

Strong spends growth, though opex hurts

BFSI - NBFCs ▶ Result Update ▶ October 25, 2025

CMP (Rs): 936 | TP (Rs): 1,025

Despite strong spends growth, stable margins, and some moderation in credit cost, SBIC reported a sharp miss on PAT at Rs4.4bn and RoA of 2.7% due to higher opex. This was primarily due to a seasonally higher retail spends-related opex as well as corporate incentives. Notably, the higher corporate spend is also hurting margins, as it impacts the IBNEA asset growth, which shall continue in the near term as corporate spends normalize back to the earlier levels of the mid-20s. The company has given guidance for continued strength in spends growth, albeit also a higher C/I ratio at 54-56%, which will thus contain PPOP growth. However, fresh stress flow is easing which, coupled with moderation in write-offs, should drive credit cost below 9% in 2H and thus support profitability. We trim FY26E/27E/28E earnings by 13%/8%/6%, while we expect RoA to improve gradually over FY27-28E to 4.2%/5% benefiting from better margin/LLP, from a low of 3.1% in FY25. We retain ADD with TP of Rs1,025, implying Sep-27E PER of ~25x and P/ABV of ~5x.

Strong spends growth, stable margins

SBIC's new card additions improved a bit to ~0.94mn (vs ~0.87mn in Q1), though remaining moderate vs its past track record, given its conscious strategy to focus on quality. Net addition remained soft at ~0.3mn due to attrition and continued portfolio clean-up. The overall CIF base increased ~10% YoY to 21.5mn, with steady market share at 19%. Spends share increased slightly to 16.8% (from 16.6% in Q1), supported by continued revival in corporate spends and some pick-up in retail spends with the onset of the festive season and the recent GST rate-cut. Consequently, receivables grew to 8% YoY/6% QoQ, while margins remained steady at 11.2%. The company targets calibrated growth with 0.9-1mn quarterly card additions and 10-12% AUM growth in FY26. Strong festive demand post-GST 2.0 should further boost spends, especially in consumer durables and apparel, though higher incremental corporate spends could limit earnings.

Asset quality on recovery path

GNPA ratio (Stage 3)/Stage 2 assets saw 22bps/50bps QoQ improvement in Q2 to 2.9%/4.2%, indicating ease of new stress flow and higher w-offs. Stage 3 PCR improved by ~110bps to ~55%, while PCR on Stage 2 assets were broadly stable at ~21.7%. Overall credit cost was lower than guided at 9% (vs 9.6% in Q1), which the mgmt expects to be <9% in H2FY26, aided by improving asset quality trend and moderation in w-offs.

We retain ADD

We believe SBIC will be a beneficiary of the asset quality normalization cycle in the card portfolio, while accelerating spends; also, AUM growth should drive up RoA over FY27-28E to 4.2%/5% from a low of 3.1% in FY25. We retain ADD on SBIC and TP of Rs1,025, implying ~Sep-27E P/E of 25x and ~P/ABV of 5x. Key risks: Slower-than-expected growth, delay in asset quality improvement, and attrition in KMP.

Target Price – 12M	Sep-26
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	9.5

Stock Data	SBICARD IN
52-week High (Rs)	1,027
52-week Low (Rs)	660
Shares outstanding (mn)	951.5
Market-cap (Rs bn)	891
Market-cap (USD mn)	10,143
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	854.7
ADTV-3M (USD mn)	9.7
Free float (%)	31.4
Nifty-50	25,795.2
INR/USD	87.9

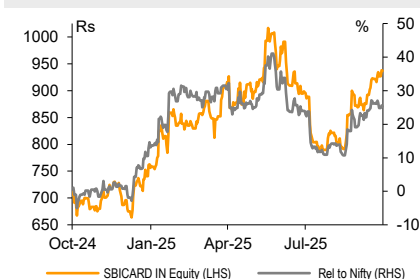
Shareholding, Sep-25

Promoters (%)	68.6
FPIs/MFs (%)	10.1/17.8

Price Performance

(%)	1M	3M	12M
Absolute	5.8	5.7	31.5
Rel. to Nifty	2.8	2.7	24.4

1-Year share price trend (Rs)



