SBI Cards & Payment Services Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Standalone)

Watch. A negative trajectory change marked by total income growth slowing to **6.41%** and rising portfolio stress requiring ₹4,732.47 Cr in bad debt write-offs warrants a cautious outlook.

Key findings

- **The company** experienced a significant drop of 11.44 pp in the provision coverage ratio on high-risk Stage 3 retail unsecured accounts, indicating weaker balance-sheet shielding.
- **The company** deployed aggressive bad debt write-offs of ₹4,732.47 Cr to flush delinquent loans off the balance sheet, severely impacting the income statement.
- **The company** faces high underlying portfolio stress that requires aggressive asset write-offs and rising collection outlays to contain reported non-performing assets.
- **Reported profitability** is being cushioned against asset quality deterioration through ₹390.89 Cr in provision releases and expense capitalization deferrals.
- **The card segment** expanded total cards-in-force by 10.05% to 2.08 crore, driving an 18% increase in retail spends.
- **Total card receivables** rose 9.82% to ₹55,840 crore, increasing interest income while compressed yields reduced net interest margins.
- **Management** anticipates long-term structural expansion with the digital payments ecosystem projected to reach 481 billion transactions by FY29.
- **Total income growth** decelerated sharply to 6.41% from 24.26% in the prior year due to slower card acquisition.
- **Finance costs** escalated by 22.47% to ₹3,178.4 crore, outstripping interest income growth and compressing the net interest margin to 10.8%.
- **The structural mismatch** requires continuous credit line rollovers to prevent liquidity breaks, with ₹32,695.38 crore in short-term liabilities maturing within a year.
- **The lender** maintains extreme funding concentration, with outstanding short-term working capital borrowings from State Bank of India reaching ₹20,113.94 crore.
- **The co-brand segment** provides future growth headroom after surpassing the 40 lakh cards issued milestone within the fuel category.
- **Unsecured portfolio stress** would break net worth expansion if credit costs escalate above 12% from the current 9.0% level.

What to watch

Monitorable	Where it stands now	Level that would change the view
Provision coverage ratio on Stage 3 retail unsecured accounts	53.47%	Above 65% or below 45%
Credit cost ratio	9.0%	Above 12.0%
Borrowings sourced directly from parent State Bank of India	55.49%	Below 40%
Total income growth rate	6.41%	Above 15% or below 4%
Gross non-performing assets (GNPA) ratio	3.08%	Above 4.50%

1. Business

1.1 What it sells, to whom

- Sells credit cards, payment solutions, and flexible credit options to individual retail consumers (salaried and self-employed) and corporate clients across India.
- Earns revenue through interest income on outstanding revolving card balances, fee income including interchange fees, annual fees, and transaction-based tariffs.

1.2 Segment performance

Segment	FY24 total income (□Cr)	FY25 total income (□Cr)	YoY	Share change (pp)	Margin	What drove it
Credit cards	17,484	18,637	6.59%	0	—	Card base growth and retail spend expansion
Total	17,484	18,637	6.59%	0	—	—

Forward visibility: Next year's revenue is not contracted as earnings depend on dynamic consumer spends and revolving credit utilisation.

Credit cards

- Capacity: Total cards-in-force reached 2.08 crore with total receivables expanding to □55,840 crore; capital adequacy of 22.9% provides strong funding headroom.
- Visibility: Revenue is entirely uncontracted, relying on recurring card spends and rolling interest-bearing assets of □32,962 crore.
- Cost driver: Margins are primarily driven by the cost of funds at 7.4% and elevated credit costs at 9.0%.
- Change: Introduced premium core products including SBI Card MILES and KrisFlyer SBI Card, alongside expanding Credit on UPI functionalities.

1.3 Operating measures

Measure	FY24	FY25	Unit
Cards in force (total)	1.89 crore	2.08 crore	Crore
Card spends (retail)	—	□3,08,779 crore	%
Card spends (corporate)	—	□24,701 crore	□Crore
Card receivables (total)	□50,846 crore	□55,840 crore	□Crore
Interest income (total)	□7,927 crore	□9,347 crore	□Crore
Fee income (total)	□9,041 crore	□8,725 crore	□Crore
Credit cost (total)	—	9.0%	%
Market share (cards) (total)	—	19%	%
Market share (spends) (total)	—	15.7%	%
GNPA (total)	—	3.08%	%
NNPA (total)	—	1.46%	%
Capital adequacy (total)	—	22.9%	%
Cost of funds (total)	—	7.4%	%
Net interest margin (total)	—	10.8%	%
Return on average assets (total)	—	3.1%	%
Return on average equity (total)	—	14.6%	%
Total income	17,484	18,637	□Crore

- Total cards-in-force grew 10.05% to 2.08 crore, helping expand retail spends by 18% to □3,08,779 crore, though corporate spends declined to □24,701 crore.
- Total card receivables rose 9.82% to □55,840 crore, driving a rise in interest income to □9,347 crore while fee income fell to □8,725 crore.

