2
Receivable Mix (%)							
Transactor	38.0	38.0	38.0	39.0	38.0	0	-100
Revolver	24.0	24.0	23.0	24.0	24.0	0	0
EMI	38.0	38.0	38.0	37.0	38.0	0	100
Asset Quality (INR b)							
GNPA	10.4	11.0	12.9	14.0	16.1	55	15
NNPA	3.8	3.9	4.6	4.9	5.7	52	16
Asset Quality Ratios (%)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**YoY (bp)**	**QoQ (bp)**
GNPA	2.41	2.43	2.64	2.76	3.06	65	30
NNPA	0.89	0.89	0.96	0.99	1.11	22	12
PCR (Calc.)	63.8	64.1	64.1	64.9	64.4	64	-45
Credit Cost	6.9	6.8	7.5	7.7	8.7	179	97
ECL	3.4	3.4	3.5	3.5	3.6	20	10
Business Ratios (%)							
Fees to Total Income	54.6	54.6	56.7	53.3	51.9	-274	-143
Cost to Income	56.4	57.1	59.9	51.1	48.9	-753	-227
Sourcing channel Mix (%)							
SBI	54.0	51.0	49.0	44.0	42.0	-1,200	-200
Open Market	46.0	49.0	51.0	56.0	58.0	1,200	200
Spend Mix (%)							
Corporate Spends	21.1	22.4	24.1	13.1	6.8	-1,425	-633
Retail Spends	78.9	77.6	75.9	86.9	93.2	1,425	633
Profitability Ratios (%)							
Yield on loans	16.9	16.8	17.2	16.7	16.8	-10	10
Cost of borrowings	7.1	7.1	7.6	7.4	7.5	40	10
Spreads	9.8	9.7	9.6	9.3	9.3	-50	0
Margins	11.5	11.3	11.3	10.9	10.9	-60	0
RoA	5.1	4.9	4.1	4.7	4.1	-100	-60
RoE	23.3	22.3	19.2	22.1	19.1	-420	-300
Other Details						**Change (%)**	
New accounts added (000)	1,097	1,142	1,096	1,029	904	-18	-12
O/S Cards (No in m)	17.3	17.9	18.5	18.9	19.2	11	2
Spends (INRb)	739.1	791.6	968.6	796.5	771.3	4	-3
- Retail Spends (INRb)	583.5	614.5	735.2	691.9	718.8	23	4
- Corporate Spends (INRb)	155.7	177.2	233.4	104.6	52.5	-66	-50

Highlights from the management commentary

Opening remarks

- Real GDP is projected to grow at 7.2%, and India has surpassed 100m credit cards. Monthly card spending for the industry reached INR1.58t as of Jun'24.
- SBIC's CIF was 19.2m, with an 11% YoY growth. SBIC remained the second-largest player with an 18.5% market share.
- Banca experienced a seasonal effect in the first quarter.
- SBICARD has been selective in acquiring new customers.
- It has launched the instant card journey on the SBI platform via Yono and SBI digital banking and plan to leverage this further.
- The company's focus is on digital journeys to help acquire new customers.
- Card spending reached INR771.3 b with a 4% YoY growth, despite a 66% decline in corporate spending. Retail spending stood at INR708.9 b, with a strong 23% YoY growth. Market share of spending was 15.9%.
- Jewelry spending saw an 11% YoY growth, and consumer durables experienced an 85% growth. Online spending accounted for 57% of total retail spending, with 50% of customers making new purchases every month.
- Corporate spending reached INR52.49b, showing a MoM increase, with June contributing 55% share.
- SBICARD has introduced several new products, such as SBI Miles, which focuses on travel benefits and has received very positive customer feedback.
- Monthly average UPI spending is INR12,800. Tier 2 city customers continue to use this facility, and Rupay card spending has consistently exceeded INR10b per month.
- SBICARD partnered with Apple to offer an instant discount of INR6,000 on certain products.
- Receivables grew 22% YoY to INR527b. Receivables per card increased 8% YoY to INR27,395.
- RoA stood at 4.1%.
- Revolvers remained steady at 24%, with EMI assets in the range of 38-40%.
- CoF increased by 13 basis points to 7.5%, and expect it to remain at this level. However NIMs were stable at 10.9%.
- CAR 20.6%, RoA is 4.1%, RoE at 19.1% during 1QFY25.
- Anticipate card growth at 17%, spending growth at 22-23%, and asset growth at 15-18%. Aim to achieve this growth in a low-risk category.

