

Robust start to FY23!

Business momentum remains robust: The credit card industry registered robust growth in terms of spends despite a higher base in Apr'21 (+184% YoY given the impact on Apr'20 spends due to COVID-19 related lockdowns). While overall industry spends registered a healthy growth of 78% YoY, it remained flat with marginal degrowth of 1.5% MoM. Similarly, new customer additions (net) remained robust as the industry witnessed ~1.5 Mn net customer addition. This translated into a healthy Cards-in-force (CIF) growth of 21% YoY (the highest since the advent of the pandemic in Mar'20). Business volumes remained strong at 41%/flat YoY/MoM, which we believe highlights the shift towards increased online spending and pick up in discretionary spending.

Picking-up Travel and Discretionary spends aids growth: We believe the sustenance in the spends growth is aided by increased discretionary and online spends, a pick-up in domestic travel, and re-opening of international travel with easing restrictions. This is reflected in the improving spends per card which stood at Rs 14,030 vs Rs 9,500 YoY (+48% YoY). Given that travel is a high-value spends segment, relaxation of restrictions globally along with a pick-up in the business travel will collectively support overall spends growth moving forward.

Credit Cards preferred payment option vs debit cards: Over the past couple of years, the growth in the credit cards in force and spends has outperformed debit card growth, albeit on a lower base. Credit cards in force grew by 16% CAGR over FY19-22 vs 2% CAGR for debit cards over the same period. Similarly, credit card spends grew at a robust pace of 22% CAGR over FY19-22 vs debit card spends which grew 5% CAGR over the same period. This is visible from the improving credit card/debit card ratio which improved significantly to 8.2x in Apr'22 from 6.9x in Apr'21. Similarly, the credit card to debit card spends ratio has improved to 1.6x vs 1.1x YoY. The increasing shift towards credit cards will drive growth going forward.

Private banks continue to outperform: Private banks continued to outperform, thereby dominating the credit card market with a market share of 67.6% (vs 66.1% in Apr'21) in terms of CIF. In terms of spends as well, pvt. players gained market share by 183/71bps YoY/MoM, taking it to 70.2% in Apr'22. **Axis Bank** and **ICICI Bank** have been leading the pack with strong performance amongst the private players closely followed by HDFC Bank. Public sector banks (PSBs), led by SBI Cards, maintained CIF market share at 23.1% (vs 23.3% in Apr'21), despite a lackluster performance by other PSBs. Continued underperformance by foreign banks in terms of both CIF and Spends have supported PSBs in maintaining market share even as pvt. banks gain market share aggressively.

ICICI Bank: ICICI Bank started FY23 on a solid note and continued to outperform amongst pvt. banks as it added ~1.5 Lc customers during Apr'22, translating into CIF growth of 22% YoY. Spends growth was healthy at 98% YoY in Apr'22. Backed by strong performance in terms of new customer additions and spends, ICICI bank gained market share by 24/196bps YoY in Apr'22 in terms of CIF/Spends. We believe the 'Amazon Pay Credit Card' has been a key growth driver for spends growth as consumer preference shifts toward online and e-commerce purchases.

SBI Cards: While SBI Cards (SBIC) net customer addition momentum has been strong YoY as the company added ~1.8 Lc (+70% YoY) customers during Apr'22, the net customer additions have moderated significantly from ~2.5 Lc MoM (-27% MoM). However, CIF growth has been strong at 17% YoY (highest since Aug'20). Given the outperformance by pvt banks, SBIC lost market share in terms of CIF by 60/14bps YoY/MoM in Apr'22. Spends growth was robust at 78% YoY which we believe was driven by higher discretionary, travel-related and corporate spends. However, the company continued to lose market share which stood at 18.6%, down 6/48bps YoY/MoM. The company's focus on the under-penetrated Tier II/III cities and efforts to create a sticky customer base along with a strong banca channel supporting new customer acquisition and spends will drive growth over the longer term.

