

SBI Cards and Payment Services

Improvement missing in key metrics

Trends in new card acquisition and credit cost remain weak

SBI Card's PAT was 6% below expectation, even as PPOP stood 3% better than estimate, owing to an unexpected rise in credit cost to a new peak of 9.6% (annualized). The sequential increase in credit cost was largely driven by an uptick in Stage-2 ECL coverage due to quarterly data refresh of ECL model. Flow rates were marginally higher than preceding quarter but materially lower than the level seen during the peak of delinquency cycle. Net delinquency addition into Stage 2 & 3 (after adding back write-off) stood at Rs11.7bn which was within the range seen in recent quarters. Consequently, write-offs have stabilized.

New card addition was at a multi-quarter low with significantly curtailed sourcing from the open market channel. In response to increase in delinquencies witnessed over past two years, SBI Card has tightened its sourcing and underwriting which is impacting new card acquisition. CIF growth remains modest at 10% yoy. Retail Spends grew by 3% qoq/15% yoy, notwithstanding slowed card acquisition, limits being imposed for significant customers as a part of curated risk management and a general slowdown in urban consumption. Receivables growth further moderated to 7% yoy (was growing in early twenties few quarters before), while Revolvers share was stable at 24%.

NIM improved by 10 bps qoq, aided by 20 bps decline in funding cost with co. receiving benefit of Repo rate cut and higher liquidity on the Bank Lines and CPs respectively. Portfolio Yield and Fee Yield were stable in Q1 FY26.

Management commentary on key business aspects remains guarded

SBI Card expects new acquisitions to improve over coming quarters with the onset of festive season. Onboarding approach will remain calibrated and selective with continuance of existing underwriting filters. Still, the management hopes to add 0.9-1mn cards every quarter. Industry spend growth is expected to remain moderate, and thus the co. expects its receivables growth to be 10-12% in FY26. NIM is likely to improve further as the funding cost is set to decline more on the back of 1) benefit from the 50 bps Repco cut of June, 2) incremental cost of bank lines being cheaper than existing loans and 3) likely higher issuance of CPs to take advantage of low rates. Credit cost has been guided to remain range-bound in the near term and decline gradually over the longer term. Management reiterated that delinquency flows rates have stabilized in recent quarters and the behavior of newly onboarded portfolio is comforting.

Move rating to Reduce, awaiting visibility of growth and credit cost improving

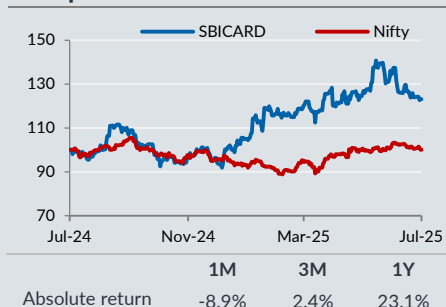
While indeed SBI Cards seems to be at an inflection point in its credit cycle, the demonstration of reduction in delinquency flows/write-offs remains the key for sustaining the current valuation multiples of 25x P/E and 4.6x P/BV on FY27 estimates. Rate cycle benefit on NIM seems to be largely priced-in, and hence a significant improvement in card acquisitions and credit cost would be incremental triggers when they emerge. On relative benchmarking, we prefer BAF with its stronger (less-cyclical) growth and RoE performance and available at lower valuation than SBI Cards.

Reco.	: REDUCE
CMP	: Rs 889
Target Price	: Rs 847
Potential Return	: -4.8%

Stock data (as on July 25, 2025)

Nifty	24,837
52 Week h/l (Rs)	1027 / 660
Market cap (Rs/USD mn)	845432 / 9777
Outstanding Shares (mn)	952
6m Avg t/o (Rs mn):	1,351
Div. yield (%)	0.3
Bloomberg code:	SBICARD IN
NSE code:	SBICARD

Stock performance



Shareholding pattern

Promoter	68.6%
FII+DII	27.1%
Others	4.3%

Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	NEUTRAL
Target Price	847	780

Δ in earnings estimates

	FY25	FY26e	FY27e
EPS (New)	20.1	25.5	35.3
EPS (Old)	20.1	24.9	36.3
% Change	-	2.3%	-2.7%