Asset quality

- Vintage customers generally show good behavior, but delinquencies are shifting across segments with no identifiable cohort. Accounts that performed well over the past 4-5 years are now becoming delinquent. Once delinquent, recovery is rare, suggesting a lifetime event. Delinquencies are seen across various employment types, city tiers, and last year, a geographical delinquency pattern was noted and addressed. Overall, delinquencies appear to result from customers' inability to pay.
- As a result, corrective actions including decreasing credit lines, blocking cards, enhancing analytical capabilities, leveraging data, reducing limits, and intensifying collection efforts were implemented.

- Credit cost has increased to 8.5%, GNPA at 3.06% have increased. Incremental provisions are up. W-off have increased by INR1.05b.
- Credit cost has increased due to over-leveraging and this affected repayment capacity.
- Multiple actions have been taken on diagnostics based on bureau data and some restrictions are in place.
- In the past three months, collection efforts have been further intensified: limits were reduced for over 0.5m accounts from last fiscal year, with a 25% limit reduction. Additionally, collection capacity has been increased across all channels.
- Expect credit cost to remain elevated.

Credit Cost and delinquencies

- **Guidance**: Credit cost will be in the range of 7-8% for FY25.
- Interest rate for revolvers will not increase. Healthy revenue is coming from installments. Fee income can act as leverage, and certain fees can be examined. The goal is to keep credit cost under control.
- Delinquency trends are in line with the industry and below the industry average for 30 and 90 days.
- If more customers are unable to pay, delinquencies may increase.
- Credit cost cannot be linked to new accounts. New account acquisitions are based on experience and actions taken based on that experience. Expected behavior, delinquency patterns, and impacts on total borrowings and lifetime events were considered. Improvements will be limited unless the ecosystem improves further.
- Delinquency is 19-20% lower for SBI customers. Card behavior differs from unsecured loans, and personal loans may perform relatively better.
- Asset quality can be cyclical. While asset quality needs to be managed, business operations will continue as usual. The company will address delinquency and credit cost while maintaining business continuity.
- Delinquency began in the previous fiscal year, and the company will continue operating.
- Delinquency is spread across both lower ticket sizes as well as higher ticket sizes of INR0.2-0.4m.

Sourcing Related

- For the banca channel, the company examines banking and cash flow information to underwrite customers.
- In existing card customers, a model is in place. Of the 60% of carded customers, 10% come from the banca channel, while the rest come through other channels like co-branded cards.

Over-leveraging of the Customers

- Interest from new customers remains consistent, and people are applying for cards. 60% of the customers are carded. The rest of the non-carded customers should come through the banca channel.
- The problem lies with over-leveraging. A customer might have 0 active trade lines initially, but by the time of write-off, it can increase from 1-5 up to 10 trade lines. Customer behavior changes post-onboarding.
- Delinquency is moving across segments with no identifiable cohort. Accounts becoming delinquent rarely recover, and collection efforts often coincide with lifetime events. Delinquency occurs across salaried, self-employed, and other groups without clear patterns.
- Pin-code analysis helps in identifying these trends.

Reducing the Limits of the Customers

- About 0.5m customers have had their limits reduced by up to 25%; the average limit stood at INR0.1m.
- Customers on the watch list have utilized their limits and have a mechanism in place for monitoring.
- The limit reduction applies to existing customers. For new vintages, limits have not been reduced. A watch list has been created to take early actions and address problems within this fiscal year.

Interest and Revolver Rates

- The share of interest-earning assets has not increased. The revolver remains stable at 24%, and maintaining it at 23-24% would be beneficial.
- EMI and installments run off within 9-12 months.
- There is no intention to increase the revolver rate, but there is a focus on expanding the EMI book.