1.4 What the company is building

Initiative	Type	Size	Timing / status	What it changes
UPI Platform Expansion	Expansion	Not quantified	Completed	Adds Credit on UPI and transaction control tools
Subordinate Tier II NCD Issue	Fund-raise	□1,500 Cr	Completed	Strengthens capital adequacy capital headroom for loan growth
ESOP Scheme Share Allotment	Fund-raise	Not quantified	Completed	Increases equity share capital via stock options
BPCL Co-brand Card Expansion	Partnership	Not quantified	Ongoing	Surpassed 40 lakh cards issued milestone in fuel segment

1.5 Cost base

Cost line	□Cr	Share of total cost	YoY	What drives it
Employee benefits	569.69	—	—	Headcount levels and salary increments
Finance costs	—	—	—	Market interest rates and borrowing quantum
Credit costs	—	—	—	Unsecured portfolio delinquencies and stress

Sensitivity not disclosed.

1.6 Competitive position

- Maintains a 19% market share in cards-in-force and 15.7% market share in total spends as of March 2025, operating as India's second-largest credit card issuer.
- Competitive advantage is anchored in the parent SBI distribution network, utilizing branch networks and the YONO digital application ecosystem for low-cost customer sourcing.
- Named competitive threats include individual overleveraging causing elevated unsecured portfolio stress and regulatory policy tightening such as increased risk weights.

1.7 What must stay true

- Unsecured credit stress must not breach equity capital buffers; current credit cost stands at 9.0%; an escalation above 12% would break net worth expansion (new).
- Parental funding lines must remain accessible; currently 55.49% of borrowings are sourced directly from SBI; a reduction below 40% would break operational liquidity (carried from last year).
- Parent royalty extraction terms must remain stable; current royalty takes a minimum of 2% of PAT or 0.20% of total income; any upward revision would break compressed operating margins (carried from last year).
- Capital adequacy must sustain growth headroom; current capital adequacy stands at 22.9%; a drop below the regulatory 15% threshold would break business continuity (new).

2. Management's view

2.1 Outlook on the business

Area	What management says	Number or date given	Horizon
Economic Growth	Real Gross Domestic Product is expected to expand driven by "greater private sector capital expenditure"	6.2%	FY 2025-26
Transaction Volume	The digital payments ecosystem is projected to expand "more than three times in volume"	481 billion transactions	FY 2028-29
Card Circulation	The industry is anticipated to double its scale and "reach 200 million cards"	200 million cards	FY 2028-29
E-Commerce Demand	The digital marketplace is projected to expand significantly, growing by "approx.17-18% CAGR"	□2,600,000 crore	CY 2030
Credit Industry	Year-on-year expansion in cards-in-force is "slower this year" compared to prior periods	7.9%	—
Near-Term Focus	Strategy centers on "strengthening our risk management framework and reduction in credit costs"	—	Short-term
Product Mix	Strategy prioritizes "expansion of premium and super-premium card portfolio" to capture high-value segments	—	Mid to long-term

2.2 Plans and expansion

- Digital expansion plans focus on growing "SBI Card SPRINT" penetration to 50% via platform API integrations to lower acquisition costs.
- Fund-raising actions involved enhancing the Tier II capital base by raising □1,500 crore through the allotment of unsecured non-convertible debentures.
- Alliance plans focus on high-spend segments through the "KrisFlyer SBI Card" partnership, while the existing BPCL co-branded partnership crossed 40 lakh cards.
- Capital restructuring updates record a stable capital reserve balance of negative □71.51 crore arising from the amalgamation of SBI Business Process Management Services.

2.3 Risks and challenges management names

- Management identifies credit environment volatility and over-leveraging within the unsecured portfolio as core threats, mitigated by tightening credit filters and underwriting models.
- Regulatory changes increasing risk weights for unsecured lending inflate capital costs and pressure operational margins, mitigated by streamlining the new acquisition framework.
- Rapid technological innovation creates execution challenges and accelerates obsolescence, mitigated by expanding automated capabilities and hyper-personalisation features within the mobile application.
- Growing complexity in the cyber threat landscape poses security challenges from nation-state adversaries, mitigated by deploying layered security controls under a defence in depth strategy.

