

March 28, 2024

The BSE Limited
Corporate Relationship Department.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

The National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex.
Bandra (E), Mumbai - 400 051

SCRIP CODE: **543066**

SYMBOL: **SBICARD**

SECURITY: **Equity Shares/Debentures**

SECURITY: **Equity Shares**

Dear Sirs,

Re: Credit Rating intimation under Regulation 30 of SEBI (LODR) Regulations, 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that ICRA and CRISIL have reaffirmed/assigned the ratings for the Debt Instruments and the bank facilities availed by the Company. The summary of instrument-wise rating actions are as follows:

Rating Agency: ICRA Limited

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
Long-term short-term bank lines/ Commercial Paper program	34,000.00	34,000.00	[ICRA]AAA (Stable) / [ICRA]A1+ reaffirm
Term Loan	5,000.00	8,300.00	[ICRA]AAA (Stable); Reaffirmed/ assign for enhanced amount
Non-convertible debentures	9,755.00	10,705.00	[ICRA]AAA (Stable); Reaffirmed/ assign for enhanced amount
Subordinated debt	2,000.00	3,800.00	[ICRA]AAA (Stable); Reaffirmed/ assign for enhanced amount

SBI Cards and Payment Services Ltd.

DLF Infinity Towers, Tower C,
12th Floor, Block 2, Building 3,
DLF Cyber City, Gurugram - 122002,
Haryana, India

Tel.: 0124-4589803
Email: customercare@sbicard.com
Website: sbicard.com

Registered Office:
Unit 401 & 402, 4th Floor, Aggarwal Millennium Tower,
E 1,2,3, Netaji Subhash Place, Wazirpur, New Delhi - 110034
CIN - L65999DL1998PLC093849

Rating Agency: CRISIL Limited

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
Total bank loan facilities: Long-term rating short-term rating	39,000.00	42,300.00	CRISIL AAA/ Stable (reaffirmed and assigned for enhanced limit) CRISIL A1+ (reaffirmed)
Commercial Paper program	34,000.00	34,000.00	CRISIL A1+ (reaffirmed)
Non-convertible debentures	10,155.00	10,705.00	CRISIL AAA/ Stable (reaffirmed and assigned for enhanced limit)
Subordinated debt	2,000.20	3,800.20	CRISIL AAA/ Stable (reaffirmed and assigned for enhanced limit)

The rating documents issued by ICRA and CRISIL are enclosed.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For SBI Cards and Payment Services Limited

Payal Mittal Chhabra
Company Secretary & Compliance Officer
Date & Time of Event:- March 27, 2024 at 2.34 PM

Enclosed: As above

SBI Cards and Payment Services Ltd.

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March 28, 2024

SBI Cards and Payment Services Limited: [ICRA]AAA (Stable) assigned; ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	8,705	8,705	[ICRA]AAA (Stable); reaffirmed
Non-convertible debentures	-	2,000	[ICRA]AAA (Stable); assigned
Non-convertible debentures	1,050	0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Subordinated debt	1,800	1,800	[ICRA]AAA (Stable); reaffirmed
Subordinated debt	-	2,000	[ICRA]AAA (Stable); assigned
Subordinated debt	200	0	[ICRA]AAA (Stable); reaffirmed and withdrawn
Long-term short-term bank lines/ Commercial paper programme^	34,000	34,000	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Term loan	5,000	8,300	[ICRA]AAA (Stable); reaffirmed/ assigned for enhanced amount
Total	50,755	56,805	

*Instrument details are provided in Annexure I; ^ CP borrowings are carved out of working capital lines; Total outstanding against the CP programme and bank lines should not exceed Rs. 34,000 crore

Rationale

The ratings factor in the strong parentage of SBI Cards and Payment Services Limited (SBICPSL) with a majority stake held by State Bank of India (SBI; rated [ICRA]AAA (Stable)/[ICRA]A1+). As the credit card business is a key product offering to the bank's customers, SBICPSL is strategically important for SBI. This is reflected in the bank's track record of providing branding, funding and capital support to the company. ICRA believes that SBI will maintain a majority stake in SBICPSL and support from the parent will continue, going forward as well.

The ratings also factor in SBICPSL's strong liquidity position, adequate capitalisation for the current scale of operations (net worth of Rs. 11,653 crore and a gearing of 3.3 times as on December 31, 2023), and the track record of good profitability with a 10-year average (FY2014 to FY2023) return on assets (RoA) and return on equity (RoE) of 4.9% and 29.1%, respectively. The profitability has moderated in the current fiscal owing to elevated credit costs and lower net interest margins (NIMs). While the reported gross stage 3% remained under control (2.6% as on December 31, 2023 compared with 2.4% as on March 31, 2023), write-offs increased in 9M FY2024, leading to elevated credit costs (net credit cost in relation to average total assets of 5.1% in 9M FY2024 vis-à-vis 3.8% in FY2023). Given the increased risk weight for banks lending to non-banking financial companies (NBFC), SBICPSL's cost of funds witnessed an uptick in the current fiscal, leading to some margin pressure.

On the capitalisation front, the reported capital adequacy moderated to 18.4% as on December 31, 2023 (but remained higher than the regulatory requirement of 15%) from 23.8% as on March 31, 2023, following the increase in risk weights by the Reserve Bank of India (RBI) for unsecured loans in Q3 FY2024. Nevertheless, SBICPSL enjoys adequate capital buffers to absorb asset-side shocks, if any, going forward. The evolving trajectory of the asset quality due to the company's strategic decision to recalibrate its risk appetite will remain a key monitorable. While reaffirming the ratings, ICRA continues to note SBICPSL's monoline nature of operations.

