SBI Cards & Payment Services Ltd — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Asset Quality & ROA) | Miss (Loan Growth) **One-line:** The "Credit Cost Tail-wind" has accelerated, propelling ROAA to the top-end of guidance (4.4%), yet the business remains a two-speed engine where record market share in transactions (18.5%) fails to ignite the stagnant loan book.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Risk/ ROA)	Credit costs fell to 4.7% (vs 5.6% QoQ), driving ROAA to 4.4%.	□
Earnings Quality	Moderate	PAT growth is heavily supported by credit cost reduction rather than NII expansion.	□
Guidance Confidence	Strong	Already hit the upper bound of 4.0-4.5% ROAA guidance in Q2.	□
Management Credibility	Stable	Delivered further de-risking; however, the "H2 AUM pick-up" promise is now critical.	□
Business Quality Signal	Improving (Resilience)	GNPA below 2.0% (1.90%) marks a return to best-in-class asset hygiene.	□
Key Q&A Exchange	N/A — PPT ONLY	Not applicable	□
The Street's Primary Anxiety	AUM Stagnation	Net Loans grew only ~2.8% in H1 FY27 (□54,984 Cr to □56,532 Cr).	□
Capital Cycle Stage	Harvesting	Sweating the existing book for high returns while maintaining excess capital (CAR 26.5%).	□
Margin / Return Ratio Trajectory	Stabilizing	H1 NIM at 10.7% indicates the sharp compression cycle is bottoming out.	□
Pricing Power	Eroding	Interest income as % of assets down 70 bps YoY in H1; transactor mix dominates.	□
FCF Conversion & Quality	Strong	High ROE (18.4%) backed by actual credit cycle improvement.	□
Competitive Moat Signals	Stable	Maintained #2 status in Spends (18.0%) and Transactions (18.5%).	□
Balance Sheet Strength	Very Strong	CAR at 26.5% is significantly above regulatory requirements.	□
Working Capital Efficiency	Improving	NNPA at 0.77% and GNPA at 1.90% indicate a very clean receivable cycle.	□
Mgmt Guidance Track Record	Mixed	Accurate on asset quality recovery; struggling to deliver the growth pivot.	□
Key Vulnerability / Red Flag	NII Growth vs Spends	Spend growth is robust, but the conversion to interest-earning assets is broken.	□
Management Tone	N/A — PPT ONLY	Not applicable	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The credit cycle recovery is no longer a "hope"—it is a realized fact. Credit costs have plummeted to 4.7% (down 100bps QoQ), and GNPA has broken below the 2%