2.4 Tone

Cautiously optimistic -- Management projects strong structural growth from underpenetrated digital payment markets while actively moderating card acquisition to manage unsecured asset quality stress. "a period that tested our resilience, sharpened our strategic focus" and "moderated to prioritise portfolio quality by tightening

credit filters" The tone has remained cautiously optimistic compared to last year's note, continuing to mask asset quality concerns with long-term digital growth prospects.

3. Financial picture

3.0 What looks out of line

What it could mean	What would confirm or disprove it	Likelihood
High underlying portfolio stress requires aggressive asset write-offs and rising collection outlays to contain reported non-performing assets.	Tracking vintage delinquency curves and early-stage roll-forward rates into stressed asset buckets.	Likely
Reported profitability is being cushioned against asset quality deterioration through provision releases and expense capitalization deferrals.	Explicit disclosure of management overlays within expected credit loss models and regulatory audits of card lifecycles.	Likely
Severe short-term maturity gaps expose the company to significant interest rate repricing and structural rollover vulnerabilities.	Shifts in alternative credit line availability and cost variations in rolling over commercial banking facilities.	Possible

Investments expanded to 6,235 crore to build high-quality liquid assets, lifting the average liquidity coverage ratio to 146.29%.

3.1 Is it making money, and is the profit real?

Profitability is declining as slower loan yield growth and elevated credit costs compress margins despite a larger card base. * Gross receivables grew 9.82% to 55,840.3 crore, but slower revenue growth of 6.4% indicates compressed yields, dropping the net interest margin to 10.8%. * Finance costs rose 22.47% to 3,178.4 crore, outstripping interest income growth and highlighting the margin squeeze from an elevated 7.4% cost of funds. * Earnings quality was diluted by a 390.89 crore Stage 1 provision release and an 88.98 crore deferred tax credit, cushioning the 20% drop in net profit.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Total income growth %	22.36	24.26	6.41	14.82 `# [---o--]` 28.01	**Worse than trend** (worst in window)	Slower card acquisition and tightening of credit underwriting filters	Structural
PAT margin %	14.1	14.18	10.6	10.59 `{------ o----]` 16.52	**Worse than trend**	Elevated funding costs and a sharp 48.19% spike in impairment provisions	Structural
ROA %	4.35	4.14	2.92	3.65 `# [--- o---]` 4.96	**Worse than trend** (worst in window)	Slower yield growth on advances combined with rising unsecured credit stress	Structural
ROE %	19.84	19.93	13.9	15.63 `# [----- o---]` 22.97	**Worse than trend** (worst in window)	Net profit compression driven by heavy bad debt write-offs	Structural
NIM proxy %	29.9	27.75	24.08	27.75 `# [---o-]` 31.31	**Outside the plausible range for this metric (-5 to 15 %) — treat as a data artifact, not a result**	Treated as a data artifact per calculation pack guidelines	—

What the checks found

Is the income real? Insufficient · Is the P&L being manufactured? Watch

Check	FY24 (□ Cr)	FY25 (□ Cr)	Status	What it means
Fee and other income quality	8,164.69	8,002.89	Watch · high impact	Core transaction revenues contracted, with interchange income dropping by 8.81% to 3,915.65 Cr and business development incentives dropping by 16.55% to 592.34 Cr
Yield on advances vs cost of funds	—	Not disclosed	Unresolved	—
Interest on income-recognition-suspended accounts	Not disclosed	323.82	Unresolved	Reduces recognized interest income on substandard assets by 323.82 Cr
Floating / counter-cyclical provision usage	—	Not disclosed	Unresolved	The company does not explicitly label counter-cyclical reserves, but utilized a significant 390.89 Cr write-back from its Stage 1 low-risk provision pool to cushion net profit compression

Clean (4): Net interest income vs treasury/trading gains; Deferred tax asset recognition; Exceptional items; Accounting-policy or estimate change.

3.2 Is profit turning into cash?

Cash collections remain robust through back-end recoveries, but aggressive asset write-offs and declining provision coverage reflect rising portfolio stress. * Portfolio turnover is high, with fresh Stage 3 slippages of 5,046.24 crore largely cleared from the balance sheet via 4,732.47 crore in direct bad debt write-

offs. * Asset protection buffers have weakened as the provision coverage ratio on credit-impaired Stage 3 retail unsecured accounts fell from 64.9% to 53.46%. * Recovery operations are becoming more expensive, with collection charges escalating by 41.17% to 509.42 crore to secure 555.25 crore in bad debts recovered.