The Stable outlook reflects ICRA's expectation that SBICPSL will maintain a strong position in the domestic credit card industry and grow the business profitably, with branding support from the parent, which should continue to augur well for its credit profile. ICRA believes that SBI will continue to hold a majority stake in SBICPSL and will provide support, going forward as well.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 1,050-crore non-convertible debentures and Rs. 200-crore subordinated debt as these have been fully redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings (click [here](#) for the policy).

Key rating drivers and their description

Credit strengths

Strong parentage with majority stake held by SBI – SBICPSL is a subsidiary of SBI (68.64% stake as on December 31, 2023). The company hosts the credit card business of the parent. As this is a key product offering to the bank's customers, SBICPSL is strategically important for SBI. This is also reflected in the bank's track record of providing branding and funding support to the company. Also, ICRA notes that SBICPSL shares strong management integration with the parent, with senior employees from the bank being deputed to senior positions at the company. The association with SBI has helped the company grow its business volumes by leveraging the parent's brand name and vast customer base and branch network.

Moreover, SBI continues to be the largest lender to SBICPSL with a track record of enhancing the working capital lines, whenever required. The company's borrowing profile leans towards bank borrowings (both bank lines and term loans), which accounted for the majority (81%) of the funding base as on December 31, 2023, followed by debentures (19%). This augurs well for its borrowing and liquidity profile.

Good profitability, notwithstanding recent moderation – Driven by the high lending spreads and the sizeable interchange and fee-based income, SBICPSL has consistently reported good profitability, as reflected by the 10-year average (FY2014 to FY2023) RoA and RoE of 4.9% and 29.1%, respectively. However, given the higher credit costs on account of the stress from fresh slippages and the increased cost of funds due to the RBI regulation regarding an increase in the risk weight on NBFC lending by banks, the RoA and RoE moderated to 4.5% and 21.8%, respectively, in 9M FY2024 from 5.5% and 25.7%, respectively, in FY2023. The cost of funds is expected to remain elevated over the near to medium term, leading to a further moderation in the NIM. Moreover, given the stress related to the higher slippages and increased write-offs, credit costs will remain elevated in FY2025. Overall, the pressure on NIMs and elevated credit costs could keep the overall profitability under pressure in FY2025. Nevertheless, SBICPSL's core profitability is expected to be sufficient for ensuring buffers to absorb asset-side shocks, if any, going forward.

Adequate capitalisation – ICRA notes that SBICPSL remains adequately capitalised for the current scale of operations, with a net worth of Rs. 11,653 crore and a gearing of 3.3 times as on December 31, 2023. However, the CRAR declined to 18.4% as on December 31, 2023 (though it was above the regulatory requirement of 15%) from 23.8% as on March 31, 2023, following the regulatory changes for risk weights for unsecured loans. Further, the Company has enough space available in TIER- II capital to increase capital adequacy. In ICRA's opinion, a prudent capitalisation level is one of the key risk mitigants and a monitorable, given the monoline nature of the company's operations with an unsecured portfolio. In this regard, SBICPSL is expected to maintain a prudent capitalisation level and ICRA believes that capital and liquidity support from SBI will be forthcoming, if required.

Credit challenges

Higher portfolio vulnerability due to unsecured nature of loans – The asset quality has moderated marginally with the gross stage 3 at 2.6% as on December 31, 2023 compared with 2.4% as on March 31, 2023 (2.2% as on March 31, 2022) due to higher fresh slippages in 9M FY2024. However, the net credit cost, in relation to ATA, increased sharply to 5.1% in 9M FY2024 from 3.8% in FY2023 (5.1% in FY2022) due to higher write-offs. The asset quality stress could continue in FY2025, keeping the credit costs elevated above 5-6% of ATA. However, ICRA notes that the company has tightened its underwriting practices and portfolio management models and the recent vintages are performing better. The evolving trajectory of the asset quality due to SBICPSL's strategic decision to recalibrate its risk appetite will remain a key monitorable. In this regard, improved credit norms and SBICPSL's track record of range-bound asset quality metrics provide comfort.

Monoline nature of operations with presence in relatively risky segment – Due to the nature of its business, SBICPSL’s product diversification remains low as it is concentrated only in the credit cards business. Also, the company’s portfolio remains relatively risky as it is largely unsecured with only 0.7% of the same being secured in nature as on March 31, 2023.

Environmental and social risks

Given the service-oriented business of SBICPSL, its direct exposure to environmental risks/material physical climate risks is not significant. Further, the company’s exposure remains concentrated towards individuals in the form of unsecured credit card exposures. Thus, while lending institutions can generally be exposed to environmental risks indirectly through their portfolio of assets, SBICPSL’s exposure to environmentally sensitive segments remains low. Hence, indirect transition risks arising from changes in regulations or policies concerning the underlying assets are not material.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. SBICPSL has not faced such lapses over the years, which highlights its sensitivity to such risks. Also, the disclosures made by the company outline the key policies, processes, and investments that it has made to mitigate the occurrence of such instances. SBICPSL has forayed into digital customer onboarding and is making investments to enhance its digital interface with its customers.