HDFC Bank: HDFCB added ~3 Lc customers during Apr'22 vs a loss of 66K customers YoY as it was impacted by the restrictions on issuing fresh cards by the regulator. Thus, the bank regained its momentum on CIF which grew by 13% YoY (highest since Nov'20). Spends growth was robust at 73% YoY, in-line with most peers. The bank remains focused on improving the retail spends rather than commercial spends. Despite a strong all-around performance, HDFCB lost market share to the tune of 157/91bps YoY in terms of CIF/Spends in Apr'22.

AUSmall Finance Bank (AUSFB): Though AUSFB is a small player in the credit card space, the bank has witnessed a strong pick-up (albeit on the low base) since the commencement and has issued ~1.9 Lc cards to date. While the market share in terms of CIF/Spends remains negligible, increasing traction in the credit cards vertical and focused efforts towards scaling up the business would aid in the revenue streams of the bank.

Outlook: The competitive intensity amongst the credit card players remains high with more banks (especially pvt. banks) looking to enter the segment or existing players accelerating growth in this segment (Kotak/RBL CIF growth of 49%/25% YoY in Apr'22 respectively). While the new entrants are unlikely to impact the market position of the incumbents significantly, they are likely to make quality customer acquisition more competitive. We continue to believe that the overall industry is likely to witness strong growth driven by increased skew towards use of credit cards and improved online spending especially towards e-commerce.

Stock Picks: ICICI Bank

(**based on Monthly performance)

Credit Card Business Monitor

BFSI

Cards in Force Market Share (YoY%) (Apr'22)

SBI Cards	18.6% (-60bps)
HDFC Bank	22.4% (-157bps)
ICICI Bank	17.5% (+24 bps)
Axis Bank	12.3% (+75bps)
CitiBank	3.4% (-7bps)

Spends Market Share (YoY %) (Apr'22)

SBI Cards	18.6% (-6 bps)
HDFC Bank	27.6% (-91 bps)
ICICI Bank	19.7% (+196 bps)
Axis Bank	8.7% (-10 bps)
CitiBank	4.0% (-113 bps)

Net Customer Additions (in '000s) (Apr'22)

SBI Cards	+180 (+106)
HDFC Bank	+297 (-66)
ICICI Bank	+150 (+143)
Axis Bank	+226 (+56)
CitiBank	-1 (-12)

Dnyanada Vaidya

Research Analyst

Email: dnyanada.vaidya@axissecurities.in

Sumit Rathi

Research Analyst

Email: sumit.rathi@axissecurities.in

Monthly Performance

Parameters	Apr'22	Apr'21	YoY	Mar'22	YoY
SBI Cards					
Cards-in-Force (C.)	1.39	1.19	17%	1.38	1%
Spends (Rs Cr)	19,600	11,030	78%	20,418	-4%
Net Card Additions ('000s)	180	106	70%	245	-27%
Market share (CIF)	18.6%	19.2%	-60bps	18.7%	-14bps
Market share (Spends)	18.6%	18.6%	-6bps	19.1%	-48bps
HDFC Bank					
Cards-in-Force (Cr)	1.68	1.49	13%	1.65	2%
Spends (Rs Cr)	29,079	16,846	73%	28,494	2%
Net Card Additions ('000s)	297	-66	-547%	264	13%
Market share (CIF)	22.4%	24.0%	-157bps	22.5%	-6bps
Market share (Spends)	27.6%	28.5%	-91bps	26.6%	97bps
ICICI Bank					
Cards-in-Force (Cr)	1.31	1.07	22%	1.30	1%
Spends (Rs Cr)	20,725	10,466	98%	20,731	0%
Net Card Additions ('000s)	150	143	5%	205	-27%
Market share (CIF)	17.5%	17.2%	24bps	17.6%	-16bps
Market share (Spends)	19.7%	17.7%	196bps	19.4%	30bps
Axis Bank					
Cards-in-Force (Cr)	0.93	0.72	29%	0.90	3%
Spends (RsCr)	9,176	5,203	76%	9,387	-2%
Net Card Additions ('000s)	226	56	301%	434	-48%
Market share (CIF)	12.3%	11.6%	75bps	12.3%	5bps
Market share (Spends)	8.7%	8.8%	-10bps	8.8%	-6bps
Credit Card Industry					
Cards-in-Force (Cr)	7.5	6.2	20.7%	7.4	2.1%
Spends (Rs Cr)	1,05,459	59,150	78.3%	1,07,101	-1.5%
Net Card Additions ('000s)	1539	211	628.1%	1920	-19.8%