Story in charts

Exhibit 1: Spending growth moderated to 4% YoY due to the sharp fall in corporate spending

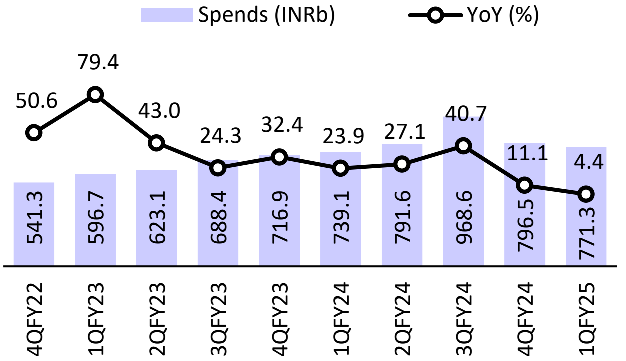


Exhibit 2: The mix of retail spending thus rose to 93% from 79% last year

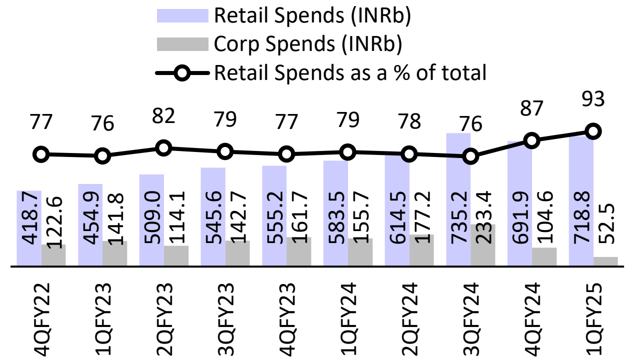


Exhibit 3: O/s cards increased ~11% YoY to 19.2m

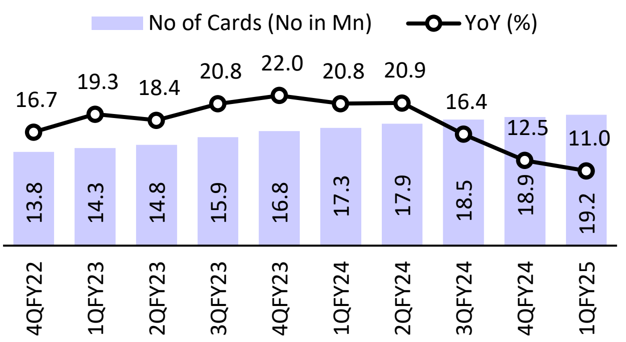


Exhibit 4: Margin stood flat QoQ at 10.9%

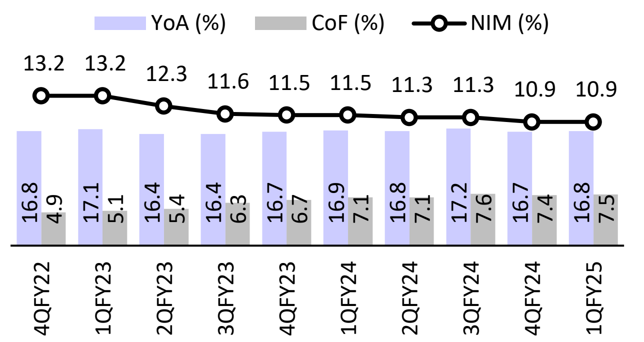


Exhibit 5: Revolver mix stable at 24%

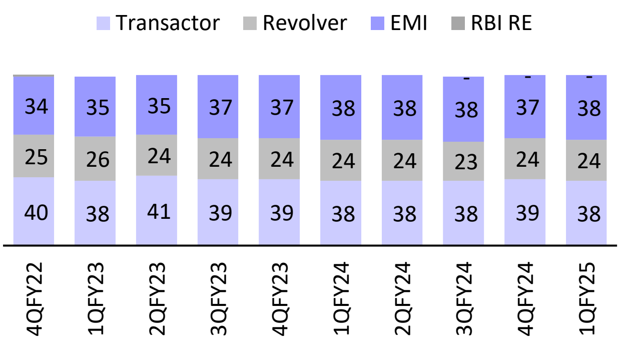


Exhibit 6: Sourcing mix: SBI sourcing stood at 42%

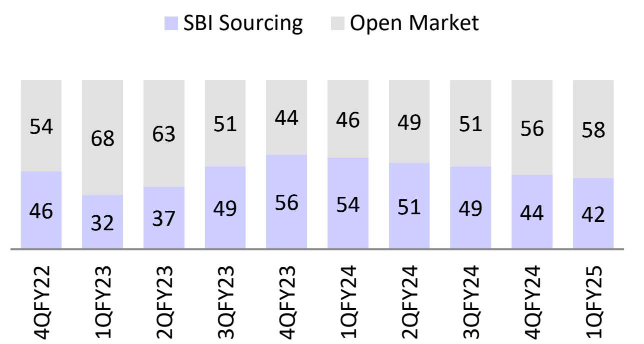


Exhibit 7: Credit cost increased to 8.5%; ECL at 3.6%

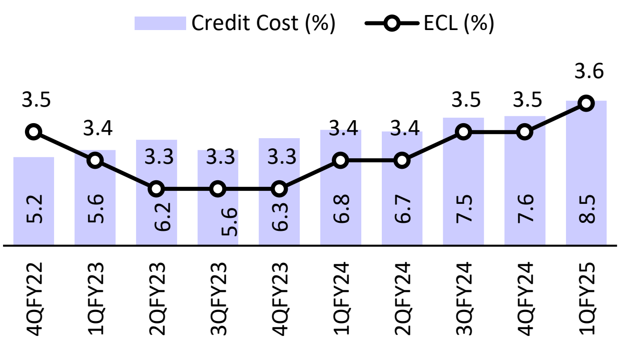
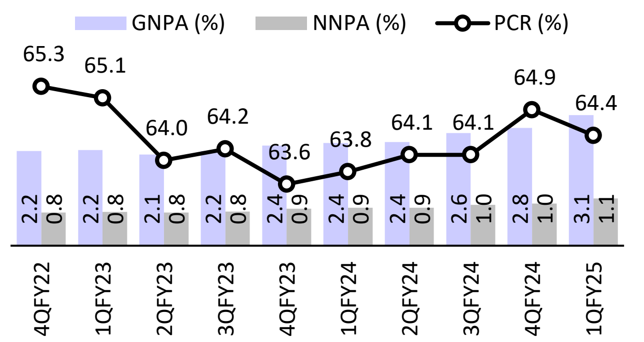


Exhibit 8: GNPA/NNPA ratios increased 30bp/12bp QoQ



Source: MOFSL, Company

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Valuation & view: Reiterate Neutral with a revised TP of INR770

- SBICARD reported another weak quarter characterized by an earnings miss and increased stress in the system, affecting margins and asset quality. However, opex was lower due to reduced corporate spending, but higher credit cost dented earnings.
- Spending growth moderated due to a sharp decline in corporate spending, but management expects a near-term recovery. The mix of revolvers remained stable, while management focused on expanding the EMI mix.
