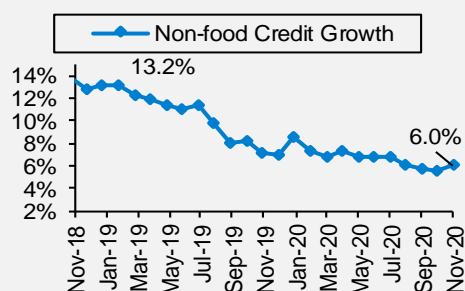


## Banks

### Monthly Credit Update

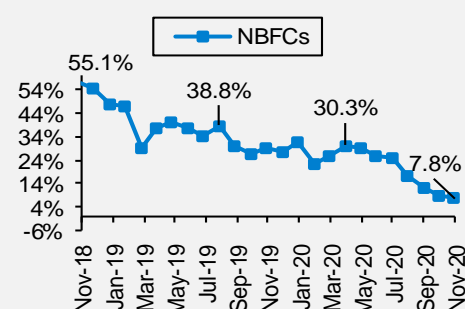
January 1, 2021

**Exhibit 1: Overall non-food credit growth has been steady**



Source: RBI, PL Research

**Exhibit 2: Credit to NBFCs has been moderating**



Source: RBI, PL Research

**Exhibit 3: Retail share surpasses Services segment**

Loan Mix	Nov'20 Share	YoY	MoM	YTD
Agri	13.4%	0.3%	0.1%	0.8%
Industry	29.9%	-2.0%	0.0%	-1.6%
Services	27.9%	0.7%	-0.2%	-0.2%
Retail	28.8%	1.0%	0.2%	1.0%

Source: RBI, PL Research

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### Credit growth remains subdued but steady

RBI's Nov'20 sectoral credit data displayed subdued but steadier growth trends at 6% YoY. Although, growth was better in Agri at 8.5% YoY and small uptick in Retail growth at 10% YoY. Within Retail, Housing segment was steady at 8-8.5% YoY growth, while vehicle saw growth of 10% YoY and credit card o/s grew by 8% YoY. Services segment growth has been moderating owing to slower growth in NBFCs credit at 8% YoY. Industry credit growth has been flattish with negative bias, but medium industry has been growing at 20% YoY but has much smaller share. Amongst sectors, Roads has picked up well growing at 8% from low single digit last year. Retail mix in overall lending at 29% has crossed services segment mix and in few months could surpass Industry credit to become largest segment in lending at +30%. Observing fortnightly credit data for Dec'20 growth trends have not changed much and hence Q4FY21 growth has to be seen with drivers of such growth. We continue to anticipate 6-7% growth for FY21 with pick-up in retail lending.