Source: RBI, Axis Securities

Company-wise Trend

Exhibit 1: Business Volume Snapshot – Apr'22

	CIF	Spends	Spends per Card	% YoY	% MoM	No. of Transactions	% YoY	% MoM	Spends per Transaction	% YoY	% MoM
SBI Cards	1.4	19,600	14,053	52.0%	-5.2%	4.2	34.4%	-2.4%	4,681	32.2%	-1.7%
HDFC Bank	1.7	29,079	17,275	53.0%	0.3%	5.6	33.4%	-1.8%	5,166	29.4%	3.9%
ICICI Bank	1.3	20,725	15,787	61.8%	-1.2%	4.3	56.7%	1.1%	4,798	26.3%	-1.1%
Axis Bank	0.9	9,176	9,908	37.1%	-4.6%	2.4	67.9%	4.9%	3,762	5.0%	-6.8%
Industry	7.5	1,05,459	14,030	47.7%	-3.5%	22.3	41.0%	-0.4%	4,731	26.4%	-1.2%

Source: RBI, Axis Securities

Exhibit 2: Market Share Trend – Cards-in-Force

	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22
SBI Cards	19.2%	19.2%	19.2%	19.3%	19.4%	19.3%	19.2%	19.2%	19.1%	18.9%	18.9%	18.7%	18.6%
HDFC Bank	24.0%	23.8%	23.6%	23.3%	23.1%	23.0%	23.0%	23.0%	23.0%	22.8%	22.7%	22.5%	22.4%
ICICI Bank	17.2%	17.4%	17.6%	17.7%	17.9%	18.0%	18.0%	17.9%	17.9%	17.9%	17.8%	17.6%	17.5%
Axis Bank	11.6%	11.4%	11.4%	11.4%	11.4%	11.6%	11.7%	11.7%	11.8%	11.9%	12.0%	12.3%	12.3%

Source: RBI, Axis Securities

Exhibit 3: Market Share Trend – Spends

	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22
SBI Cards	18.6%	18.3%	19.5%	19.2%	18.7%	18.3%	18.9%	19.9%	19.8%	20.0%	18.8%	19.1%	18.6%
HDFC Bank	28.5%	27.0%	27.9%	27.8%	26.5%	25.1%	26.3%	25.8%	25.1%	24.8%	25.7%	26.6%	27.6%
ICICI Bank	17.7%	17.4%	18.9%	19.2%	19.6%	21.5%	21.4%	20.0%	21.2%	21.5%	20.3%	19.4%	19.7%
Axis Bank	8.8%	7.9%	8.3%	8.2%	8.8%	8.4%	9.1%	8.2%	8.1%	8.7%	9.0%	8.8%	8.7%

Source: RBI, Axis Securities

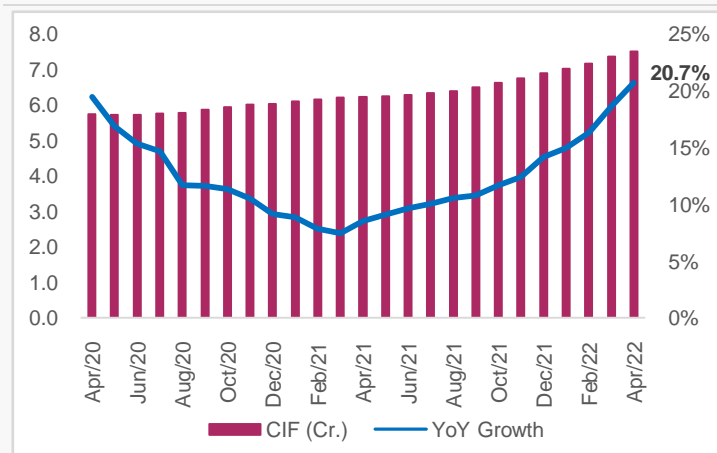
Exhibit 4: Net Card Additions (in '000s)

