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India's SBI Cards and Payment Services (SBIC.NS), opens new tab reported a surprise 11% rise in fourth-quarter profit on Friday as higher retail spending more than made up for a rise in bad loans.

The company's profit after tax rose to 6.62 billion rupees (\$79.4 million) for the January-March period from 5.96 billion rupees a year earlier. Analysts were expecting a profit of 5.61 billion rupees, as per LSEG data.

Credit demand has remained strong, especially in unsecured categories like credit cards, driven by retail consumer spending. This has led India's central bank to increase the capital requirements for such loans.

Spends by cardholders, or the aggregate amount transacted, grew 11% year-on-year to 796.53 billion rupees during the period, resulting in interest income rising nearly 28% to 21.39 billion rupees.

SBI Card, however, said that despite rising retail spend, its income was impacted by a slowdown in corporate spending.

The credit card services company saw its market share in industry spends slip during the last two months of the quarter due to lower corporate spending and the issuance of fewer new cards as it dealt with more bad loans.

The State Bank of India-backed company said its gross write-offs rose 60% to 8.64 billion rupees.

Net interest margin (NIM), a key measure of profitability, fell 60 basis points year-on-year to 10.9%.

Delinquencies in the personal loans space have been on the rise due to exuberant lending in unsecured segments.

SBI Card's gross bad loans as a percentage of gross advances worsened to 2.76% at the end of March, from 2.64% at the end of December.

Shares of the company ended 1% lower ahead of the results.