SBI CARDS

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	889
12 month price target (INR)	1,025
52 Week High/Low	1,027/660
Market cap (INR bn/USD bn)	843/9.8
Free float (%)	31.4
Avg. daily value traded (INR mn)	1,320.7

SHAREHOLDING PATTERN

	Jun-26	Mar-25	Dec-24
Promoter	68.6%	68.6%	68.6%
FII	10.2%	9.9%	9.5%
DII	17.5%	17.2%	16.5%
Pledge	0.0%	0.0%	0.0%

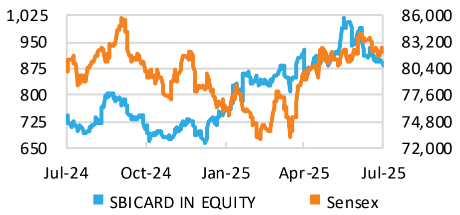
FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	148883	154588	180624	211822
PPoP	65192	74522	81721	94111
Adjusted profit	24079	19164	23,080	33885
Diluted EPS (INR)	25.3	20.1	24.3	35.6
EPS growth (%)	6.1	(20.4)	20.4	46.8
RoAE (%)	22.0	14.8	15.6	19.6
P/E (x)	35.0	44.0	36.5	24.9
P/ABV (x)	7.6	6.7	5.8	4.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,80,624	2,11,822	-0.1%	-1.0%
PPOP	81,721	94,111	-0.3%	-2.2%
Adjusted profit	23,080	33,885	-14.8%	-7.0%
Diluted EPS (INR)	24.3	35.6	-14.8%	-7.0%

PRICE PERFORMANCE



Credit cost spikes again; growth slows

Credit cost spiked again in Q1 after a marginal improvement in Q4FY25. Credit cost rose to 9.6% from 9%, highest ever, even with a fall in GS2 and flat GS3. The rise in credit cost was driven by the quarterly ECL reset and higher IEA. Core NIM improved 10bp QoQ to 11.2%. Receivables growth slowed to 7% YoY from 10% YoY in Q4FY25.

Growth guidance has been revised down to 10–12% from 12–14% while near-term credit cost will be range bound at 9–9.6%. We are cutting growth and hiking credit cost estimates yielding earnings cut of 15%/7% in FY26E/27E. We cut TP to INR1,025/28x FY27E PE from INR1,070. We maintain long-term 'BUY', but believe near-term performance will be driven by improvement in credit cost and growth.

Growth in receivables and new accounts slows

CIF rose 10% YoY/2% QoQ. New accounts fell sharply by 3% YoY/21% QoQ. Receivables slowed further to 7% YoY/2% QoQ from 10% in Q4. Retail spends grew 15% YoY/3% QoQ while corporate spends grew 107% YoY/25% QoQ. The mix of IEA stayed stable at 60% (59% in Q4) with the share of EMI at 36% and revolves at 24%. Share of bank sourcing in new cards fell to 59% from 63% QoQ. Core NIM improved 10bp QoQ to 11.2%. CoF fell 20bp QoQ while yield stayed flat QoQ. The company expects CoF to fall further driven by rate cuts and change in borrowing mix (more CPs) while yield is likely to stay stable. NII grew 14% YoY/4% QoQ. Fees and charges grew 13% YoY/5% QoQ. Opex grew 2% QoQ. PPOP rose 7% QoQ/11% YoY. Gross credit cost rose 60bp to 9.6% from 9% QoQ, higher than the previous four quarters. PAT fell 6% YoY/grew 4% QoQ. RoA was 3.4% while RoE came in at 15.8%.

Sharp spike in credit cost

GS2 fell 39bp QoQ while GS3 remained flat. Gross credit cost rose 60bp to 9.6% from 9% QoQ. At 9.6%, credit cost is the highest historically. Even with a fall in GS2, credit cost rose due to the quarterly reset of the ECL calculation, which considers a period of eight years and an increase in NIEA. Within total credit cost, while write-offs have declined, provisions rose. We note that there was a change in the ECL stage-2 provisioning in Q4. Management guides to credit cost remaining elevated and range bound in the near term at 9–9.6%. This guidance is for Q2FY26. Management has not given a guidance for full year FY26 given the evolving macro situation and high borrower leverage. Early delinquencies improved since Q2FY25, but the improvement has remained stable QoQ in Q1FY26. The company has tightened card limits for 25% of the portfolio.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	48,769	43,586	11.9	46,740	4.3
Pre-provisioning Profits	20,999	18,998	10.5	19,637	6.9
Reported Profits	5,560	5,945	-6.5	5,342	4.1
EPS	5.8	6.3	-6.6	5.6	4.0