SBI Cards: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profits	24,061	19,188	21,819	33,009	46,688
AUM growth (%)	25.2	9.5	11.4	15.5	19.9
NII growth (%)	18.3	15.7	14.6	14.6	21.7
NIMs (%)	11.0	10.6	10.8	10.9	11.2
PPOP growth (%)	25.7	14.3	9.0	16.3	21.0
Adj. EPS (Rs)	25.4	20.2	22.9	34.7	49.1
Adj. EPS growth (%)	6.1	(20.5)	13.7	51.3	41.4
Adj. BV (INR)	122.8	138.9	158.5	188.6	232.9
Adj. BVPS growth (%)	21.5	13.1	14.1	19.0	23.5
RoA (%)	4.6	3.1	3.2	4.2	5.0
RoE (%)	22.0	14.8	14.9	19.4	22.8
P/E (x)	36.7	46.1	40.6	26.8	19.0
P/ABV (x)	7.6	6.7	5.9	4.9	4.0

Source: Company, Emkay Research

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Key Concall Takeaways

Portfolio performance

- Strong demand observed across key categories such as consumer durables, jewelry, departmental stores, and restaurants.
- Rental spends now account for 3-5% of overall retail spends, significantly lower than the early-teen levels (~18 months ago), primarily due to the imposition of fees and charges on rent payments.
- Maintained card addition guidance of 0.9-1.0 million per quarter.
- Card acquisition sourcing remained evenly split between banca and open market channels (50:50).
- UPI on credit cards continues to gain traction, primarily driven by departmental stores, groceries, utilities, apparel, and restaurant spends.
- Shift in customer behavior toward online transactions continued; hence, despite the GST cut, no material uptick was seen in POS spend growth.
- RBI's directive mandating KYC of merchants by payment aggregators has impacted rental spends to some extent.

NIMs

- Cost of funds (CoFs) declined, benefiting from the repo rate cut. The company believes that such benefit has mostly been absorbed.
- CoF is expected to be stable unless another repo rate cut occurs; hence, NIMs are also likely to sustain at around current levels.

Asset quality

- ECL rate improved by 17bps QoQ to 3.3%.
- Credit costs declined QoQ, though remaining elevated at 9% (vs 9.6% in Q1) due to higher charge-off rate. The management expects credit cost to be <9% in H2FY26, aided by lower slippages and charge-offs.

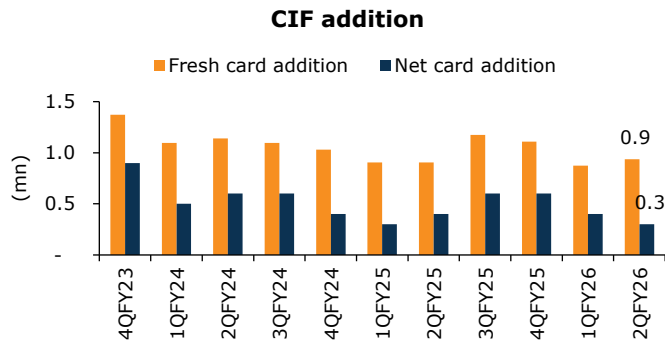
Other highlights

- Higher corporate spends and seasonally higher festive-related spends led to elevated operating expenses.
- Higher opex led to higher cost-to-income in Q2. The management has given guidance for FY26 C/I ratio of 54-56%, with an upward bias, due to higher corporate spending.
- Launched three marquee cards during Q2 – Flipkart SBI Card (with higher cashback benefits), PhonePe SBI Card, and IndiGo SBI Card (targeting frequent travelers).

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

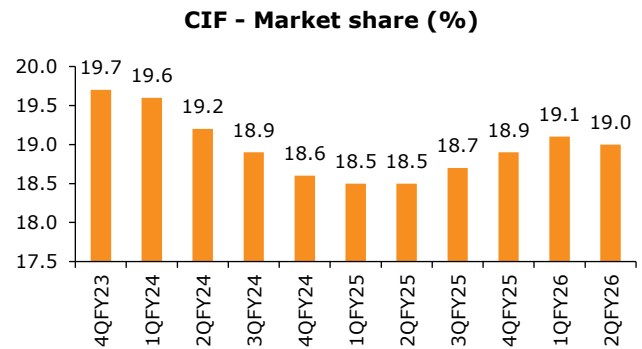
Story in Charts

Exhibit 1: Net card addition remains moderate...