	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22
SBI Cards	106	30	87	198	163	175	184	204	192	152	209	245	180
HDFC Bank	-66	-61	-30	-65	-21	244	258	302	288	210	227	264	297
ICICI Bank	143	146	161	205	219	234	278	156	228	241	178	205	150
Axis Bank	56	-74	9	93	83	203	220	172	228	220	248	434	226

Source: RBI, Axis Securities

Story in Charts

Exhibit 5: Industry CIF and YoY Growth



Source: RBI, Axis Securities

Exhibit 6: Industry Spends and YoY Growth

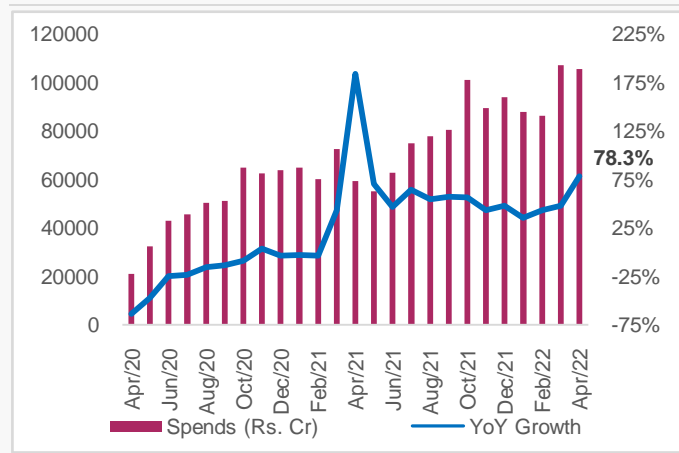
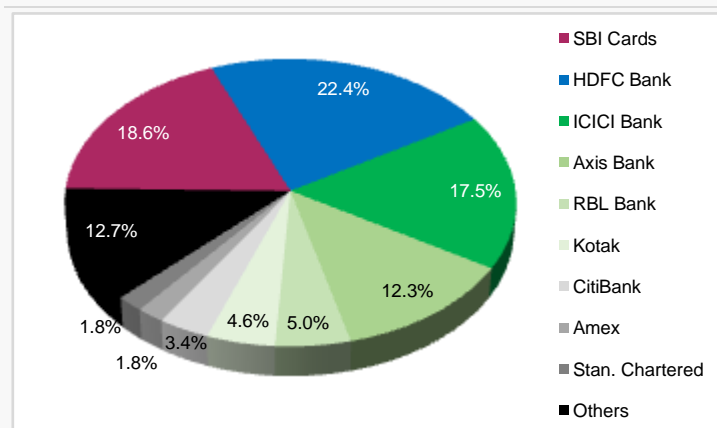


