

India

Overweight (no change)**Highlighted Companies****SBI Cards****HOLD, TP Rs640, Rs618 close**

We do not expect a major improvement in credit costs from here on and await meaningful improvement in receivable mix and growth.

Summary Valuation Metrics

P/E (x)	Mar27-F	Mar28-F	Mar29-F
SBI Cards	22.8	20.5	16.7

P/BV (x)	Mar27-F	Mar28-F	Mar29-F
SBI Cards	3.3	2.9	2.5

Dividend Yield	Mar27-F	Mar28-F	Mar29-F
SBI Cards	0.7%	0.9%	1.3%

Financial Services - Overall

Credit Card Monthly: Online growth shrinks

- Total card spending grew to Rs2.0tr in Aug 2026, up 3% MoM, driven by growth in PoS transactions which was offset by sluggish online spending.
- Cards-in-force grew by 1% to ~124m as issuers remained focused on acquiring high-quality customers.
- HDFC Bank, a dominant PoS player, gained market share while SBI Cards, ICICI Bank and Axis Bank shed market share MoM.

Seasonal PoS rise; online spending loses momentum, up 3.9% YoY

Credit card spending declined by 3% MoM in Aug 2026 to Rs2.0tr driven by softness in online spending, which decreased 7% MoM to Rs1.2tr, while Point of Sale (PoS) transactions rose by 5% MoM to Rs0.8tr led by 15th Aug sales. Overall spending growth showed divergence, with a seasonal traction in PoS spending contrasting with a sharp moderation in online credit card spending to +3.9% YoY – the lowest growth rate in the series, versus double-digit growth through Dec 2025 and 20%+ in FY24. With a massive reward devaluation and no signs of reversal, we expect the spending growth rate to remain sluggish in the near term.

SBI Cards launches FD-backed credit card – retaining conservatism

SBI Cards continues to depict conservatism, as seen in the recent launch of Fixed Deposit or FD-backed credit card. The new facility enables State Bank of India (SBI) customers holding fixed deposits with the bank to apply for a secured Advantage SBI Card through Yono App. The cards are backed by a FD, providing collateral against the credit facility. There is a huge base of an estimated 96m Yono customers, though this continues to highlight risk averseness and raises growth concerns.

HDFC Bank gains market share on PoS swipes; KMB to enter top five

Overall credit card spending declined on MoM basis in Aug 2026. Among issuers, HDFC Bank recorded the highest market share gain, up 137bp at 30%, being a dominant PoS player, followed by smaller players like Kotak Mahindra Bank or KMB (+10bp at 3.4%) and Amex (+11bp at 3.1%). In contrast, SBI Cards (-157bp at 17.4%), ICICI Bank (-37bp at 16%) and Axis Bank (-6bp at 11.4%) shed market share. Consequently, the combined market share of the top five issuers – HDFC Bank, SBI Cards, ICICI Bank, Axis Bank and RBL Bank – declined 62bp mom to ~78.6%, with gains accruing to smaller players such as KMB, Federal Bank, Amex and IDFC Bank.

Large players' CIF market share declines for sixth consecutive month

Cards-in-force (CIF) increased by 1% MoM to 124m in Aug 2026. Large issuers witnessed a 2-11bp MoM decline in CIF market share. Collectively, HDFC Bank (~22%), SBI Cards (~18%), ICICI Bank (~16%) and Axis Bank (~13%) accounted for ~69% of industry CIF, down ~28bp MoM, marking the sixth consecutive month of decline. This reflects issuers' continued efforts to rationalise card benefits and adopt a more calibrated approach to customer acquisition, with a focus on high-quality customers. We expect CIF growth to remain in the 0.9-1.0% range MoM, as issuers continue to adopt a calibrated and prudent approach towards incremental card sourcing.