- Margin was stable as funding cost remained elevated, and we estimate a mild recovery from 2HFY25`.
- Credit cost inched up further to 8.5% with management guiding a credit cost of 7-8% for FY25. The reversal in the rate cycle and improvement in the revolver mix are the key triggers, though they appear to be a few quarters away.
- We further cut our FY25E/FY26E EPS sharply by 8.3%/9.5%, factoring in elevated credit cost and subdued margin and revenue growth. **Reiterate Neutral with a TP of INR770 (premised on 20x FY26E EPS)**.

Exhibit 9: Changes to our estimates

INR b	Old Estimates		New Estimates		Change (%/bps)	
	FY25	FY26	FY25	FY26	FY25	FY26
Net Interest Income	63.5	80.9	61.9	75.1	-2.5	-7.2
Other Income	112.1	139.3	101.5	119.9	-9.4	-13.9
Total Income	**175.6**	**220.2**	**163.4**	**195.0**	**-6.9**	**-11.5**
Operating Expenses	96.2	119.1	84.5	97.0	-12.2	-18.5
Operating Profits	**79.4**	**101.1**	**78.9**	**98.0**	**-0.5**	**-3.1**
Provisions	40.3	48.0	43.1	49.9	7.0	3.9
PBT	**39.1**	**53.1**	**35.8**	**48.1**	**-8.3**	**-9.5**
Tax	10.0	13.6	9.1	12.3	-8.3	-9.5
PAT	**29.1**	**39.6**	**26.7**	**35.8**	**-8.3**	**-9.5**
Loans	599	736	584	701	-2.5	-4.8
Margins (%)	11.0	11.5	11.1	11.3	9	-19
Credit Cost (%)	7.00	6.80	7.75	7.49	75	69
RoA (%)	**4.51**	**5.01**	**4.17**	**4.66**	**-34**	**-35**
RoE (%)	**21.7**	**23.9**	**20.1**	**22.2**	**-163**	**-169**
EPS	31	42	28	38	-8.3	-9.5
BV	155	194	152	187	-1.6	-3.4
ABV	151	188	147	181	-2.7	-3.8