What the checks found

Is the book honestly provisioned? Flag

Check	FY24	FY25	Status	What it means
Provision coverage ratio	64.91%	53.47%	Flag · high impact	A significant drop of 11.44 pp in the provision coverage ratio on high-risk Stage 3 retail unsecured accounts, indicating weaker balance-sheet shielding
Write-offs vs recoveries	2,880.54 Cr	4,732.47 Cr	Flag · high impact	Aggressive bad debt write-offs of 4,732.47 Cr were deployed to flush delinquent loans off the balance sheet, severely impacting the income statement
GNPA / NNPA movement and recognition	1,404.23 Cr	1,718.00 Cr	Watch · low impact	Fresh additions to Stage 3 Gross NPA reached a massive 5,046.24 Cr, outstripping the entire opening asset pool
Restructured / SMA book	Not disclosed	64.02 Cr	Unresolved	Restructured balances stand at 64.02 Cr, fully classified in Stage 3 with an internal allocation coverage of 34.22 Cr
Fresh lending to a borrower group whose earlier exposure was already stressed -- the evergreening question: did new credit go out so that old interest could come back?	—	Not disclosed	Unresolved	—

Clean (1): Divergence reported by the regulator.

3.3 Where is the cash going?

Internal capital generation and fresh subordinated debt fund loan book expansion, while parent bank credit facilities sustain short-term liquidity. * Loan growth drove an operating cash outflow of 2,140 crore, funded by an increase in total borrowings to 44,947 crore and high reliance on parent facilities. * Total capital adequacy strengthened to 22.9% following the issuance of 1,500 crore in Tier II qualifying unsecured subordinated debentures, providing sufficient headroom for asset expansion. * Capital outflows included 287 crore in dividends, which remain supported by net profits and a robust Tier I capital ratio of 17.48%.

Where 5 years of cash went: operating cash outflow of □18,163 Cr moves with the loan book, so the test is funding: capex □380 Cr, dividends □957 Cr, net borrowing raised □30,259 Cr, no equity raised.

What the checks found

Is value leaving to insiders? Watch

Check	FY24 (□ Cr)	FY25 (□ Cr)	Status	What it means
Related-party and group exposures	17,753.3	20,113.94	Watch · high impact	Outstanding short-term working capital borrowings from parent State Bank of India rose to 20,113.94 Cr, exceeding the entire annual revenue base of the firm

Clean (2): KMP / director remuneration vs pre-provision operating profit; Loans to directors / related entities.

3.4 How strong is the balance sheet?

The balance sheet maintains strong regulatory capital buffers, but faces severe funding concentration and acute short-term asset-liability mismatches. * Total capital adequacy at 22.85% sits safely above the 15% regulatory minimum, providing a buffer against gross non-performing assets of 3.08%. * Funding concentration is extreme, with the top ten counterparties providing 41,572.34 crore, or 93.01% of corporate borrowings, alongside acute short-term asset-liability mismatches. * Quantified contingent liabilities are immaterial at 74.11 crore against a robust net worth base of 13,781 crore.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Equity / assets %	22.01	20.77	21.02	20.77 `[#----o-----]` 23.33	**In line with trend**	—	—

What the checks found

Can the capital and funding base take a hit? Insufficient

Check	FY24	FY25	Status	What it means
Wholesale funding concentration / borrowing mix	Not disclosed	41,572.34 Cr	Unresolved	The top 10 lending counterparties control 41,572.34 Cr, commanding 93.01% of the entire institutional borrowing pool
Fixed versus floating split on BOTH sides -- loans given and funds raised -- and the repricing buckets	—	Not disclosed	Unresolved	The structural ALM profile contains severe near-term gaps, with 32,695.38 Cr of short-term borrowings maturing within 6-to-12 months against just 5,549.13 Cr of maturing portfolio advances

Clean (3): CAR / CET1 headroom; AT1 and Tier-2 instruments, write-down history; Contingent liabilities vs net worth.

Contingent liabilities and commitments

Contingent liability class	FY 2025 (Cr)	FY 2024 (Cr)	Risk evaluation
Service tax assessment claims	18.47	29.11	Active Appellate Scrutiny
Civil claims in ordinary course	38.92	36.07	Escalated legal exposure
Counter-Guarantees provided	7.66	7.19	Performance lien backup
Income tax dispute items	1.98	1.98	Persistent assessment track
ESIC & EPFO tracking issues	7.08	7.08	Legacy contractor dispute
Total Quantified Contingent Debt	74.11	81.43	Moderate financial footprint

- Note 44(i) — Unacknowledged Tax Demands: Indirect tax show-cause notices totaling 3.47 Cr are excluded from both corporate provisioning and formal contingent definitions based on internal evaluations that deem the probability of loss remote.
- Note 44(ii) — Amalgamation Stamp Duty Blind Spot: Following the merger of SBI Business Process Management Services, an adjudication application dated June 30, 2019, remains open with the Stamp Collector. Because final assessments remain open to interpretation, the financial risk is unquantified and zero provisions have been established.