Liquidity position: Strong

Given the relatively shorter tenure of the assets, SBICPSL’s asset-liability maturity (ALM) profile, in the normal course of business, is characterised by positive cumulative mismatches in all buckets. Further, it maintains sizeable liquidity backup in the form of sanctioned and unutilised bank lines (Rs. 8,005 crore as on December 31, 2023). The company’s liquidity profile also benefits from easy access to funding from its parent, i.e. SBI. Against the debt repayments of Rs. 29,673 crore in the next one year, advance inflows at Rs. 41,650 crore are expected as per the asset-liability statement as on December 31, 2023. The liquidity is also supported by the cash and bank balance of Rs. 2,395 crore as on December 31, 2023 and the good financial flexibility enjoyed by the company by virtue of its parentage.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the ratings could emerge on a significant decline in SBI’s shareholding, leading to a lower likelihood of support from the parent and/or reduced operational linkages, besides a change in SBI’s credit profile. A sustained deterioration in the asset quality profile, thereby weakening the solvency profile, would also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Company ICRA’s Policy on Withdrawal
Parent/Group support	Parent/Group company: State Bank of India ICRA expects SBI to be willing to extend financial support to SBICPSL, if needed, given the importance of the credit card business for SBI. SBI and SBICPSL also share a common name, which, in ICRA’s opinion, would persuade SBI to provide financial support to the company to protect its reputation from the consequences of a Group entity’s distress
Consolidation/Standalone	Standalone

About the company

SBI Cards and Payment Services Limited (SBICPSL), incorporated in 1998 and a 68.64% subsidiary (as on December 31, 2023) of State Bank of India (SBI), is a non-deposit taking systemically important non-banking financial company (NBFC) registered

with the Reserve Bank of India (RBI). It is the second largest credit card provider in the country, with a card base of 1.85 crore as on December 31, 2023.

SBICPSL reported a profit after tax (PAT) of Rs. 2,258 crore on an asset base of Rs. 46,906 crore in FY2023 vis-à-vis a PAT of Rs. 1,616 crore on an asset base of Rs. 35,743 crore in FY2022. It reported a PAT of Rs. 1,745 crore in 9M FY2024 on an asset base of Rs. 57,262 crore as on December 31, 2023. As on December 31, 2023, the capital adequacy ratio was 18.4% (23.1% as on March 31, 2023, 23.8% as on March 31, 2022) with a net worth of Rs. 11,653 crore (Rs. 9,830 crore as on March 31, 2023, Rs. 7,753 crore as on March 31, 2022).

Key financial indicators (audited)

	FY2021/Mar-21	FY2022/Mar-22	FY2023/Mar-23	9M FY2024/Dec-23*
Total assets	28,690	35,743	46,906	57,262
Total income	9,254	10,689	13,701	12,643
Profit after tax	985	1,616	2,258	1,745
Gearing (times)	2.9	3.0	3.2	3.3
CRAR	22.4%	23.8%	23.1%	18.4%
PAT/AMA	3.6%	5.0%	5.5%	4.5%
Gross stage 3	5.0%	2.2%	2.4%	2.6%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years					
		Amount Rated (Rs. crore)	Amount Outstanding as of Mar 28, 2024 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	
				Mar 28, 2024	Aug 18, 2023	Apr 05, 2022 Aug 22, 2022 Mar 22, 2023	Dec 31, 2021 May 21, 2021	Jul 16, 2020 Jan 05, 2021			
1 Non-convertible debenture	LT	8,705	5,765	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)		
2 Non-convertible debenture	LT	2,000	-	[ICRA]AAA (Stable)	-	-	-	-	-		
3 Non-convertible debenture	LT	1,050	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)		
4 Subordinated debt	LT	1,800	1,125	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)		
5 Subordinated debt	LT	2,000	750	[ICRA]AAA (Stable)	-	-	-	-	-		
6 Subordinated debt	LT	200	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)		
7 LT/ST bank lines/CP^^	LT/ST	34,000	34,000	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+		
8 Term loan	LT	8,300	4,700	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	-	-		

LT – Long term, ST – Short term; ^^ CP borrowings are carved out of working capital lines; Total outstanding against the CP programme and bank lines should not exceed Rs. 34,000 crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture	Very Simple
Subordinated debt	Simple
LT/ST bank lines	Simple
Term loan	Simple
Long-term fund based – Other	Simple
Commercial paper programme	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details (as on March 28, 2024)

