

## Asset quality turns a corner, but growth to be calibrated

BFSI - NBFCs ▶ Result Update ▶ April 25, 2025

CMP (Rs): 927 | TP (Rs): 1,000

**SBIC reported all-around better performance with sustained improvement in asset quality, with stage 3 assets down by 16bps QoQ to 3.1% and a 54bps QoQ improvement in margin to 11.2%. This, coupled with lower opex due to drop in cash-backs and depreciation (as SBIC shifted to the leased model), led to a strong 51% beat in PAT at Rs5.3bn/3.4% RoA. Card stress flow has moderated for the industry, as also for SBIC which should lead to steady moderation in credit cost. The mgmt remains a bit guarded on growth, given the uncertain macro environment, though it expects margins to be stable with an upward bias once the full effect of rate reduction plays out via lower CoF. We retain ADD and revise up TP by ~11% to Rs1,000 (Rs900 earlier), implying FY27E PER of 24x and P/ABV of 5x.**

**Slower growth, but margins zoom as CoF eases**

SBIC's new card acquisition remained healthy at ~1.1mn due to new card introduction (majorly travel focused) and higher growth in RuPay cards (which now constitute a mid-20s share of the overall CIF). Overall CIF base increased 10% YoY to 20.8mn, with slight improvement in market share to 18.9%. Spends share too was stable, at 15.6%, supported by revival of corporate spends, while retail spends were largely flat QoQ. Consequently, receivables grew at a moderate pace of 10% YoY/2% QoQ, but better yield on loans/lower CoF led to 54bps QoQ uptick in margins at 11.2%. Amid macroeconomic uncertainties, the company aims for calibrated growth, targeting ~1.1mn card additions per quarter in FY26. Spend growth is projected at 18–20% for the year, with strategic focus on profitably regaining lost market share in the corporate spends segment. Despite repo rate cuts, SBIC expects NIMs to be stable in FY26, with an upward bias.

**Stress flow moderates further**

Asset quality improved further, with GNPA ratio down by 16bps QoQ to 3.1% mainly due to higher write-offs, with the stage 2 stressed assets pool too improving, by 60bps QoQ to 5%. However, the management noticed significant challenges last year in its stage 2 assets, and has hence prudently quintupled its provision cover to 20% from ~4%. Conversely, the provision cover on stage 3 assets was reduced by 1,100bps to 53% due to revision in the ECL computation methodology (majorly in treatment of recoveries). On an overall basis, the management has accelerated provisions in the early buckets and expects the overall credit cost to moderate in FY26E/FY27E.

**We retain ADD; revise up TP by ~11% to Rs1,000**

We believe SBIC will be the key beneficiary of the policy rate cut as well as the asset quality normalization cycle in the card portfolio. The stock has recently rallied on the back of this. We retain ADD on SBIC, while revising up our TP to Rs1,000 from Rs900 (up 11.1%), implying FY27E P/E of 24x and P/ABV of 5x. Key risks: Slower-than-expected growth and delay in asset quality improvement amid uncertain macros.

**SBI Cards: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profits	24,061	19,164	27,347	39,096	52,044
AUM growth (%)	25.1	9.7	13.5	16.2	20.2
NII growth (%)	18.3	15.7	15.7	20.3	22.7
NIMs (%)	11.0	10.6	10.8	11.3	11.8
PPOP growth (%)	25.7	14.3	9.5	21.2	23.5
Adj. EPS (Rs)	25.4	20.1	28.7	41.1	54.7
Adj. EPS growth (%)	6.1	(20.6)	42.7	43.0	33.1
Adj. BV (INR)	123.1	138.5	163.8	200.4	250.6
Adj. BVPS growth (%)	21.8	12.5	18.3	22.4	25.0
RoA (%)	4.6	3.1	3.9	4.9	5.5
RoE (%)	22.0	14.8	18.3	21.9	23.7
P/E (x)	36.5	46.0	32.2	22.6	16.9
P/ABV (x)	7.5	6.7	5.7	4.6	3.7

Source: Company, Emkay Research

Target Price – 12M	Mar-26
<b>Change in TP (%)</b>	<b>11.1</b>
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	7.9