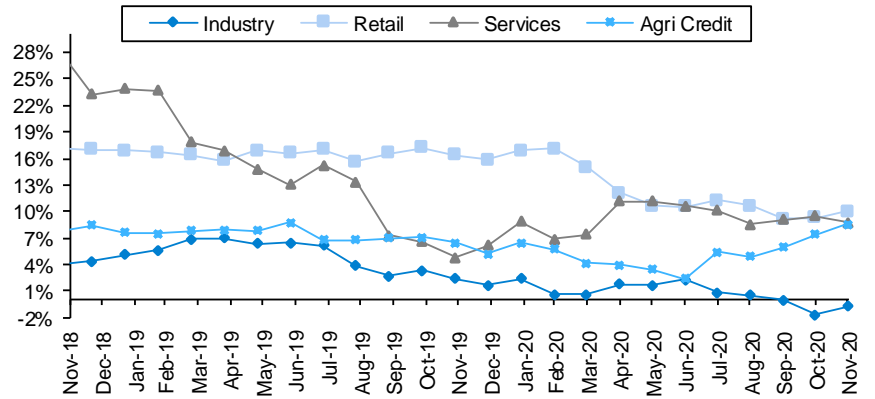
- Overall credit growth remains steady:** Non-food credit was steady at 6.0% YoY in a similar range of 6-7% from Mar'20 onwards. Absolute credit intensity is not high and has been managed by few segments and sectors, while base effect is slightly aiding and should continue ahead. Agri growth further picked up in Nov'20 followed from Oct'20 and has been seeing subdued growth in prior months. While Retail growth is subdued relatively but has been best performing segment and will continue ahead.
- Retail picking up but will be gradual:** Retail growth very marginally improved to 10% YoY from Sep/Oct'20 9% YoY which were festive months. All segments saw small improvements but housing the larger segments continues to hover at 8-9% YoY growth, while Vehicle loan growth improved to 10% YoY, credit cards improved to 8% YoY from 6-7% in last few months. Point to note is trends in retail growth has been lower than Jun-Aug'20 months which were likely due to pent up demand and slowing momentum in housing loans.
- Services segment moderates led by slower NBFC credit:** Services segment growth moderated to 8.8% YoY as NBFC credit by Banks has been coming off from mid 20s-30s to single digit (*Exhibit 2 at side*), while professional services have de-grown by 24% (Rs496bn decline MoM) in Nov'20 and we are not sure if credit has been reclassified and is small 5% of services. Other segments like Transport operators' growth improved to 10% from 3-6% in last few months, CRE remains slow at 5-6%, while trade improved to 14% YoY mainly on favorable base in wholesale segment.
- Industry growth subdued:** Credit to industry saw negative flattish growth of 0.7% YoY as large industry de-grows by 2%, while medium industry continues strong growth of 20% YoY on favorable base and likely help of ECLGS credit support by banks, but this segment has share of only 1.3% to overall mix to move any needle on growth. Within Industry, Roads sector has seen improving trends from flat single digit growth to 6-8% in last 3 months, while other large sectors continue to have subdued growth trends.

Exhibit 4: Steady growth with better in Agri and supported by Retail

Rs in billion	Nov 2020	Share in credit (%)	Share of incremental credit- m/m	Credit growth (%)		
				YoY	MoM	FY21 YTD
<b>Non-food Credit</b>	<b>91,982</b>			<b>6.0%</b>	<b>0.6%</b>	<b>-0.1%</b>
Agriculture	12,305	13.4%	22.9%	8.5%	1.0%	6.3%
Industry	27,533	29.9%	26.0%	-0.7%	0.5%	-5.2%
Services	25,698	27.9%	-13.1%	8.8%	-0.3%	-1.0%
Retail credit	26,446	28.8%	64.1%	10.0%	1.3%	3.6%
<b>Industry</b>	<b>27,533</b>	<b>29.9%</b>	<b>26.0%</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>-5.2%</b>
<b>Infrastructure</b>	<b>10,071</b>	<b>10.9%</b>	<b>15.5%</b>	<b>-1.8%</b>	<b>0.8%</b>	<b>-4.4%</b>
- Power	5,517	6.0%	-1.6%	-2.0%	-0.1%	-1.4%
- Telecom	1,036	1.1%	5.0%	-20.9%	2.6%	-28.0%
- Roads	2,016	2.2%	8.1%	8.1%	2.1%	5.7%
- Others	1,503	1.6%	4.0%	3.7%	1.4%	-5.9%
<b>Ex-Infra Industrial credit</b>	<b>17,462</b>	<b>19.0%</b>	<b>10.6%</b>	<b>-0.1%</b>	<b>0.3%</b>	<b>-5.7%</b>
Basic Metal	3,341	3.6%	-7.1%	-4.0%	-1.1%	-4.6%
Textiles	1,868	2.0%	1.8%	0.2%	0.5%	-2.9%
Chemicals	1,778	1.9%	12.2%	2.6%	3.7%	-12.4%
Engineering	1,372	1.5%	-0.2%	-15.6%	-0.1%	-12.7%
Food Processing	1,478	1.6%	7.0%	7.9%	2.5%	-4.1%
Petroleum	600	0.7%	-2.2%	14.4%	-1.9%	-20.8%
<b>Industry by Size</b>	<b>27,533</b>	<b>29.9%</b>	<b>26.0%</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>-5.2%</b>
Micro & Small	3,645	4.0%	5.7%	0.5%	0.8%	-4.5%
Medium	1,240	1.3%	1.7%	20.9%	0.7%	17.5%
Large	22,647	24.6%	18.6%	-1.8%	0.4%	-6.3%
<b>Services</b>	<b>25,698</b>	<b>27.9%</b>	<b>-13.1%</b>	<b>8.8%</b>	<b>-0.3%</b>	<b>-1.0%</b>
Trade	5,755	6.3%	-0.7%	14.7%	-0.1%	4.2%
NBFCs	7,882	8.6%	18.4%	7.8%	1.2%	-2.4%
Commercial Real Estate	2,332	2.5%	10.0%	5.6%	2.3%	1.5%
Transport Operators	1,548	1.7%	12.7%	10.7%	4.4%	7.1%
<b>Retail credit</b>	<b>26,446</b>	<b>28.8%</b>	<b>64.1%</b>	<b>10.0%</b>	<b>1.3%</b>	<b>3.6%</b>
Mortgages	13,834	15.0%	19.7%	8.5%	0.7%	3.3%
Vehicle Loans	2,288	2.5%	9.2%	10.0%	2.1%	3.7%
Credit Cards	1,143	1.2%	7.9%	8.0%	3.7%	5.7%