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE018E08193	NCD	Feb-26-2020	7.40%	Feb-25-2025	300	[ICRA]AAA (Stable)
INE018E08227	NCD	Dec-22-2020	6.00%	Dec-22-2025	450	[ICRA]AAA (Stable)
INE018E08243	NCD	May-10-2021	5.70%	May-10-2024	455	[ICRA]AAA (Stable)
INE018E08250	NCD	Jun-14-2021	5.55%	Jun-14-2024	500	[ICRA]AAA (Stable)
INE018E08268	NCD	Aug-17-2021	5.70%	Aug-16-2024	500	[ICRA]AAA (Stable)
INE018E08276	NCD	Nov-15-2021	5.75%	Nov-14-2024	500	[ICRA]AAA (Stable)
INE018E08284	NCD	Dec-24-2021	5.82%	Dec-24-2024	650	[ICRA]AAA (Stable)
INE018E08292	NCD	Jun-03-2022	7.51%	Jun-03-2025	750	[ICRA]AAA (Stable)
INE018E08318	NCD	Sep-15-2022	7.39%	Sep-15-2025	500	[ICRA]AAA (Stable)
INE018E08326	NCD	Nov-14-2022	7.90%	Nov-14-2025	350	[ICRA]AAA (Stable)
INE018E08334	NCD	May-17-2023	7.85%	May-17-2028	810	[ICRA]AAA (Stable)
INE018E08219	NCD	Aug-17-2020	5.75%	Nov-17-2023	500	[ICRA]AAA (Stable); withdrawn
INE018E08235	NCD	Feb-23-2021	5.90%	Feb-23-2024	550	[ICRA]AAA (Stable); withdrawn
Yet to be placed	NCD	NA	NA	NA	4,940	[ICRA]AAA (Stable)
INE018E08144	Sub-debt	Jan-29-2019	9.55%	Jan-29-2029	250	[ICRA]AAA (Stable)
INE018E08169	Sub-debt	Jun-12-2019	8.99%	Jun-12-2029	100	[ICRA]AAA (Stable)
INE018E08300	Sub-debt	Jun-30-2022	8.25%	Jun-30-2032	250	[ICRA]AAA (Stable)
INE018E08342	Sub-debt	Jan-24-2024	8.33%	Jan-24-2034	525	[ICRA]AAA (Stable)
INE018E08078	Sub-debt	Oct-17-2016	8.10%	Oct-17-2023	200	[ICRA]AAA (Stable); withdrawn
INE018E08359	Sub-debt	Feb-28-2024	8.29%	Feb-28-2034	750	[ICRA]AAA (Stable)
Yet to be placed	Sub-debt	NA	NA	NA	1,925	[ICRA]AAA (Stable)
Yet to be placed	Commercial paper [^]	NA	NA	7-365 days	34,000	[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	20,000	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	750	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	3,000	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	3,800	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	1,050	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	1,600	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	2,500	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Bank lines [^]	NA	NA	NA	1,300	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Term loan	Mar-28-2022	NA	Jun-28-2025	500	[ICRA]AAA (Stable)
NA	Term loan	Jan-20-2023	NA	Jan-20-2026	500	[ICRA]AAA (Stable)
NA	Term loan	Mar-23-2023	NA	May-21-2026	500	[ICRA]AAA (Stable)
NA	Term loan	Apr-27-2023	NA	Jul-03-2026	475	[ICRA]AAA (Stable)
NA	Term loan	May-04-2023	NA	Jul-28-2026	250	[ICRA]AAA (Stable)
NA	Term loan	May-24-2023	NA	May-22-2026	475	[ICRA]AAA (Stable)
NA	Term loan	Sep-25-2023	NA	Dec-24-2026	500	[ICRA]AAA (Stable)
NA	Term loan	Dec-30-2023	NA	Mar-18-2027	500	[ICRA]AAA (Stable)
NA	Term loan	Jul-22-2022	NA	Apr-21-2027	500	[ICRA]AAA (Stable)
NA	Term loan	Mar-29-2023	NA	Mar-27-2026	250	[ICRA]AAA (Stable)
NA	Term loan	May-24-2023	NA	May-22-2026	250	[ICRA]AAA (Stable)
Proposed	Term loan	NA	NA	NA	3,600	[ICRA]AAA (Stable)

Source: Company; ICRA Research; [^]CP borrowings are carved out of working capital lines; Total outstanding against the CP programme and bank lines should not exceed Rs. 34,000 crore

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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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.

For more information, visit www.icra.in

ICRA Limited



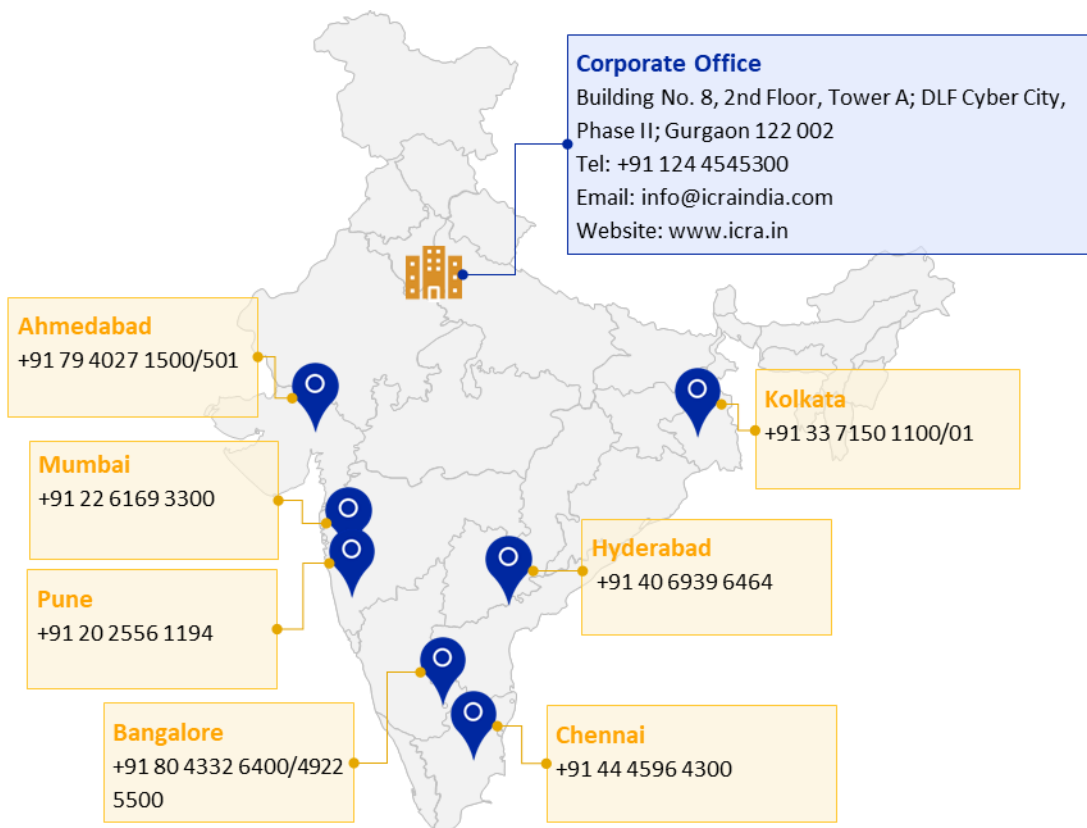
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Branches