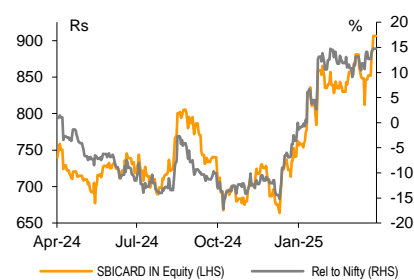
Stock Data	SBICARD IN
52-week High (Rs)	931
52-week Low (Rs)	648
Shares outstanding (mn)	951.4
Market-cap (Rs bn)	881
Market-cap (USD mn)	10,338
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	1,494.7
ADTV-3M (USD mn)	17.5
Free float (%)	31.4
Nifty-50	24,246.7
INR/USD	85.3

**Shareholding, Mar-25**

Promoters (%)	68.6
FPIs/MFs (%)	9.9/17.2

**Price Performance**

(%)	1M	3M	12M
Absolute	8.4	22.2	23.6
Rel. to Nifty	5.8	16.4	14.2

**1-Year share price trend (Rs)****Anand Dama**

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## Key Concall takeaways

### Portfolio performance

- Calibrated growth to continue at ~1.1mn additions per quarter, considering the prevailing macro uncertainties. The company will focus on the premium segment (especially in tier 2 and tier 3 cities) and accelerate digital onboarding.
- Overall spends growth is anticipated to grow at 18–20%. Although market share was lost in FY25 due to subdued corporate spending, the management is optimistic about regaining it profitably, as the same is seen rebounding steadily lately.
- EMI receivables mix was stable at 35% in Q4, indicating healthy usage of structured payment products.
- The share of RuPay cards in overall CIFs (cards in force) is in the mid-20s range.
- The bank has launched Miles SBI Card, a travel-focused credit card, along with another card in partnership with Singapore Airlines, thus expanding its value proposition in the travel segment.

### NIMs

- Improvement in NIMs in Q4 was driven by better yields and lower cost of funds.
- CoF is expected to decline gradually in FY26, aided by anticipated RBI rate cuts. However, NIMs are likely to be stable with an upward bias, as benefits of rate cuts come with a lag and some benefit may be passed on to customers.

### Asset quality

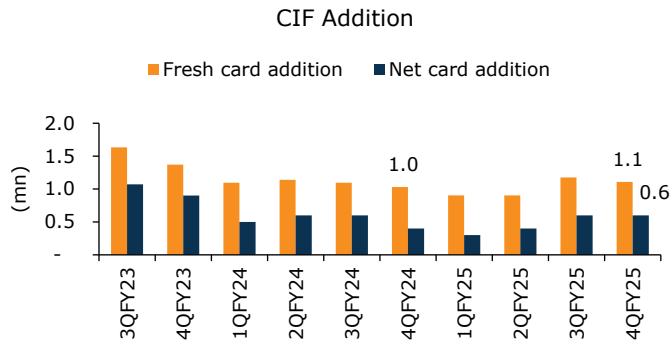
- The bank has noted significant stress in Stage 2 assets, prompting a sharp increase in ECL provisioning, from 4% to 20%, reflecting a cautious and proactive stance. Conversely, the provision cover on stage 3 assets was reduced by 1,100bps to 53% due to revision in the ECL computation methodology (majorly in treatment of recoveries).
- Card stress flow has moderated across the industry, including SBIC, which should lead to gradual decline in credit cost.
- Credit cost is projected to moderate in FY26, though the pace will depend on lending mix changes and macroeconomic conditions.
- The company has strengthened its underwriting processes and a refreshed risk management framework has been implemented, aligning with industry best practices and regulatory standards.

### Other highlights

- An interim dividend of Rs2.5 per share for FY25 has been recommended by the BoD, implying a payout ratio of 12.4%.
- Cost-to-income declined by 216bps QoQ to 51.4% in Q4, mainly due to lower cashbacks compared with Q3 (which was a festive quarter).
- UPI's contribution to total retail spends has reached a double-digit share, particularly gaining traction in Tier 2 and Tier 3 cities.
- A significant portion of the bancassurance offerings is now being delivered digitally, highlighting the bank's commitment to digital-first distribution.

