



Pick of the week

SBI Cards and Payment Services Ltd. (SBICARD)

Recommendation: **ADD**

Current Price: ₹1121

Potential Upside: 11.5%

Dated: **8th Nov 2021**

Time Period: **12 Month**

Target Price: ₹1250

Why invest?

- Emerging from Covid, we note that concerns have moved from asset quality to spend recovery and now towards profitability.
- Comfort on declining provisioning trajectory continues to improve. Secondly, recovery in spends and card additions has gathered good momentum and spread across offline and online channels. There is further room for expansion given scope to improve active rate as well as certain spend categories yet to recover.
- We see concerns on asset quality and card/spend growth abating. Though delayed, we see combination of growth and RoEs returning next year.
- The superior valuation would hold as 1) the business is already back on track. 2) Cards business recover faster and would remain stronger in the medium term due to changing payment behavior and 3) short cycle product and credit costs are behind us.
- We like it for its high market share, parent's strength that lead to better tie up.
- We maintain ADD with FV revised to Rs. 1,250.