psychological barrier to 1.90%. This risk-reduction has successfully pushed ROAA to 4.4%, hitting management's medium-term target early. Capital adequacy remains fortress-like at 26.5%. * **Negatives:** The structural shift toward "Transactors" is intensifying. Despite maintaining an 18% spend market share and launching new products like Google Pay Flex, Interest Income as a % of assets fell 70 bps YoY in H1. The loan book (Net Receivables) only grew □1,548 Cr in six months (+2.8%), suggesting that SBI Card is increasingly becoming a payment utility rather than a high-yield lender. * **The Street's Main Concern:** Analysts are focused on the "Growth-Margin" paradox. While asset quality is pristine, the inability to grow the loan book at double digits (in a high-consumption economy) suggests market share is being bought through low-margin transactor volume that doesn't "stick" as debt. * **Watchpoint:** H2 FY27 Festive Conversion. If the record spends expected in Q3 do not translate into at least 10% YoY loan growth, the stock will likely be re-rated as a low-margin payment processor rather than a high-growth NBFC.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (Q2 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	~0.1%	↓	→	↓	H1 Interest Income essentially flat; volume growth offset by yield.
NIM (AUM basis %)	10.7% (H1)	↓ 63 bps	↓ 10 bps	↓	NIM compressed to 10.7% from 11.3% (H1 FY26).
Cost of Funds %	6.8% (Q2)	↑ 40 bps	↑ 20 bps	↓	Daily Wtd Avg COF rose to 6.8% from 6.6% in Q1.
Loans Growth (% YoY)	3.0%	↓	→	→	Stagnant; H1 growth was only 2.8% vs Mar '26 levels.
GNPA %	1.90%	↓ 95 bps	↓ 14 bps	↑	Decadal-low range; indicates successful portfolio scrubbing.
NNPA %	0.77%	↓ 52 bps	↓ 06 bps	↑	Lowest NNPA in recent history; high provision coverage.
Credit Cost (% Assets)	4.7%	↓ 300 bps	↓ 90 bps	↑	Massive tailwind; driving the ROA beat this quarter.
Capital Adequacy %	26.5%	↑ 900 bps	↑ 90 bps	↑	Significant surplus capital; Tier 1 at 24.4%.
PAT (□Cr)	1,448 (H1)	↓ 33%	N/A	↓	YoY decline due to high base/legacy provisioning; Q2 shows recovery.
Fee Income Growth %	14.0% (H1)	↑	↑	↑	The primary driver of revenue; fees now 14% of assets.
Revenue (□Cr)	5,302 (Q2)	↑ 3.2%	↑ 1.8%	→	Growth driven by fees, not interest.
Cost to Income (%)	59.8%	↑ 433 bps	↑ 340 bps	↓	Opex pressure remains high due to new card sourcing (1M/qtr).
ROAA (%)	4.4%	↑ 180 bps	↑ 50 bps	↑	Hits the upper end of 4.0%-4.5% guidance.
ROAE (%)	18.4%	↑ 631 bps	↑ 190 bps	↑	Improving ROE despite massive capital buffer (low leverage).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (Yield)	Trend	vs Co Avg	Key Development
Interest Income	2,511	0.8%	14.3%	↓	Lower	Stagnant; yield down 70 bps YoY for H1.
Fees & Commission	2,434	7.5%	14.0%	↑	Higher	Fees now almost equal to interest income.
Govt/PSU (Sourcing)	34% (New)	N/A	N/A	→	Higher	High quality sourcing; 45% of new accounts are Cat B.
Tier 3/4 Cities	51% (CIF)	N/A	N/A	↑	Better	Increasing penetration in non-metros via SBI Banca channel.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	ROAA	4.0% - 4.5% medium term.	**Met:** Q2 at 4.4%. Sustainable if credit costs stay <5%.	Delivered ahead of schedule.	Low
Guidance	Credit Costs	"Moderating trend to continue."	Needs to stay below 5.5% to maintain 4%+ ROA.	**Met:** Dropped from 7.7% (Q2 FY26) to 4.7%.	Low
Guidance	Opex (Cost to Income)	56% - 58% range.	**Miss:** Q2 hit 59.8%. Requires H2 scale to dilute opex.	**Weak:** Opex grew 36 bps YoY as % of assets.	Medium
Strategy	Digital Sourcing	Focus on YONO and Google Pay Flex cards.	Needs to convert digital transactors into EMI/ Revolvers.	**On Track:** Google Pay partnership launched.	Medium
Strategy	Capital Buffer	Maintain CAR > 20%.	**Met:** At 26.5%, the company is significantly over-capitalized.	Reliable.	Low
Strategy	New Accounts	Consistent 1M+ sourcing.	Achieved in H1; focus is now on Tier 2/3 and Salaried (50%).	Reliable.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
Gross Credit Cost	5.6%	4.7%	↑ Improving
GNPA %	2.04%	1.90%	↑ Improving
NNPA %	0.83%	0.77%	↑ Improving
ROAA	3.9%	4.4%	↑ Improving
Cost of Funds %	6.6%	6.8%	↓ Deteriorating
Capital Adequacy (CAR)	25.6%	26.5%	↑ Improving
Interest Income % (H1)	15.0% (FY26)	14.3%	↓ Deteriorating
Corporate Spend Mix	20%	19%	→ Stable
Sourcing Mix (SBI)	46%	49%	↑ Pivot to Banca

Investor Notes: * **Thesis Status:** The "Asset Quality Recovery" thesis is officially validated. The bear case of deteriorating unsecured credit was refuted by the 4.7% credit cost print. * **Growth Concerns:** The "Growth Disconnect" remains the primary hurdle. Net Loans grew only 2.8% in six months while total spends remained at record highs. This confirms the customer base is using the card for payments (transacting) rather than borrowing. * **Capital Allocation:** With CAR at 26.5% (vs 20% target), the company is sitting on roughly □3,000 Cr of excess capital. If loan growth doesn't accelerate in H2, investors should look for a dividend payout hike or a sharp buyback to support ROE. * **Earnings Quality:** CFO-to-PAT check: Receivables grew by □1,548 Cr while PAT was □1,448 Cr. The business is currently self-funding its growth through internal accruals, a sign of high-quality cash flow.

STOP HERE.