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Rating Rationale

March 27, 2024 | Mumbai

SBI Cards and Payment Services Limited

'CRISIL AAA/Stable' assigned to Non Convertible Debentures and Lower Tier II Bonds; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.42300 Crore (Enhanced from Rs.39000 Crore)
Long Term Rating	CRISIL AAA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.2000 Crore Non Convertible Debentures	CRISIL AAA/Stable (Assigned)
Rs.2000 Crore Lower Tier II Bonds	CRISIL AAA/Stable (Assigned)
Non Convertible Debentures Aggregating Rs.8705 Crore (Reduced from Rs.10155 Crore)	CRISIL AAA/Stable (Reaffirmed)
Lower Tier II Bonds Aggregating Rs.1800.2 Crore (Reduced from Rs.2000.2 Crore)	CRISIL AAA/Stable (Reaffirmed)
Rs 34000 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL AAA/Stable' rating to the Rs 2,000 crore non-convertible debentures and Rs 2,000 crore lower tier II bonds of SBI Cards and Payment Services Ltd (SBI Cards), and has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the existing debt instruments and bank facilities of the company.

CRISIL Ratings has **withdrawn** its rating on Rs 200 crore lower tier II bonds and Rs 1,450 crore non-convertible debentures as these have been repaid on maturity. The withdrawal is in line with the withdrawal policy of CRISIL Ratings. (Refer to 'Annexure - Details of Rating Withdrawn')

The ratings factor in continued support from majority shareholder, State Bank of India (SBI; 'CRISIL AAA/CRISIL AA+⁽¹⁾/Stable/CRISIL A1+'), on ongoing basis as well as in the event of distress. Majority ownership and shared brand imply a strong moral obligation on SBI to continue supporting SBI Cards in meeting debt obligation in a timely manner.

The standalone credit risk profile of SBI Cards is supported by its improving market position. The company is the second-largest player in the credit card industry with 1.85 crore cards-in-force (CIF), and market share of 18.9% as on December 31, 2023. Profitability is above average, with return on assets (RoA) of 4.6% in the nine months of fiscal 2024 and 5.3% in fiscal 2023. While RoA is healthy, profitability remains susceptible to asset quality challenges because of the unsecured loan book.

Following the recent revision in risk weights by the Reserve Bank of India through its circular dated November 16, 2023, the capital adequacy ratio of the company declined to 18.4% as on December 31, 2023, from 23.3% as on September 30, 2023. In terms of impact on the liability side, around 81% of the company's borrowings are in the form of bank loans. Hence, the cost of borrowing has risen marginally. Nevertheless, the focus on diversification in the borrowing mix with higher share of capital market instruments, among others, is expected to benefit in the long run.

Gross non-performing assets (GNPAs) inched up to 2.64% as on December 31, 2023, from 2.35% as on March 31, 2023, driven by increase in delinquencies across overdue buckets. Ability of the company to manage collection and asset quality, in light of risks inherent in the credit card business, will be a key monitorable over the medium term.

⁽¹⁾The ratings pertain to tier-I bonds (under Basel III)

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of SBI Cards. The ratings factor in strong support from the parent, SBI, considering the strategic importance of SBI Cards, the parent's majority shareholding and their common brand.

Key Rating Drivers & Detailed Description

Strengths:

Expectation of strong support from SBI

A credit card is an integral product offering of a bank. SBI Cards houses the credit card business of SBI, and hence, it is strategically important to the latter. The company receives strong financial, managerial and branding support from the parent on ongoing basis. It benefits from the strong customer franchisee of SBI, commanding a premium in the co-branded card segment. SBI has infused growth capital in SBI Cards. As on December 31, 2023, SBI held 68.6% stake in the company and will continue to hold majority stake over the medium term. SBI deposes its senior management in SBI Cards, guides strategic decisions and monitors operations. However, the company has substantial autonomy in decision-making. The parent will provide strong support to SBI Cards both on ongoing basis and in the event of distress.

Improving market position

The CIF growth of the company has been faster than that of the industry in the past few fiscals; its market share in terms of CIF grew to 18.9% as on December 31, 2023 (19.7% as on March 31, 2023), from 15.3% as on March 31, 2017. SBI Cards is the second-largest credit card player by CIF and remains among top three players by spends. Gross card receivables stood at Rs 48,850 crore as on December 31, 2023, compared with Rs 40,722 crore as on March 31, 2023. Market share will improve over the medium term because of the company's ability to tap into SBI's large clientele and distribution network.