Financial statements

P&L statement — lender basis (□Cr)

Line item	Mar 2025	Mar 2024
Interest earned	18,074	16,986
Interest expended	3,178	2,595
Net interest income (NII)	14,896	14,391
Non-interest income	563	498
Total income (NII + non-interest)	15,459	14,889
Operating expenses and provisions (combined)	12,731	11,460
Depreciation	147	197
Profit before tax	2,581	3,232
Net profit	1,916	2,408
Non-interest income as % of total income	3.64%	3.34%
NII as % of interest earned	82.42%	84.72%

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	951	951
Reserves	12,830	11,133
Borrowing	44,947	39,891
Other Liabilities	6,817	6,196
Advance from Customers	112	101
Other liability items	5,112	4,587
Total Liabilities	65,546	58,171
Fixed Assets	320	542
Equipments	11	11
Computers	331	554
Furniture n fittings	5	4
Vehicles	0	0
Investments	6,235	3,519
Other Assets	58,980	54,088
Trade receivables	236	243
Cash Equivalents	2,738	2,730
Other asset items	55,956	51,040
Total Assets	65,546	58,171

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	-2,140	-5,653
Profit from operations	18,677	16,079
Receivables	8	-100
Payables	85	113
Loans Advances	-17,895	-19,962
Other WC items	-2,265	1,756
Working capital changes	-20,068	-18,193
Interest paid	0	-2,604
Direct taxes	-750	-936
Cash from Investing Activity	-2,491	-1,255
Fixed assets purchased	-56	-74
Fixed assets sold	0	0
Investments purchased	-4,775	-3,024
Investments sold	2,081	1,642
Interest received	259	202
Other investing items	0	0
Cash from Financing Activity	4,687	8,401
Proceeds from shares	6	74
Proceeds from debentures	0	810
Redemption of debentures	-2,905	-1,450
Proceeds from borrowings	7,939	10,130
Repayment of borrowings	0	-700
Interest paid fin	-1	-1
Dividends paid	-287	-363
Financial liabilities	-66	-101
Other financing items	0	0
Net Cash Flow	55	1,492

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unmodified opinion issued
Fraud reported by the auditor	Clean	Nil reported to Audit Committee
Audit trail (edit log) in the accounting software	Watch	Third-party payroll software unverified by auditor
Statutory dues unpaid	Clean	Nil undisputed outstanding over 6 months
Promoter pledge (% of promoter holding)	Not disclosed	Not in supplied text
Independent directors (% of board)	Clean	62.5% of the board
Woman director	Clean	1 female director present
KMP pay against the statutory ceiling	Clean	Within statutory limits
Related-party transactions (% of revenue)	Watch	~9.58% of total income in operational flows

A. Auditor report & key audit matters

Beyond the matrix, the joint statutory auditors (M/s. V.K. Dhingra & Co. and M/s. S.P. Chopra & Co.) issued an unmodified audit opinion with no Emphasis of Matter. The company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender.

The auditors identified two Key Audit Matters:

1. **Assessment of Impairment Loss Allowance Based on Expected Credit Loss (ECL) on Loans:** Calibrating the Ind AS 109 predictive model carries inherent complexity and estimation risk. Management updated the methodology during the year to align with Reserve Bank of India (RBI) scale-based rules and shifting economic cycles, applying macroeconomic forward-looking drivers via a Vasicek model tied to constant-price GDP forecasts. The auditors addressed this by evaluating staging controls (Stage 1, 2, and 3), checking assumptions on Probability of Default (PD) and Loss Given Default (LGD), testing data accuracy, and verifying audit committee approval.
2. **Performing an Audit in an Automated Environment driven by IT Systems and Applications:** High daily transaction velocity makes financial reporting dependent on complex, interdependent IT layers. Management integrated internal system scripts and cell controls. The auditors focused on user access security, automated report logs, network operations, database controls, and alternative testing where structural deficiencies were logged.

Control Weaknesses and Vulnerability Gaps: The auditors noted that the edit log (audit trail) tracking capabilities of the third-party payroll and personnel application were confirmed by consultants but could not be independently verified for tampering, security, or retention. Separately, the company reported a regulatory compliance gap regarding Paragraph 26 of the RBI Master Direction on Digital Payment Security Controls; it failed to track and patch system scan vulnerabilities within prescribed timelines. Management expects to fully deploy remediation updates by September 2025.

