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COMPANY EXPECTS 20% INCREASE IN PROFIT BEFORE TAX FOR FY19

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Carlyle-backed card company is also diversifying its funding from banks beyond SBI

Joel.Rebello@timesgroup.com

Mumbai: SBI Card, the credit card arm of State Bank of India (SBI), is changing its business model as the distinctions between a card company, banks and fintechs blur. The card company, which is also backed by private equity fund Carlyle, is diversifying its funding from banks beyond SBI to tap the local bond market as it seeks diversification after the exit of GE Capital more than a year ago.

"We are using chatbots, artificial intelligence and robots to do our repetitive jobs," said Hardayal Prasad, CEO at SBI Card. "We are preparing for a card less world. In the last 18 months since GE has exited, we set up our own infrastructure and brought back our core platform to India without losing sight of growth. We are growing at 31% in terms of number of cards against the industry growth of 25%. We have gained market share and now have 18.3% in terms of spends."

Prasad expects the company to clock a profit before tax of more than ₹1,000 crore in the fiscal year ended March 2019, up 20% from ₹776 crore reported in fiscal 2018, riding on rising card sales to the open market outside SBI branches.

"Right now, new card sourcing from SBI is 50% to 55% but the open market is strengthening significantly. We source 2.5 lakh cards per month from malls, point of sales, tele calling and online applications. We have now expanded our network to tier II and tier III towns and are now present in 150 cities from 75 cities about a year ago," Prasad said.

SBI Card has partnerships with eight banks including SBI and has 10 retail co-branded partnerships. The company is the second largest in India in terms of credit cards outstanding with 8 million cards behind the 12.4 million issued by leader HDFC Bank.

Prasad said both SBI and Carlyle infused fresh capital in July last year and no more funding is required till December. "We also realise that we need to manage the balance in assets and liability and to hedge that we decided to also go for long-term borrowings. We started borrowing from the market in September last year. Though it is a bit expensive and our costs have gone up but we are fine with it," Prasad said.

Besides SBI, the company will also borrow from Canara Bank and Central Bank of India and raise money through commercial papers. "We continue to look for options. The market is opening up and we would like to bring down costs. Our average cost of funds is 7.5% to 8%," Prasad said. The company's return on assets (RoA) is more than 4% and return on equity (RoE) is more than 25% currently.