Exhibit 7: Company-wise Market share - CIF



Source: RBI, Axis Securities

Exhibit 8: Company-wise Market share - Spends

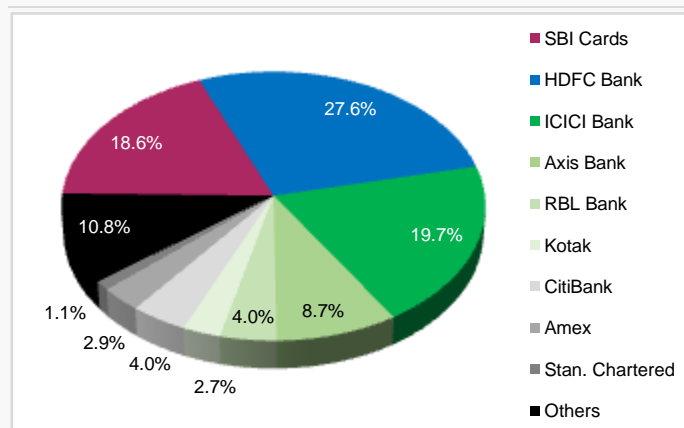
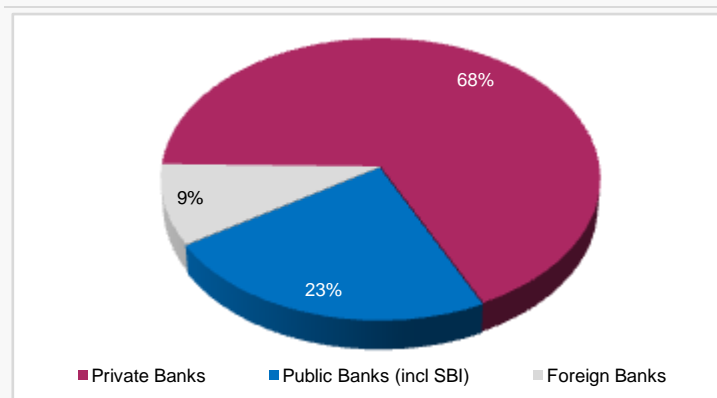
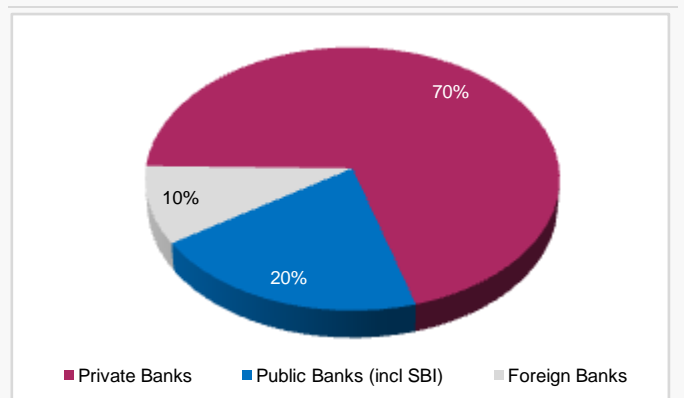