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	53,319	61,689	72,588	83,392
Non interest income	95,564	92,898	1,08,036	1,28,430
Fee and forex income	81,647	80,029	93,634	1,12,361
Misc. income	13,917	12,870	14,402	16,069
Net revenues	1,48,883	1,54,588	1,80,624	2,11,822
Operating expense	83,691	80,066	98,903	1,17,712
Employee exp	5,697	5,896	6,190	6,457
Other opex	77,994	74,170	92,713	1,11,255
Preprovision profit	65,192	74,522	81,721	94,111
Provisions	32,874	48,715	50,742	48,627
PBT	32,318	25,807	30,980	45,483
Taxes	8,239	6,643	7,900	11,598
PAT	24,079	19,164	23,080	33,885
Extraordinaries	0	0	0	0
Reported PAT	24,079	19,164	23,080	33,885
Diluted EPS (INR)	25.3	20.1	24.3	35.6

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Cost-income	56.2	51.8	54.8	55.6
Tax rate	25.5	25.7	25.5	25.5

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	35.0	44.0	36.5	24.9
Price/BV (x)	7.6	6.7	5.8	4.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Equity capital	9,510	9,514	9,514	9,514
Reserves	1,11,331	1,28,304	1,48,614	1,78,772
Net worth	1,20,840	1,37,817	1,58,127	1,88,285
Deposits	0	0	0	0
Borrowings	3,98,911	4,49,466	5,16,886	5,94,419
Other liabilities	61,961	68,175	75,669	84,048
Total	5,81,712	6,55,458	7,50,682	8,66,752
Assets				
Loans	4,90,790	5,39,346	6,04,068	6,94,678
Investments	35,191	62,351	87,714	1,08,355
Cash & equi	27,296	27,382	30,120	33,132
Fixed assets	5,644	3,303	3,468	3,641
Other assets	22,790	23,075	25,312	26,944
Total	5,81,712	6,55,458	7,50,682	8,66,752
BV/share (INR)	127.1	144.9	166.2	197.9

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	24.7	9.9	12.0	15.0
Gross NPA ratio	2.8	3.1	2.8	2.6

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	10.3	10.0	10.3	10.3
Net revenues/assets	28.7	25.0	25.7	26.2
Opex/Assets	16.1	12.9	14.1	14.6
Total costs/Assets	24.1	21.9	22.4	22.0
RoA	4.6	3.1	3.3	4.2
RoAE	22.0	14.8	15.6	19.6

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	6.1	(20.4)	20.4	46.8
RoAE (%)	22.0	14.8	15.6	19.6

Q1FY26 earnings call key takeaways

Selective sourcing leads to lower card additions

- As of June-25, the company's market share in terms of cards in force and card spends was 19.1% and 16.6%, respectively.
- In Q1FY26, SBI Cards added 0.87mn new accounts versus 1.11mn in Q4FY25; this is in line with the company's strategy of being selective in new card acquisition.
- Management explained the reduction in new acquisition is not due to any concern in demand, but due to a cautious decision of being more selective in portfolio acquisition.

Receivables growth guidance cut

- Management revised its receivables growth guidance to 10–12% for FY26 from 12-14%.
- Receivables grew 7.4% YoY, lower than the management guidance of 12–14% in Q4FY25 due to muted growth in the retail industry.
- Management expects growth in the coming quarter to be higher than Q1FY26 due to the upcoming festive season.
- SBI Cards continues to expand strategic partnerships to roll out new products, such as recent partnerships with TATA Neu, Apollo Health, and the signing of an MoU with Bank of Maharashtra for co-branded offerings.

