

CMP: ₹ 890

Target: ₹ 1000 (12%)

Target Period: 12 months

HOLD

May 06, 2025

On track with signs of gradual recovery; sustenance to aid valuation

About the stock: SBI Cards, subsidiary of State Bank of India (68.6% stake), is a pure-play credit card issuer, ranked second in terms of spends and number of cards issued.

- Market share in terms of cards issued is 18.9% and spends is 15.6%
- High margin business with strong return ratios, +3-4% RoA and +14% RoE

Q4FY25 business performance: SBI Cards reported signs of recovery in Q4FY25, with sequential improvement in GNPA, though write-off continued to remain elevated. Card issuance declined 6% QoQ to 11.09 lakh, while spends grew 11% YoY to ₹88,365 crore, keeping market share flat at 15.6%. PAT increased 39% QoQ to ₹ 534 crore, driven by 50 bps improvement in margins (11.1%), steady opex and 40 bps reduction in credit cost at 9%. GNPA improved 16 bps QoQ to 3.08%, owing to continued higher write-offs.

Investment Rationale:

- **Elevated write-off aid GNPA; reversal seen in credit cost trend:** While elevated write-off (at ₹1303 crore) led to 17 bps QoQ decline in GNPA to 3.08%, credit cost witnessed improvement of 40 bps QoQ at 9%. Management has undertaken a various measures including restriction in credit limits, adoption of trigger-based systems for early updates, focusing on prime customers. This has led to improvement in delinquencies trend in recent cohorts which is anticipated to bring down credit cost from peak of 9.4% to 7-8% in FY26-27E, thereby aiding earnings momentum.
- **Revival in growth is seen to remain gradual:** Card acquisition remained steady at ~11.1 lakh, led by new travel cards and RuPay growth, reflecting in CIF base of 2.08 crore, up 10% YoY, with market share remaining at 18.9%. Spends grew 11% YoY (market share at 15.6%), on the back of 15% rise in retail spends, while corporate spends witnessed 63% growth sequentially. Receivables grew 10% YoY with marginal increase in proportion of transactor at 41%. Targeting ~11 lakh card additions per quarter, expect 18-20% growth in spends with focus on regaining share in corporate segment, while receivables are seen to 14-15% CAGR in FY26-27E.
- **Major beneficiary of anticipated reversal in interest rate:** Receivables grew moderately, but improved yields and lower funding costs drove a 54 bps QoQ rise in margins to 11.2%. Despite gradual increase in share of transactors and reduction in yields on EMI, margin is expected to bottom out given anticipated repricing of liabilities (given substantial proportion of borrowings linked to external benchmark rates). Thus, we have factored in steady margins (calc) of 11.4-11.5% in FY26-27E.

Rating and Target Price

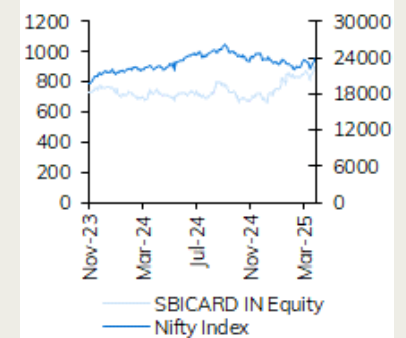
- While delinquencies seem to peak out with gradual improvement anticipated in credit cost, revival in growth, though gradual, remains an imperative catalyst. Reversal in interest cycle and anticipated spending boost led by easing taxation remain external tailwinds. However, sustenance of the trend is watchful.
- Factoring 16-18% CAGR growth in advances and improvement in RoA to ~3.5-3.7% ahead, we maintain our target of ₹1000 per share, valuing the business at ~5.5x FY27E ABV. With recent run up in valuation, we downgrade the stock from Buy to Hold.