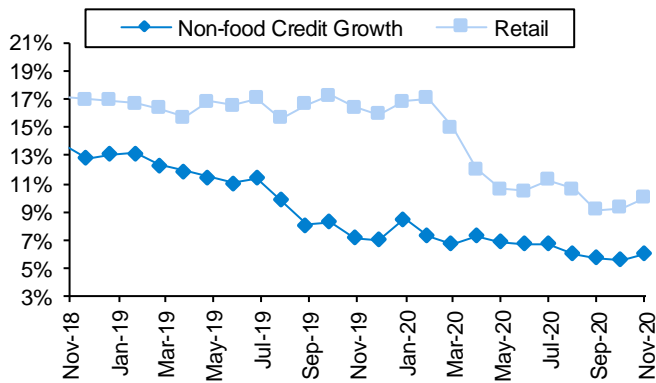
Source: RBI, PL

### Exhibit 5: Growth improves in Agri and marginally in Retail



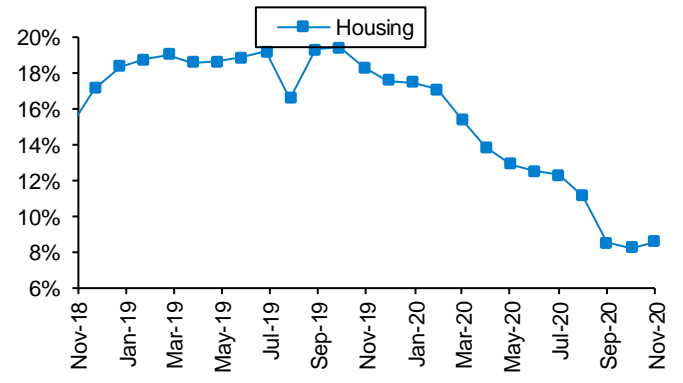
Source: RBI, PL

### Exhibit 6: Retail sees small uptick



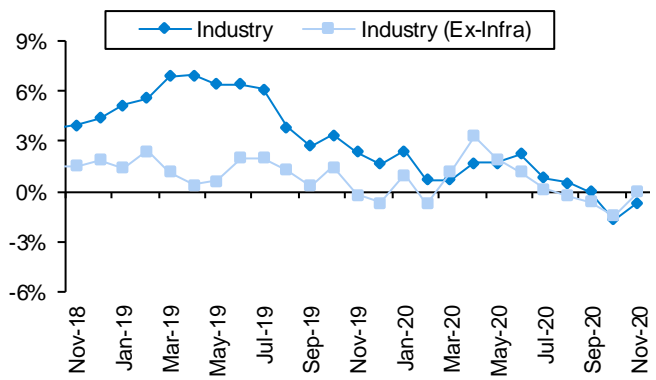
Source: RBI, PL

### Exhibit 7: Housing growth remains tepid



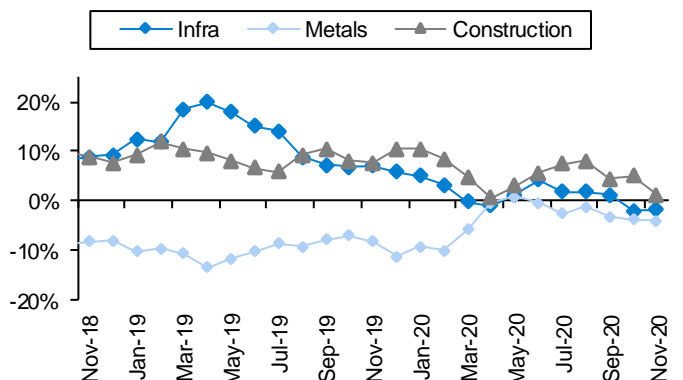
Source: RBI, PL

### Exhibit 8: Industry credit growth remains in negative terrain



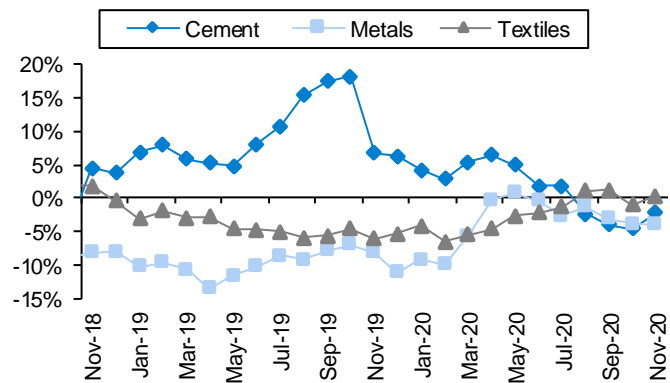
Source: RBI, PL

### Exhibit 9: Key capex sectors remain subdued



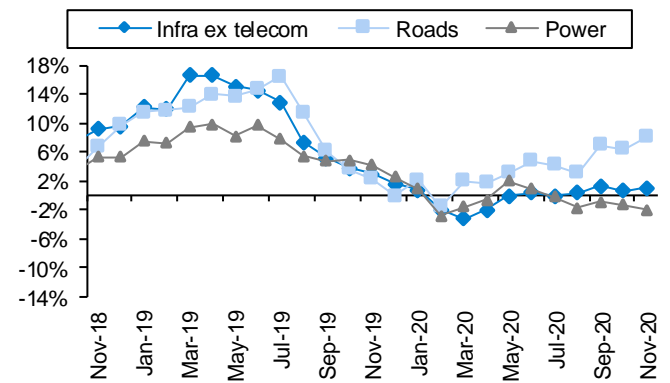
Source: Company, PL

**Exhibit 10: Similar trends in Cement/Metals**



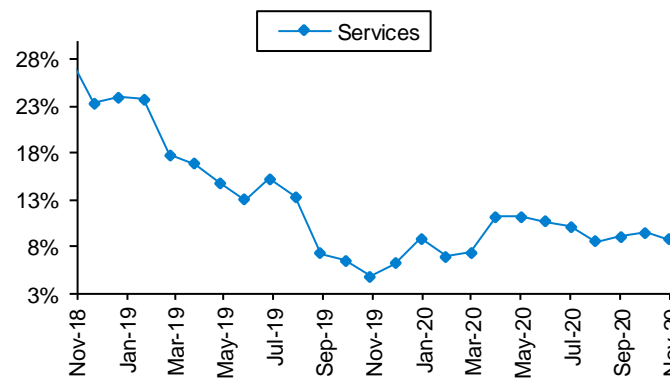
Source: RBI, PL

**Exhibit 11: Roads sector seeing pick up partly on base effect**



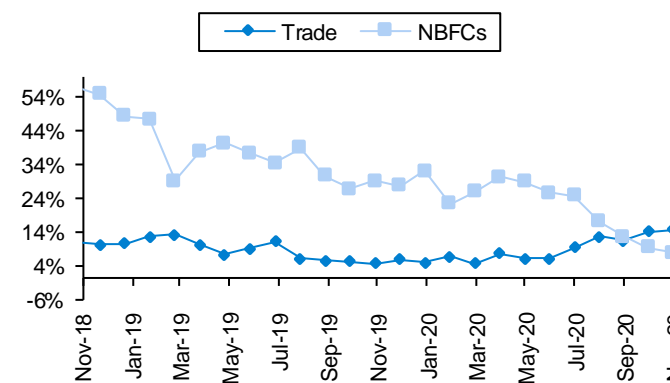
Source: RBI, PL

**Exhibit 12: Services growth has been slower...**



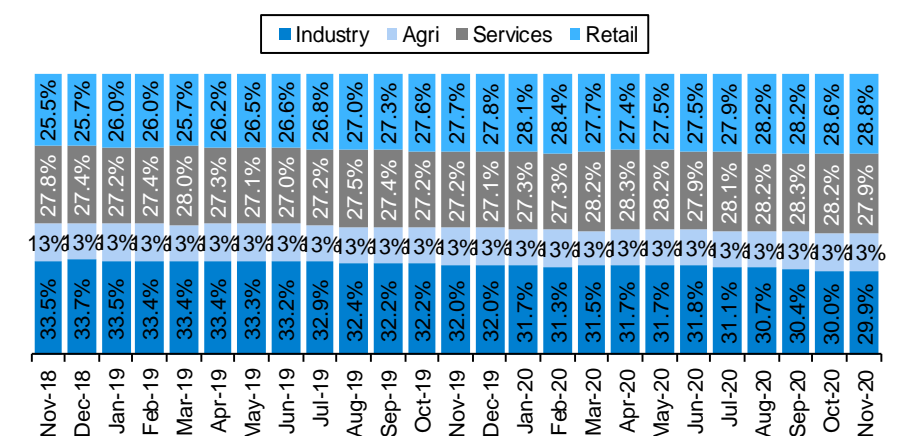
Source: RBI, PL

