ICRA

July 27, 2017

SBI Cards and Payment Services Limited

Summary of Rated Instruments

Instrument*	Amount (Rs. crore)	Rating Action
Long term borrowing programme	11,000	[ICRA]AAA (Stable); outstanding
Short term borrowing programme		[ICRA]A1+; outstanding
Long term – subordinate bonds/debt programme	1,090	[ICRA]AAA (Stable); outstanding
Long term – bonds programme	1,000	[ICRA]AAA (Stable); outstanding

**Instrument details are provided in Annexure-1*

Rating action

ICRA has outstanding rating of [ICRA]AAA(stable) (pronounced ICRA triple A with stable outlook)/ [ICRA]A1+(pronounced ICRA A one plus) for Rs 11,000 crore long term/ short term borrowing programme of SBI Cards and Payment Services Limited (SBICPSL). ICRA also has outstanding rating of [ICRA]AAA (stable) for Rs 1,090 crore long term- subordinate bonds/debt programme and Rs 1,000 crore long term bonds programme of the Company.

The ratings factor in SBICPSL's strong ownership, experienced management team and good systems which have helped the company to operate the credit cards business through economic cycles and generate business volumes while maintaining comfortable liquidity and adequate capitalization.

Change in shareholding

As per State Bank of India's (SBI) regulatory filing dated July 21, 2017, the bank will increase its shareholding in SBI Cards and Payment Services Limited (SBICPSL) to 74% from the current 60%. CA Rover Holdings (an affiliate of Carlyle Asia Partners IV) will be the new partner in SBICPSL and will hold remaining 26% stake in the company. General Electric Capital Corporation (GECC), which currently holds 40% stake in SBICPSL through its subsidiary GE Consumer (Mauritius) Investment I Limited, will be exiting the joint venture. The transaction is expected to get completed in the next few months subject to regulatory approvals.

ICRA takes note of the SBI's continued commitment to SBICPSL, as reflected in the increase in its shareholding.

Business: SBICPSL had the second largest market share in terms of both the number of cards (15.3%) and transactions volumes (13.9%), as on March 31, 2017.

Asset quality: The company's asset quality indicators improved during FY2017, with gross NPAs of 1.6% and net NPAs of 1.2% as on March 31, 2017, in comparison with 2.0% and 1.5% respectively as on March 31, 2016. The company recognises NPAs at 90 days past due.

Profitability: SBICPSL reported a 38% YoY growth in net profits in FY2017 to Rs. 390 crore, supported by higher fee based income and controlled credit costs. The company's profitability remains good with reported return on average assets of 4.2% and return on average equity of 30.0% in FY2017.

Capitalisation/Leverage: The company's capital position remain adequate, with total and tier 1 CRAR of 17.1% and 12.8% respectively as on March 31, 2017. Also, support from the parent is likely to be forthcoming in case of need. SBICPSL's gearing was moderate at 5.7x, as on March 31, 2017, with around 93% of the company's borrowings as on March 31, 2017) being from SBI.

The previous rating rationale is available on the following link: Click Here

Key financial ratios:

	FY2016	FY2017
Net interest income	946	1,241
Fees & other income	1,007	1,463
Profit before tax	438	598
Profit after tax	284	390
Receivables	7,396	10,276
Total assets	7,880	10,829
% Tier 1	14.3%	12.8%
% CRAR	18.1%	17.1%
Gearing	5.1	5.7
% Net profit/Average total assets	4.0%	4.2%
% Return on net worth	26.8%	30.0%
% Gross NPAs	2.0%	1.6%
% Net NPAs	1.5%	1.2%
Net NPA/Net worth	9.5%	8.6%

Amounts in Rs. crore
Source: Company and ICRA research

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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