Financial Summary

(Rs mn)	FY25	FY26E	FY27E
Op. income	154,588	181,329	209,247
PPOP	74,522	86,256	96,723
Net profit	19,164	24,291	33,558
Growth (%)	(20.4)	26.8	38.2
EPS (Rs)	20.1	25.5	35.3
ABVPS (Rs)	136.3	162.9	194.6
P/E (x)	44.1	34.8	25.2
P/ABV (x)	6.5	5.5	4.6
ROE (%)	14.8	16.3	19.2
ROA (%)	3.1	3.6	4.4

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Exhibit 1: Snapshot Overview

Parameter (Rs mn)	Q1 FY26	QoQ (%)	YoY (%)	vs Est
Net Interest Income	40,641	4.8%	13.1%	In-line
PPoP	20,999	6.9%	10.5%	Beat
PAT	5,560	4.1%	-6.5%	Miss
Gross Advances	566,070	1.4%	7.4%	In-line

Source: Company, YES Sec

Exhibit 2: Key Monitorables & Triggers

What to Watch	Why it Matters	Timeline
Card acquisition rate	Determines trajectory of CIF growth	Q2-Q4 FY26
Growth in Retail Spends	Determines trajectory of Receivables growth	Q2-Q4 FY26
New Delinquency/Flow Rates	Determines credit cost	Q2-Q4 FY26
Write-off Trend	Determines credit cost	Q2-Q4 FY26

Source: Company, YES Sec

Exhibit 3: Estimate Revisions

Metric	Old Est (FY27E)	New Est	% Change	Reason
NII	205,657	202,114	-1.7%	Downward adjustment in CIF growth
PPoP	94,629	96,723	2.2%	Upgrade in NIM outlook
PAT	34,513	33,558	-2.8%	More gradual decline in Credit Cost

Source: Company, YES Sec

Exhibit 4: Result table

(Rs mn)	Q1 FY26	Q4 FY25	% qoq	Q1 FY25	% yoy
Revenue from operations	48,769	46,740	4.3	43,586	11.9
Interest expenses	(8,128)	(7,953)	2.2	(7,668)	6.0
Net interest income	40,641	38,787	4.8	35,918	13.1
Other Income	1,585	1,578	0.4	1,240	27.8
Total Income	42,226	40,365	4.6	37,158	13.6
Total Expenses	(21,227)	(20,728)	2.4	(18,160)	16.9
Pre-provision profit	20,999	19,637	6.9	18,998	10.5
Provisions	(13,516)	(12,451)	8.5	(11,006)	22.8
Profit before Tax	7,484	7,185	4.2	7,992	(6.4)
Tax	(1,924)	(1,844)	4.4	(2,047)	(6.0)
Profit after Tax	5,560	5,342	4.1	5,945	(6.5)

Exhibit 5: Key Financial data

Particulars (%)	Q1 FY26	Q4 FY25	chg qoq	Q1 FY25	chg yoy
Yield on assets	17.0	17.0	-	16.8	0.2
Cost of funds	7.1	7.2	(0.1)	7.5	(0.4)
NIMs	11.2	11.2	-	10.9	0.3
Cost / Income	50.3	51.4	(1.1)	48.9	1.4
GNPA (%)	3.1	3.1	(0.0)	3.1	0.0
NNPA (%)	1.4	1.5	(0.0)	1.1	0.3
Provision coverage ratio (%)	54.3	53.5	0.8	64.4	(10.1)
CAR (%)	23.2	22.9	0.3	20.6	2.6
Tier I (%)	17.9	17.5	0.4	16.8	1.1
Tier II (%)	5.3	5.4	(0.1)	3.8	1.5
RoAA (%)	3.4	3.4	-	4.1	(0.7)
RoAE (%)	15.8	15.5	0.3	19.1	(3.3)

Source: Company, YES Sec

Exhibit 6: Composition of Receivables

Particulars (%)	Q1 FY26	Q4 FY25	chg qoq	Q1 FY25	chg yoy
Term Balances /EMI	40.0	41.0	(1.0)	38.0	2.0
Revolver	24.0	24.0	-	24.0	-
RBI RE	-	-	-	-	-
Transactor	36.0	35.0	1.0	38.0	(2.0)