**Exhibit 13: ...largely as credit to NBFCs has moderated**



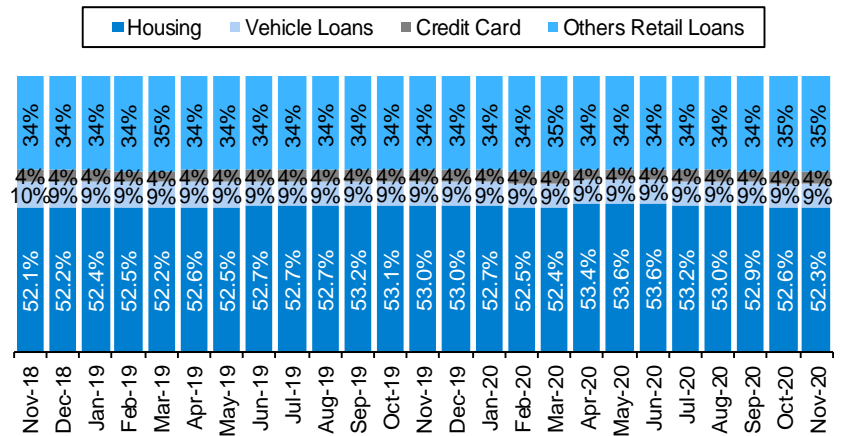
Source: RBI, PL

**Exhibit 14: Retail mix surpasses services segment**



Source: RBI, PL

Exhibit 15: Retail segments mix has been steady



Source: RBI, PL

## Appendix

Exhibit 16: Sectoral credit split

Rs billion	Nov 2019	Mar 2020	Oct 2020	Nov 2020	YoY	MoM	FY21 YTD
<b>Non-food Credit</b>	<b>86,739</b>	<b>92,115</b>	<b>91,466</b>	<b>91,982</b>	<b>6.0%</b>	<b>0.6%</b>	<b>-0.1%</b>
<b>Agriculture</b>	<b>11,340</b>	<b>11,578</b>	<b>12,187</b>	<b>12,305</b>	<b>8.5%</b>	<b>1.0%</b>	<b>6.3%</b>
<b>Industry</b>	<b>27,722</b>	<b>29,052</b>	<b>27,398</b>	<b>27,533</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>-5.2%</b>
Micro & Small	3,628	3,818	3,616	3,645	0.5%	0.8%	-4.5%
Medium	1,026	1,056	1,232	1,240	20.9%	0.7%	17.5%
Large	23,069	24,177	22,551	22,647	-1.8%	0.4%	-6.3%
<b>Services</b>	<b>23,630</b>	<b>25,949</b>	<b>25,766</b>	<b>25,698</b>	<b>8.8%</b>	<b>-0.3%</b>	<b>-1.0%</b>
