SBI Cards & Payment Services Ltd — Rating update 23 Oct Credit Rating Summary

Section	Details
Agency	ICRA
Rating Change	[ICRA]AAA / [ICRA]A1+ Reaffirmed (0 notches moved)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	1. **Strategic Parentage:** SBI (Parent) holds 68.58% stake; provides brand, 47% of total borrowings, and massive customer reach. 2. **Profitability Recovery:** RoA improved to 3.2% in FY2026 (3.8% in Q1 FY2027) from 3.0% in FY2025, driven by higher fee income and lower credit costs. 3. **Asset Quality Upturn:** Gross Stage 3 (GS3) fell to 2.0% (June 2026) from 3.1% (March 2025) due to tighter underwriting and lower slippages. 4. **Strong Capital Buffers:** Tier-I CRAR improved to 20.3% (June 2026) vs 17.5% (March 2025), aided by healthy internal accruals.
Rated Instruments	1. **Bank Lines / CP:** □34,000 Cr
Key Observations	**Strengths:** • 2nd largest credit card provider in India with 2.26 Cr card base. • Strong liquidity: □14,600 Cr unutilised bank lines + □10,450 Cr cash/liquid investments. • Positive ALM mismatches in all buckets up to 1 year. • Improving credit cost trend (declined to 4.5% in Q1 FY2027 from 6.8% in FY2025). **Concerns:** • Vulnerable portfolio: 99.5% of loans are unsecured. • Monoline business risk (credit cards only). • Potential NIM pressure from rising cost of funds in the current rate hike cycle.
Investor Impact	**Growth:** Improving asset quality allows for recalibrated risk appetite and volume growth. **Margins:** RoA is recovering toward historical peaks (5.5%), though NIMs face headwinds from borrowing repricing. **Leverage:** Gearing remains conservative at 2.9x (June 2026). **Dilution Risk:** Low; strong internal accruals and high CRAR (25.6%) negate the need for equity raises.
Agency / Cross Analysis	**Same Agency:** Reaffirmed AAA. Compared to the previous review, ICRA notes a significant improvement in GS3 (down 110 bps) and RoA (up 20 bps). The transition from FY2025's elevated credit costs (6.8%) to Q1 FY2027 (4.5%) indicates a positive trajectory. **Conclusion:** Continuous Improvement in operating metrics while maintaining the highest credit safety.
Final Inference	SBICPSL's credit profile is rock-solid due to its parent (SBI), but the equity story is currently defined by the **successful reduction in credit costs** and **recovering ROAs**, which signal a move past recent asset quality turbulence.