

SBI CARDS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	936
12 month price target (INR)	1,025
52 Week High/Low	1,023/660
Market cap (INR bn/USD bn)	885/10.2
Free float (%)	31.4
Avg. daily value traded (INR mn)	854.7

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	68.6%	68.6%	68.6%
FII	10.1%	10.2%	9.9%
DII	17.8%	17.5%	17.2%
Pledge	0%	0%	0%

FINANCIALS

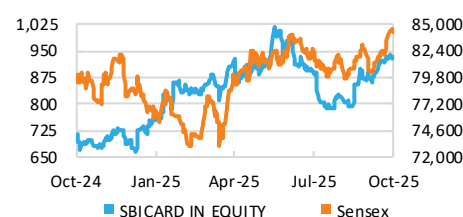
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	148883	154588	173287	200292
PPoP	65192	74522	81060	93172
Adjusted profit	24079	19164	22378	32816
Diluted EPS (INR)	25.3	20.1	23.5	34.5
EPS growth (%)	6.1	(20.4)	16.8	46.6
RoAE (%)	22.0	14.8	15.2	19.1
P/E (x)	36.7	46.2	39.6	27.0
P/ABV (x)	8.0	7.0	6.1	5.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,73,287	2,00,292	-4.1%	-5.4%
PPOP	81,060	93,172	-0.8%	-1.0%
Adjusted profit	22,378	32,816	-3.0%	-3.2%
Diluted EPS (INR)	23.5	34.5	-3.0%	-3.2%

PRICE PERFORMANCE



Credit cost declines but misses consensus

SBI Cards turned in strong growth in Q2FY26 retail spends (9% QoQ) and receivables (6% QoQ) boosted by festive demand, but NIM, fees, opex and credit cost missed consensus. NIM stayed flat QoQ despite a 51bp YoY decline in CoF due to a higher share of transactors, part of which will convert to IEA in Q3. Credit cost contracted 4% QoQ to 9%, but missed consensus by 5%. RoA of 2.6% declined 75bp QoQ/4bp YoY.

We are cutting EPS marginally (we are lower than consensus) and retaining the TP at INR1,025. Management guided credit cost would fall below 9% in FY26E. The stock is trading at 40x/27x PE FY26E/27E, leaving no room for upside. Downgrade to 'HOLD' as we expect RoA to remain below the normalised level through our forecast period.

Strong growth in receivables, but miss on NIM, opex and fees

CIF rose 10% YoY/1% QoQ. Receivables grew 8% YoY/6% QoQ. Retail spends moved up 17% YoY/9% QoQ while corporate spends surged 218% YoY/61% QoQ. Excluding rentals, retail spends grew 20% YoY. With a large share of festive spends towards the quarter end, share of zero-yield transactors rose to 60% of IEA from 56% QoQ. Share of bank sourcing in new cards fell to 50% from 59% QoQ. Despite a sharp decline of 51bp QoQ in daily weighted average CoF (69bp in reported CoF), NIM remained stable QoQ versus expectation of a 12bp improvement due to a higher transactors. Some transactors could convert to IEA in Q3, leading to an uptick in yield. However, CoF has bottomed out and can improve further only if there are more rate cuts. NII grew 15% YoY/3% QoQ. Fees and charges jumped 15% YoY/4% QoQ. Opex ex-stamp duty grew sharply and higher than consensus at 16% QoQ. CI spiked 649bp QoQ/339bp YoY to 56.8%. Opex was high due to festive offers. PPOP decreased 10% QoQ/grew 8% YoY compared with 11% YoY in Q1FY26E. Credit cost rose 4% QoQ. PAT fell 20% QoQ, but grew 10% YoY. RoA stood at 2.6% versus 3.4% QoQ.

Credit cost declined, but remains higher than expected

GS2 declined 50bp QoQ while GS3 declined 22bp QoQ. Gross credit cost rose 4% QoQ to 9% versus 9.6% QoQ. While credit cost declined, it came in higher than expected and missed consensus by 5%. Within credit cost, write-offs remained high at INR12.8bn while provisions decreased from INR720mn to INR120mn. Management explained that ECL based provisioning is rising; however, the absolute pool of stress is declining, leading to lower provisions. ECL/EAD stood at 3.3% versus 3.5% QoQ. Management guided for credit cost settling below 9% for FY26E. Management remains optimistic on growth and indicated that rental spends have almost stopped because of new regulation, which will impact total spends by 3–5%.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	49,610	44,210	12.2	48,769	1.7
PPOP	18,925	17,573	7.7	20,999	-9.9
Reported Profits	4,448	4,044	10.0	5,560	-20.0
EPS	4.7	4.3	9.9	5.8	-20.0

