

# Banks Sectorial Credit

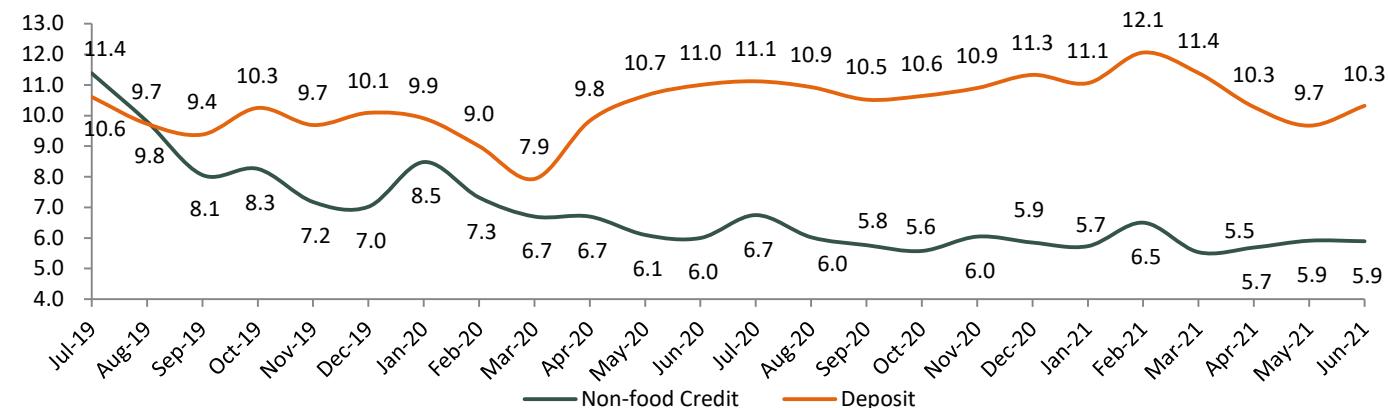
## Stable Credit growth; Agriculture credit upsurges

### Summary

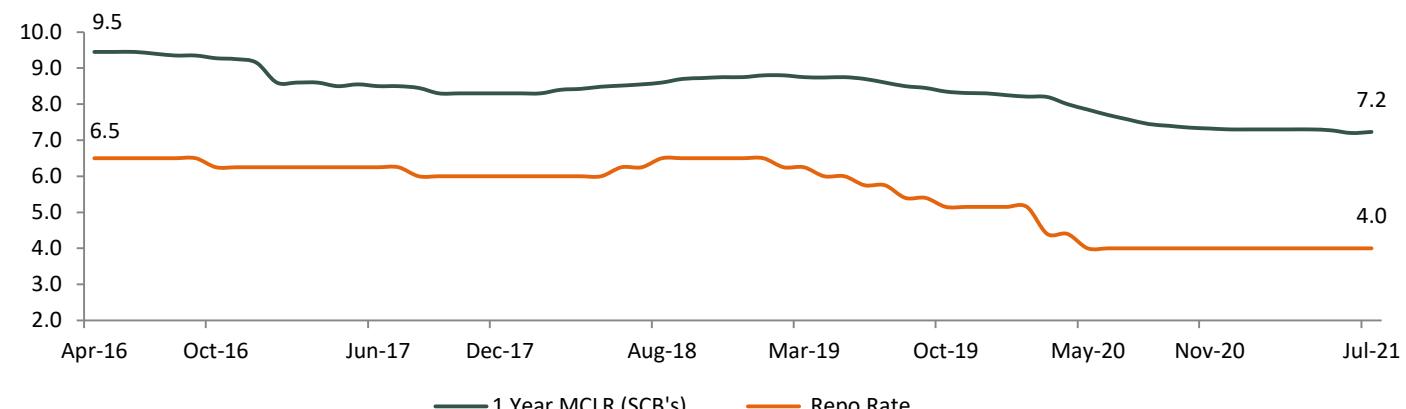
Credit growth in June month remain stable at 5.9% YoY as compared to May month (6.0% in June'20), led by Agriculture and Services credit. Agriculture credit growth rise to 11.4% YoY vs 10.3% YoY in May'21. Industry portfolio saw negative growth in June month and registered growth of -0.3% YoY vs 0.8% YoY in May'21. This was led by large industry as no rebound still seen; continues to report negative growth at -3.4% YoY vs -1.7% YoY in May'21. Medium industry continues to rise at 54.6% YoY vs 45.8% YoY in May'21 and continues to show improvement as risk-averse banks lend under credit guarantee scheme to MSME borrowers. Micro & small credit growth reported improvement to 6.4% YoY vs 5.0% YoY in May'21. Service portfolio saw uptick at 2.9% YoY vs 1.9% YoY in May'21. Retail portfolio saw moderate growth at 11.9% YoY vs 12.4% YoY in May'21 led by vehicle loans (11.0% YoY vs 11.9% YoY in May'21) as well as Housing loans (9.7% YoY vs 10.1% YoY in May'21). Loans against gold seen jump at 81.6% YoY vs 33.8% YoY in May'21; Credit card growth saw fall to 5.3% YoY vs 12.5% YoY in May'21. Overall, the Credit growth remains stable supported by growth in agriculture sector, Housing, Vehicle and Micro & small and medium enterprise. However, credit growth continues to hover in the range of 5.5-6% post uptick in Feb'21. Large industries credit growth still unable to revive while MSME industry would continue to grow further due to extension of ECLGS scheme. Deposit growth saw rise of 89bps on fortnight basis and growth stood at 10.7% (16<sup>th</sup> July'21) vs 9.8% (2<sup>nd</sup> July'21).