Spends and card portfolio

- Retail spends grew 2.4% QoQ / 14.6% YoY, led by growth in the following segments: departmental stores, utilities, education, consumer durables, furnishing and hardware, apparel, jewellery, and travel and entertainment.
- Online spends contributed around 61% of the total retail spend.
- Interchange fees are lower on RuPay cards than on regular cards, but higher volumes in this segment bring the absolute value up to that of the regular segment.
- Spends per card on RuPay cards are marginally higher than average by INR 3,000–5,000.
- SBI Cards is cautiously trying to reduce the share of rental payments in retail spends.
- Of the overall cards, the share of co-branded cards is around 25–30%.

Yield, costs and margins

- CoF improved to 7.1% in Q1FY26 versus 7.3% (excluding the benefit from a one-off lease modification) in Q4FY25.
- Management guided CoF to improve by 25–30 bps in Q2FY26 due to the expected benefit from the June repo rate cuts and a change in the borrowing mix, while yields are likely to remain steady.

Credit cost and asset quality

- Gross credit cost increased to 9.6% from 9.0% sequentially due to the periodic quarterly refresh and an increase in net earning assets.
- The company considers a period of eight years for ECL calculation.
- Management expects credit cost to remain between Q4FY25 and Q1FY26 levels in Q2FY26, which is in the range 9-9.6%.
- Management refrained from giving a full year guidance on credit cost due to higher borrower leverage.
- With a cautious improvement in underwriting standards, there is a visible decline in early delinquency rates in the last three quarters.
- Write-offs are seeing a steady decline QoQ, and management aspires to continue this trend in the coming quarters as well.

Other highlights

- Cost-to-income ratio for the quarter was 50.3% versus 51.4% QoQ; ratio reduced due to lower acquisition costs in Q1FY26 and elevated expenses from various promotional campaigns in Q4FY25.
- The company is working on obtaining account aggregator access from most customers, which will benefit portfolio management in the long term.

Exhibit 1: Change in estimates

	FY26E Old	FY27E Old	FY26E New	FY27E New	FY26E	FY27E % Change
NII, INR Mn	72,850	85,545	72,588	83,392	-0.4%	-2.5%
PAT, INR Mn	27,180	36,422	23,080	33,885	-14.8%	-7.0%
EPS, INR	28.6	38.3	24.3	35.6	-14.8%	-7.0%
BVPS, INR	170.6	205.2	166.2	197.9	-2.6%	-3.5%
Target price, INR		1,070		1,025		-4.2%
CMP				889		
% upside to CMP				15%		
Rating		BUY		BUY		

Source: Company, Nuvama Research

Exhibit 2: Gross credit cost

Gross credit cost	%
Q1FY26	9.6%
Q4FY25	9.0%
Q3FY25	9.4%
Q2FY25	9.0%
Q1FY25	8.5%
Q4FY24	7.6%
Q3FY24	7.5%
Q2FY24	6.7%
Q1FY24	6.8%
Q4FY23	6.3%
Q3FY23	5.6%
Q2FY23	6.2%
Q1FY23	5.6%
Q4FY22	5.2%
Q3FY22	9.0%
Q2FY22	9.3%
Q1FY22	10.4%
Q4FY21	11.1%
Q3FY21	10.4%
Q2FY21	14.6%
Q1FY21	8.2%

Source: Company, Nuvama Research

Exhibit 3: Income from fees and services

INR mn	Income from fees and services	Service Charges	Business development incentive income	Insurance commission income	Other Income	Total	YoY growth (%)
Q1FY26	21,912	260	1,666	1	1,585	25,422	13.5%
Q4FY25	20,928	271	1,381	8	1,578	24,166	3.5%
Q3FY25	20,249	329	1,611	8	1,479	23,675	-11.0%
Q2FY25	19,573	337	1,395	7	1,348	22,661	-2.3%
Q1FY25	19,279	327	1,537	9	1,240	22,392	-0.1%

Source: Company, Nuvama Research

Exhibit 4: Breakdown of total spends

INR mn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Corporate	1,08,400	86,560	53,010	54,950	52,490
Retail	8,24,040	7,97,090	8,07,920	7,63,980	7,18,800
Total	9,32,440	8,83,650	8,60,930	8,18,930	7,71,290