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Net interest income	53,319	61,689	71,653	81,289
Non interest income	95,564	92,898	1,01,634	1,19,003
Fee and forex income	81,647	80,029	87,232	1,02,933
Misc. income	13,917	12,870	14,402	16,069
Net revenues	1,48,883	1,54,588	1,73,287	2,00,292
Operating expense	83,691	80,066	92,228	1,07,120
Employee exp	5,697	5,896	6,190	6,457
Other opex	77,994	74,170	86,037	1,00,664
Preprovision profit	65,192	74,522	81,060	93,172
Provisions	32,874	48,715	51,022	49,124
PBT	32,318	25,807	30,038	44,048
Taxes	8,239	6,643	7,660	11,232
PAT	24,079	19,164	22,378	32,816
Extraordinaries	0	0	0	0
Reported PAT	24,079	19,164	22,378	32,816
Diluted EPS (INR)	25.3	20.1	23.5	34.5

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Cost-income	56.2	51.8	53.2	53.5
Tax rate	25.5	25.7	25.5	25.5

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted PE (x)	36.7	46.2	39.6	27.0
Price/ABV (x)	8.0	7.0	6.1	5.2

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	1,47,912	1,77,001
Net worth	1,20,840	1,37,817	1,57,425	1,86,514
Deposits	0	0	0	0
Borrowings	3,98,911	4,49,466	5,12,391	5,89,250
Other liabilities	61,961	68,175	69,900	76,890
Total	5,81,712	6,55,458	7,39,717	8,52,654
Assets				
Loans	4,90,790	5,39,346	5,93,281	6,82,273
Investments	35,191	62,351	87,535	1,06,663
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	7,39,717	8,52,654
BV/share (INR)	127.1	144.9	165.5	196.1

Balance Sheet Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Credit growth	24.7	9.9	10.0	15.0
Gross NPA ratio	2.8	3.1	2.7	2.5

ROA Decomposition (%)

Year to March	FY24A	FY25A	FY26E	FY27E
NII/Assets	10.3	10.0	10.3	10.2
Net revenues/assets	28.7	25.0	24.8	25.2
Opex/Assets	16.1	12.9	13.2	13.5
Total costs/Assets	24.1	21.9	21.6	21.0
RoA	4.6	3.1	3.2	4.1
RoAE	22.0	14.8	15.2	19.1

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	6.1	(20.4)	16.8	46.6
RoAE (%)	22.0	14.8	15.2	19.1

Q2FY26 earnings call — Key takeaways

Guidance

- Management guided gross credit cost would trend down from current levels over the next two quarters. While an exact range was not provided, they stated that credit cost would be below 9%.
- NIM was guided to be held at current levels of 11.2%, aided by stable cost of funds, stating that cost benefits of repo rate cut have largely been absorbed.
- Management reiterated full-year cost-to-income guidance of 54–56% and said, given strong corporate spends, the outcome is likely to be at the higher end of the range.
- Management had reduced receivables growth guidance to 10–12% from 12–14% in Q1FY26, and this remains unchanged.

Cards portfolio and spends

- 0.936mn new accounts were added during the quarter, whose sourcing remained balanced between banca and open market channels. (50/50).
- Cards-in-force (CIF) reached 2.15bn, growing 10% YoY. Management highlighted that the company's market share in terms of cards-in-force stands at 19% whereas spends market share has grown to 16.8% (from 16.6% in Q1).
- Decrease of ~2% in revolver share of receivables mix was attributed to denominator effect in this quarter as well higher transactor volumes.
- Spends scaled a new high with 31% YoY growth, underpinned by a pickup in retail as well as corporate segments. Online spends contributed 62.5% of total retail spends, with growth observed across discretionary as well as non-discretionary categories.
- Rental spends have almost stopped following aggregator KYC requirements. The near-term impact on total spends is pegged at 3–5%, though management noted this category had already been de-emphasised via fees last year.
- Management indicated that corporate spends are still below the pre-Feb'24 share (then 20–22% of overall spends), but they intend to grow this business selectively where margins are attractive. Incentives on corporate cards have been reduced.

Asset quality

- After earlier tightening of underwriting and portfolio management, asset-quality metrics have improved. GNPA reduced to 2.85% (from 3.07% QoQ). Stage-3 stock declined to INR 17.05bn (vs INR 17.35bn QoQ), and Stage-2 contracted to INR 24.85bn (vs INR 26.73bn QoQ).
- Gross credit cost eased to 9.0% (from 9.6% QoQ). Management expects the improving trend to continue over the next two quarters, citing lower stocks and flow rates. They also highlighted a slippage ratio of 2.07% this quarter.