### Key Highlights

- **Moderate Retail credit growth:** Post September, Retail growth continues to hover in range of 9.0-10.0% while reported 11.9% YoY in June'21 vs 12.4% YoY in May'21. Within retail, Consumer durable portfolio continues to registered negative growth at -19.8% YoY vs -19.0% YoY in May'21, Housing growth stable at 9.7% YoY vs 10.1% YoY in May'21, Credit card growth plunges to 5.3% YoY vs 12.5% YoY in May'21 while Vehicle loans saw slight decline at 11.0% YoY vs 11.9% YoY in May'21. Loans against gold jewellery saw sharp rise at 81.6% YoY vs 33.8% YoY in May'21. Other personal loan saw decline at 16.6% YoY.
- **Industry growth decline; Service credit continues to rise:** Post continues to report positive growth, industry credit growth registered negative growth of -0.3% YoY vs 0.8% YoY in May'21 this was led by large industry continues to report negative growth of -3.4% YoY vs -1.7% YoY in May'21. Micro & Small industry which registered growth of 6.4% YoY vs 5.0% YoY in May'21, Medium industry which continues to increase at 54.6% YoY vs 45.8% YoY due to ECLGS scheme. Service credit continues to grow at 2.9% YoY vs 1.9% YoY in May'21. Within Service credit, shipping saw a growth of 32.0% YoY, Professional services continues to remains negative at -5.6% YoY, Credit growth in Tourism & hotels and Commercial real estate decline at 7.3% YoY and 1.3% YoY respectively in June'21 and NBFCs reported negative growth of -2.2% YoY. Aviation growth rise at 7.4% YoY.
- **Share of sectors improved MoM:** Share of sectors in June'21 had seen increase in Services loans at 24.2%. Agriculture credit, industry credit and personal loans remains stable at 11.9%, 26.7% and 25.9% respectively.
- **Deposit growth continues to maintain healthy growth-**Deposit continues to maintain healthy growth of 89bps and on fortnight ended (16<sup>th</sup> July 2021) deposit growth saw uptick at 10.7% vs 9.8% in previous fortnight (2<sup>nd</sup> July 2021). While, it continues grow from a low growth at 7.9% (27<sup>th</sup> March 2020 fortnight) due to country wide lockdown.
- **View:** Banking credit growth in FY21 declined to 5.5% YoY vs 6.7% YoY (FY20) led by services sector (1.4% vs 7.4%) while other sectors reported improvement such as Agri (12.3% vs 4.2%) and Personal loans (10.2% vs 10%) . Credit guarantee schemes, Gold loan portfolios, and housing loans are the categories where significant traction is visible and support credit growth. We expect a significant recovery with respect to credit growth in FY22. Among our banking coverage universe, our top picks are HDFC bank (fast revival post normalcy) and ICICI Bank (better to weather the storm).

