

India

**Overweight** (no change)**Highlighted Companies****SBI Cards****REDUCE, TP Rs700, Rs816 close**

We believe all positives are priced in and expect asset quality stress to smoothen out in a few more quarters.

**Summary Valuation Metrics**

P/E (x)	Mar26-F	Mar27-F	Mar28-F
SBI Cards	35.0	28.0	24.6
P/BV (x)	Mar26-F	Mar27-F	Mar28-F
SBI Cards	5.0	4.3	3.7
Dividend Yield	Mar26-F	Mar27-F	Mar28-F
SBI Cards	0.4%	0.5%	0.0%

# Financial Services - Overall

## Credit Card Monthly: Rising ticket sizes

- New card issuance remained sluggish in Jul 2025, despite the early onset of the festive season, indicating the continued cautious approach of players.
- Credit card spending up by ~6% mom in Jul 2025, led by a pick-up in online spending and higher ticket sizes; ICICI Bank gained the highest market share.
- Net addition in new cards was led by HDFC Bank & Axis Bank while the others largely maintained CIF market share.

### Early onset of the festive season raises ticket size but not issuance

New card issuance remained sluggish and increased by only ~40bp mom in Jul 2025, reaching 111.6m, despite the early onset of the festive season in Aug 2025, indicating the continued cautious approach of players. We observed a further push towards digital sourcing, marked by the tie-up of SBI Cards or SBIC with Flipkart. This comes after HDFC Bank and SBIC tie-ups with PhonePe in recent months. There was a broad-based rise in ticket sizes led by higher online spending (Figs. 4 & 5), with the spending per card at Rs17,400, the highest so far in FY26. We expect the spending to rise further in Aug 2025F as well, led by seasonal discounts in consumer durables & the festive season-led spending.

### Pick-up in credit card spending by 6% mom to Rs1.9tr

Total card spending improved by ~6% mom in Jul 2025 to 1.9tr, after a ~4% mom decline in Jun 2025. Point-of-Sale or PoS transactions grew by ~4% mom and online transactions increased by ~7% mom.

### ICICI Bank leads the pack as online spending picks up pace

There was a broad-based improvement in card spending mom led by improving online spending. ICICI Bank continued to be a dominant online player, with the spending market share expansion of 44bp mom to ~18.6%, despite marginal rise in cards in force or CIF. SBIC saw an expansion of ~9bp mom to 16.8%. HDFC Bank witnessed ~19bp mom decline in its market share to 27.8%, followed by Axis Bank which shed ~20bp mom market share to 11.7%. IndusInd Bank or IIB gained ~6bp mom at 4.6%. The top five credit card players (HDFC Bank, SBI Cards, ICICI Bank, Axis Bank & IndusInd Bank or IIB) totally witnessed a mom rise in market share to ~79.5%, from 79.3% in Jun 2025.

### New issuance remains sluggish; HDFC Bank tops the leader board

Total credit card issuance (CIF) inched up to ~111.6m (up ~0.4% mom) as select large players continued to remain cautious while issuing new credit cards. Among the top players, only HDFC Bank and Axis Bank expanded their CIF market share while the other players witnessed a stagnancy in market share. HDFC Bank remains the leader with ~22.2% market share, up by ~20bp mom, while Axis Bank expanded its market share by ~6bp mom to 13.6%. There was no major movement in market share in the case of ICICI Bank, SBIC, IIB, and Kotak Mahindra Bank. New card issuance remained sluggish, despite the upcoming festive season, as asset quality concerns continue to loom large for the industry. However, we believe the medium- to long-term scope for the industry remains strong.

### Outlook and valuation

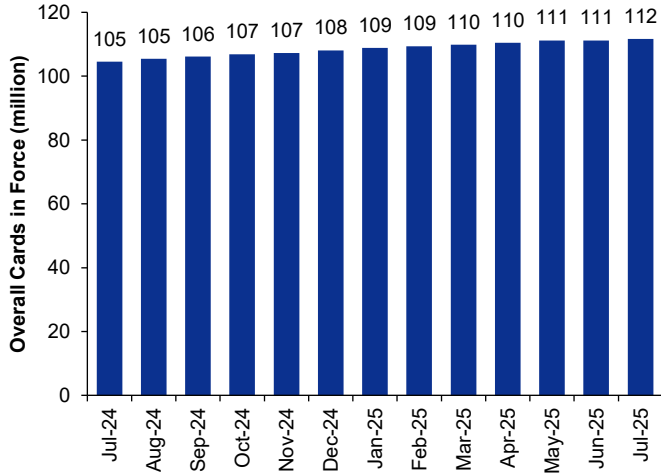
We appreciate the rising contribution from State Bank of India or SBI of better credit-worthy and retail-focus customers, which will lead to better profitability of SBIC, although we remain uncomfortable with the latter's valuation, given its mono-line business. We expect its RoA to rise to ~4-5% and 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 Rs700, valuing the stock at 3.7x FY27F BV & 24x FY27F EPS.

