

SBI Card plans to merge arms into single unit

Date: 17/05/2018 | Edition: All Editions | Page: 12 | Source: Joel Rebello

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Begins process to combine its card issuing division with backend processing arm



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Mumbai: SBI Card, India's second-largest credit card issuer, plans to consolidate its businesses into a single company to weed out redundancies in the business and to become more capital efficient.

SBI Card is a joint venture between State Bank of India (SBI) and private equity Carlyle Group. SBI Card comprises two entities — one involved in issuing cards and another handling backend processes. SBI now controls 74% in both these entities after its earlier partner GE Capital sold its stake last year.

It has now started the process of consolidating these two companies into a single entity, Hardayal Prasad, CEO SBI Card, said.

Having seen rapid growth in tier-II and tier-III towns, the issuer plans to tap its parent SBI's network to expand its business in these areas.

"Tier II and Tier III is seeing rapid growth. 45% of spends in the last year have come beyond the top ten cities, growing at 75% year-on-year. 20% of the cards are being used online in these centres which has also helped us," Prasad said.

The firm has clocked a 40% year-on-year growth in its loan book mainly due to rapid growth in spending outside the top-ten cities. With 62.58 lakh cards in use as of March, the company is second only to private sector HDFC Bank which has more than a

crore cards in circulation. Prasad said more than 20 lakh cards have been added and the average spending ticket size has risen in the last one-and-a-half years.

"Our total cards have grown 40% year on year and so has the loan book. Our market share in terms of outstanding cards has increased from 15% to 16.7%. Total spending has also increased from 13% to 17% of the market. Every month in 2018, we are booking an average of ₹7,000 crore of

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spends. This is higher than the average of ₹4,000 crore in 2017 and ₹3,000 crore in 2015-16. We expect this momentum to continue even this fiscal," Prasad said. Non performing assets at 2.37% are slightly above the industry average of 2.25%. Another rise in card numbers happened after SBI Card entered into a tripartite agreement with SBI and TransUnion-Cibil which helped it check the credentials of SBI customers and offer them preapproved cards. Gross profit for the company rose 30% to ₹776 crore in the year ended March 2018 from ₹598 crore a year earlier. However, net profit dropped 7% to ₹363 crore from ₹390 crore as SBI Card had to make a one-time provision of ₹220 crore in preparation for the new Ind-AS accounting norms.