**Particulars****Particulars**

Market Capitalisation	₹81,955 crore
Networth	₹13,853 crore
52 week H/L	931 / 648
Face Value	10.0

Shareholding pattern

(in %)	Jun-24	Sep-24	Dec-24	Mar-24
Promoter	68.6	68.6	68.6	68.6
FII	8.7	9.2	9.5	9.9
DII	16.5	16.7	16.5	17.2
Others	6.2	5.5	5.4	4.3

Price Chart**Key risks**

- Faster than anticipated improvement in margins/ credit cost
- Cut in interchange fees

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Key Financial Summary

₹ Crore	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	4505	5332	6169	17	6717	7791	12.4%
PPP	5188	6519	7452	20	6951	8025	3.8%
PAT	2258	2408	1916	-8	2382	2897	23.0%
ABV (₹)	101	122	137		157	181	
P/ABV	7	6	6		6	5	
RoA	6	5	3		3	4	
RoE	26	22	15		16	17	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY24	QoQ (%)	Comments
NII	1,620	1,415	14.5	1,570	3.2	Uptick in margins aided NII trend
NIM (%)	11.2	10.9	30 bps	10.6	60 bps	Sequential improvement of 50 bps in YoA and decline of 20 bps in CoF aided margins
Other Income	2,417	2,336	3.5	2,367	2.1	
Net Total Income	4,037	3,751	7.6	3,937	2.5	
Staff cost	154	132	16.7	152	1.5	
Other Operating Expenses	1,918	1,786	7.4	1,956	-1.9	C/I ratio up 21 bps YoY to 51.4%
PPP	1,964	1,833	7.2	1,829	7.4	
Provision	1,245	944	31.8	1,313	-5.2	Credit cost down 40 bps QoQ at 9%
PBT	719	888	-19.1	516	39.3	
Tax Outgo	185	226	-18.1	134	38.1	
PAT	534	663	-19.4	382	39.7	Improvement in margins and credit cost aid earnings
Key Metrics						
GNPA	3.1	2.8	32 bps	3.2	-16 bps	
NNPA	1.47	1.0	48 bps	1.18	29 bps	
Spends	88,365	79,653	10.9	86,093	2.6	Retail spends remain steady, corporate segment witness sequential uptick
Loans	53,937	49,079	9.9	52,808	2.1	
CIF	2.08	1.89	10.1	2.02	3.0	

Source: Company, ICICI Direct Research

Concall Highlights

Performance and growth outlook

- SBI Cards remains India's second-largest credit card issuer with over 2 crore cards-in-force and ~18.9% CIF market share.
- Focus areas: premium cards, co-branded partnerships, and deeper penetration in Tier 2/3 cities.
- Digital onboarding (SBI Card Sprint) gaining momentum; 51% new cards sourced via BANCA channel.
- Launched SBI Card Miles (travel-focused) and KrisFlyer co-branded card with Singapore Airlines.
- FY26 focus is to acquire high-value customers with balanced BANCA (50–55%) and open market mix.
- Receivables grew 10% YoY in FY25; guided for 12–14% growth in FY26.
- Corporate spends rebounded sharply (+62% QoQ); expected to scale up profitably.
- FY26 retail spend growth expected in 18–20% range, regaining lost market share from BPSP disruption.
- Retail spend momentum expected to remain strong; cautious ramp-up in corporate portfolio.
- UPI-based credit card spends now close to double-digit share of total retail spends.

Margins and credit cost outlook

- Management guided for steady NIMs with an upward bias, despite potential pressure from declining yields.
- Gross credit cost improved to 9% in Q4FY25 (vs 9.4% in Q3FY25); expected to moderate gradually.
- Management cautious on projecting normalized credit cost (~6–7%) due to macro uncertainties.
- Yield compression is possible due to a shift in portfolio mix (lower revolver usage, more transactors and EMI lending), management believes this will be offset by declining cost of funds
- Stage 3 and Stage 2 NPAs reduced QoQ; delinquencies (30+ DPD and 90+ DPD) improved consistently over past two quarters.
- Stage 2 pool declined to ₹2,801 crore from ₹3,083 crore sequentially (5.6% Q3FY25 vs 5.0% Q4FY25).
- Recoveries now discounted before capping at 100%, leading to lower LGD assumptions and reduction in Stage 3 ECL rate.
- Revolver mix stable at ~24%; newer customers show lower revolver tendency but higher term loan usage.
- Revolver rates in new acquisitions are 10–15% lower vs. older vintages; slight tilt toward transactors.
- No structural change in loan book pricing; fixed-rate structure continues for both revolver and EMI segments
- CI ratio to inch up to 55–57% in FY26 due to ramp-up in sourcing and marketing costs.

Other updates

- Declared interim dividend of ₹2.50/share for FY25.
- Focus remains on profitable growth, digital capabilities, and prudent risk management
- Capital adequacy at 22.9%; CET-1 at 17.5%—sufficient to support growth.

