

India

Overweight (no change)

Financial Services - Overall

Barely a bounce; some shift in market share

- Recent changes in MAD by some large players like HDFC Bank, SBIC & Kotak Mahindra Bank, but it's business as usual without any major impact.
- Credit card spending up by ~3% mom in May 2025 led by holiday spending; SBIC gained the highest market share, HDFCB & ICICIB saw some decline.
- The trend in card issuance was sluggish at ~0.7% mom. HDFCB remained the leader with a 21.8% market share.

Slew of changes continues; higher MAD though business as usual

The recent rise in the minimum amount due (MAD) calculation of SBI Cards from mid-Jul 2025 follows revisions done by HDFC Bank and Kotak Mahindra Bank in their credit cards from Jun 2025. We expect a rise in the minimum payment burden by ~15-55%, depending on card variant, amount due, cash advances, and retail spending. We are witnessing some abatement in asset quality stress, given the high churning of the loan book and stricter underwriting by many players in the last two-three quarters, although we do not expect any major impact of the rise in MAD but will keep a close eye on the same.

Holiday season spending up, although it was below Mar 2025 level

Card spending rose by ~3% mom in the holiday season to Rs1.9tr in May 2025, after a mom decline last month, although it remained lower than the Mar 2025 level of Rs2tr. May 2025 saw a ~3% mom rise in both online platform and Point-of-Sale or PoS transactions.

SBIC saw the highest market share gain in spending in recent months

Most large banks witnessed a rise in card spending mom aided by the holiday season in most parts of India. SBI Cards (SBIC) witnessed the sharpest rise in market share, up ~109bp mom at 17.1%, pulling its market share to the highest level seen since Feb 2024. The two largest players, HDFC Bank (HDFCB) and ICICI Bank (ICICIB), lost ~81bp and ~86bp mom in card spending market share to 27.3% & 18.2%, respectively. Among the other players, Axis Bank gained ~32bp mom at 11.8% and IndusInd Bank or IIB shed ~4bp mom at 4.8%. Finally, the top five credit card players (HDFC Bank, SBI Cards, ICICI Bank, Axis Bank & IndusInd Bank) witnessed a mom fall in market share to ~79.1%, from 79.4% in Apr 2025.

Card issuance remains sluggish; HDFC Bank is the unbeaten leader

Total credit card issuance (cards in force or CIF) continued to move at a slower pace and stood at ~111.2m (+0.7% mom) as players remained cautious while issuing new credit cards. HDFCB remains the leader with ~21.8% market share, followed by SBIC at ~19.0%. HDFCB gained ~10bp mom while ICICIB shed ~14bp, with no other major movement in CIF market share in May 2025. 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 by select players has been a common phenomenon in the premium category.

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

We appreciate the rising contribution from SBI for better credit-worthy and retail-focus customers, which will lead to better profitability, although we remain uncomfortable with the valuation, given the mono-line business. We expect the RoA to improve to ~4-5% and RoE to improve to ~17-18% by FY27F-28F led by a gradual rise in the market share in spending and easing credit costs. Our model sensitivity towards credit costs and the rise in assets under management or AUM shows that ~50bp sensitivity to our estimated credit costs for FY27F is already priced in. We maintain our REDUCE rating on SBIC with a target price of Rs800, valuing the stock at 4.1x FY27F BV & 25x FY27F EPS.

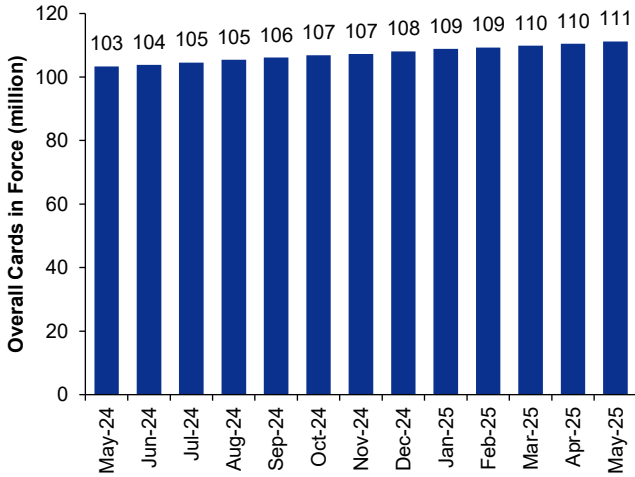
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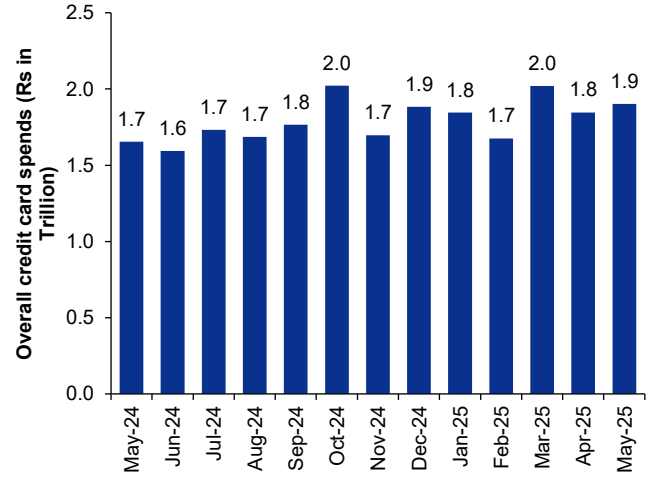
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Figure 1: Overall growth in the credit card business is sluggish



