

India

**Overweight** (no change)

# Financial Services - Overall

## Softer credit card spending post festivities

- Credit card spending fell by ~9% mom in Apr 2025 as the festive spending in Mar 2025 cooled down.
- HDFCB partly erased its previous month's market share gains, down ~58bp mom, followed by SBIC which lost ~14bp mom. ICICIB gained ~83bp mom.
- The trend in card issuance was sluggish at ~0.4% mom. HDFCB remained the leader with a 21.7% market share. SBIC has started gaining in recent months.

### Online festive spending eases in Apr 2025 after spiking a month ago

Credit card spending moved towards sluggishness, after a spike in Mar 2025, amid a consistently slow pace of new issuances as online spending slowed. Despite multiple public holidays in Apr 2025, credit card spending cooled down to Rs1.85tr. The overall credit card market reported ~9% mom fall in spending, which was mainly because of online platforms posting ~11% mom decline and Point-of-Sale or PoS transactions dipping by ~5% mom. This was after a sharp rise of ~24% mom in online spending in Mar 2025 because of Holi and Eid festivals.

### HDFC Bank and SBI Cards lose market share; ICICI Bank gains

All large banks witnessed a decline in card spending mom, weighed down by seasonally slower spending. HDFC Bank (HDFCB) witnessed the sharpest decline in market share, down ~58bp mom to 28.1%, partly reversing the previous month's market share gain of ~92bp mom. However, it remained the unchallenged leader by a large gap. The decline was also due to higher focus of the bank on online spending where its market share has been in the range of 27-30% for the past seven months, up from the ~25-27% range earlier. SBI Cards or SBIC witnessed a decline of ~14bp in its overall market share in spending to 16.0%. ICICI Bank or ICICIB gained ~83bp market share mom at 19.0%. Among the other players, Axis Bank shed ~6bp mom to 11.5% and IndusInd Bank or IIB gained ~17bp mom at 4.8%. Finally, the top five credit card players (HDFC Bank, SBI Cards, ICICI Bank, Axis Bank & IndusInd Bank) witnessed a mom rise in market share to ~79.4%, from 79.2% in Mar 2025.

### Overall issuance sluggish – SBIC follows HDFCB in recent months

Total credit card issuance (cards in force or CIF) continued to move at a slow pace and stood at ~110.4m (+0.5% mom) as players remained cautious while issuing new credit cards. HDFCB remains the leader with ~21.7% market share, followed by SBIC at ~19.0%. There was no major movement in CIF market share in Apr 2025, although we would like to highlight that SBIC has turned more aggressive in issuing credit cards in recent months. It has gained ~47bp market share in CIF since Oct 2024, after consistently losing market share since 2023. HDFCB, which consistently gained market share since Apr 2024, expanded its market share by ~55bp over the same period. In the mid- to long-term, we remain optimistic about the presence of credit cards improving across new geographies. However, considering the elevated stress levels in smaller cities, the overall trend in non-performing assets or NPAs is expected to remain volatile as mis-selling of credit cards has been a common phenomenon in the premium category by select players.

### We remain cautious on SBIC; maintain REDUCE rating on the stock

Despite a gradual rise in card issuance by SBIC in recent months, we continue to remain cautious as we believe that more asset quality seasoning is in store. We maintain our REDUCE rating on SBIC as we see the positive trend already priced in and expect credit costs to remain range-bound from now on. We continue to believe that SBIC cannot sustain its premium valuation amid further seasoning of its loan book, with high exposure to lower-ticket customers. We expect SBIC to continue to struggle in gaining market share in overall spending due to its weak capital adequacy ratio and tighter risk weights.

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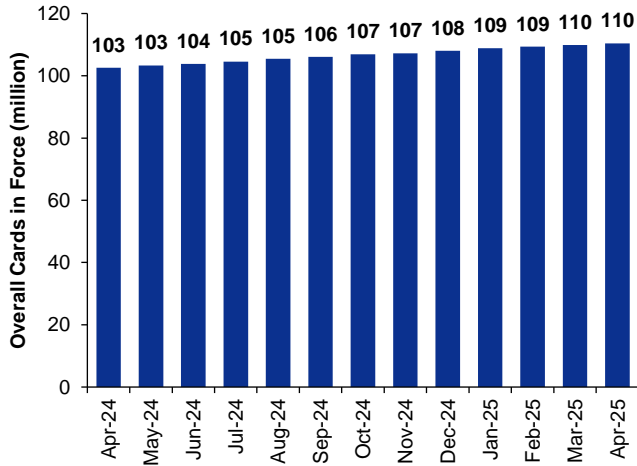
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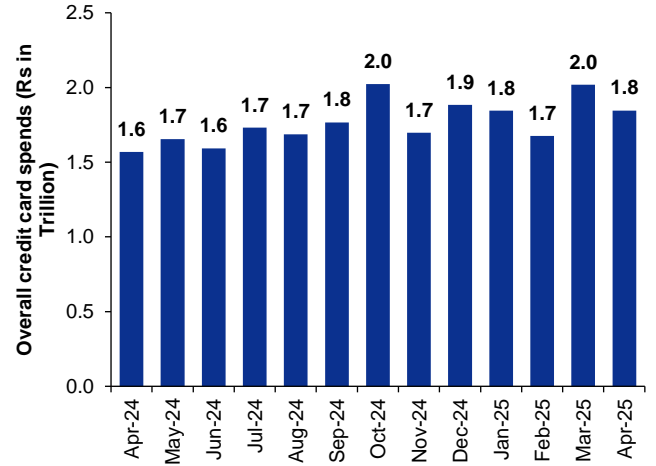
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**Figure 1: Overall cards in force (m) move at a slow pace**