Fee Disclosures: Total fees provided to the statutory auditors reached □0.81 Cr. This comprised □0.38 Cr for core audit fees and □0.43 Cr for non-audit assignments (including quarterly limited reviews, tax audits, and cost reimbursements). No fees left to network affiliates, and the business maintains no active subsidiaries.

Regulatory Matters & Asset Quality Divergence: No asset classification or provisioning divergence relative to the regulator's annual tracking thresholds was reported for the current window. No penalties or administrative restrictions were imposed on the company by the RBI, SEBI, or alternative financial sector regulators during the year. Customer frauds related to fraudulent card use involved an aggregate value of □0.48 Cr, which was fully provided for, while back-end recovery actions (covering current and legacy accounts) brought in □1.14 Cr. Zero instances of employee fraud were detected.

B. Related party transactions

The company's financing model is heavily intertwined with its parent entity, State Bank of India (SBI), which provides the primary source of credit lines and working capital liquidity.

Counterparty	Relationship	Nature	FY25 flow (□Cr)	FY24 flow (□Cr)	Balance at FY25 year end (□Cr)	Assessment
State Bank of India	Holding Entity	Borrowings Taken	56619.75	84948.79	20113.94	Arm's length
State Bank of India	Holding Entity	Borrowings Repaid	55231.88	83704.52	0	Arm's length
State Bank of India	Holding Entity	Finance Charges	1456.52	1353.25	825.92	Arm's length
State Bank of India	Holding Entity	Fees, Commission & Bank Charges	196.39	207.48	46.8	Routine
State Bank of India	Holding Entity	Royalty Expenses	38.33	48.16	0	Routine
State Bank of India	Holding Entity	Dividend Paid	163.16	163.16	0	Routine
State Bank of India	Holding Entity	Other Flows & Balances	43.61	31.4	1096.08	Routine
Fellow Subsidiaries	Fellow Subsidiaries	Financing & Operational Flows	610.23	894.22	1798.39	Arm's length
Key Managerial Personnel	Key Managerial Personnel	Remuneration & Card Advances	7.7	8.49	0.12	Routine
Total	—	—	**114367.57**	**171359.47**	**23881.25**	—

The table cannot show real-time changes in variable credit margins or the specific commercial drivers embedded within multi-year network incentive volume targets. No write-offs, impairments, or provisions were recognized against the promoter entity during the year. Outstanding loans and advances given to related parties involve regular credit card utility limits (□16.81 Cr for SBI, □4.78 Cr for fellow subsidiaries, and □0.12 Cr for KMPs) that track ordinary consumer card terms. Statutory caps under Sections 185 and 186 were maintained, with credit card balances to five directors totaling a minor □0.05 Cr. Corporate concentration was managed within regulatory parameters; single-borrower exposure finished at 0.81% while group-borrower exposure expanded to 2.44% without any threshold breaches. Shareholders at the 26th AGM granted rolling approval for material transactions with SBI and SBI Capital Markets for a period up to 15 months.

C. Shareholding

Category	FY24 (%)	FY25 (%)	Change (pp)
Promoters	68.63	68.60	-0.03
FIIs	8.59	9.88	+1.29
DIIs	16.68	17.22	+0.54
Public	6.09	4.30	-1.79

The promoter entity, State Bank of India, maintains zero pledges or encumbrances against its equity holdings. Minor equity expansion took place via the allotment of 3,88,435 shares at □152.10 per share to satisfy vestings under the ESOP Scheme 2019, bringing the total outstanding share base to 95,13,56,954 shares.

D. Board composition

No inter-se relationship exists between any of the sitting board directors. High-level leadership transitions occurred close to the year-end: Mr. Dinesh Khara resigned as Chairman on August 27, 2024, following the completion of his tenure at the parent bank, and was replaced by Mr. Challa Sreenivasulu Setty on November 22, 2024. Mr. Nitin Chugh (Nominee Director) resigned from the board on March 29, 2025, due to increasing professional obligations at SBI. Mr. Abhijit Chakravorty stepped down from his executive seat as MD & CEO on March 31, 2025, upon formal superannuation, with Ms. Salila Pande appointed as his successor for a two-year term starting April 1, 2025. Additionally, Dr. Tejendra Mohan Bhasin ceased to be an Independent Director on June 27, 2025, after concluding his second statutory cycle.

All directors carry verified "fit-and-proper" standing, holding multi-disciplinary capabilities across banking, finance, strategy, and corporate governance. Statutory committee sessions met all regulatory minimums during the year; the Audit Committee met 10 times, the Nomination and Remuneration Committee met 6 times, the Risk Management Committee convened 6 times, and the Stakeholders Relationship and Customer Experience Committee met 4 times. The newly constituted willful defaulter Review Committee held zero active meetings. The functions of Chairman and MD remain fully separated, and no individual director tenure conflicts with regulatory timelines.

