

Tier II & III Cities, E-commerce to Drive SBI Cards' Growth

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Q&A

Hardayal Prasad,
managing director of
SBI Cards said the
company has per-

formed consistently in terms of top line and bottom line growth over the past three years. Edited excerpts from an interview with **ET Now**:

What are some of the factors that set SBI Cards IPO apart?

We are the number one pure-play credit card company; we are very unique in the way we do business. Our distribution network that has been set up in the last about 20 years or the business that we have been doing is geared towards the open market where we source applications from people who are walking in airports, railways stations, malls etc. The distribution network is extremely strong for us and that sets us apart because all other players that are there today in the industry, issue credit cards mostly to their own customers. In 2017, when we entered into a relationship with SBI, we started looking at their database. We have a complete suite of products that we offer. We have open-market, co-brand, corporate and banca-channel products. This is working for us and that sets us apart in terms of the way we do business.

SBI Cards has managed better



growth than the industry. What are some of the factors that have enabled that?

One of the reasons is that we always were a strong open market player. However, in 2017, when we entered the relationship with SBI, we started looking at it. We have already looked at 16 to 18 million databases of SBI and we have carded 2.1 million customers. Both these put together have fuelled the growth that you are seeing today. As we go forward, we will continue to look at the SBI base. The bank is a very strong base for us. Also, the open market contributes significantly to our growth story. That is one of the reasons for showing better growth than industry peers.

Sourcing of customers will change

from metros to tier II and III cities. What kind of impact would this have on your earnings?

After the demonetisation, obviously, there were a large number of digital products that came to the market. The aspirations of people that they can start a transaction from anywhere in India contributed towards a shift that you see from metro to the tier II and tier III cities. After we entered into the relationship with State Bank of India, we could utilise the vast reach that they have. This resulted in almost 58% of our sourcing coming from tier II and tier III cities. I think that is where the growth lies and every company is concentrating and bringing tier II and III customers.

SBI Cards is getting a very high valuation. Do you see any risk here?

We have performed very consistently in terms of top line and bottom line. Both things have ensured that we have a very consistent performance against some kind of a one-off performance than one would see. If you look at our RoA and RoE since 2017, we have been consistently performing at 4% and 28%, respectively. Going forward, we will ensure that these things are taken care of. What is happening in India in terms of not only the tier II and tier III, but overall is the e-commerce boom, will continue to provide a huge amount of uplift.