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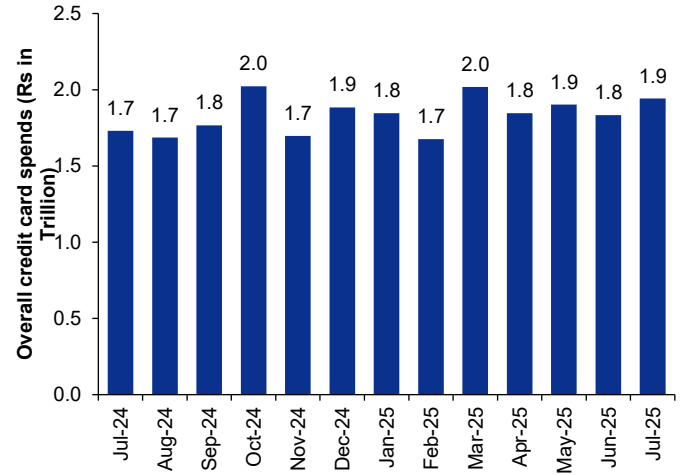
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**Figure 1: Overall credit card growth improves in Jul 25, after remaining flattish in the previous month**



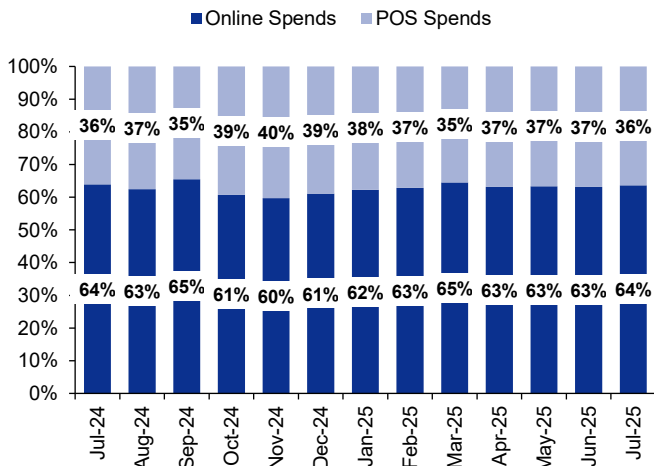
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Overall spending (Rs tr) improves in Jul 25**



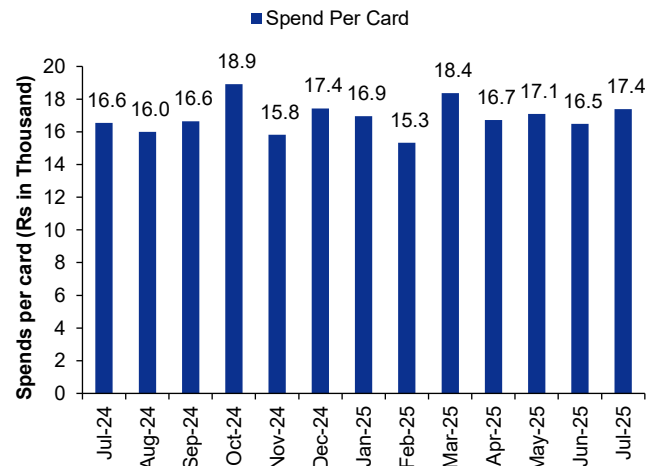
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Share of credit card expenditure: Online vs. PoS – the share of online spending rises**



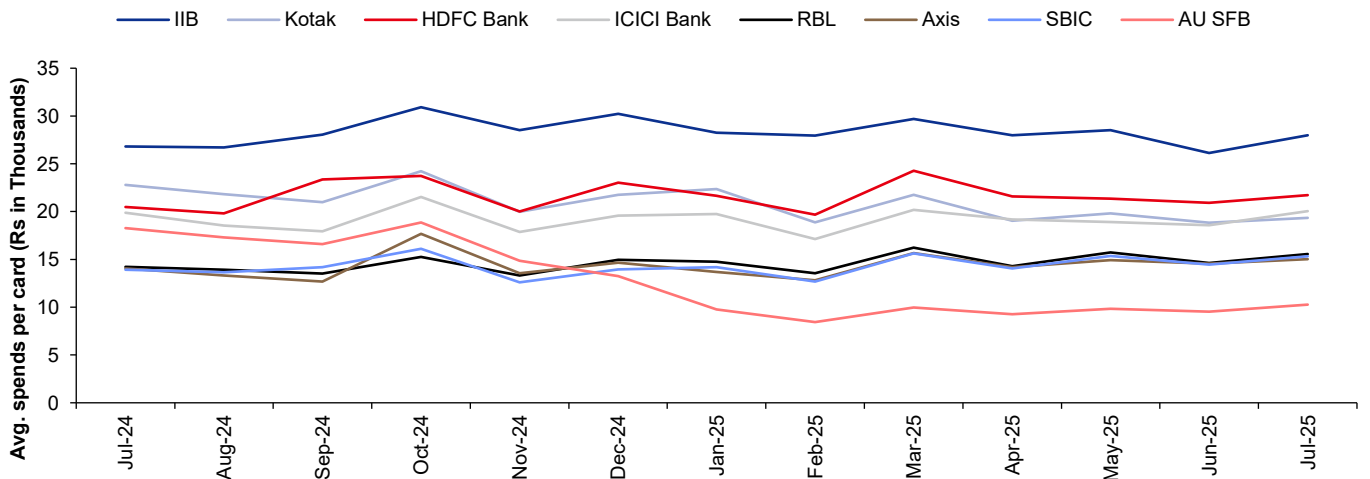
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Spending per credit card rises, after being sluggish for three straight months**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Average spending per card (Rs '000) – IIB leads with the highest ticket size followed by HDFC Bank, ICICI Bank, Kotak Mahindra Bank, RBL Bank, SBIC, and Axis Bank, while AU Small Finance Bank maintains the lowest ticket size**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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### Stock Ratings

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.

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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.