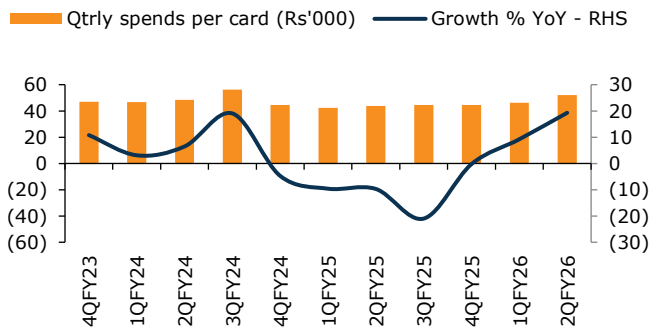
Source: Company, Emkay Research

Exhibit 2: ...leading to broadly stable CIF market share



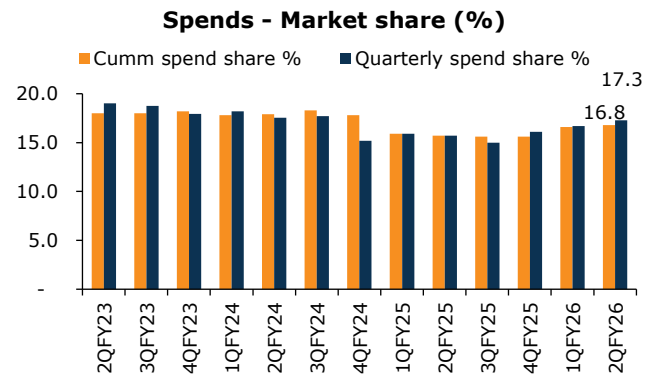
Source: Company, Emkay Research

Exhibit 3: Robust growth in retail and corporate spends led to further improvement in quarterly spends per card QoQ...