Transport Operators	1,398	1,445	1,482	1,548	10.7%	4.4%	7.1%
Computer Software	191	201	194	191	0.4%	-1.3%	-4.6%
Tourism & Hotels	435	460	486	513	18.0%	5.6%	11.6%
Shipping	67	66	54	53	-20.5%	-0.7%	-18.7%
Professional Services	1,707	1,771	1,782	1,286	-24.7%	-27.8%	-27.4%
<b>Trade</b>	<b>5,017</b>	<b>5,524</b>	<b>5,759</b>	<b>5,755</b>	<b>14.7%</b>	<b>-0.1%</b>	<b>4.2%</b>
Wholesale Trade	2,176	2,634	2,681	2,753	26.5%	2.7%	4.5%
Retail Trade	2,841	2,890	3,078	3,003	5.7%	-2.5%	3.9%
Comm. Real Estate	2,207	2,298	2,280	2,332	5.6%	2.3%	1.5%
<b>NBFCs</b>	<b>7,309</b>	<b>8,074</b>	<b>7,787</b>	<b>7,882</b>	<b>7.8%</b>	<b>1.2%</b>	<b>-2.4%</b>
Other services	5,300	6,113	5,943	6,138	15.8%	3.3%	0.4%
<b>Retail Loans</b>	<b>24,047</b>	<b>25,537</b>	<b>26,115</b>	<b>26,446</b>	<b>10.0%</b>	<b>1.3%</b>	<b>3.6%</b>
Consumer Durables	55	93	69	69	26.2%	0.8%	-25.4%
<b>Housing</b>	<b>12,747</b>	<b>13,390</b>	<b>13,733</b>	<b>13,834</b>	<b>8.5%</b>	<b>0.7%</b>	<b>3.3%</b>