Margins

- Yield softened sequentially to 16.5% (from 17%) as festive-season transactors diluted the revolver share, a pattern management said is typical for this period. Q3 should see a bounce-back in yields given that festive spends were back-loaded in this quarter.
- Cost of funds (CoF) improved to 6.4% (versus 7.1% in Q1), down 51bp on a daily weighted average basis. Management added that CoF is expected to remain stable in the absence of a rate cut. Cost benefit of earlier repo rate cuts has been largely absorbed.

Opex

- Operating costs were seasonally elevated given festive campaigns/offers and higher corporate pass-backs. Cost-to-income was 56.8% for the quarter owing to the aforementioned reasons.

Partnerships & product launches

- The company broadened its partnership stack with three co-brands—Flipkart, PhonePe and Indigo—designed to target daily-value, digital-first and travel cohorts. A pan-India festive program aggregated 1,250+ offers across ~2,900 cities to capture seasonal demand.
- Management said that early response has been encouraging, especially where brand strength and SBI's reach in tier-2/3/4 cities align with partners' expansion goals (notably Flipkart and Indigo).

Exhibit 1: Changes in estimates

	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
	Old	Old	New	New	% Change	
NII, INR Mn	72,588	83,392	71,653	81,289	-1.3%	-2.5%
PAT, INR Mn	23,158	33,885	22,378	32,816	-3.4%	-3.2%
EPS, INR	24.3	35.6	23.5	34.5	-3.4%	-3.2%
BVPS, INR	166.2	197.9	165.5	196.1	-0.4%	-0.9%
Target price, INR		1,025		1,025		0.0%
CMP				936		
% Upside to CMP				10%		
Rating		BUY		HOLD		

Source: Company, Nuvama Research

Exhibit 2: Gross credit cost

Gross credit cost	%
Q2FY26	9.0%
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%

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 (%)
Q2FY26	22,654	205	1,852	0	1,755	26,466	16.8%
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	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Corporate	1,74,520	1,08,400	86,560	53,010	54,950
Retail	8,96,110	8,24,040	7,97,090	8,07,920	7,63,980
Total	10,70,630	9,32,440	8,83,650	8,60,930	8,18,930

Source: Company, Nuvama Research

Exhibit 5: Mix of receivables

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Transactor	44%	40%	41%	40%	40%
Revolver	22%	24%	24%	24%	23%
EMI	34%	36%	35%	36%	37%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 6: Breakdown of total revenue

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Interest Income	50%	51%	52%	52%	52%
Spend based	26%	24%	23%	22%	22%
Instance based & other	18%	19%	19%	19%	19%
Subscription based	6%	6%	7%	7%	7%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 7: Spends and receivables per card

	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Spends/Card (INR '000)	201	177	172	173	169
Receivable per card (INR)	27,832	26,710	26,816	27,052	28,387
30 day spend active rate (%)	53	52	51	52	52

Source: Company, Nuvama Research

Exhibit 8: Breakdown of credit costs

INR, mn	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25	YoY	QoQ
Gross credit cost	12,930	13,520	12,440	13,130	12,130	7%	-4%
- Gross write off	12,810	12,800	13,030	13,540	11,060	16%	0%
- Provisions	120	720	-590	-410	1,070	-89%	-83%
Recoveries	1,700	1570	1,540	1,460	1,330	28%	8%
Net credit cost	11,230	11,950	10,910	11,680	10,790	4%	-6%

Source: Company, Nuvama Research

Exhibit 9: Key ratios

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Interest Income Yield	16.5	17.0	17.0	16.5	16.4
Cost of Funds	6.4	7.1	7.2	7.4	7.4
Net Interest Margin	11.2	11.2	11.2	10.6	10.6
Gross Credit Cost	8.9	9.6	9.0	9.5	9.0
Net Credit Cost	7.8	8.5	7.9	8.4	8.0
ECL	3.3	3.5	3.4	3.6	3.6
GNPA	2.9	3.1	3.1	3.2	3.3
NNPA	1.3	1.4	1.5	1.2	1.2
PCR	55.4	54.3	53.5	64.3	64.4

Source: Company, Nuvama Research

Exhibit 10: Borrowing mix

%	Q2FY26	Q1FY26	Q4FY25	Q3FY25	Q2FY25
Bank lines	62%	67%	67%	65%	61%
CP	1%	4%	0%	0%	0%
Debentures	15%	12%	14%	16%	18%
Term Loans	22%	17%	19%	19%	21%
Total	100%	100%	100%	100%	100%