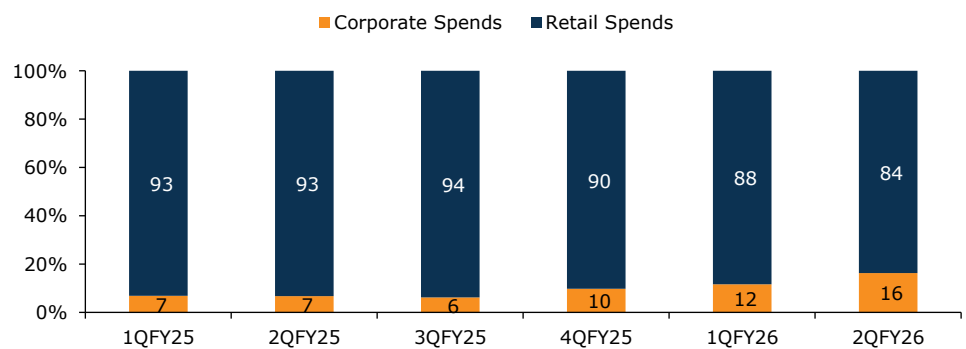
Source: Company, Emkay Research

Exhibit 4: ... as well as improvement in Spends market share



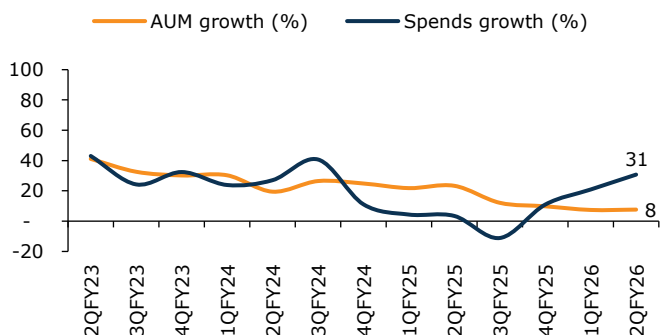
Source: Company, Emkay Research

Exhibit 5: Share of corporate spends continues to improve

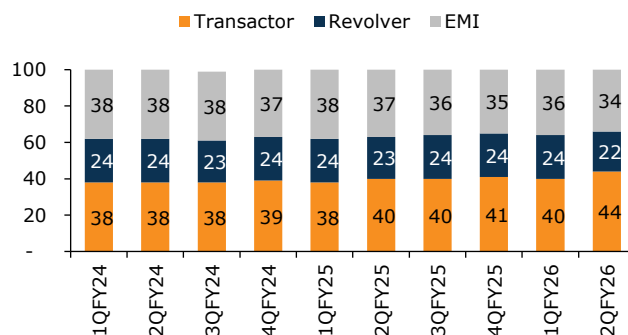


Source: Company, Emkay Research

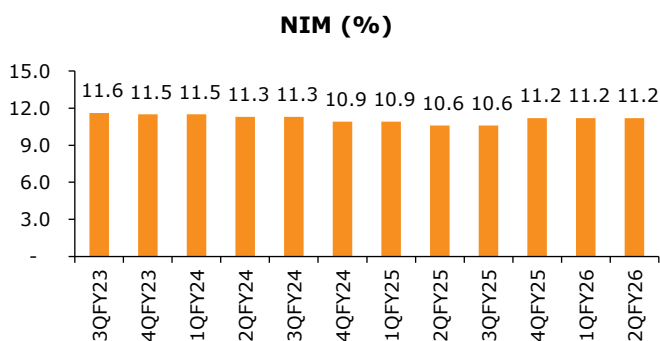
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Exhibit 6: Gross receivables continued to grow at a moderate rate