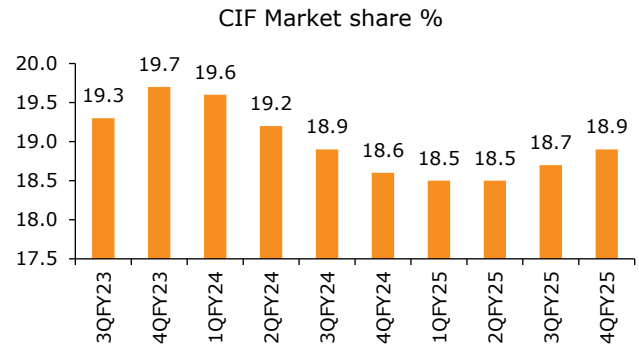
## Story in Charts

**Exhibit 1: Net card addition has improved...**



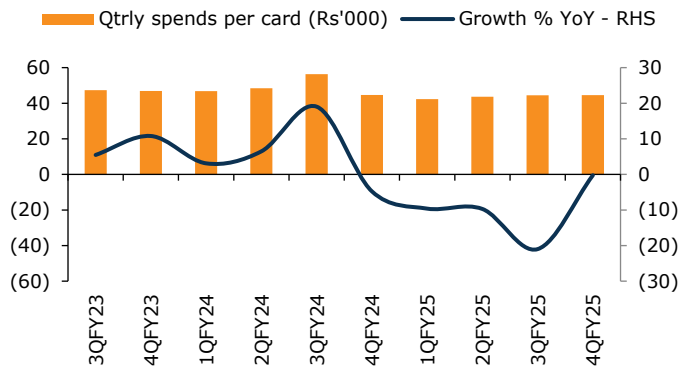
Source: Company, Emkay Research

**Exhibit 2: ...leading to further improvement in CIF market share**



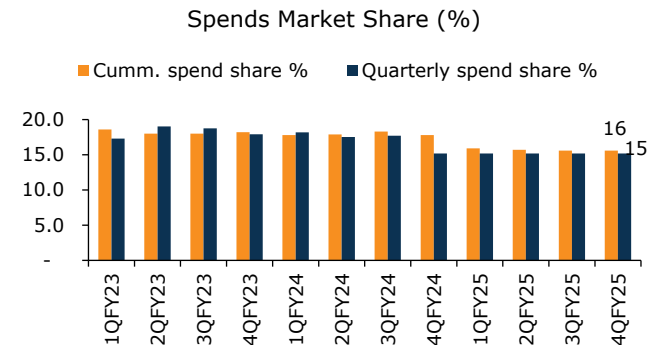
Source: Company, Emkay Research

**Exhibit 3: Qtrly spends per card remain weak on YoY basis**



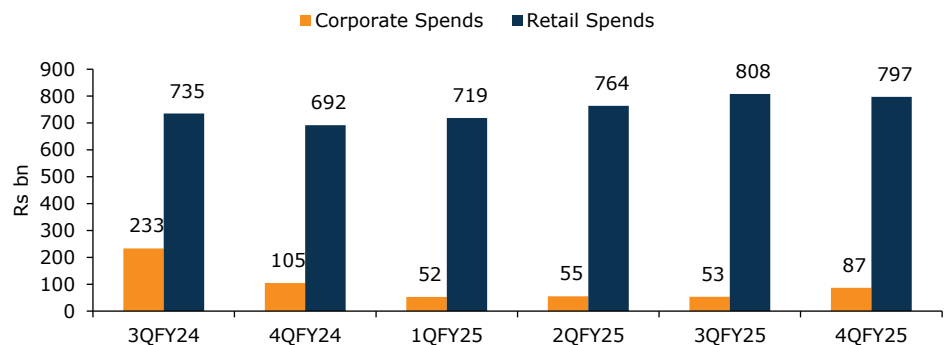
Source: Company, Emkay Research

**Exhibit 4: Spends market share is largely stable owing to revival in corporate spends, partly offset by flat retail spends**