Loans against FDs	629	795	615	645	2.6%	5.0%	-18.8%
LAS to Individuals	50	53	63	47	-6.6%	-26.1%	-12.7%
Credit Card O/s	<b>1,059</b>	1,081	<b>1,102</b>	<b>1,143</b>	<b>8.0%</b>	<b>3.7%</b>	<b>5.7%</b>
Education	669	657	654	652	-2.6%	-0.4%	-0.9%
Vehicle Loans	2,080	2,206	2,240	2,288	10.0%	2.1%	3.7%
Personal Loans	6,758	7,261	7,639	7,768	14.9%	1.7%	7.0%
<b>Priority Sector</b>	<b>26,947</b>	<b>28,975</b>	<b>29,304</b>	<b>29,348</b>	<b>8.9%</b>	<b>0.2%</b>	<b>1.3%</b>
Agriculture	11,255	11,466	12,038	12,149	7.9%	0.9%	6.0%
MSE	10,574	11,494	11,253	11,221	6.1%	-0.3%	-2.4%
Manufacturing	3,628	3,818	3,616	3,645	0.5%	0.8%	-4.5%
Services	6,946	7,676	7,638	7,575	9.1%	-0.8%	-1.3%
Housing	4,540	4,499	4,622	4,625	1.9%	0.1%	2.8%
Micro-Credit	335	382	328	326	-2.6%	-0.4%	-14.6%
Education Loans	534	519	518	515	-3.6%	-0.5%	-0.8%
State Spo Org SC/ST	4	4	5	6	51.9%	8.9%	51.5%
Weaker Sections	6,984	7,314	7,278	7,666	9.8%	5.3%	4.8%
Export Credit	132	161	139	129	-2.3%	-6.7%	-19.8%