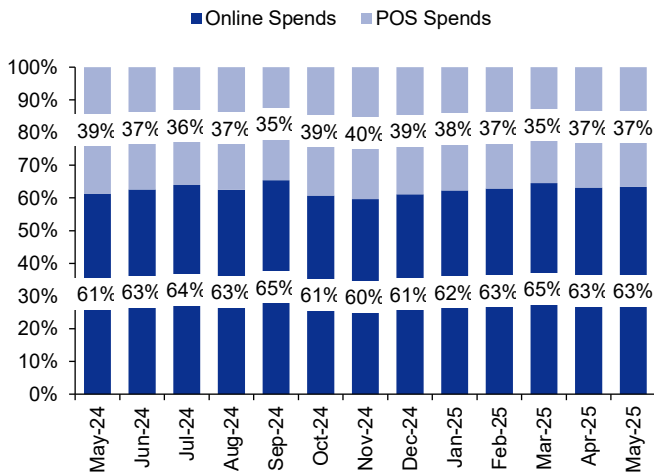
SOURCE: RBI, INCRED RESEARCH, COMPANY REPORTS

Figure 2: Overall spending (Rstr) rises, after a fall in the previous month



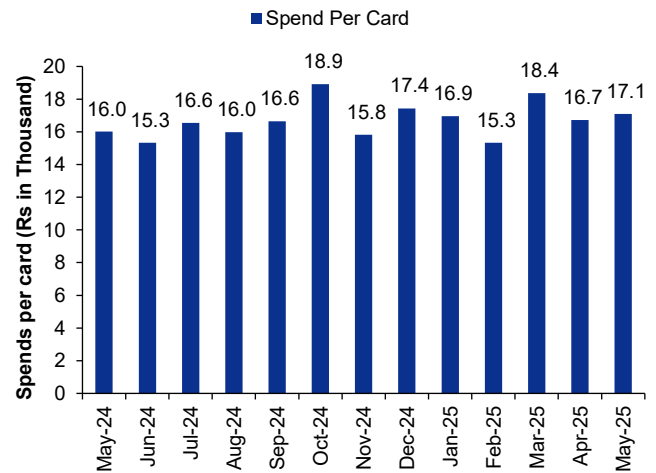
SOURCE: RBI, INCRED RESEARCH, COMPANY REPORTS

Figure 3: Share of credit card expenditure - online vs. PoS



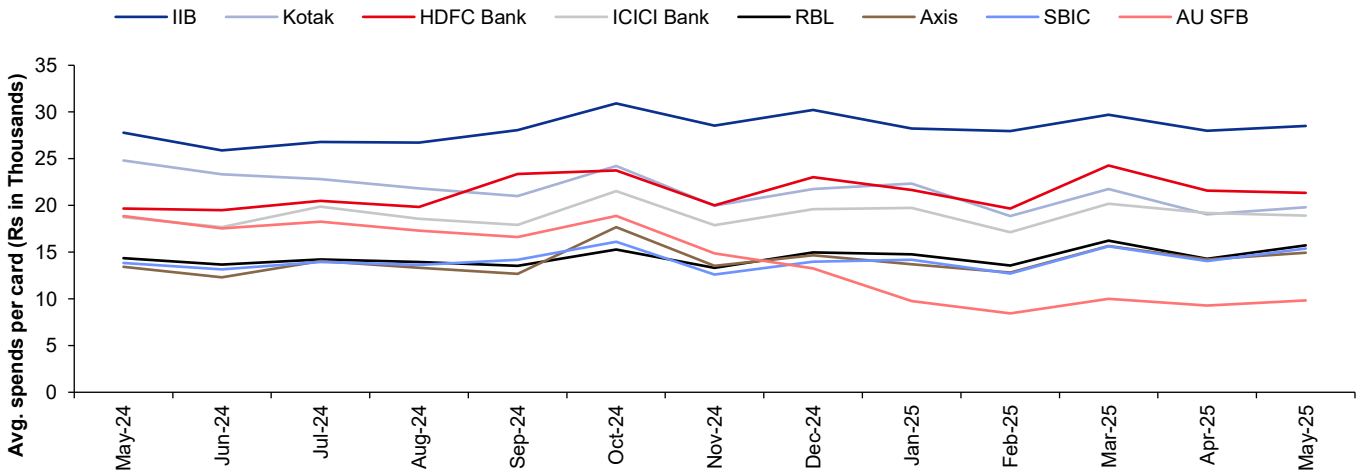
SOURCE: RBI, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Recovery in credit card spending per card, after a decline in the previous month



SOURCE: RBI, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Average spending per card (Rs '000) – IndusInd Bank (IIB) dominates high-ticket spending followed by HDFC Bank, Kotak Mahindra Bank and ICICI Bank, while AU Small Finance Bank is having the lowest ticket share among its peers



SOURCE: RBI, INCRED RESEARCH, COMPANY REPORTS

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Definition:

- 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.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- 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.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.