

**RESEARCH**
**DIVERSIFIED FINANCIALS**

Credit card spends hit festive high

**Daily macro indicators**

Indicator	24-Nov	27-Nov	Chg (%)
US 10Y yield (%)	4.47	4.39	(8bps)
India 10Y yield (%)	7.26	7.27	1bps
USD/INR	83.34	83.38	0.0
Brent Crude (US\$/bbl)	80.6	80.0	(0.7)
Dow	35,390	35,333	(0.2)
Hang Seng	17,559	17,525	(0.2)
Sensex	66,018	65,970	(0.1)
India FII (US\$ mn)	22-Nov	23-Nov	Chg (\$ mn)
FII-D	156.4	(204.6)	(361.0)
FII-E	(163.8)	172.0	335.8

Source: Bank of Baroda Economics Research

**SUMMARY**
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- Sectoral credit card spends rose 27% YoY over Apr-Oct'23, with AXSB racking up the most market share and SBICARD holding steady
- Cards outstanding reached ~95mn in October and the top 4 players continued to dominate the market at 70% share
- SBICARD, ranked #2 and the only pure credit card player, remains undervalued – we maintain BUY with a TP of Rs 910 (unchanged)

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28 November 2023

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**Festive cheer:** India's credit card spending grew 38% YoY (25% MoM) to a monthly peak of Rs 1.79tn in Oct'23 owing to the festive season. Three of the top 4 card players registered 50-90% YoY growth along with unusual market share gains, while HDFCB lagged with 20% growth. Over Apr-Oct'23, spends grew 27% YoY to cross Rs 10tn, with the top 4 players holding over 75% of the market compared to 73.9% in the year-ago period. Axis Bank (AXSB: +290bps YoY) gained the most market share and SBI Card (SBICARD: +26bps) held its ground, but HDFC Bank (HDFCB: -60bps) and ICICI Bank (ICICIB: -115bps) showed declines.

**Receivables share decelerates:** Aggregate receivables (loans on balance sheet) grew 30% YoY to Rs 2.1tn in H1FY24. However, loans as a percentage of spends have fallen from 21% in FY21 to 13.5% in FY23 and 12.8% at the end of September. SBICARD, the only listed pure-play credit card business, has shown a similar trend in loans-to-spends ratio. Revolver accounts in the receivables mix were low across players when compared to pre-Covid levels and the focus remains on tapping customers who avail of EMIs.

**Sustained uptrend in cards outstanding:** Credit cards outstanding are growing at a smart clip, having risen 17% over FY21-FY23 to exit the month of March at 85.3mn before climbing further to 94.7mn in October. The top 4 players command 70% market share overall but a lower 60% share of cards added since March.

**AXSB benefitting from Citi deal:** AXSB is the fourth largest player in the credit card business, with 14% market share in CIF and 12% share in card spends as of H1FY24. The bank's market share has risen over the last three years as its CIF and spends clocked a 24%/72% CAGR, beating the industry's 17%/52% growth rate over H1FY21-H1FY24. During its recent analyst day, management indicated that erstwhile Citi credit card customers continue to get earlier benefits along with AXSB's wide range of offers. The bank has moved up from #4 to #2 in POS terminals, boosting its market share from 12.8% in FY21 to 18.6%.

### Recommendation snapshot

Ticker	Price	Target	Rating
SBICARD IN	739	910	BUY

Price &amp; Target in Rupees | Price as of 24 Nov 2023



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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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