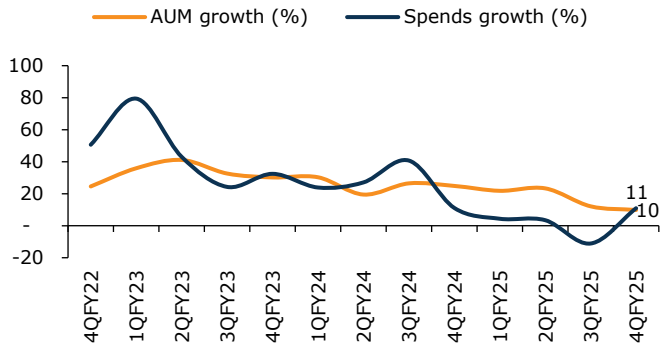


Source: Company, Emkay Research

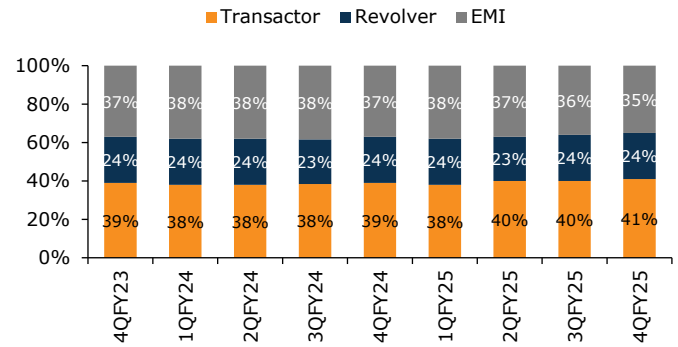
**Exhibit 5: Corporate spends improved steadily, while retail spends were largely flat**