**Exhibit 1: Stable credit growth in Non -food Credit while Deposit seen uptick.**


Source: RBI; IDBI Capital Research; Note- Deposit growth is on fortnight basis

**Exhibit 2: MCLR rate seems to stabilize as majority of rate cuts have been passed.**


Source: RBI; IDBI Capital Research

## Exhibit 3: Sector Credit

(Rs bn)

Sectors	June-21	June-20	May-21	YoY (%)	MoM (%)
<b>Non-Food Credit</b>	<b>107,550</b>	<b>101,564</b>	<b>107,429</b>	<b>5.9</b>	<b>0.1</b>
<b>Agriculture and Allied activities</b>	<b>12,844</b>	<b>11,529</b>	<b>12,848</b>	<b>11.4</b>	<b>(0.0)</b>
<b>Industry (MSME)</b>	<b>28,673</b>	<b>28,752</b>	<b>28,838</b>	<b>(0.3)</b>	<b>(0.6)</b>
Micro & Small	3,751	3,527	3,707	6.4	1.2
Medium	1,479	957	1,455	54.6	1.6
Large	23,443	24,268	23,675	(3.4)	(1.0)
<b>Services</b>	<b>26,006</b>	<b>25,285</b>	<b>25,711</b>	<b>2.9</b>	<b>1.1</b>
Transport Operators	1,412	1,402	1,423	0.7	(0.8)
Computer Software	210	206	202	2.0	4.2
Tourism, Hotels & Restaurants	496	463	495	7.3	0.3
Shipping	68	52	52	32.0	29.7
Aviation	264	246	261	7.4	1.1
Professional Services	1,121	1,188	1,131	(5.6)	(0.9)
<b>Trade</b>	<b>6,143</b>	<b>5,529</b>	<b>6,145</b>	<b>11.1</b>	<b>(0.0)</b>
Wholesale Trade	3,154	2,692	3,159	17.2	(0.2)
Retail Trade	2,990	2,837	2,986	5.4	0.1
Commercial Real Estate	2,323	2,293	2,337	1.3	(0.6)
NBFCs	8,839	9,036	8,995	(2.2)	(1.7)
Housing Finance Companies	1,662	1,889	1,682	(12.0)	(1.2)
Public Financial Institutions	775	321	743	141.2	4.4
Other Services	5,130	4,872	4,670	5.3	9.9
<b>Personal Loans</b>	<b>27,865</b>	<b>24,904</b>	<b>27,873</b>	<b>11.9</b>	<b>(0.0)</b>
Consumer Durables	71	88	70	(19.8)	0.6
Housing	14,646	13,349	14,620	9.7	0.2
Advances against FDs	659	615	665	7.2	(0.9)
Advances to Individuals	44	58	44	(23.7)	0.7
Credit Card Outstanding	1,028	976	1,045	5.3	(1.6)
Education	627	650	630	(3.5)	(0.4)
Vehicle Loans	2,382	2,146	2,402	11.0	(0.8)
Loans against Gold Jewellery	622	343	621	81.6	0.2
Other Personal Loans	7,785	6,679	7,776	16.6	0.1

Sectors (Contd...)	June-21	June-20	May-21	YoY (%)	MoM (%)
<b>Priority Sector</b>					
Agriculture & Allied Activities	12,532	11,438	12,584	9.6	(0.4)
Micro & Small Enterprises	10,364	10,741	10,279	(3.5)	0.8
Medium Enterprises	1,883	1,154	1,836	63.2	2.5
Housing	4,709	4,637	4,723	1.6	(0.3)
Education Loans	471	520	475	(9.4)	(0.8)
Weaker Sections	8,324	7,326	8,135	13.6	2.3
Export Credit	199	168	156	18.3	26.9
Renewable Energy	13	8	11	68.1	15.5
Social Infrastructure	25	9	24	170.1	1.8
Others	239	102	224	134.1	6.4