E. KMP compensation

Remuneration paid to corporate management is aligned with regulatory boundaries and registered an aggregate contraction alongside compression in net earnings.

Name	Role	(□Cr)	(□Cr)	Change
Mr. Abhijit Chakravorty	Managing Director & CEO	1.51	Not disclosed	—
Other KMPs (Grouped)	CFO, CS & Chief Compliance Officer	5.06	Not disclosed	—
Total	**Covers all KMPs**	**6.57**	**7.58**	**-13.32%**
Percentage of Basis	**Earnings Before Credit Costs**	**0.09%**	**0.12%**	—

The financial parameter utilized to measure executive remuneration is Earnings Before Credit Costs (EBCC), which reflects pre-provision operating profit. For FY25, EBCC stood at □7,452 Cr, meaning total KMP compensation accounted for a highly proportionate 0.09% of core operating earnings. Crucially, aggregate KMP pay fell by 13.32% during the period while net profit after tax declined by 20% (to □1,916 Cr), demonstrating strong directional alignment with minority holder interests. Regulatory approval for executive compensation was fully obtained, and zero performance-linked incentives from the prior cycle were disbursed to the MD & CEO during the year. Variable options operate under strict board benchmarks, and no clawback or malus triggers

were invoked. The Section 197 ratio comparing individual director remuneration to median employee metrics was excluded from the main annual report text.

F. Capital allocation & capex

As a dedicated credit card issuer, the company's operating cash flows move directly with the expansion of its loan book. Credit card receivable growth was entirely funded out of corporate borrowings and commercial banking facilities rather than customer deposits. Over the five-year analysis window, the company added a net □30,259 Cr in debt lines, raised zero capital from public equity dilutions, and maintains zero public deposits.

Distributions to shareholders were well-covered without eroding the corporate capital foundation; the company declared and paid an interim equity dividend of □237.74 Cr (□2.50 per share). Reflecting prudent capital management, the Total Capital Adequacy Ratio (CRAR) strengthened from 20.5% to 22.85% (with Tier I capital tracking at 17.48%), remaining comfortably above the 15% statutory threshold. Capital depth was reinforced by raising □1,500 Cr via private placements of Tier II qualifying unsecured subordinated non-convertible debentures.

Capex profiles remain focused strictly on digital architecture, technology processing upgrades, and software platforms. Core capex for premises and software system acquisition dropped to □55.76 Cr (down from □74.46 Cr in FY24), accounting for a tiny 0.7% of total operating expenses (□8,007 Cr). All branch offices are operated under lease frameworks, eliminating fixed asset drag. The company executed zero corporate acquisitions or equity investments into group affiliates during the window.

Returns, Asset Quality, and Concentration Risks: Operational asset yields held stable with an average interest income yield of 16.7%, but bottom-line returns compressed. Return on Average Assets (ROAA) fell from 4.6% to 3.1% (with net statement ROA at 2.92%), and Return on Average Equity (ROAE) contracted from 21.7% to 14.6% (net statement ROE at 13.9%). This compression was driven entirely by a 48.19% spike in impairment provisions (credit costs rising to □4,872 Cr) as raw bad debt write-offs expanded to □4,732.47 Cr, rather than operational or capex inefficiencies.

The underlying loan book carries severe structural concentration, with retail unsecured credit card advances accounting for □55,295.46 Cr, or 99.02% of the gross loan portfolio. Funding reliance is similarly concentrated, with the top 10 wholesale institutional banking counterparties supplying □41,572.34 Cr, which covers 93.01% of total borrowings. This institutional dependency drives an acute maturity mismatch within the company's Asset-Liability Management (ALM) framework; in the 6-to-12 months bucket, maturing short-term liabilities reach □32,695.38 Cr against maturing advances of only □5,549.13 Cr, creating an absolute rollover dependency on continuous commercial banking lines.