Exhibit 10: DuPont Analysis – estimate return ratios to be broadly range bound

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Interest Income	21.3	18.8	15.6	15.1	14.9	14.9	14.9
Interest Expense	5.7	4.0	3.3	4.1	5.0	5.2	5.1
Net Interest Income	**15.6**	**14.8**	**12.3**	**11.0**	**9.9**	**9.7**	**9.8**
Fee Income	17.5	14.9	17.0	16.5	15.7	13.5	13.3
Trading and others	4.1	3.4	4.1	4.1	3.0	2.4	2.3
Non-Interest income	**21.6**	**18.3**	**21.0**	**20.5**	**18.8**	**15.9**	**15.6**
Total Income	**37.2**	**33.1**	**33.3**	**31.5**	**28.7**	**25.6**	**25.4**
Operating Expenses	**21.0**	**18.0**	**19.0**	**18.6**	**16.1**	**13.2**	**12.6**
-Employee cost	2.1	1.9	1.5	1.4	1.1	1.0	0.9
-Others	19.0	16.1	17.4	17.2	15.0	12.3	11.7
Operating Profits	**16.1**	**15.1**	**14.4**	**12.9**	**12.6**	**12.3**	**12.7**
Provisions	**8.5**	**10.1**	**7.3**	**5.4**	**6.3**	**6.7**	**6.5**
PBT	**7.6**	**5.1**	**7.0**	**7.6**	**6.2**	**5.6**	**6.3**
Tax	2.1	1.3	1.8	1.9	1.6	1.4	1.6
RoA	**5.5**	**3.8**	**5.2**	**5.6**	**4.6**	**4.2**	**4.7**
Leverage (x)	5.1	4.5	4.4	4.6	4.7	4.8	4.8
RoE	**27.9**	**16.9**	**23.0**	**25.7**	**22.0**	**20.1**	**22.2**

Financials and valuations

Income Statement							(INR b)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Interest Income	48.4	49.3	48.2	60.5	77.4	95.2	114.5
Interest Expense	13.0	10.4	10.3	16.5	26.0	33.3	39.4
Net Interest Income	**35.4**	**38.8**	**37.9**	**44.0**	**51.5**	**61.9**	**75.1**
-growth (%)	38.0	9.7	-2.3	16.0	17.0	20.2	21.3
Non-Interest Income	49.1	47.9	64.8	82.4	97.4	101.5	119.9
Total Income	**84.5**	**86.7**	**102.7**	**126.4**	**148.9**	**163.4**	**195.0**
-growth (%)	34.6	2.6	18.5	23.0	17.8	9.8	19.3
Operating Expenses	47.8	47.1	58.5	74.5	83.7	84.5	97.0
Pre Provision Profits	**36.7**	**39.6**	**44.3**	**51.9**	**65.2**	**78.9**	**98.0**
-growth (%)	47.8	8.0	11.8	17.2	25.6	21.1	24.1
Provisions (excl tax)	19.4	26.4	22.6	21.6	32.9	43.1	49.9
PBT	**17.3**	**13.2**	**21.7**	**30.3**	**32.3**	**35.8**	**48.1**
Tax	4.8	3.4	5.6	7.7	8.2	9.1	12.3
- Tax Rate (%)	28.0	25.6	25.6	25.5	25.5	25.5	25.5
PAT	**12.4**	**9.8**	**16.2**	**22.6**	**24.1**	**26.7**	**35.8**
-growth (%)	43.9	-20.9	64.2	39.7	6.6	10.8	34.4
Total Comprehensive Income	**12.4**	**10.0**	**16.3**	**22.6**	**24.1**	**26.7**	**35.8**
-growth (%)	44.1	-19.7	63.1	38.7	6.7	10.9	34.4

Balance Sheet							
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
Share Capital	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Reserves & Surplus	44.02	53.62	68.10	88.84	111.33	135.34	168.33
Net Worth	**44.0**	**53.6**	**68.1**	**88.8**	**111.3**	**135.3**	**168.3**
Borrowings	175.7	178.9	229.8	311.1	398.9	477.8	573.4
-growth (%)	29.7	1.8	28.4	35.4	28.2	19.8	20.0
Other Liabilities & Prov.	23.9	28.2	39.1	46.1	62.0	74.4	89.2
Total Liabilities	**243.7**	**260.7**	**337.1**	**446.0**	**572.2**	**687.5**	**831.0**
Current Assets	6.8	7.2	11.1	13.5	27.3	33.3	41.0
Investments	**0.0**	**9.6**	**13.0**	**21.4**	**35.2**	**42.9**	**51.5**
-growth (%)	0.0	65,347.3	35.5	64.9	64.5	22.0	20.0
Loans	**228.1**	**234.6**	**301.9**	**393.6**	**490.8**	**584.0**	**700.8**
-growth (%)	27.4	2.8	28.7	30.4	24.7	19.0	20.0
Fixed Assets	3.3	3.2	4.5	5.7	5.6	6.0	6.3
Other Assets	14.8	15.6	16.0	21.2	22.8	30.8	40.8
Total Assets	**253.1**	**270.1**	**346.5**	**455.5**	**581.7**	**697.0**	**840.5**