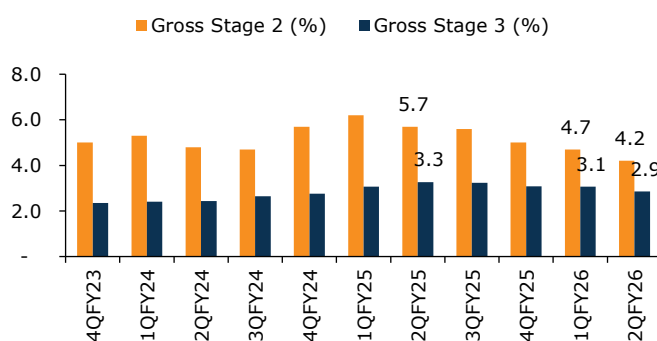
Source: Company, Emkay Research

Exhibit 7: Revolver share declines, thus limiting margin expansion

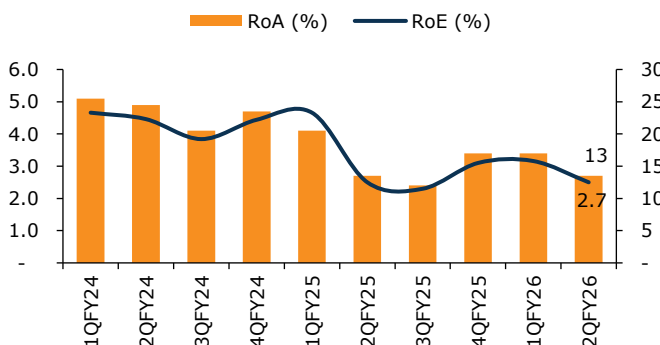
Source: Company, Emkay Research

Exhibit 8: Better yields and lower CoF led to stable NIM

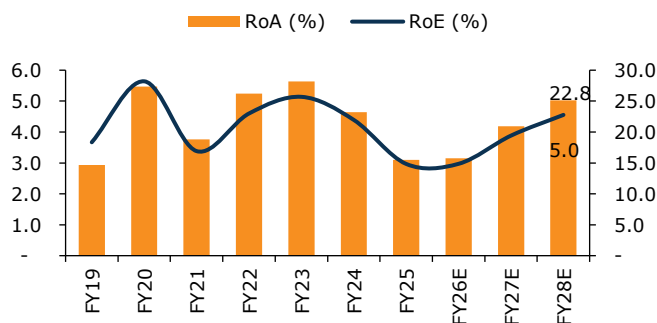
Source: Company, Emkay Research

Exhibit 9: Stress pool continued to ease

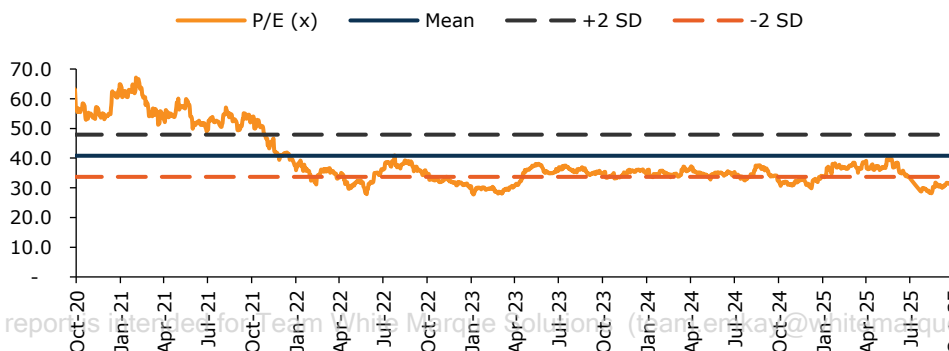
Source: Company, Emkay Research

Exhibit 10: Higher opex led to decline 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: Emkay Research

Exhibit 12: The stock currently trades at ~31x 1YF P/E, below its -2 standard deviation level

Source: Bloomberg, Emkay Research

Exhibit 13: Actuals vs Estimates (2QFY26)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	43,764	42,666	44,364	3%	-1%	In-line NII and higher other income led to a beat
PPOP	18,925	20,935	20,743	-10%	-9%	Higher other opex led to a PPOP miss
PAT	4,448	5,911	5,725	-25%	-22%	The PPOP miss, along with elevated provisions, led to a PAT miss

Source: Emkay Research

Exhibit 14: Quarterly summary

(Rs mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	FY25	FY26E	YoY (%)
Interest Earned	22,897	23,991	24,152	24,932	24,899	9	0	93,473	102,047	9
Interest Expense	7,877	8,286	7,953	8,128	7,601	-4	-6	31,784	31,334	-1
Net Interest Income	15,021	15,705	16,199	16,803	17,298	15	3	61,689	70,713	15
Non-interest Income	22,661	23,675	24,166	25,422	26,466	17	4	92,922	105,172	13
Operating Expenses	20,108	21,072	20,728	21,227	24,839	24	17	80,066	94,594	18
PPoP	17,574	18,308	19,637	20,999	18,925	8	-10	74,546	81,291	9
Provision and Contingencies	12,120	13,131	12,451	13,516	12,927	7	-4	48,715	51,925	7
PBT	5,453	5,176	7,185	7,484	5,998	10	-20	25,830	29,366	14
Income Tax Expense (Gain)	1,408	1,344	1,844	1,924	1,550	10	-19	6,643	7,547	14
Net Profit/(Loss)	4,046	3,832	5,342	5,560	4,448	10	-20	19,188	21,819	14
Gross NPA (%)	3.3	3.2	3.1	3.1	2.9	-42bps	-22bps	3.1	2.8	-32bps
Net NPA (%)	1.2	1.2	1.5	1.4	1.3	10bps	-13bps	1.5	1.1	-34bps
CIF (mn)	19.6	20.2	20.8	21.2	21.5	10	1	20.8	22.5	8
Spends (Rs bn)	818.9	860.9	883.7	932.4	1,070.6	31	15	3,335	3,935	18
Net Advances (Rs bn)	536.0	528.1	539.3	546.3	578.6	8	6	539.3	600.2	11.3
RoA - annualized (%)	2.7	2.4	3.4	3.4	2.7	0bps	-70bps	3.1	3.2	5bps
RoE - annualized (%)	12.5	11.5	15.5	15.8	12.5	0bps	-330bps	14.8	14.9	2bps