Source: Company, Nuvama Research

Exhibit 5: Mix of receivables

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Transactor	40%	41%	40%	40%	38%
Revolver	24%	24%	24%	23%	24%
EMI	36%	35%	36%	37%	38%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 6: Breakdown of revenue

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Interest Income	51%	52%	52%	52%	51%
Subscription based	24%	23%	22%	22%	22%
Spend based	19%	19%	19%	19%	20%
Instance based & other	6%	7%	7%	7%	7%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 7: Spends and receivables per card

	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Spends/Card (INR '000)	177	172	173	169	162
Receivable per card (INR)	26,710	26,816	27,052	28,387	27,395
30 day spend active rate (%)	52	51	52	52	50

Source: Company, Nuvama Research

Exhibit 8: Breakdown of credit cost

INR, mn	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25	YoY	QoQ
Gross credit cost	13,520	12,440	13,130	12,130	11,010	22.8%	9%
- Gross write off	12,800	13,030	13,540	11,060	9,690	32.1%	-2%
- Provisions	720	-590	-410	1,070	1,320	-45.5%	-222%
Recoveries	1570	1,540	1,460	1,330	1,230	27.6%	2%
Net credit cost	11,950	10,910	11,680	10,790	9,780	22.2%	10%

Source: Company, Nuvama Research

Exhibit 9: Key ratios

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Interest Income Yield	17.0	17.0	16.5	16.4	16.8
Cost of Funds	7.1	7.2	7.4	7.4	7.5
Net Interest Margin	11.2	11.2	10.6	10.6	10.9
Gross Credit Cost	9.6	9.0	9.5	9.0	8.5
Net Credit Cost	8.5	7.9	8.4	8.0	7.5
ECL	3.5	3.4	3.6	3.6	3.6
GNPA	3.1	3.1	3.2	3.3	3.1
NNPA	1.4	1.5	1.2	1.2	1.1
PCR	54.3	53.5	64.3	64.4	64.4

Source: Company, Nuvama Research

Exhibit 10: Borrowing mix

%	Q1FY26	Q4FY25	Q3FY25	Q2FY25	Q1FY25
Bank lines	67%	67%	65%	61%	63%
CP	4%	0%	0%	0%	0%
Debentures	12%	14%	16%	18%	17%
Term Loans	17%	19%	19%	21%	20%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 11: Financial snapshot

INR Mn	Q1FY26	Q4FY25	Q1FY25	YoY (%)	QoQ (%)
Interest Income	24,932	24,152	22,433	11.1%	3.2%
Income from fees and services	21,912	20,928	19,279	13.7%	4.7%
Other operating income	1,926	1,660	1,873	2.8%	16.0%
Total Revenue from operations	48,769	46,740	43,586	11.9%	4.3%
Other Income	1,585	1,578	1,240	27.8%	0.4%
Finance costs	8,128	7,953	7,668	6.0%	2.2%
Net Interest Income	16,803	16,199	14,765	13.8%	3.7%
Employee benefits expenses	1,614	1,543	1,341	20.3%	4.6%
Depreciation, amortisation and impairment	350	-17	494	-29.0%	-2172.8%
Operating and other expenses	19,262	19,203	16,325	18.0%	0.3%
Pre-Prov Op. Profit (PPoP)	20,999	19,637	18,998	10.5%	6.9%
Impairment losses & bad debt	13,516	12,451	11,006	22.8%	8.5%
PBT	7,484	7,185	7,992	-6.4%	4.2%
Provision for Tax	1,924	1,844	2,047	-6.0%	4.4%
PAT	5,560	5,342	5,945	-6.5%	4.1%
Diluted EPS (INR)	5.84	5.62	6.25	-6.6%	4.0%
Balance Sheet Data					
Advances (INR Mn)	5,46,290	5,39,350	5,08,070	7.5%	1.3%
Asset Quality					
Gross NPA (%)	3.1%	3.1%	3.1%		
Net NPA (%)	1.4%	1.5%	1.1%		
Provisioning coverage (%)	54.3%	53.5%	64.4%		

Source: Company, Nuvama Research

Company Description

SBI Card was launched in October, 1998 by the State Bank of India and GE Capital. But in 2017, GE Capital exited the business with Carlyle Group acquiring 26% stake and the balance taken over by SBI. SBI Cards is the only standalone credit cards company with a meaningful scale and size. The company has a wide credit cards portfolio catering to a broad target customer base. The card portfolio comprises retail cards and corporates cards, and within retail, broad categories include premium, travel and fuel, shopping, and white label cards. SBI is the parent and promoter of the company with ~69% stake. SBI Card pays royalty to SBI every year as per their licensing agreement for the use of SBI brand and logo.