Profitability, despite momentary moderation, remains strong

RoA (calculated) averaged 5% over the five fiscals through 2023, supported by healthy net interest income and strong fee income. However, for the nine months of fiscal 2024, RoA moderated to 4.6% (annualised) from 5.6% in fiscal 2023 owing to revision in regulation pertaining to event/instance-based fee income, increased credit cost and increase in cost of funds. Fee income as a percentage of total assets reduced to 16.2% in the nine months of fiscal 2024 from 20.3% in fiscal 2023 and 20.9% in fiscal 2022. Also, credit cost inched up to 6.2% (annualised) in the nine months of fiscal 2024 after improving in the preceding two fiscals. Nonetheless, profitability remains above-average supported by net interest margin of 10.3%. Over the medium term, while the company's strong market position in the credit card segment will support its operating margin, ability to support asset quality metrics will remain critical.

Weakness:

Susceptibility to risks inherent in the credit card business

The entire loan book is unsecured; thus, the portfolio is inherently risky. Asset quality deteriorated in the aftermath of the Covid-19 pandemic, with GNPA's surging to 4.99% as on March 31, 2021, from 2.01% as on March 31, 2020. However, GNPA's improved to 2.35% as on March 31, 2023, followed by marginal increase to 2.64% as on December 31, 2023.

The management has taken several measures, including tighter credit policies, higher sourcing from bank channels, increased income cut-offs for new accounts and lower credit limits to risky customers. It has also made adequate provisions. Nevertheless, ability to maintain asset quality and profitability will remain a key monitorable.

Liquidity: Strong

As on December 31, 2023, the company had cumulative positive mismatch in all time buckets because of the short tenure of assets. It had cumulative outflow of Rs 34,422 crore (upto 12 month bucket), against inflow of Rs 45,263 crore against same buckets as on said date. Moreover, it had unutilised bank lines of Rs 8,005 crore as on December 31, 2023.

ESG profile

The environment, social and governance (ESG) profile of SBI Cards supports its strong credit risk profile.

The ESG profile of financial institutions typically factors in governance as a key differentiator. The sector has reasonable social impact because of its substantial employee and customer base, and it can play a key role in promoting financial inclusion. While the sector does not have direct adverse environmental impact, lending decisions may have a bearing on the environment and other sustainability factors.

SBI Cards has demonstrated an ongoing focus on strengthening various aspects of its ESG profile.

Key ESG highlights:

- SBI Cards installed light-emitting diode (LED) lights across 3 lakh square feet of offices and installed smart printers to limit unwanted prints. Furthermore, it installed sensors to auto control them to optimise energy consumption. The company has adopted paperless communication with customers, such as statements on e-mail, SMS and eKits. It has also implemented a process for paperless purchase orders (POs) and issued 9.5 thousand POs digitally.
- The company is actively setting up waste management units and rainwater harvesting systems across various branches, offices and other establishments.
- Women comprised 27% of the total employees and 18% of senior management as on March 31, 2023. One board member out of nine is a woman.

- The company has 56% of board members as independent directors, with a split in the chairperson and executive positions and an extensive investor grievance redressal mechanism and disclosures in place.

There is growing importance of ESG among investors and lenders. The commitment of SBI Cards to ESG will play a key role in enhancing stakeholder confidence, given the substantial share of foreign investors as well as access to domestic capital markets.

Outlook: Stable

SBI Cards will continue to benefit from the financial and managerial support of the parent and strong brand. Its market position will improve over the medium term while profitability will be sustained.

Rating Sensitivity Factors

Downward Factors

- Downgrade in the rating of SBI may result in a similar rating action on the company
- Material change in the shareholding (below 50%) or support philosophy of SBI

About the Company

SBI Cards is the second-largest player (by CIF) in the credit card business with 1.68 crore CIF and market share of 19.7% as on March 31, 2023. Spend for fiscal 2023 was Rs 262,498 crore, compared with Rs 186,353 crore in fiscal 2022 (Rs 122,416 crore in fiscal 2021). Networth stood at Rs 9,830 crore as on March 31, 2023.

Profit after tax (PAT) was Rs 2,258 crore on total income (net of finance cost) of Rs 12,638 crore in fiscal 2023, as against Rs 1,616 crore on Rs 10,274 crore, respectively, in fiscal 2022. RA (calculated) stood at 5.6%, compared with 5.2% during the said period.

As on December 31, 2023, PAT was Rs 1,745 crore on total income (net of finance cost) of Rs 10,082 crore and annualised RoA was 4.6%, compared with Rs 1,662 crore, Rs 9,232 crore and 5.7%, respectively, a year earlier.

Key Financial Indicators

As on / for the period ended	Unit	March 2023*	March 2022*
Total assets	Rs crore	45,546	34648
Total income (net of finance cost)	Rs crore	12,638	10274
PAT	Rs crore	2,258	1616
Gross stage 3 assets	%	2.35	2.22
Gearing	Times	3.2	3.0
RoA (calculated)	%	5.6	5.2

As on / for the period ended	Unit	December 2023*	December 2022*
Total assets	Rs crore	55,863	42,987
Total income (net of finance cost)	Rs crore	10,082	9,232
PAT	Rs crore	1,745	1,662
Gross stage 3 assets	%	2.64	2.22
Gearing	Times	3.2	3.1
RoA (calculated)	%	4.6	5.7

*CRISIL Ratings adjusted nos.

