

Business Standard

SBI's credit card arm files offer document; aims to raise Rs 9,500 cr

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State Bank of India

SBI Cards and Payment Services, the credit card arm of State Bank of India (SBI), on Wednesday filed the offer document for its maiden offering, which could mop up Rs 9,500 crore in what could be one of the biggest initial public offerings (IPOs) in the domestic market.

The issue will comprise fresh fund raising worth Rs 500 crore,

which will be used to augment the capital base to meet future business requirements. Bulk of the IPO will be secondary share sale by SBI and private equity major Carlyle Group, who currently hold 74 per cent and 26 per cent, respectively.

According to the offer document, SBI and Carlyle will be offering 37.3 million (4 per cent stake) and 93.2 million (10 per cent stake) shares through the IPO.

India's second-largest credit card issuer SBI Cards on Wednesday filed the draft red herring prospectus (DRHP).

Banking sources said SBI Cards would be valued at Rs 65,000 crore. The stake sale would help SBI fetch Rs 2,500 crore and Carlyle Rs 6,500 crore. The IPO could mean windfall gains for the PE firm as it had acquired 26 per cent stake in SBI Cards for only Rs 2,000 crore in July 2017.

PLASTIC MONEY

SBI card is the second-biggest credit card company

	Average spend (₹)*	No. of cards (mn)	Market share (%)	
			No. of cards	Total spends
HDFC Bank	144,770	12.5	27	28
SBI Card	144,813	8.3	18	17
ICICI Bank	117,203	6.6	14	11
Axis Bank	121,220	6	13	10
Citi Bank	199,881	2.7	6	9

Source: DRHP; Note: Data for FY19; *per card in force; Market share for no. of cards

SBI Cards will be SBI's second subsidiary after SBI Life Insurance to go public.

Industry players said the attractive valuations of SBI Cards would prompt other companies also to consider listing their credit card divisions. HDFC Bank is currently in the market leader in this segment.

In the last three financial years, the company's total cards spend has seen an annual increase of 54.2 per cent.

The company generates its revenue from fee-based income such as interchange fees, late fees and annual fees, among others. The share of revenue from non-interest income has steadily increased over the past three financial years, from 43.6 per cent in 2016-17 to 48.9 per cent in 2018-19 (FY19). In FY19, SBI Cards had posted a net profit of Rs 862 crore on revenues of nearly Rs 7,000 crore.

SBI Cards IPO is being handled by six bankers — Kotak Mahindra Capital Company, Axis Capital, Bank of America Merrill Lynch, HSBC, Nomura, and SBI Capital.