Investment Theme

Growth guidance has been revised down to 10-12% from 12-14% while near term credit cost will be range bound between 9-9.6%. We cut growth and hike credit cost estimates leading to earnings cut of 15% / 7% in FY26E/FY27E. We cut TP to INR 1,025 / 28xPE FY27E from INR 1,070. We maintain long term BUY but believe near-term performance will be driven by improvement in credit cost and growth.

Key Risks

- Credit cost remaining sticky for longer.
- Competition from other payment products.

Additional Data

Management

Chairman	Challa Sreenivasulu Setty
MD & CEO	Salila Pande
COO	Ashutosh Kumar Sharma
CFO	Rashmi Mohanty
Auditor	V. K. Dhingra & Co.

Holdings – Top 10*

	% Holding		% Holding
LIC	6.11		
ICICI Prudential	3.40		
Nippon Life	2.19		
Gov. PF Global	1.22		

**Latest public data*

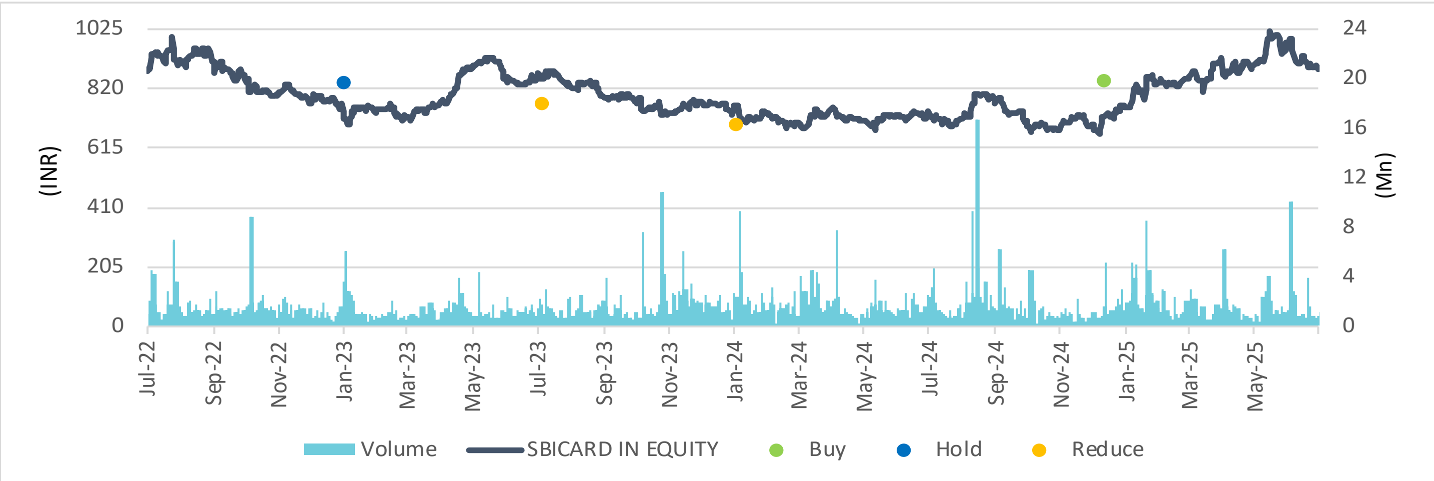
Recent Company Research

Date	Title	Price	Reco
24-Apr-25	Credit cost declines after two years; *Result Update*	926	Buy
28-Jan-25	Credit cost has peaked; *Result Update*	735	Buy
03-Jan-25	Negatives priced in; upgrade warranted; *Company Update*	703	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
20-Jul-25	AU SFB	Miss on NIM and higher delinquencies; *Result Update*
19-Jul-25	ICICI Bank	Beat on NIM a big positive; *Result Update*
19-Jul-25	HDFC Bank	Healthy showing despite NIM miss; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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