G. Revenue recognition policy

Operating revenues are governed by Ind AS 109 and Ind AS 115, leaving the valuation and timing of major streams open to management discretion and judgment: - **Interest Income (Ind AS 109):** Interest is recognized using the Effective Interest Rate (EIR) framework on the gross carrying balance of Stage 1 and Stage 2 assets. However, for Stage 3 credit-impaired portfolios, interest accruals are strictly limited to the net amortized cost (gross balance less impairment allowance), checking the over-statement of uncollectible revenue. Unrecognized interest on stressed assets reached □323.82 Cr. - **Membership Fee Lifecycle Deferrals (Ind AS 115):** Upfront card membership annual fees represent a single stand-ready performance parameters obligation. Instead of booking revenue immediately upon enrollment, management defers and amortizes these fees linearly over a 12-month lifecycle utilizing historical consumer behavioral assumptions. - **Variable Network Incentives (Ind AS 115):** Business Development Incentive Income from network partners depends on multi-year milestone volumes (3 to 5 years). Recognition requires management to estimate cumulative transactional metrics relative to complex contract tiers, introducing subjectivity (including a □12.54 Cr active asset block for unsatisfied parameters). - **Interchange Presentations:** Interchange processing fees are presented on a gross operational

basis as the company acts as a principal, increasing top-line scale metrics without directly affecting net margins. - **Amortization Deferral Frameworks:** Upfront customer onboarding outlays are capitalized as unamortized card acquisition costs (₹1,148.6 Cr on the balance sheet) and amortized over behavioral lifecycles to insulate current-period operating margins. Conversely, computer software platforms are written off rapidly over a tight 3-year timeline. Shifting macroeconomic assumptions or sudden spikes in consumer card cancellation rates would alter these deferred balances and compress future revenue metrics.

4.1 Credibility: said versus delivered

What they said last year	What happened	Verdict
Shift the sourcing moat toward embedded digital sourcing via the YONO app and internet banking.	Continued leveraging the YONO ecosystem for low-cost customer sourcing and targeted 50% SPRINT penetration.	Delivered
Pivot product strategy from generic utility cards toward premium, lifestyle-integrated portfolios to combat MDR compression.	Launched premium core products including SBI Card MILES and KrisFlyer SBI Card to capture high-value segments.	Delivered
Expand UPI-RuPay integration as a volume play to penetrate smaller towns.	Completed UPI platform expansion, adding Credit on UPI and transaction control features.	Delivered
Focus heavily on workforce optimization and operational excellence for cost control as credit costs rise.	Aggregate KMP compensation fell by 13.32% and core capex decreased to ₹55.76 Cr, though total operating costs and provisions expanded to ₹12,731 Cr.	Partially Met

4 further claims too vague to check: accelerating card time-to-market via the Blaze engine, capitalizing on India's 2026 consumer market trajectory, prioritizing proactive fraud alerts, and driving ESG-integrated reporting cost savings.

This year's claims against the numbers

- Management projects broad economic and macro digital transaction growth, including a 17-18% CAGR in e-commerce demand by CY30, yet its own total income growth decelerated sharply to 6.41% in FY25 from 24.26% in FY24 due to defensive operational pullbacks.
- Management targets an expansion of premium and super-premium portfolios to capture high-value customer segments, but core transactional revenue is showing near-term pressure as total fee income fell to ₹8,725 Cr and interchange income dropped by 8.81% to ₹3,915.65 Cr.
- Management prioritizes strengthening its risk framework to reduce credit costs, but actual portfolio metrics show substantial stress with fresh Stage 3 Gross NPA additions reaching ₹5,046.24 Cr and credit costs hitting 9.0%, requiring ₹4,732.47 Cr in bad debt write-offs to clean the book.

Credibility: Medium — Management delivered on its digital sourcing moats and premium card rollouts, but its defensive risk containment and cost control narratives are undermined by large credit slippages, rising collection costs, and a drop in Stage 3 provision coverage to 53.47%.

What has not changed

- Customer acquisition remains structurally tethered to the promoter bank's branch and YONO digital application networks for the fifth consecutive year.
- Key leadership transitions continue to draw exclusively from senior executive pools at State Bank of India, reinforcing an integrated operational culture.
- Management maintains a persistent pattern of capitalizing customer onboarding expenses and amortizing them over behavioral lifecycles to insulate current-period operating margins.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	5	Up	ROE was at least 14% in 4 of the 5 years and ROA remained above 2% in all 5 years, meeting structural profitability targets.
Financial health	3	Up	Capital adequacy is strong at 22.9%, but net NPA sits between 1-3% at 1.46% and gross NPA is managed primarily through massive write-offs.
Earnings quality	3	Up	High portfolio stress required □4,732.47 Cr in bad debt write-offs, while a Stage 1 provision release of □390.89 Cr cushioned profits as provision coverage fell by 11.44 pp.
Management & governance	3	Same	Auditor flagged an unverified edit log on third-party payroll software and legacy digital security patch compliance delays, though KMP pay is below 5%.
Capital allocation	3	—	Growth is funded entirely by expanding debt lines by □30,259 Cr rather than deposits, while ROE compressed to 13.9%, near the cost of equity.