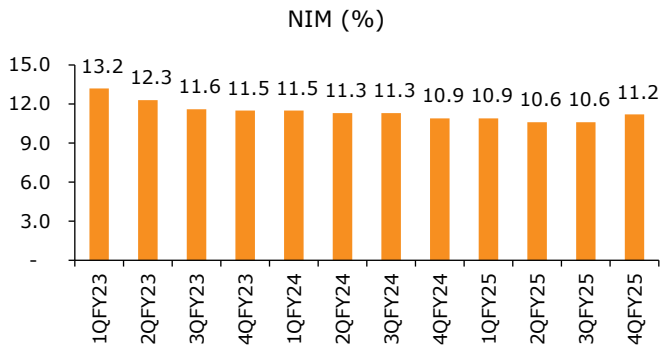
Source: Company, Emkay Research

**Exhibit 6: Gross receivables continued to grow at a moderate rate**

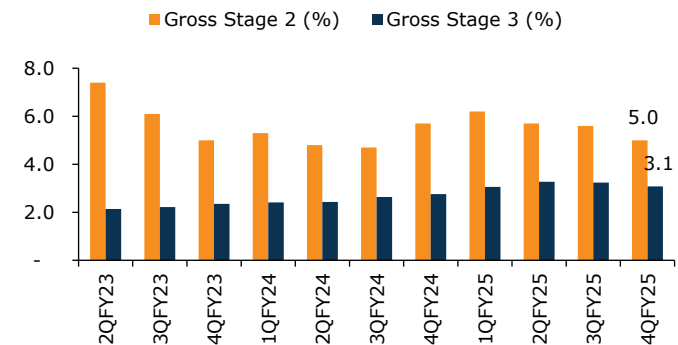
Source: Company, Emkay Research

**Exhibit 7: Revolver share remains broadly steady at 23-24%**

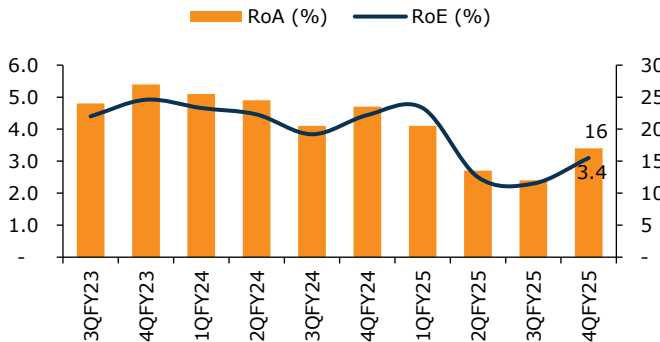
Source: Company, Emkay Research

**Exhibit 8: Better yields and lower CoF led to QoQ uptick in NIMs**

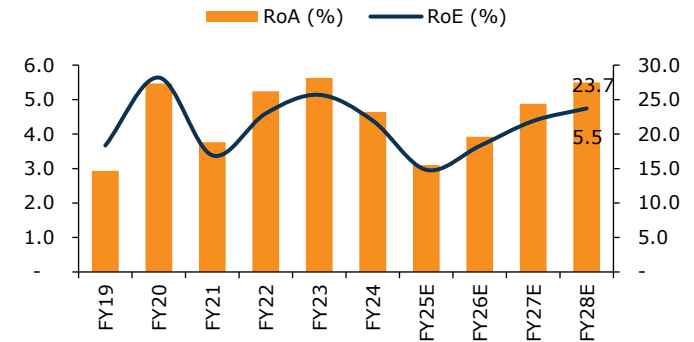
Source: Company, Emkay Research

**Exhibit 9: Stress pool continued to ease**

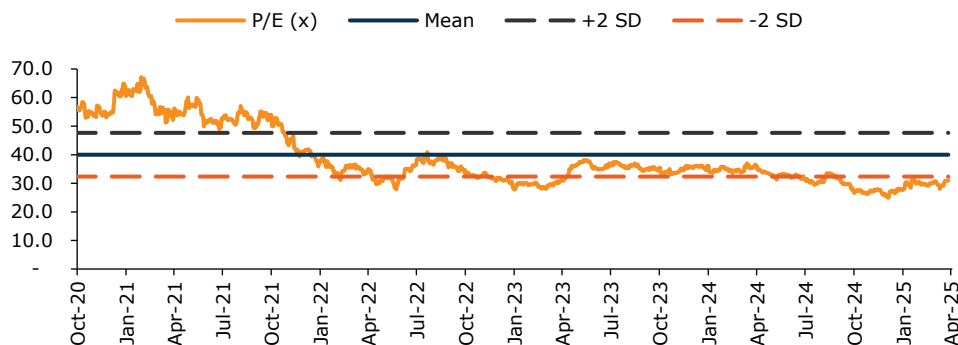
Source: Company, Emkay Research

**Exhibit 10: Better margins, lower opex, and LLP led to improvement in RoA**

Source: Company, Emkay Research

**Exhibit 11: We expect SBIC's RoA to improve over FY26-28E, as growth, margins, and LLP improve**

Source: Company, Emkay Research

**Exhibit 12: The stock currently trades at 32x 1YF P/E, near its -2 standard deviation level**

Source: Bloomberg, Emkay Research

**Exhibit 13: Actuals vs Estimates (Q4FY25)**

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	40,365	37,941	41,109	6%	-2%	Better margins and higher other income led to a beat
PPOP	19,637	15,426	19,182	27%	2%	Net income beat along with contained opex led to the PPOP beat
PAT	5,342	3,534	5,187	51%	3%	PPOP beat, partly offset by higher provisions, led to the PAT beat

Source: Emkay Research

**Exhibit 14: Quarterly Summary**

(Rs mn)	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Interest Earned	21,387	22,433	22,897	23,991	24,152	13	1	79,271	93,473	18
Interest Expense	7,238	7,668	7,877	8,286	7,953	10	-4	25,952	31,784	22
Net Interest Income	14,148	14,765	15,021	15,705	16,199	14	3	53,319	61,689	16
Non-interest Income	23,359	22,393	22,661	23,675	24,166	3	2	53,319	61,689	16
Operating Expenses	19,182	18,160	20,108	21,072	20,728	8	-2	83,693	80,067	-4
PPoP	18,326	18,998	17,574	18,308	19,637	7	7	65,192	74,516	14
Provision and Contingencies	9,444	11,006	12,120	13,131	12,451	32	-5	32,874	48,709	48
PBT	8,882	7,992	5,453	5,176	7,185	-19	39	32,317	25,806	-20
Income Tax Expense (Gain)	2,258	2,047	1,408	1,344	1,844	-18	37	8,240	6,643	-19
Net Profit/(Loss)	6,624	5,945	4,046	3,832	5,342	-19	39	24,078	19,164	-20
Gross NPA (%)	2.8	3.1	3.3	3.2	3.1	32bps	-16bps	2.8	3.1	33bps
Net NPA (%)	1.0	1.1	1.2	1.2	1.5	47bps	28bps	1.0	1.5	49bps
CIF (mn)	18.9	19.2	19.6	20.2	20.8	10	3	18.9	20.8	10
Spends (Rs bn)	796.5	771.3	818.9	860.9	883.7	11	3	3,296	3,335	1
Net Advances (Rs bn)	490.8	508.1	536.0	528.1	539.3	10	2	490.8	539.3	9.89
RoA - annualized (%)	4.7	4.1	2.7	2.4	3.4	-130bps	100bps	4.6	3.1	-154bps
RoE - annualized (%)	22.2	23.3	12.5	11.5	0.0	-2220bps	-1150bps	22.0	14.8	-714bps