Outlook and valuation

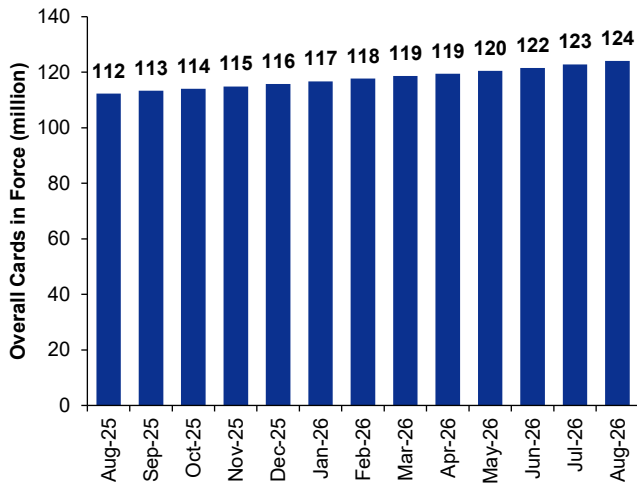
We retain HOLD rating on SBI Cards as we await a meaningful improvement in receivable mix and growth. Improving asset quality is a positive development; however, EMI growth will lead to a gradual profitability boost vs. higher-yield revolver mix – which has seen a flattish mix share. We remain cautious, given its mono-line business. Amid overall sluggish credit card spending and a decline in issuance, we continue to remain watchful on SBI Cards. We expect its return ratios to remain under pressure amid rangebound market share movement, strict underwriting norms, and tighter spending limits. We maintain our target price of Rs640 on SBI Cards, valuing the stock at 3.0x FY28F BV & 21x FY28F EPS.

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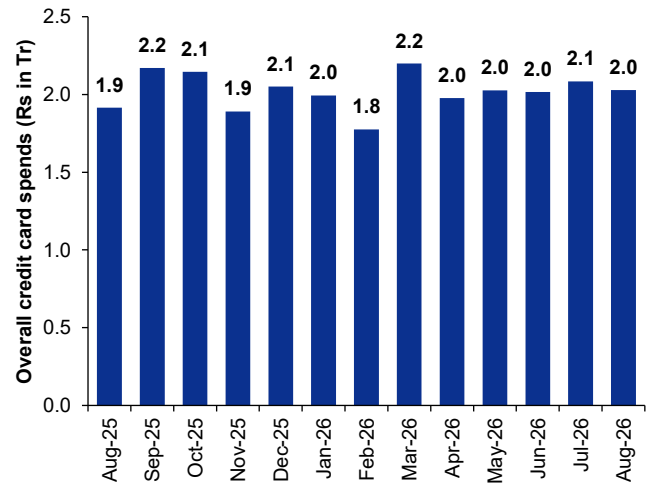
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Figure 1: Credit card base inches up, reaches 124m



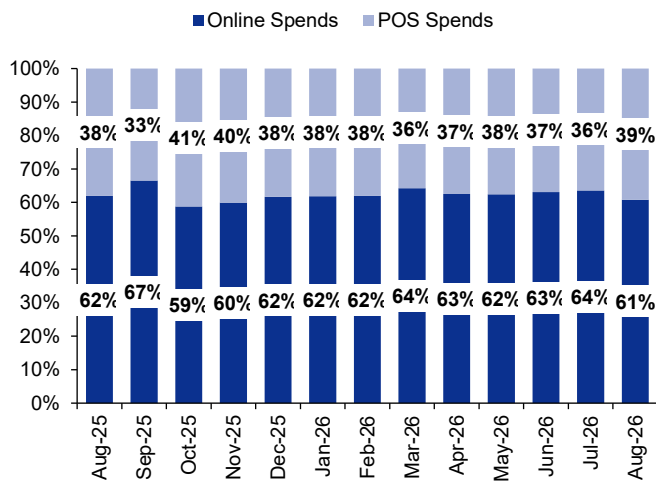
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Credit card spending stagnant at Rs2tr in Aug 26



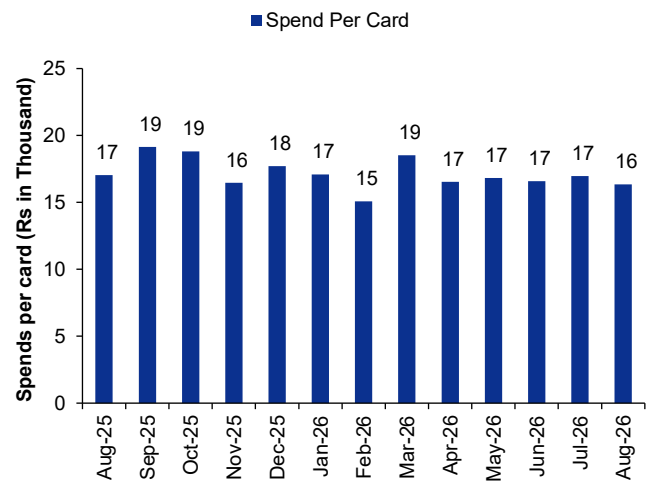
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Online spending share dips sharply to 61%