Source: RBI, PL

Exhibit 17: Industry wise loan split

Rs Billion	Nov 2019	Mar 2020	Oct 2020	Nov 2020	YoY	MoM	FY21 YTD
<b>Mining (incl. Coal)</b>	<b>414</b>	<b>439</b>	<b>429</b>	<b>438</b>	<b>5.9%</b>	<b>2.1%</b>	<b>-0.2%</b>
<b>Food Processing</b>	<b>1,369</b>	<b>1,541</b>	<b>1,442</b>	<b>1,478</b>	<b>7.9%</b>	<b>2.5%</b>	<b>-4.1%</b>
Sugar	246	274	184	203	-17.6%	10.5%	-25.9%
Edible Oils	174	192	180	184	5.3%	2.2%	-4.6%
Tea	58	54	59	58	-0.4%	-0.7%	8.1%
Others	890	1,021	1,020	1,033	16.0%	1.3%	1.1%
<b>Beverage &amp; Tobacco</b>	<b>140</b>	<b>165</b>	<b>148</b>	<b>145</b>	<b>3.0%</b>	<b>-2.5%</b>	<b>-12.5%</b>
<b>Textiles</b>	<b>1,863</b>	<b>1,924</b>	<b>1,859</b>	<b>1,868</b>	<b>0.2%</b>	<b>0.5%</b>	<b>-2.9%</b>
Cotton Textiles	834	893	843	849	1.7%	0.7%	-5.0%
Jute Textiles	22	21	23	24	11.4%	4.8%	14.8%
Man-Made Textiles	258	261	266	273	5.5%	2.3%	4.5%
Other Textiles	749	750	726	722	-3.5%	-0.5%	-3.6%
<b>Leather</b>	<b>108</b>	<b>111</b>	<b>114</b>	<b>114</b>	<b>5.5%</b>	<b>0.3%</b>	<b>2.8%</b>
<b>Wood</b>	<b>120</b>	<b>122</b>	<b>128</b>	<b>128</b>	<b>6.9%</b>	<b>0.1%</b>	<b>4.6%</b>
<b>Paper</b>	<b>302</b>	<b>310</b>	<b>332</b>	<b>340</b>	<b>12.4%</b>	<b>2.5%</b>	<b>9.8%</b>
<b>Petroleum</b>	<b>525</b>	<b>758</b>	<b>612</b>	<b>600</b>	<b>14.4%</b>	<b>-1.9%</b>	<b>-20.8%</b>
<b>Chemicals</b>	<b>1,732</b>	<b>2,029</b>	<b>1,715</b>	<b>1,778</b>	<b>2.6%</b>	<b>3.7%</b>	<b>-12.4%</b>
Fertilizer	341	491	366	379	11.1%	3.6%	-22.8%
Drugs & Pharma	485	534	485	489	0.8%	0.8%	-8.5%
Petro Chemicals	374	422	352	396	5.7%	12.5%	-6.3%
Others	532	582	513	515	-3.2%	0.4%	-11.6%
<b>Rubber &amp; Plastic</b>	<b>470</b>	<b>504</b>	<b>476</b>	<b>495</b>	<b>5.3%</b>	<b>4.1%</b>	<b>-1.8%</b>
<b>Glass &amp; Glassware</b>	<b>87</b>	<b>88</b>	<b>87</b>	<b>88</b>	<b>1.1%</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Cement</b>	<b>593</b>	<b>587</b>	<b>578</b>	<b>580</b>	<b>-2.2%</b>	<b>0.4%</b>	<b>-1.2%</b>
<b>Basic Metal</b>	<b>3,479</b>	<b>3,503</b>	<b>3,377</b>	<b>3,341</b>	<b>-4.0%</b>	<b>-1.1%</b>	<b>-4.6%</b>