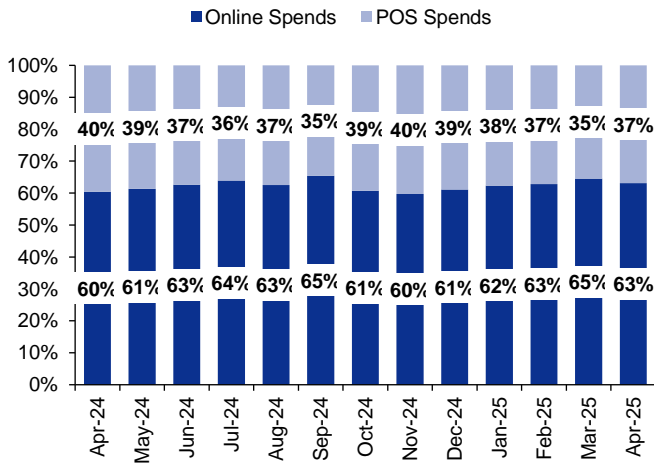
SOURCE: INCRED RESEARCH, RBI

**Figure 2: Overall spending (Rs tr) softens after picking up in the previous month**



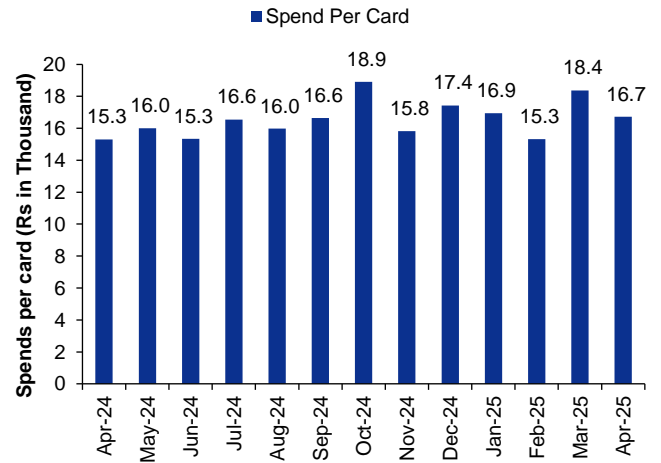
SOURCE: INCRED RESEARCH, RBI

**Figure 3: Online and PoS spending as a % of total spending**



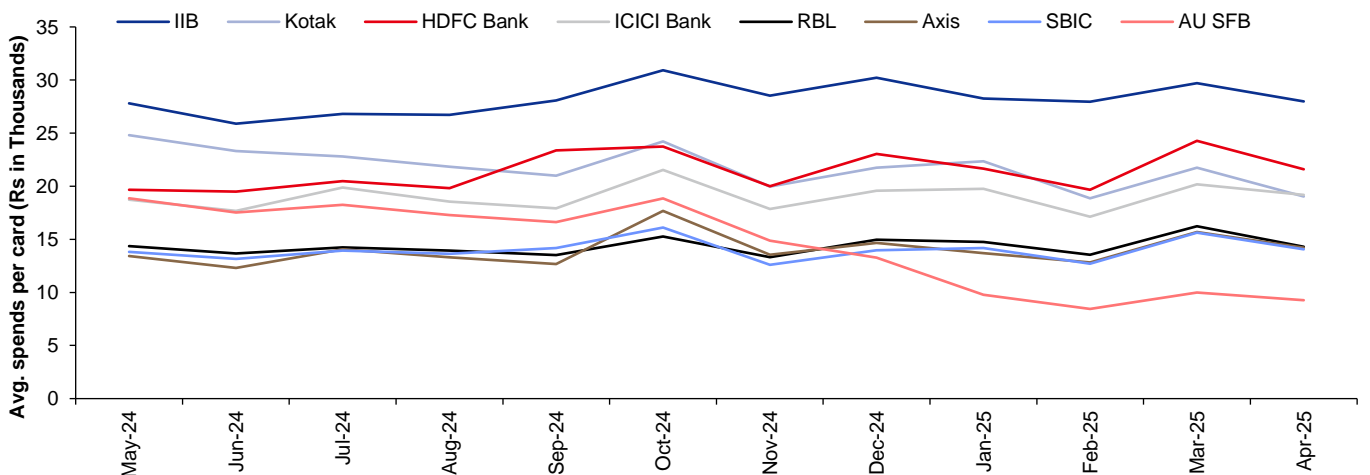
SOURCE: INCRED RESEARCH, RBI

**Figure 4: Drop in per card (Rs '000) after a festive spike in the previous month**



SOURCE: INCRED RESEARCH, RBI

**Figure 5: Average spending per card (Rs '000) – IIB dominates high-ticket spending followed by HDFC Bank, Kotak Mahindra Bank, and ICICI Bank, while AU Small Finance Bank sees a sharp fall after the recent tightening of underwriting norms**



SOURCE: INCRED RESEARCH, RBI

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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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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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