Exhibit 9: Industry Market Share - CIF



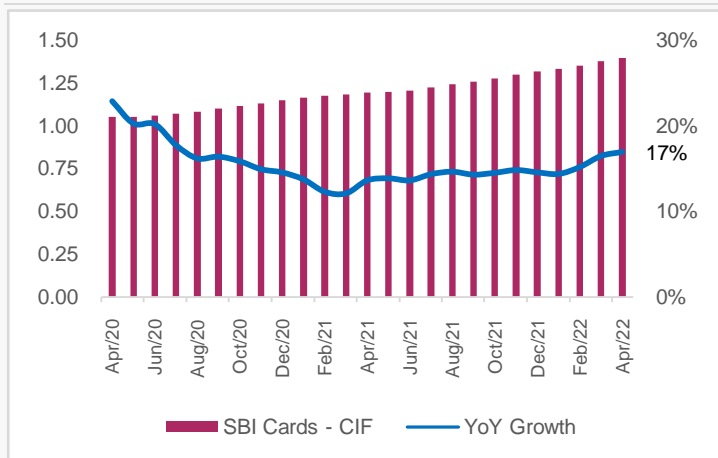
Source: RBI, Axis Securities

Exhibit 10: Industry Market Share – Spends



SBI Cards

Exhibit 11: SBI Cards – CIF Trend



Source: RBI, Axis Securities

Exhibit 12: SBI Cards– SpendsTrend

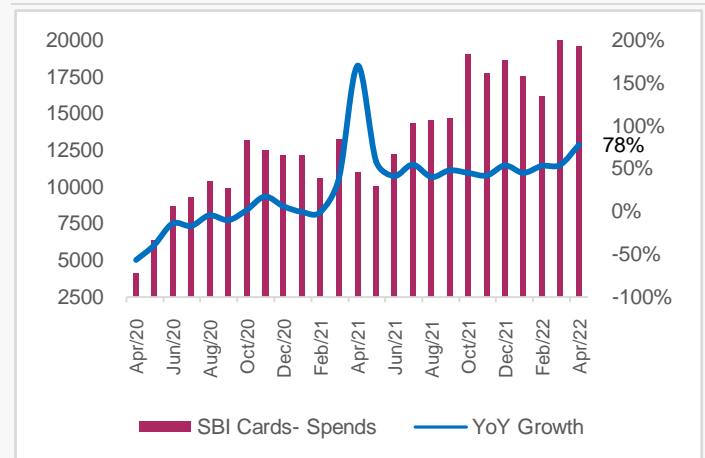
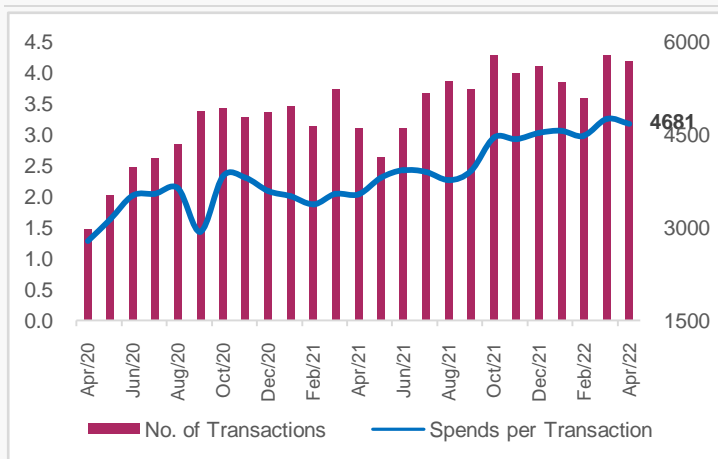
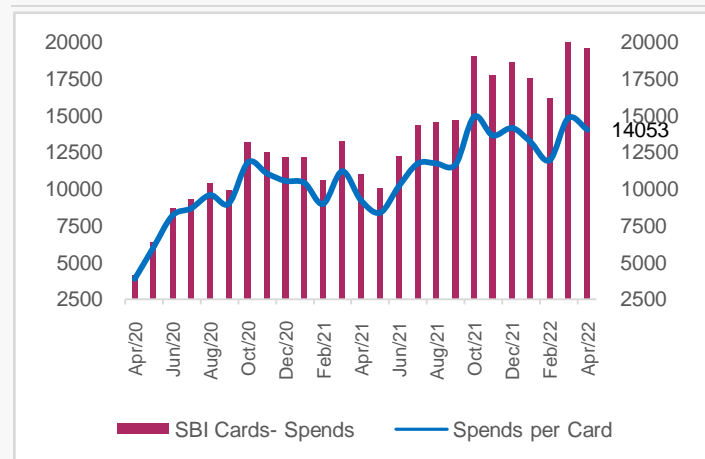