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	174,195	175,885	1.0%	198,559	198,907	0.2%	232,611	232,935	0.1%
PPOP	85,540	81,291	-5.0%	98,634	94,545	-4.1%	118,536	114,363	-3.5%
PAT	24,976	21,819	-12.6%	36,055	33,009	-8.4%	49,797	46,688	-6.2%
EPS (Rs)	26.3	22.9	-12.6%	37.9	34.7	-8.5%	52.3	49.1	-6.3%
BV (Rs)	167.1	163.8	-2.0%	200.0	193.5	-3.3%	247.4	237.5	-4.0%

Source: Emkay Research

Exhibit 16: Key Assumptions

(%)	FY25	FY26E	FY27E	FY28E
Loan Growth	9.9	11.3	15.5	19.9
CIF Growth	10.1	8.2	10.0	10.0
NIMs	10.6	10.8	10.9	11.2
GNPA	2.9	2.8	2.5	2.3
Credit Cost	9.3	9.0	7.6	6.7

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	102,047	115,726	136,634
Interest Expense	25,952	31,784	31,334	34,704	38,034
Net interest income	53,319	61,689	70,713	81,022	98,600
NII growth (%)	18.3	15.7	14.6	14.6	21.7
Non interest income	95,564	92,922	105,172	117,884	134,335
Total income	148,883	154,611	175,885	198,907	232,935
Operating expenses	83,691	80,066	94,594	104,362	118,572
PPOP	65,192	74,546	81,291	94,545	114,363
PPOP growth (%)	25.7	14.3	9.0	16.3	21.0
Provisions & contingencies	32,892	48,715	51,925	50,238	51,695
PBT	32,300	25,830	29,366	44,307	62,668
Extraordinary items	-	-	-	-	-
Tax expense	8,239	6,643	7,547	11,298	15,980
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	24,061	19,188	21,819	33,009	46,688
PAT growth (%)	6.5	(20.3)	13.7	51.3	41.4
Adjusted PAT	24,061	19,188	21,819	33,009	46,688
Diluted EPS (Rs)	25.4	20.2	22.9	34.7	49.1
Diluted EPS growth (%)	6.1	(20.5)	13.7	51.3	41.4
DPS (Rs)	2.5	2.5	4.0	5.0	5.0
Dividend payout (%)	9.9	12.4	17.4	14.4	10.2
Effective tax rate (%)	25.5	25.7	25.7	25.5	25.5
Net interest margins (%)	11.0	10.6	10.8	10.9	11.2
Cost-income ratio (%)	56.2	51.8	53.8	52.5	50.9
PAT/PPOP (%)	36.9	25.7	26.8	34.9	40.8
Shares outstanding (mn)	951.0	951.4	951.6	951.6	951.6

