

## SBI Cards and Payment Services Private Limited

Instrument	Amount	Rating Action
Bank Lines	Rs 8,500 Crore	[ICRA]AAA (Stable) Rating Assigned
Commercial Paper	(enhanced from Rs. 7,000 Crore)	[ICRA]A1+ Rating Assigned
Long Term – Bonds / NCD / LTD	Rs. 200 Crore	[ICRA]AAA (Stable) Rating Assigned

ICRA has assigned fresh rating of [ICRA]AAA(stable) (pronounced ICRA triple A with stable outlook)/[ICRA]A1+(pronounced ICRA A one plus) to the Rs 8,500 Crore<sup>1</sup> Cash Credit Lines/Commercial Paper Programme (enhanced from Rs. 7,000 crore) of SBI Cards and Payment Services Limited(SBICPSL)<sup>†</sup>. ICRA has also assigned a rating of [ICRA]AAA(stable) to the Rs 200 crore Long Term Bonds programme of SBICPSL. The commercial paper programme would be carved out of the sanctioned working capital limits of the company.

ICRA also has rating outstanding of [ICRA]AAA (Stable) for NCD programme of Rs 100 crore and Lower Tier 2/ Subordinated Debt Programme of Rs 375 crore.

The rating factors in SBICPSL's strong ownership, experienced management team and good systems which have helped the company to operate the monoline business of credit cards through economic cycles and generate business volumes while maintaining comfortable liquidity profile and adequate capitalization levels. SBI, the country's largest commercial bank holds 60% equity stake in SBICPSL, while GECC, holds the balance 40% through its subsidiary GE Consumer (Mauritius) Investment I Limited. ICRA has noted GECC plans to exit from this Joint Venture and the shareholders are in process of identifying a new partner. ICRA takes comfort from that fact that SBI remains committed to provide the capital, managerial, liquidity and funding support to the venture in this period of transition and otherwise.

The rating continues to factor in SBICPSL's established position among the top 5 credit card issuers in the country (Cards in Force of 37.9 lakh) and market share of 15.2% as on June 30, 2016. With the increased targeting of higher income customers, SBICPSL has been able to increase its spend per card (from Rs 68,630 in 2014-15 to Rs. 85,372 in 2015-16). At the same time, asset quality indicators remained good (Gross NPA% of 1.98% as on March 31, 2016). Tightening of origination norms such as increasing the minimum income criteria, making a minimum CIBIL track record of 6 months mandatory as well as increased telecalling frequency to recover from delinquent accounts, has helped the Company in keeping slippages in control.

Funding profile is comfortable owing to the Company's ease of access to funding sources from SBI. As of 2015-16, 93% of SBICPSL's funding mix came from SBI through bank loans, commercial papers and NCDs. As for liquidity, the entire commercial paper borrowings of SBICPSL are carved out of company's sanctioned bank limits resulting in favourable liquidity position for the company.

As for capitalisation, good internal capital generation has helped the company to maintain adequate capitalisation levels (gearing of 5.1 times, as on March 31, 2016). Though the pace of growth is likely to be in line with the internal capital generation, hence the incremental capital requirements are expected to be low, ICRA expects support from SBI in the form of capital to be forthcoming in case of need. Overall ability of the company to maintain asset quality indicators and maintain capitalisation at prudent levels would remain key rating considerations.

As for earnings, while there has been some decline in profitability metrics owing to higher operating expenses, the Company continued to report good profitability (ROE of 26.8% and RoA of 4.0% in 2015-16). While the operating expenses could further increase from present levels with the investments on the technology front and increased marketing spends, ICRA expects the company to continue reporting healthy RoE, provided the company is able to keep its credit costs at similar levels.

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) other ICRA Rating Publications.



### **About the Company**

SBICPSL is an unlisted Non-Deposit taking Systemically Important Non- Banking Finance Company ('NBFC') registered with the Reserve Bank of India ('RBI'). It is a Joint Venture of SBI (rated [ICRA]AAA(stable) / [ICRA]A1+ for its debt programmes and GE Consumer (Mauritius) Investment I Ltd., a subsidiary of General Electric Capital Corporation, USA, (GECC) holding 60% and 40% stake respectively. SBICPSL's parentage in the form of SBI has helped the company grow its business volumes by leveraging the SBI brand name and generate leads through the vast customer base and branch network of SBI. Further, the company also has access to debt from SBI at competitive rates.

SBICPSL operates under the governance of a board with representatives from SBI and GE. The company is one of largest credit card issuer in the country (37.9 lakh cards in force as on June 30, 2016). SBICPSL reported a PAT of Rs. 284 crore on an asset base of Rs. 7,880 crore vis-a-vis PAT of Rs. 267 crore on an asset base of Rs. 6,257 crore in 2014-15. SBICPSL reported a capital adequacy ratio of 18.1% (Tier I% of 14.3%) as on March 31, 2016.

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