Exhibit 13: SBI Cards – Business Volumes



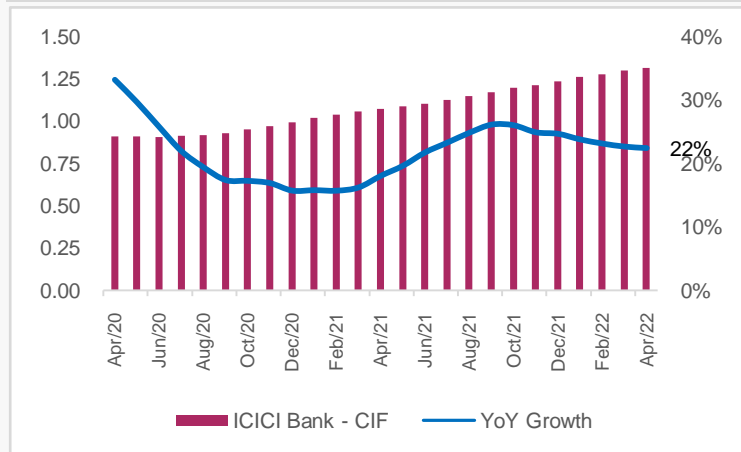
Source: RBI, Axis Securities

Exhibit 14: SBI Cards– SpendsPer Card



ICICI Bank

Exhibit 15: ICICI Bank–CIF Trend



Source: RBI, Axis Securities

Exhibit 16: ICICI Bank– Spends Trend

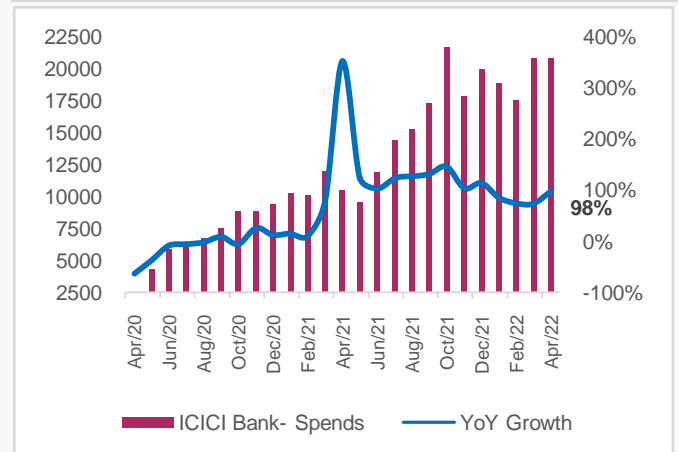
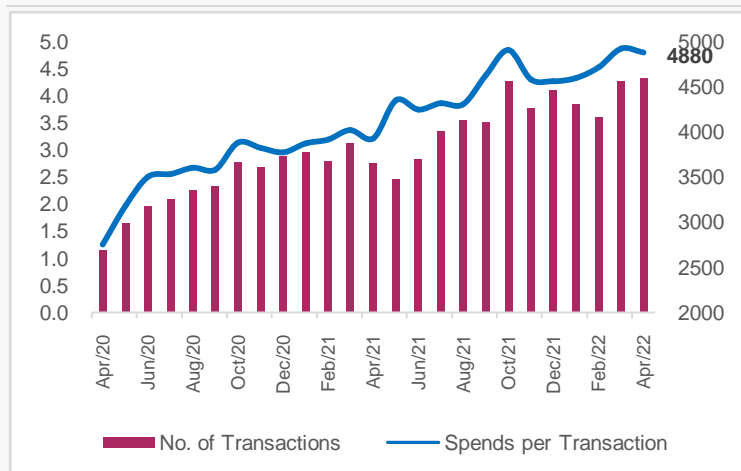
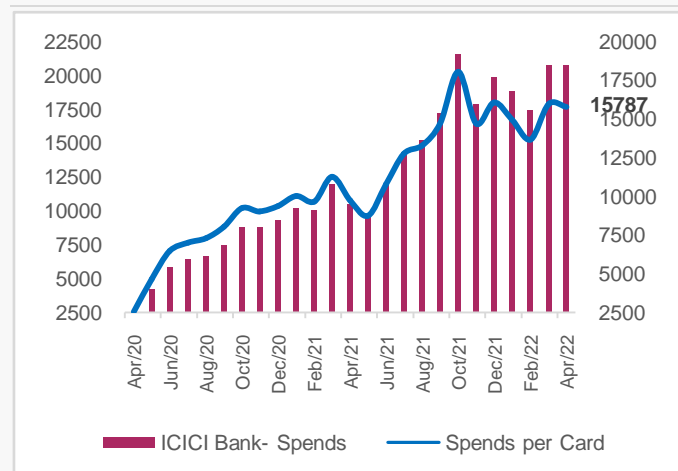