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating with outlook
NA	Non-convertible debentures*	NA	NA	NA	2000	Simple	CRISIL AAA/Stable
NA	Non-convertible debentures*	NA	NA	NA	2940	Simple	CRISIL AAA/Stable

NA	Lower tier II bonds*	NA	NA	NA	1925.2	Simple	CRISIL AAA/Stable
INE018E08342	Lower tier II bonds	24-Jan-2024	8.33%	24-Jan-2034	525	Complex	CRISIL AAA/Stable
INE018E08359	Lower tier II bonds	28-Feb-2024	8.29%	28-Feb-2034	750	Complex	CRISIL AAA/Stable
INE018E08144	Lower tier II bonds	29-Jan-2019	9.55%	29-Jan-2029	250	Complex	CRISIL AAA/Stable
INE018E08169	Lower tier II bonds	12-Jun-2019	8.99%	12-Jun-2029	100	Complex	CRISIL AAA/Stable
INE018E08300	Lower tier II bonds	30-Jun-2022	8.25%	30-Jun-2032	250	Complex	CRISIL AAA/Stable
INE018E08193	Non-convertible debentures	26-Feb-2020	7.40%	25-Feb-2025	300	Simple	CRISIL AAA/Stable
INE018E08227	Non-convertible debentures	22-Dec-2020	6.00%	22-Dec-2025	450	Simple	CRISIL AAA/Stable
INE018E08243	Non-convertible debentures	10-May-2021	5.70%	10-May-2024	455	Simple	CRISIL AAA/Stable
INE018E08250	Non-convertible debentures	14-Jun-2021	5.55%	14-Jun-2024	500	Simple	CRISIL AAA/Stable
INE018E08268	Non-convertible debentures	17-Aug-2021	5.70%	16-Aug-2024	500	Simple	CRISIL AAA/Stable
INE018E08276	Non-convertible debentures	15-Nov-2021	5.75%	14-Nov-2024	500	Simple	CRISIL AAA/Stable
INE018E08284	Non-convertible debentures	24-Dec-2021	5.82%	24-Dec-2024	650	Simple	CRISIL AAA/Stable
INE018E08292	Non-convertible debentures	03-Jun-2022	7.51%	03-Jun-2025	750	Simple	CRISIL AAA/Stable
INE018E08318	Non-convertible debentures	15-Sep-2022	7.39%	15-Sep-2025	500	Simple	CRISIL AAA/Stable
INE018E08326	Non-convertible debentures	14-Nov-2022	7.90%	14-Nov-2025	350	Simple	CRISIL AAA/Stable
INE018E08334	Non-convertible debentures	17-May-2023	7.85%	17-May-2028	810	Simple	CRISIL AAA/Stable
NA	Commercial paper	NA	NA	7 to 365 Days	34000	Simple	CRISIL A1+
NA	Cash Credit & Working Capital Demand Loan	NA	NA	NA	33990	NA	CRISIL AAA/Stable
NA	Bank guarantee	NA	NA	NA	10	NA	CRISIL A1+
NA	Term Loan	28-Mar-2022	NA	28 Jun 2025	500	NA	CRISIL AAA/Stable
NA	Term Loan	22-July-2022	NA	21-Apr-2027	500	NA	CRISIL AAA/Stable
NA	Term Loan	20-Jan-2023	NA	20-Jan-2026	500	NA	CRISIL AAA/Stable
NA	Term Loan	23-Mar-2023	NA	21-May-2026	500	NA	CRISIL AAA/Stable
NA	Term Loan	29-Mar-2023	NA	27-Mar-2026	250	NA	CRISIL AAA/Stable
NA	Term Loan	27-Apr-2023	NA	3-Jul-2026	475	NA	CRISIL AAA/Stable
NA	Term Loan	4-May-2023	NA	28-Jul-2026	250	NA	CRISIL AAA/Stable
NA	Term Loan	24-May-2023	NA	22-May-2026	250	NA	CRISIL AAA/Stable
NA	Term Loan	24-May-2023	NA	22-May-2026	475	NA	CRISIL AAA/Stable
NA	Term Loan	25-Sept-2023	NA	24-Dec-2026	500	NA	CRISIL AAA/Stable
NA	Term Loan	30-Dec-2023	NA	18-Mar-2027	500	NA	CRISIL AAA/Stable
NA	Proposed Long term bank loan	NA	NA	NA	3300	NA	CRISIL AAA/Stable