Source: Company, Nuvama Research

Exhibit 11: Financial snapshot

INR Mn	Q2FY26	Q1FY26	Q2FY25	YoY (%)	QoQ (%)
Interest Income	24,899	24,932	22,897	8.7%	-0.1%
Income from fees and services	22,654	21,912	19,573	15.7%	3.4%
Other operating income	2,057	1,926	1,740	18.2%	6.8%
Total Revenue from operations	49,610	48,769	44,210	12.2%	1.7%
Other Income	1,755	1,585	1,348	30.2%	10.7%
Finance costs	7,601	8,128	7,877	-3.5%	-6.5%
Net Interest Income	17,298	16,803	15,021	15.2%	2.9%
Employee benefits expenses	1,576	1,614	1,488	5.9%	-2.4%
Depreciation, amortisation and impairment	350	350	504	-30.5%	-0.1%
Operating and other expenses	22,913	19,262	18,118	26.5%	19.0%
Pre-Prov Op. Profit (PPoP)	18,925	20,999	17,573	7.7%	-9.9%
Impairment losses & bad debt	12,927	13,516	12,120	6.7%	-4.4%
PBT	5,998	7,484	5,452	10.0%	-19.9%
Provision for Tax	1,550	1,924	1,408	10.1%	-19.4%
PAT	4,448	5,560	4,044	10.0%	-20.0%
Diluted EPS (INR)	4.67	5.84	4.25	9.9%	-20.0%
Balance Sheet Data					
Advances (INR Mn)	5,78,560	5,46,290	5,35,960	7.9%	5.9%
Asset Quality					
Gross NPA (%)	2.9%	3.1%	3.3%		
Net NPA (%)	1.3%	1.4%	1.2%		
Provisioning coverage (%)	55.4%	54.3%	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

We cut EPS marginally (we are lower than consensus) and retain TP of INR 1,025. Credit cost is guided to fall below 9% in FY26E. The stock trades at 42xPE FY26E and 30xPE FY27E leaving no room for upside. We downgrade from Buy to HOLD as we see RoA remaining below the normalized level through our forecast period.

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	3.64	
Nippon Life	2.43	
Gov. PF Global	1.23	

*Latest public data

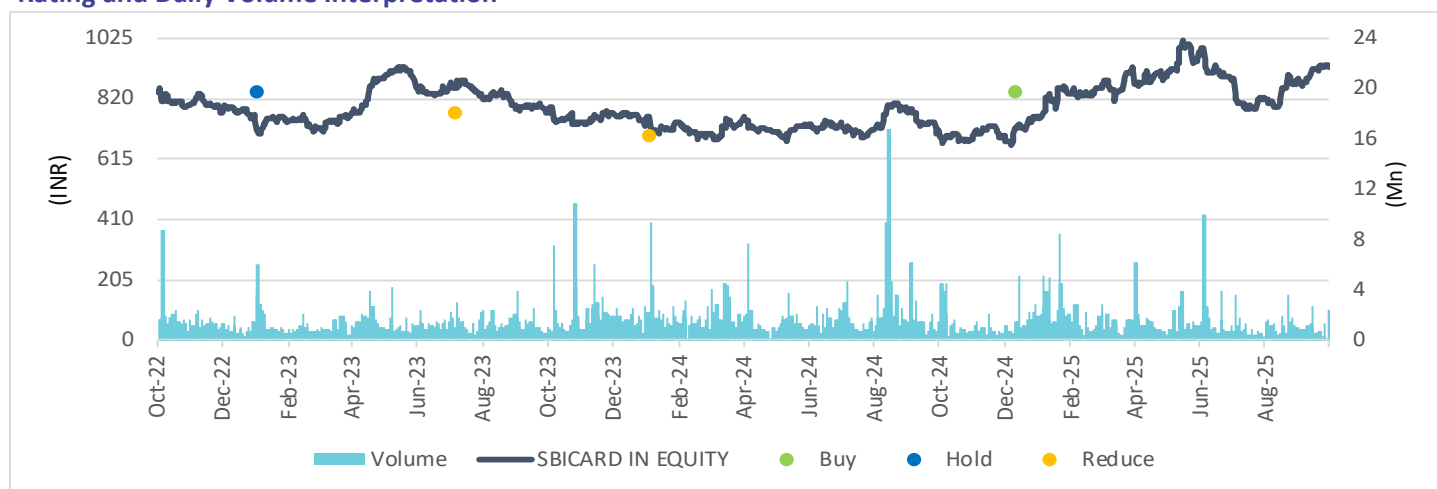
Recent Company Research

Date	Title	Price	Reco
25-Jul-25	Credit cost spikes again; growth slows; <i>Result Update</i>	888	Buy
24-Apr-25	Credit cost declines after two years; <i>Result Update</i>	926	Buy
28-Jan-25	Credit cost has peaked; <i>Result Update</i>	735	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
19-Oct-25	IndusInd Bank	Consolidation and cleanup; <i>Result Update</i>
19-Oct-25	IDFC First Bank	MFI stress reduces; <i>Result Update</i>
18-Oct-25	Federal Bank	Profitability over growth; <i>Result Update</i>

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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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