Asset Quality							
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**
GNPA (INR b)	4.8	12.5	6.9	9.6	14.0	21.3	25.3
NNPA (INR b)	1.6	2.8	2.4	3.5	4.9	7.1	8.0
GNPA Ratio	2.0	5.0	2.2	2.4	2.8	3.6	3.5
NNPA Ratio	0.7	1.1	0.8	0.9	1.0	1.2	1.1
Slippage Ratio	5.9	12.8	8.0	6.0	6.0	7.1	7.0
Credit Cost	9.1	10.7	8.0	6.0	7.2	7.8	7.5
PCR (Excl Tech. write off)	67.2	77.9	65.3	63.6	64.9	66.7	68.5

E: MOFSL Estimates

Financials and valuations

Business Metrics

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total No. of Cards (in m)	10.5	11.8	13.8	16.8	18.9	22.5	26.5
Total spends (INR b)	1,309.2	1,224.2	1,863.5	2,625.0	3,295.9	3,955.1	4,785.6
Spends per card (INR k)	124.1	103.5	135.4	156.2	174.4	175.9	180.3
Loans per card (INR)	22	20	22	23	26	26	26
Fee income earned per card	3,772	3,305	3,796	3,931	4,320	3,836	3,858

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Yield & Cost Ratios (%)							
Avg. Yield on loans	22.7	20.0	17.1	16.8	16.9	17.1	17.2
Avg. Cost of Borrowings	8.4	5.9	5.0	6.1	7.3	7.6	7.5
Interest Spread	**14.3**	**14.1**	**12.1**	**10.7**	**9.6**	**9.5**	**9.7**
Net Interest Margin	**16.6**	**15.8**	**13.5**	**12.2**	**11.2**	**11.1**	**11.3**
Capitalisation Ratios (%)							
CAR	22.4	24.8	23.8	23.1	20.5	19.2	18.9
Tier I	17.7	20.9	21.0	20.4	16.5	13.9	14.3
Tier II	4.7	3.9	2.8	2.7	4.0	5.3	4.7
Business ratios (%)							
Cost/Assets	21.0	18.0	19.0	18.6	16.1	13.2	12.6
Cost/Total Income	56.6	54.3	56.9	58.9	56.2	51.7	49.8
Int. Expense/Int.Income	26.9	21.2	21.3	27.2	33.5	35.0	34.4
Other income/Total Income	58.1	55.2	63.1	65.2	65.4	62.1	61.5
Empl. Cost/Total Expense	9.8	10.4	8.1	7.5	6.8	7.3	7.0

Valuation

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
RoE	27.9	16.9	23.0	25.7	22.0	20.1	22.2
RoA	5.5	3.8	5.2	5.6	4.6	4.2	4.7
RoRWA	5.9	4.1	5.8	6.2	4.6	3.8	4.2
Book Value (INR)	57	67	82	104	127	152	187
-growth (%)	32.7	17.8	22.7	26.4	22.3	19.9	22.8
Price-BV (x)	**12.7**	**10.8**	**8.8**	**6.9**	**5.7**	**4.7**	**3.9**
Adjusted BV (INR)	56	65	80	101	123	147	181
Price-ABV (x)	**12.9**	**11.1**	**9.0**	**7.1**	**5.8**	**4.9**	**4.0**
EPS (INR)	14.0	10.5	17.2	23.9	25.4	28.0	37.7
-growth (%)	31.4	-25.3	63.8	39.3	6.2	10.5	34.4
Price-Earnings (x)	**51.4**	**68.8**	**42.0**	**30.2**	**28.4**	**25.7**	**19.1**

E: MOFSL Estimates

Explanation of Investment Rating	
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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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