Source: Company, Emkay Research

**Exhibit 15: Revision in estimates**

Y/E Mar (Rs mn)	FY26E			FY27E			FY28E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	174,216	171,711	-1.4%	209,858	202,261	-3.6%	na	243,599	na
PPOP	81,256	81,565	0.4%	101,727	98,882	-2.8%	na	122,167	na
PAT	27,683	27,347	-1.2%	40,161	39,096	-2.7%	na	52,044	na
EPS (Rs)	29.1	28.7	-1.2%	42.2	41.1	-2.7%	na	54.7	na
BV (Rs)	167.4	169.6	1.3%	204.6	205.7	0.5%	na	255.4	na

Source: Emkay Research

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Exhibit 16: Key Assumptions

(%)	FY25	FY26E	FY27E	FY28E
Loan Growth	9.9	13.3	16.3	20.3
CIF Growth	10.1	10.2	25.4	25.4
NIMs	10.6	10.8	11.3	11.8
GNPA	3.1	3.0	2.6	2.4
Credit Cost	9.3	7.7	6.9	6.6

Source: Emkay Research

SBI Cards: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	79,271	93,473	103,077	120,258	144,962
Interest Expense	25,952	31,784	31,732	34,405	39,593
Net interest income	53,319	61,689	71,345	85,852	105,369
NII growth (%)	18.3	15.7	15.7	20.3	22.7
Non interest income	95,564	92,894	100,366	116,409	138,230
Total income	148,883	154,583	171,711	202,261	243,599
Operating expenses	83,691	80,067	90,146	103,380	121,432
PPOP	65,192	74,516	81,565	98,882	122,167
PPOP growth (%)	25.7	14.3	9.5	21.2	23.5
Provisions & contingencies	32,892	48,709	44,857	46,403	52,309
PBT	32,300	25,806	36,708	52,478	69,857
Extraordinary items	-	-	-	-	-
Tax expense	8,239	6,643	9,360	13,382	17,814
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	24,061	19,164	27,347	39,096	52,044
PAT growth (%)	6.5	(20.4)	42.7	43.0	33.1
Adjusted PAT	24,061	19,164	27,347	39,096	52,044
Diluted EPS (Rs)	-	-	-	-	-
Diluted EPS growth (%)	0	0	0	0	0
DPS (Rs)	2.5	2.5	4.0	5.0	5.0
Dividend payout (%)	9.9	12.4	13.9	12.2	9.1
Effective tax rate (%)	25.5	25.7	25.5	25.5	25.5
Net interest margins (%)	11.0	10.6	10.8	11.3	11.8
Cost-income ratio (%)	56.2	51.8	52.5	51.1	49.8
PAT/PPOP (%)	36.9	25.7	33.5	39.5	42.6
Shares outstanding (mn)	951.0	951.4	951.4	951.4	951.4

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9,510	9,514	9,514	9,514	9,514
Reserves & surplus	111,331	128,304	151,845	186,185	233,472
Net worth	120,840	137,817	161,359	195,699	242,985
Borrowings	398,911	449,466	522,789	613,580	732,557
Other liabilities & prov.	61,961	68,175	55,587	53,959	55,291
Total liabilities & equity	581,712	655,458	739,736	863,237	1,030,834
Net loans	490,790	539,346	611,038	710,720	854,715
Investments	35,191	62,351	70,145	78,913	86,804
Cash, other balances	27,296	27,382	26,139	33,747	40,291
Interest earning assets	553,277	629,079	707,323	823,380	981,810
Fixed assets	5,644	3,303	3,840	4,449	5,176
Other assets	22,791	23,076	28,573	35,409	43,847
Total assets	581,712	655,458	739,736	863,237	1,030,834
BVPS (Rs)	127.1	144.9	169.6	205.7	255.4
Adj. BVPS (INR)	123.1	138.5	163.8	200.4	250.6
Gross loans	499,789	548,392	622,198	723,166	869,093
Total AUM	499,789	548,392	622,198	723,166	869,093
On balance sheet	-	-	-	-	-
Off balance sheet	-	-	-	-	-
Disbursements	-	-	-	-	-
Disbursements growth (%)	0	0	0	0	0
Loan growth (%)	24.7	9.9	13.3	16.3	20.3
AUM growth (%)	25.1	9.7	13.5	16.2	20.2
Borrowings growth (%)	28.2	12.7	16.3	17.4	19.4
Book value growth (%)	22.3	14.0	17.1	21.3	24.2