Source: Company, YES Sec

Exhibit 7: Cards and Spends data

Key Indicators	Q1 FY26	Q4 FY25	qoq (%)	Q1 FY25	yoy (%)
CIF ('000)	21,200	20,800	1.9	19,200	10.4
New accounts ('000)	873	1,109	(21.3)	904	(3.4)
Spends (Rs mn)	932,440	883,650	5.5	771,290	20.9
Corporate Spends (Rs mn)	108,400	86,560	25.2	52,490	106.5
Retail Spends (Rs mn)	824,040	797,090	3.4	718,800	14.6
Retail Spends (% of Total Spends)	88.4	90.2	(1.8)	93.2	(4.8)
Online Spends (% of Retail Spends)	60.7	58.9	1.8	57.0	3.7
Avg. Annual Spend/Card ('000)	177	172	2.9	162	9.3
30 days active - (%)	52.0	51.0	1.0	50.0	2.0
Receivables (Rs mn)	566,070	558,400	1.4	527,050	7.4
Receivables per card (Rs)	26,710	26,816	(0.4)	27,395	(2.5)
Market Share in Industry CIF (%)	19.1	18.9	0.2	18.5	0.6
Market Share in Industry Spends (%)	16.6	15.6	1.0	15.9	0.7

Source: Company, YES Sec

Exhibit 8: New Sourcing profile

(%)	Q1 FY26	Q4 FY25	chg qoq	Q1 FY25	chg yoy
Channel Mix (%)					
SBI sourcing	56.0	63.0	(7.0)	42.0	14.0
Open market sourcing	44.0	37.0	7.0	58.0	(14.0)
Occupation Mix (%)					
Salaried	61.0	61.0	-	68.0	(7.0)
Self employed	39.0	39.0	-	32.0	7.0
Salaried Mix (%)					
Govt. / PSU	30.0	26.0	4.0	31.0	(1.0)
Category A	18.0	19.0	(1.0)	23.0	(5.0)
Category B	52.0	55.0	(3.0)	46.0	6.0
Age Profile Mix (%)					
Under 30	30.0	30.0	-	32.0	(2.0)
31-45	49.0	50.0	(1.0)	50.0	(1.0)
>45	21.0	20.0	1.0	18.0	3.0
City Tier Mix (%)					
Tier 1	25.0	23.0	2.0	30.0	(5.0)
Tier 2	19.0	18.0	1.0	20.0	(1.0)
Tier 3	33.0	34.0	(1.0)	30.0	3.0
Others	23.0	24.0	(1.0)	20.0	3.0

Source: Company, YES Sec

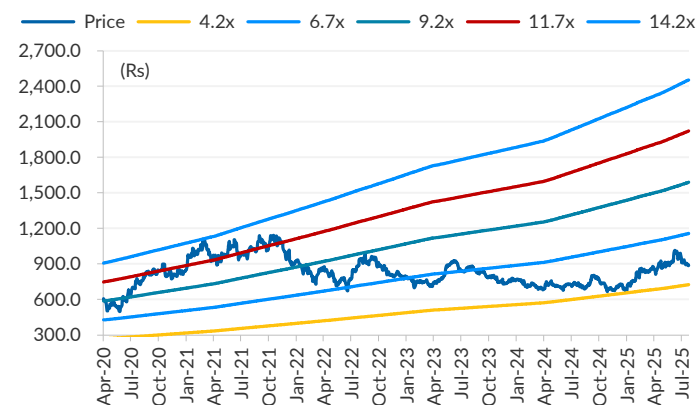
Exhibit 9: Valuation Snapshot

Valuation Metric	FY25	FY26E	FY27E
P/E (x)	44.1	34.8	25.2
P/ABV (x)	6.5	5.5	4.6
RoAA (%)	3.1	3.6	4.4
RoAE (%)	14.8	16.3	19.2