	facility						
NA	Proposed Term Loan	NA	NA	NA	300	NA	CRISIL AAA/Stable

*Yet to be issued

Annexure – Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating with outlook
NE018E08078	Lower tier II bonds	17-Oct-2016	8.10%	17-Oct-2023	200	Complex	Withdrawn
INE018E08201	Non-convertible debentures	29-Jun-2020	6.85%	29-Jun-2023	400	Simple	Withdrawn
INE018E08219	Non-convertible debentures	17-Aug-2020	5.75%	17-Nov-2023	500	Simple	Withdrawn
INE018E08235	Non-convertible debentures	23-Feb-2021	5.90%	23-Feb-2024	550	Simple	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	42290.0	CRISIL AAA/Stable	03-01-24	CRISIL AAA/Stable	11-12-23	CRISIL AAA/Stable	05-08-22	CRISIL AAA/Stable	20-05-21	CRISIL AAA/Stable	CRISIL AAA/Stable
					--	30-10-23	CRISIL AAA/Stable	31-03-22	CRISIL AAA/Stable		--	CRISIL AAA/Stable
					--	22-09-23	CRISIL AAA/Stable	29-03-22	CRISIL AAA/Stable		--	--
					--	28-06-23	CRISIL AAA/Stable	25-02-22	CRISIL AAA/Stable		--	--
					--	24-05-23	CRISIL AAA/Stable	07-01-22	CRISIL AAA/Stable		--	--
					--	23-05-23	CRISIL AAA/Stable		--		--	--
					--	24-04-23	CRISIL AAA/Stable		--		--	--
					--	22-03-23	CRISIL AAA/Stable		--		--	--
					--	27-01-23	CRISIL AAA/Stable		--		--	--
				Non-Fund Based Facilities	ST	10.0	CRISIL A1+	03-01-24	CRISIL A1+	11-12-23	CRISIL A1+	05-08-22
	--	30-10-23	CRISIL A1+					31-03-22	CRISIL A1+		--	--
	--	22-09-23	CRISIL A1+					29-03-22	CRISIL A1+		--	--
	--	28-06-23	CRISIL A1+					25-02-22	CRISIL A1+		--	--
	--	24-05-23	CRISIL A1+					07-01-22	CRISIL A1+		--	--
	--	23-05-23	CRISIL A1+						--		--	--
	--	24-04-23	CRISIL A1+						--		--	--
	--	22-03-23	CRISIL A1+						--		--	--
	--	27-01-23	CRISIL A1+						--		--	--
Commercial Paper	ST	34000.0	CRISIL A1+					03-01-24	CRISIL A1+	11-12-23	CRISIL A1+	05-08-22
					--	30-10-23	CRISIL	31-03-22	CRISIL		--	--

							A1+		A1+			
			--		--	22-09-23	CRISIL A1+	29-03-22	CRISIL A1+		--	--
			--		--	28-06-23	CRISIL A1+	25-02-22	CRISIL A1+		--	--
			--		--	24-05-23	CRISIL A1+	07-01-22	CRISIL A1+		--	--
			--		--	23-05-23	CRISIL A1+		--		--	--
			--		--	24-04-23	CRISIL A1+		--		--	--
			--		--	22-03-23	CRISIL A1+		--		--	--
			--		--	27-01-23	CRISIL A1+		--		--	--
Lower Tier II Bonds	LT	3800.2	CRISIL AAA/Stable	03-01-24	CRISIL AAA/Stable	11-12-23	CRISIL AAA/Stable	05-08-22	CRISIL AAA/Stable	20-05-21	CRISIL AAA/Stable	CRISIL AAA/Stable
			--		--	30-10-23	CRISIL AAA/Stable	31-03-22	CRISIL AAA/Stable		--	--
			--		--	22-09-23	CRISIL AAA/Stable	29-03-22	CRISIL AAA/Stable		--	--
			--		--	28-06-23	CRISIL AAA/Stable	25-02-22	CRISIL AAA/Stable		--	--
			--		--	24-05-23	CRISIL AAA/Stable	07-01-22	CRISIL AAA/Stable		--	--
			--		--	23-05-23	CRISIL AAA/Stable		--		--	--
			--		--	24-04-23	CRISIL AAA/Stable		--		--	--
			--		--	22-03-23	CRISIL AAA/Stable		--		--	--
			--		--	27-01-23	CRISIL AAA/Stable		--		--	--
Non Convertible Debentures	LT	10705.0	CRISIL AAA/Stable	03-01-24	CRISIL AAA/Stable	11-12-23	CRISIL AAA/Stable	05-08-22	CRISIL AAA/Stable	20-05-21	CRISIL AAA/Stable	CRISIL AAA/Stable
			--		--	30-10-23	CRISIL AAA/Stable	31-03-22	CRISIL AAA/Stable		--	--
			--		--	22-09-23	CRISIL AAA/Stable	29-03-22	CRISIL AAA/Stable		--	--
			--		--	28-06-23	CRISIL AAA/Stable	25-02-22	CRISIL AAA/Stable		--	--
			--		--	24-05-23	CRISIL AAA/Stable	07-01-22	CRISIL AAA/Stable		--	--
			--		--	23-05-23	CRISIL AAA/Stable		--		--	--
			--		--	24-04-23	CRISIL AAA/Stable		--		--	--
			--		--	22-03-23	CRISIL AAA/Stable		--		--	--
			--		--	27-01-23	CRISIL AAA/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	10	State Bank of India	CRISIL A1+
Cash Credit & Working Capital Demand Loan	750	Central Bank Of India	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	1300	Bank of India	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	3800	Bank of Baroda	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	1600	Sumitomo Mitsui Banking Corporation	CRISIL AAA/Stable

Cash Credit & Working Capital Demand Loan	3000	Punjab National Bank	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	2500	HDFC Bank Limited	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	19990	State Bank of India	CRISIL AAA/Stable
Cash Credit & Working Capital Demand Loan	1050	The Hongkong and Shanghai Banking Corporation Limited	CRISIL AAA/Stable
Proposed Long Term Bank Loan Facility	3300	Not Applicable	CRISIL AAA/Stable
Proposed Term Loan	300	Not Applicable	CRISIL AAA/Stable
Term Loan	3700	HDFC Bank Limited	CRISIL AAA/Stable
Term Loan	250	IDBI Bank Limited	CRISIL AAA/Stable
Term Loan	250	The Hongkong and Shanghai Banking Corporation Limited	CRISIL AAA/Stable
Term Loan	500	Punjab National Bank	CRISIL AAA/Stable

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Finance Companies
CRISILs Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support

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