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
GNPL - Stage 3	14,033	17,199	18,599	19,149	20,539
NNPL - Stage 3	5,034	8,153	7,440	6,702	6,162
GNPL ratio - Stage 3 (%)	2.8	3.1	3.0	2.6	2.4
NNPL ratio - Stage 3 (%)	1.0	1.5	1.2	0.9	0.7
ECL coverage - Stage 3 (%)	64.1	52.6	60.0	65.0	70.0
ECL coverage - 1 & 2 (%)	-	-	-	-	-
Gross slippage - Stage 3	27,445	31,286	27,999	27,480	27,811
Gross slippage ratio (%)	5.5	5.7	4.5	3.8	3.2
Write-off ratio (%)	-	-	-	-	-
Total credit costs (%)	7.3	9.3	7.7	6.9	6.6
NNPA to networth (%)	4.2	5.9	4.6	3.4	2.5
Capital adequacy					
Total CAR (%)	23.3	23.2	23.2	24.0	24.8
Tier-1 (%)	20.1	20.3	20.7	21.8	22.9
Miscellaneous					
Total income growth (%)	17.8	3.8	11.1	17.8	20.4
Opex growth (%)	12.4	(4.3)	12.6	14.7	17.5
PPOP margin (%)	14.5	14.2	13.9	14.7	15.3
Credit costs-to-PPOP (%)	50.5	65.4	55.0	46.9	42.8
Loan-to-Assets (%)	84.4	82.3	82.6	82.3	82.9
Yield on loans (%)	17.7	17.8	17.5	17.8	18.2
Cost of funds (%)	7.3	7.5	6.5	6.1	5.9
Spread (%)	10.4	10.3	11.0	11.8	12.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	36.5	46.0	32.2	22.6	16.9
P/B (x)	7.3	6.4	5.5	4.5	3.6
P/ABV (x)	7.5	6.7	5.7	4.6	3.7
P/PPOP (x)	13.5	11.8	10.8	8.9	7.2
Dividend yield (%)	0.3	0.3	0.4	0.5	0.5
Dupont-RoE split (%)					
NII	10.3	10.0	10.2	10.7	11.1
Other income	18.4	15.0	14.4	14.5	14.6
Fee income	17.5	14.1	14.0	14.2	14.3
Opex	16.1	12.9	12.9	12.9	12.8
Employee expense	1.1	1.0	0.9	0.8	0.7
PPOP	12.6	12.0	11.7	12.3	12.9
Provisions	6.3	7.9	6.4	5.8	5.5
Tax expense	1.6	1.1	1.3	1.7	1.9
RoA (%)	4.6	3.1	3.9	4.9	5.5
Leverage ratio (x)	4.7	4.8	4.7	4.5	4.3
RoE (%)	22.0	14.8	18.3	21.9	23.7

Quarterly data					
Rs mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
NII	14,148	14,765	15,021	15,705	16,199
NIM (%)	10.9	10.9	10.6	10.6	11.2
PPOP	18,326	18,998	17,574	18,308	19,637
PAT	6,624	5,944	4,046	3,832	5,342
EPS (Rs)	6.97	6.25	4.25	4.03	5.61

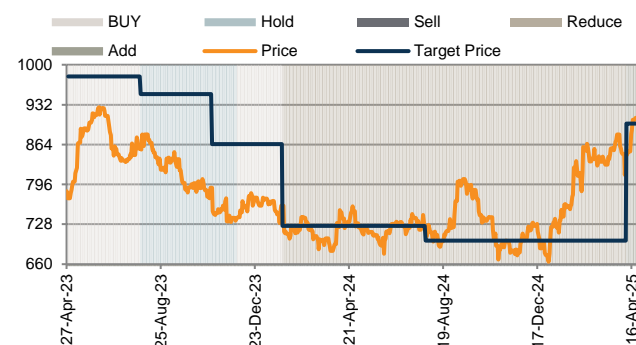
Source: Company, Emkay Research

## RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-25	847	900	Add	Anand Dama
29-Oct-24	685	700	Reduce	Anand Dama
19-Sep-24	795	700	Reduce	Anand Dama
27-Jul-24	722	700	Reduce	Anand Dama
28-Apr-24	750	725	Reduce	Anand Dama
27-Jan-24	760	725	Reduce	Anand Dama
30-Nov-23	739	865	Buy	Anand Dama
29-Oct-23	790	865	Hold	Anand Dama
30-Jul-23	857	950	Hold	Anand Dama
29-Apr-23	772	980	Buy	Anand Dama

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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