Iron & Steel	2,656	2,624	2,474	2,451	-7.7%	-1.0%	-6.6%
Other Metals	823	879	903	890	8.1%	-1.4%	1.2%
<b>Engineering</b>	<b>1,627</b>	<b>1,573</b>	<b>1,374</b>	<b>1,372</b>	<b>-15.6%</b>	<b>-0.1%</b>	<b>-12.7%</b>
Electronics	329	302	271	275	-16.4%	1.3%	-8.9%
Others	1,298	1,271	1,102	1,097	-15.4%	-0.4%	-13.7%
<b>Vehicles &amp; Transport</b>	<b>815</b>	<b>826</b>	<b>884</b>	<b>862</b>	<b>5.7%</b>	<b>-2.5%</b>	<b>4.3%</b>
<b>Gems &amp; Jewellery</b>	<b>613</b>	<b>595</b>	<b>574</b>	<b>609</b>	<b>-0.7%</b>	<b>6.2%</b>	<b>2.3%</b>
<b>Construction</b>	<b>1,001</b>	<b>1,043</b>	<b>1,044</b>	<b>1,014</b>	<b>1.3%</b>	<b>-2.9%</b>	<b>-2.8%</b>
<b>Infrastructure</b>	<b>10,252</b>	<b>10,539</b>	<b>9,991</b>	<b>10,071</b>	<b>-1.8%</b>	<b>0.8%</b>	<b>-4.4%</b>
Power	5,627	5,598	5,526	5,517	-2.0%	-0.1%	-1.4%
Telecom	1,310	1,438	1,010	1,036	-20.9%	2.6%	-28.0%
Roads	1,865	1,907	1,974	2,016	8.1%	2.1%	5.7%
Others	1,450	1,597	1,482	1,503	3.7%	1.4%	-5.9%
<b>Other Industries</b>	<b>2,212</b>	<b>2,393</b>	<b>2,235</b>	<b>2,213</b>	<b>0.0%</b>	<b>-1.0%</b>	<b>-7.5%</b>
<b>Industries</b>	<b>27,722</b>	<b>29,052</b>	<b>27,398</b>	<b>27,533</b>	<b>-0.7%</b>	<b>0.5%</b>	<b>-5.2%</b>

Source: RBI, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	570	505
2	Bank of Baroda	BUY	65	44
3	Federal Bank	BUY	69	52
4	HDFC Bank	BUY	1,385	1,203
5	HDFC Life Insurance Company	Reduce	533	571
6	ICICI Bank	BUY	614	502
7	ICICI Prudential Life Insurance Company	Hold	438	412
8	IDFC First Bank	Sell	21	32
9	IndusInd Bank	BUY	720	586
10	Kotak Mahindra Bank	Accumulate	1,503	1,417
11	Max Financial Services	Accumulate	680	591
12	Punjab National Bank	Hold	30	28
13	SBI Life Insurance Company	BUY	920	779
14	South Indian Bank	BUY	10	7
15	State Bank of India	BUY	290	205

**PL's Recommendation Nomenclature**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



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### **(Indian Clients)**

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