Source: Company, Emkay Research

Asset quality and other metrics					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
GNPL - Stage 3	14,980	15,989	16,843	17,619	19,732
NNPL - Stage 3	5,373	7,579	6,737	6,167	5,920
GNPL ratio - Stage 3 (%)	3.0	2.9	2.8	2.5	2.3
NNPL ratio - Stage 3 (%)	1.1	1.4	1.1	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	33,273	50,462	42,725	38,772	42,266
Gross slippage ratio (%)	6.6	9.2	7.0	5.5	5.0
Write-off ratio (%)	0	0	0	0	0
Total credit costs (%)	7.3	9.3	9.0	7.6	6.7
NNPA to networth (%)	4.2	5.2	4.1	3.2	2.5
Capital adequacy					
Total CAR (%)	23.3	25.7	25.0	25.0	25.2
Tier-1 (%)	20.1	20.3	20.2	20.8	21.7
Miscellaneous					
Total income growth (%)	17.8	3.8	13.8	13.1	17.1
Opex growth (%)	12.4	(4.3)	18.1	10.3	13.6
PPOP margin (%)	14.5	14.2	14.0	14.4	14.8
Credit costs-to-PPOP (%)	50.5	65.3	63.9	53.1	45.2
Loan-to-Assets (%)	84.4	82.3	82.3	81.9	82.2
Yield on loans (%)	17.7	17.8	17.5	17.5	17.5
Cost of funds (%)	7.3	7.5	6.3	5.9	5.5
Spread (%)	10.4	10.3	11.2	11.6	12.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	9,510	9,514	9,516	9,516	9,516
Reserves & surplus	111,331	128,304	146,317	174,568	216,498
Net worth	120,840	137,817	155,832	184,083	226,013
Borrowings	398,911	449,466	538,506	629,453	748,589
Other liabilities & prov.	61,961	68,175	35,395	33,358	36,785
Total liabilities & equity	581,712	655,458	729,733	846,894	1,011,387
Net loans	490,790	539,346	600,248	693,501	831,510
Investments	35,191	62,351	70,145	78,913	86,804
Cash, other balances	27,296	27,382	26,925	34,620	41,172
Interest earning assets	553,277	629,079	697,319	807,034	959,487
Fixed assets	5,644	3,303	3,842	4,451	8,054
Other assets	22,791	23,076	28,573	35,409	43,847
Total assets	581,712	655,458	729,733	846,894	1,011,387
BVPS (Rs)	127.1	144.9	163.8	193.5	237.5
Adj. BVPS (INR)	122.8	138.9	158.5	188.6	232.9
Gross loans	500,396	547,756	610,354	704,954	845,322
Total AUM	500,396	547,756	610,354	704,954	845,322
On balance sheet	500,396	547,756	610,354	704,954	845,322
Off balance sheet	-	-	-	-	-
Disbursements	-	-	-	-	-
Disbursements growth (%)	0	0	0	0	0
Loan growth (%)	24.7	9.9	11.3	15.5	19.9
AUM growth (%)	25.2	9.5	11.4	15.5	19.9
Borrowings growth (%)	28.2	12.7	19.8	16.9	18.9
Book value growth (%)	22.3	14.0	13.0	18.1	22.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	36.7	46.1	40.6	26.8	19.0
P/B (x)	7.3	6.4	5.7	4.8	3.9
P/ABV (x)	7.6	6.7	5.9	4.9	4.0
P/PPOP (x)	13.6	11.9	10.9	9.4	7.7
Dividend yield (%)	0.3	0.3	0.4	0.5	0.5
Dupont-RoE split (%)					
NII/avg AUM	10.3	10.0	10.2	10.3	10.6
Other income	18.4	15.0	15.2	15.0	14.5
Securitization income	17.5	14.1	14.4	14.3	13.9
Opex	16.1	12.9	13.7	13.2	12.8
Employee expense	1.1	1.0	0.9	0.9	0.8
PPOP	12.6	12.1	11.7	12.0	12.3
Provisions	6.3	7.9	7.5	6.4	5.6
Tax expense	1.6	1.1	1.1	1.4	1.7
RoAUM (%)	4.6	3.1	3.2	4.2	5.0
Leverage ratio (x)	4.7	4.8	4.7	4.6	4.5
RoE (%)	22.0	14.8	14.9	19.4	22.8

Quarterly data					
(Rs mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
NII	15,021	15,705	16,199	16,803	17,298
NIM (%)	10.6	10.6	11.2	11.2	11.2
PPOP	17,574	18,308	19,637	20,999	18,925
PAT	4,046	3,832	5,342	5,560	4,448
EPS (Rs)	4.3	4.0	5.6	5.8	4.9

Source: Company, Emkay Research

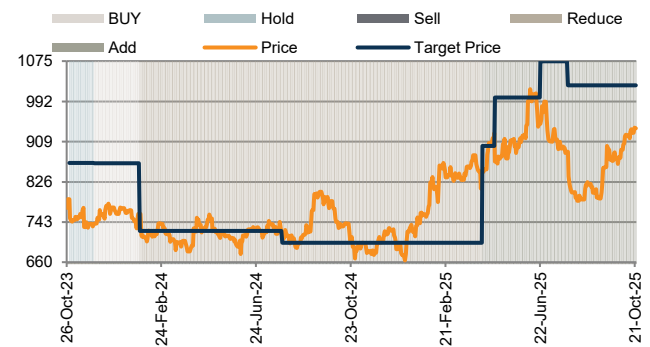
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
26-Sep-25	874	1,025	Add	Anand Dama
27-Jul-25	889	1,025	Add	Anand Dama
22-Jun-25	946	1,075	Add	Anand Dama
25-Apr-25	868	1,000	Add	Anand Dama
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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