Source: Company, YES Sec

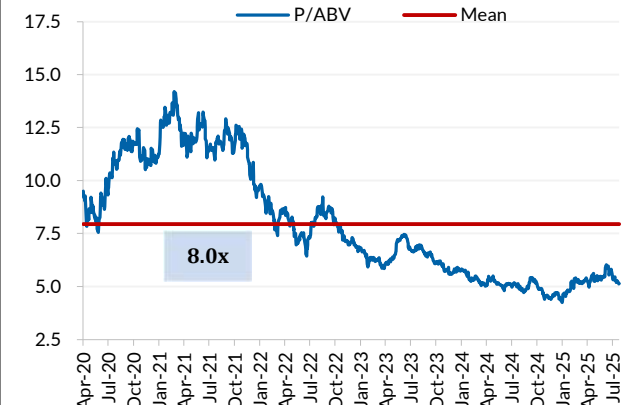
PRICE CHARTS

Exhibit 10: 1-yr rolling P/ABV band



Source: Company, YES Sec

Exhibit 11: 1-year rolling P/ABV vis-a-vis the mean



Source: Company, YES Sec

FINANCIALS

Exhibit 12: Balance Sheet

Y/e 31 Mar (Rs m)	FY23	FY24	FY25	FY26E	FY27E
Equity and Liabilities					
Equity Share Capital	9,461	9,510	9,514	9,514	9,514
Other Equity	88,840	111,331	128,304	150,044	181,052
Share-holders fund	98,301	120,840	137,817	159,557	190,565
Financial Liabilities	342,010	443,649	499,203	525,768	594,487
Derivative financial instruments	11	2,132	-	-	-
Payables	14,060	13,155	16,047	18,454	21,222
Debt Securities	66,062	59,882	29,984	31,483	35,576
Borrowings (Other than Debt Securities)	231,429	319,932	384,633	403,865	456,367
Subordinated Liabilities	13,605	19,097	34,849	36,592	41,348
Other Financial Liabilities	16,843	29,452	33,690	35,374	39,973
Non-Financial Liabilities	15,145	17,223	18,438	21,204	24,384
Provisions	6,380	6,356	6,767	7,782	8,949
Other non-financial liabilities	8,765	10,867	11,671	13,422	15,435
Total Liabilities + Equity	455,456	581,712	655,458	706,529	809,436
Assets					
Financial Assets	434,138	559,008	634,218	683,139	783,506
Cash and Cash Equivalents	9,898	24,821	25,375	19,783	12,466
Bank balances	3,647	2,476	2,007	2,308	2,654
Derivative financial instruments	-	-	-	-	-
Receivables	1,422	2,431	2,355	2,355	2,355
Loans	393,610	490,790	539,346	593,281	694,139
Investments	21,397	35,191	62,351	62,351	68,586
Other Financial Assets	4,165	3,300	2,784	3,062	3,307
Non- Financial Assets	21,318	22,704	21,240	23,389	25,930
Current tax assets (Net)	57	102	70	-	-
Deferred tax assets (Net)	2,467	3,546	4,428	4,428	4,428
Property, Plant and Equipment	604	585	476	499	524
Capital WIP	61	1	2	2	2
Intangible assets	1,201	1,260	1,034	1,034	1,034
Right-of-use Assets	3,872	3,798	1,792	1,971	2,168
Other Non-Financial Assets	13,058	13,412	13,440	15,456	17,774
Total Assets	455,456	581,712	655,458	706,529	809,436

Source: Company, YES Sec

Exhibit 13: Income statement

Y/e 31 Mar (Rs m)	FY23	FY24	FY25	FY26E	FY27E
Income from Operations	136,667	169,684	180,722	205,733	232,769
Interest expense	(16,476)	(25,952)	(31,784)	(31,070)	(30,655)
Net interest income	120,190	143,732	148,938	174,663	202,114
Non-interest income	6,190	5,151	5,649	6,666	7,133
Total operating income	126,381	148,883	154,588	181,329	209,247
Total operating expenses	(74,484)	(83,691)	(80,066)	(95,073)	(112,524)
PPoP	51,896	65,192	74,522	86,256	96,723
Provisions	(21,591)	(32,874)	(48,715)	(53,545)	(51,533)
Profit before tax	30,306	32,318	25,807	32,710	45,190
Taxes	(7,721)	(8,239)	(6,643)	(8,420)	(11,632)
Net profit	22,585	24,079	19,164	24,291	33,558