Source: RBI; IDBI Capital Research

## Exhibit 4: Industry Credit

(Rs bn)

Sectors	June-21	June-20	May-21	YoY (%)	QoQ (%)
<b>Mining &amp; Quarrying (incl. Coal)</b>	<b>465</b>	<b>429</b>	<b>446</b>	<b>8.5</b>	<b>4.3</b>
<b>Food Processing</b>	<b>1,647</b>	<b>1,579</b>	<b>1,653</b>	<b>4.3</b>	<b>(0.4)</b>
Sugar	232	255	243	(9.0)	(4.7)
Edible Oils & Vanaspati	198	176	198	12.6	(0.0)
Tea	57	51	55	11.4	4.1
Others	1,160	1,097	1,157	5.7	0.3
<b>Beverage &amp; Tobacco</b>	<b>152</b>	<b>150</b>	<b>155</b>	<b>0.8</b>	<b>(2.2)</b>
<b>Textiles</b>	<b>2,028</b>	<b>1,892</b>	<b>2,047</b>	<b>7.2</b>	<b>(0.9)</b>
Cotton Textiles	886	864	902	2.5	(1.9)
Jute Textiles	26	20	26	28.3	(0.6)
Man-Made Textiles	312	268	317	16.3	(1.4)
Other Textiles	804	740	802	8.7	0.3
<b>Leather &amp; Leather Products</b>	<b>114</b>	<b>109</b>	<b>115</b>	<b>4.7</b>	<b>(0.3)</b>
<b>Wood &amp; Wood Products</b>	<b>135</b>	<b>126</b>	<b>135</b>	<b>7.6</b>	<b>0.1</b>
<b>Paper &amp; Paper Products</b>	<b>363</b>	<b>317</b>	<b>360</b>	<b>14.7</b>	<b>0.9</b>
<b>Petroleum, Coal Products &amp; Nuclear Fuels</b>	<b>733</b>	<b>733</b>	<b>705</b>	<b>(0.0)</b>	<b>4.0</b>
<b>Chemicals &amp; Chemical Products</b>	<b>1,791</b>	<b>1,800</b>	<b>1,811</b>	<b>(0.5)</b>	<b>(1.1)</b>
Fertiliser	317	345	314	(7.9)	1.1
Drugs & Pharmaceuticals	497	520	503	(4.6)	(1.4)
Petro Chemicals	402	395	426	1.8	(5.7)
Others	576	540	567	6.5	1.4
<b>Rubber, Plastic &amp; their Products</b>	<b>546</b>	<b>484</b>	<b>545</b>	<b>12.8</b>	<b>0.1</b>
<b>Glass &amp; Glassware</b>	<b>92</b>	<b>81</b>	<b>90</b>	<b>13.5</b>	<b>2.3</b>
<b>Cement &amp; Cement Products</b>	<b>503</b>	<b>572</b>	<b>506</b>	<b>(12.1)</b>	<b>(0.6)</b>
<b>Basic Metal &amp; Metal Product</b>	<b>2,991</b>	<b>3,504</b>	<b>3,077</b>	<b>(14.6)</b>	<b>(2.8)</b>
Iron & Steel	2,064	2,665	2,138	(22.6)	(3.5)
Other Metal & Metal Product	928	839	939	10.6	(1.2)