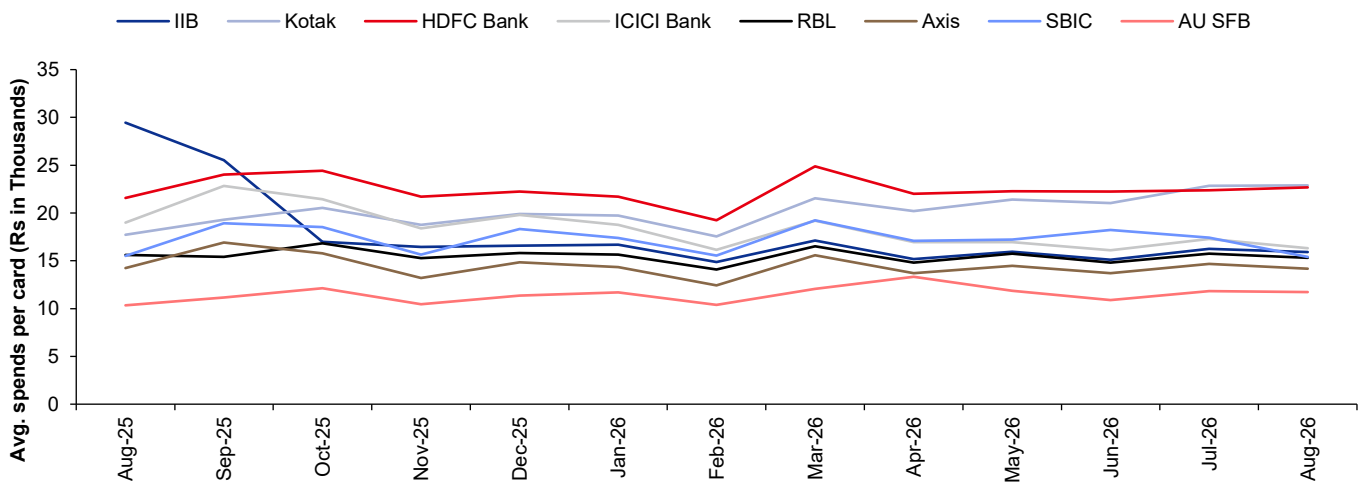
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Spending per card remains subdued at Rs16,000



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Kotak Mahindra Bank leads in per-card spending (Rs '000), followed by HDFC Bank, SBI Cards and ICICI Bank

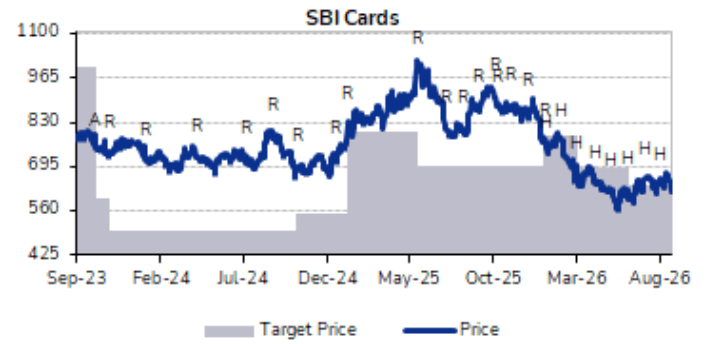


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
25-Aug-26	Hold	640	0.0
27-Jul-26	Hold	640	-7.2
25-Jun-26	Hold	690	0.0
26-May-26	Hold	690	0.0
28-Apr-26	Hold	690	-12.7
25-Mar-26	Hold	790	0.0
25-Feb-26	Hold	790	0.0
29-Jan-26	Hold	790	12.9
23-Jan-26	Reduce	700	0.0
23-Dec-25	Reduce	700	0.0
24-Nov-25	Reduce	700	0.0
29-Oct-25	Reduce	700	0.0
26-Oct-25	Reduce	700	0.0
25-Sep-25	Reduce	700	0.0
29-Aug-25	Reduce	700	0.0
27-Jul-25	Reduce	700	-12.5
5-Jun-25	Reduce	800	45.5
29-Jan-25	Reduce	550	0.0
8-Jan-25	Reduce	550	10.0
29-Oct-24	Reduce	500	0.0
14-Sep-24	Reduce	500	0.0
27-Jul-24	Reduce	500	0.0
27-Apr-24	Reduce	500	0.0
26-Jan-24	Reduce	500	-16.7
20-Nov-23	Reduce	600	-40.0
28-Oct-23	Add	1,000	

Recommendation History Chart



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Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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