Exhibit 17: ICICI Bank – Business Volumes



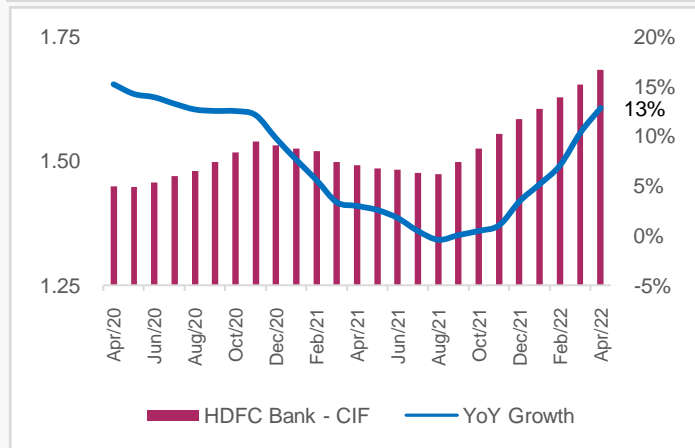
Source: RBI, Axis Securities

Exhibit 18: ICICI Bank– Spends Per Card



HDFC Bank

Exhibit 19: HDFC Bank – CIF Trend



Source: RBI, Axis Securities

Exhibit 20: HDFC Bank– Spends Trend

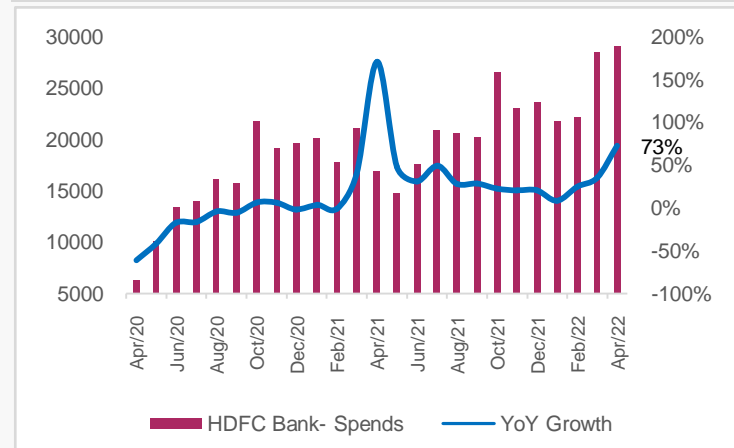
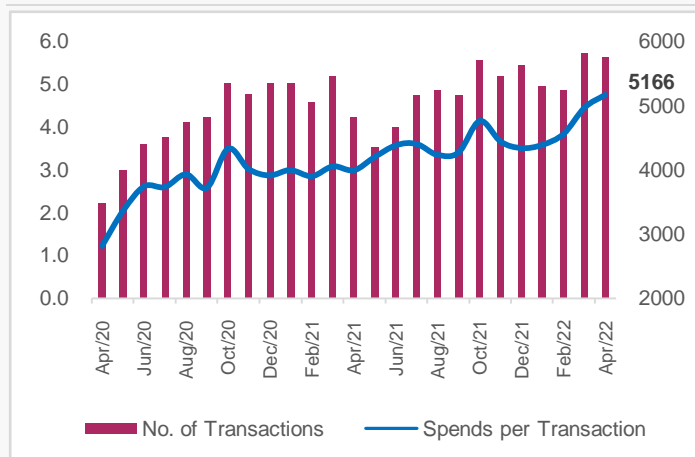
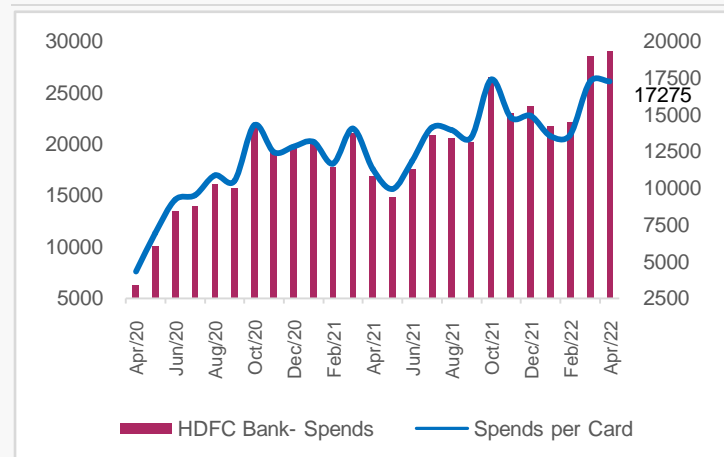


Exhibit 21: HDFC Bank – Business Volumes



Source: RBI, Axis Securities

Exhibit 22: HDFC Bank – Spends Per Card



About the Analyst



Analyst: Dnyanada Vaidya

Contact Details: dnyanada.vaidya@axissecurities.in

Sector: BFSI

Analyst Bio: Dnyanada Vaidya is MMS (Finance) with over 5 years of research experience in the Banking/NBFC Industry.

About the Analyst



Analyst: Sumit Rath, CFA

Contact Details: sumit.rathi@axissecurities.in

Sector: BFSI

Analyst Bio: Sumit Rath is MBA (Finance) and CFA Charter holder with over 6 years of research experience covering and tracking various sectors including Banking/NBFC sector.

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