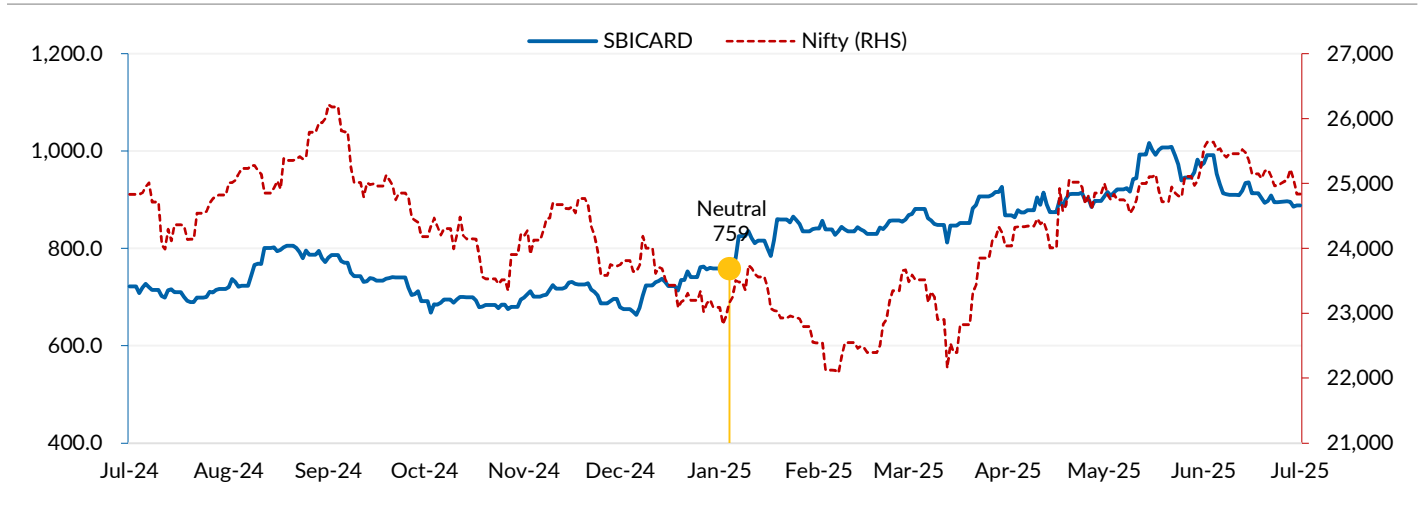
Source: Company, YES Sec

Exhibit 14: Growth and Ratio matrix

Y/e 31 Mar	FY23	FY24	FY25	FY26E	FY27E
Growth matrix (%)					
Net interest income	24.5	19.6	3.6	17.3	15.7
Total op income	23.0	17.8	3.8	17.3	15.4
Op profit (pre-provision)	17.2	25.6	14.3	15.7	12.1
Net profit	39.7	6.6	(20.4)	26.8	38.2
Loans	30.4	24.7	9.9	10.0	17.0
Borrowings + Debt	35.4	28.2	12.7	5.0	13.0
Total assets	31.5	27.7	12.7	7.8	14.6
Profitability Ratios (%)					
NIM	11.2	10.3	10.0	10.6	11.0
Non-interest income /Total income	4.9	3.5	3.7	3.7	3.4
Return on Avg. Assets	5.6	4.6	3.1	3.6	4.4
Return on Avg. Equity	25.7	22.0	14.8	16.3	19.2
Per share ratios (Rs)					
EPS	23.9	25.3	20.1	25.5	35.3
Adj. BVPS	100.2	121.8	136.3	162.9	194.6
DPS	2.5	2.5	2.5	2.5	2.5
Other key ratios (%)					
Loans/Borrowings	126.5	123.0	120.0	125.7	130.2
Cost/Income	58.9	56.2	51.8	52.4	53.8
CAR	23.1	20.5	22.9	19.8	20.0
NNPA (%)	0.9	1.0	1.5	0.8	0.8
Credit Cost	6.0	7.2	9.1	9.1	7.7
Tax rate	25.5	25.5	25.7	25.7	25.7

Source: Company, YES Sec

Recommendation Tracker



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In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst: Rajiv Mehta, Manuj Oberoi

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Analyst signature

Analyst signature

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