Financial Summary

Exhibit 2: Profit and loss statement

	₹ crore				
(₹ crore)	FY23	FY24	FY25	FY26E	FY27E
Interest Income	6153.0	7927.1	9347.3	10118.3	11603.7
Finance costs	1648.0	2595.2	3178.4	3401.8	3812.8
Net Interest Income	4505.0	5331.9	6168.9	6716.6	7790.9
Income from fees and s	6770.0	8328.3	8129.3	8461.5	9555.6
Business development	740.0	709.9	592.3	704.0	835.8
Other Income	622.0	518.2	568.2	681.1	816.7
Total Income	12637.0	14888.3	15458.7	16563.1	18999.0
Employee benefits exp	562.0	569.7	589.6	666.2	759.5
Depreciation & Amortis	164.0	196.8	146.8	161.5	177.6
Operating and other ex	6723.0	7602.6	7270.2	8784.6	10037.2
Total expenses	7449.0	8369.1	8006.5	9612.2	10974.3
PPP	5188.0	6519.2	7452.2	6950.9	8024.7
Impairment losses & bc	2159.0	3287.5	4871.5	3775.4	4161.5
PBT	3029.0	3231.8	2580.7	3175.5	3863.2
Tax expense	770.6	823.9	664.3	793.9	965.8
PAT	2258.4	2407.8	1916.4	2381.6	2897.4

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
No. of shares (crore)	94.6	95.1	95.1	95.1	95.1
NIM (%)	12.5	11.5	11.4	11.3	11.4
CoF (%)	5.8	7.3	7.5	7.2	7.0
YoA	17.7	17.9	18.1	17.8	17.8
BV	103.9	127.1	144.9	165.0	189.3
ABV	101.0	122.4	136.8	157.1	180.8
P/E (x)	31.0	27.1	44.8	36.1	29.6
P/BV	7.1	5.4	6.2	5.5	4.8
P/ABV	7.3	5.6	6.6	5.7	5.0
GNPA (%)	2.4	2.8	3.1	2.8	2.8
NNPA (%)	0.7	0.9	1.4	1.3	1.1
RoA (%)	5.6	4.6	3.1	3.5	3.7
RoE (%)	25.7	22.0	14.8	16.2	17.2
EPS (₹)	23.9	25.3	20.2	25.0	30.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

	₹ crore				
(₹ crore)	FY23	FY24	FY25	FY26E	FY27E
Assets					
Cash & Bank Balance	1354.0	2729.6	2738.2	3022.0	3335.8
Advances	39361.0	49079.0	53934.6	59450.2	70579.3
Investment	2140.0	3519.1	6235.1	7170.4	8245.9
Deferred tax assets (Net)	246.7	354.6	442.8	442.8	442.8
Fixed Assets	60.4	58.5	47.6	52.3	57.5
Intangible assets	513.3	505.9	282.7	311.0	342.1
Other assets	1870.5	1924.5	1864.9	1652.8	2397.1
Total Assets	45545.8	58171.2	65545.8	72101.5	85400.6
Liabilities & Equity					
Share capital	946.0	951.0	951.0	951.0	951.0
Reserves & Surplus	8884.0	11133.1	12830.4	14735.6	17053.6
Networth	9830.0	12084.0	13781.3	15686.6	18004.5
Debt Securities	6606.2	5988.2	2998.4	4756.0	4517.1
Borrowings	23142.9	31993.2	38463.3	41853.0	51946.4
Other financial liabilities	3044.9	4854.9	6853.9	6083.9	6899.6
Provisions	638.0	635.6	676.7	744.4	818.8
Other liabilities	2283.6	2615.3	2760.0	2977.7	3214.1
Total liabilities and equity	45545.5	58171.2	65533.6	72101.5	85400.6

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(% growth)	FY23	FY24	FY25	FY26E	FY27E
Total assets	31.5	27.7	12.7	10.0	18.4
Advances	30.4	24.7	9.9	10.2	18.7
Total Income	23.0	17.8	3.8	7.1	14.7
Net interest income	17.4	18.4	15.7	8.9	16.0
Operating expenses	27.4	12.4	-4.3	20.1	14.2
PPP	17.2	25.7	14.3	-6.7	15.4
Net profit	39.7	6.6	-20.4	24.3	21.7
Book value	26.4	22.3	14.0	13.8	14.8
EPS	39.3	6.1	-20.4	24.3	21.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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