Sectors (Contd...)	June-21	June-20	May-21	YoY (%)	MoM (%)
<b>All Engineering</b>	<b>1,456</b>	<b>1,473</b>	<b>1,480</b>	<b>(1.1)</b>	<b>(1.6)</b>
Electronics	324	297	336	8.8	(3.9)
Others	1,133	1,175	1,144	(3.6)	(0.9)
<b>Vehicles, Vehicle Parts &amp; Transport Equipment</b>	<b>843</b>	<b>854</b>	<b>831</b>	<b>(1.3)</b>	<b>1.4</b>
Gems & Jewellery	602	557	580	8.0	3.7
<b>Construction</b>	<b>976</b>	<b>1,026</b>	<b>982</b>	<b>(4.8)</b>	<b>(0.6)</b>
<b>Infrastructure</b>	<b>10,924</b>	<b>10,691</b>	<b>10,850</b>	<b>2.2</b>	<b>0.7</b>
Power	5,641	5,690	5,595	(0.9)	0.8
Telecommunications	1,162	1,462	1,139	(20.5)	2.0
Roads	2,332	1,820	2,325	28.1	0.3
Airports	95	45	95	108.2	0.0
Ports	77	111	85	(30.7)	(9.1)
Railways (other than Indian Railways)	123	120	123	2.9	0.2
Other Infrastructure	1,493	1,444	1,488	3.4	0.4
<b>Other industries</b>	<b>2,311</b>	<b>2,375</b>	<b>2,469</b>	<b>(2.7)</b>	<b>(6.4)</b>
<b>Industries</b>	<b>28,673</b>	<b>28,752</b>	<b>28,838</b>	<b>(0.3)</b>	<b>(0.6)</b>

Source: RBI; IDBI Capital Research

#### Exhibit 5: Bank group wise MCLR (1 year)

Months	Public sector Banks			Private sector Banks			Foreign Banks			SCBs		
	Min	Max	Median	Min	Max	Median	Min	Max	Median	Min	Max	Median
Jan 2021	7.00	7.65	7.33	7.25	9.67	8.40	2.64	11.50	6.05	2.64	11.50	7.30
Feb-2021	7.00	7.65	7.33	7.20	9.50	8.40	2.31	10.91	6.20	2.31	10.91	7.30
Mar-2021	7.00	7.65	7.33	7.20	9.50	8.40	1.98	14.53	6.03	1.98	14.53	7.30
Apr-2021	7.00	7.60	7.33	7.20	9.50	8.40	4.33	16.80	5.84	4.33	16.80	7.30
May-2021	7.00	7.60	7.33	7.20	9.50	8.45	3.68	16.11	5.96	3.68	16.11	7.28
June-2021	7.00	7.60	7.30	7.20	9.50	8.30	2.98	9.75	5.83	2.98	9.75	7.20
July-2021	7.00	7.50	7.30	7.20	9.40	8.25	3.99	9.75	5.85	3.99	9.75	7.23

Source: RBI; IDBI Capital Research

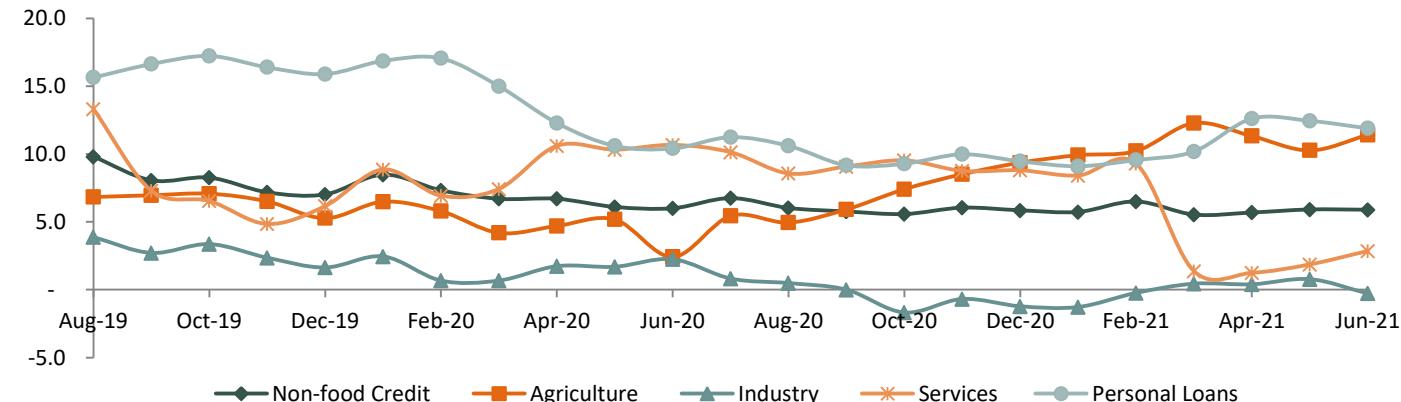
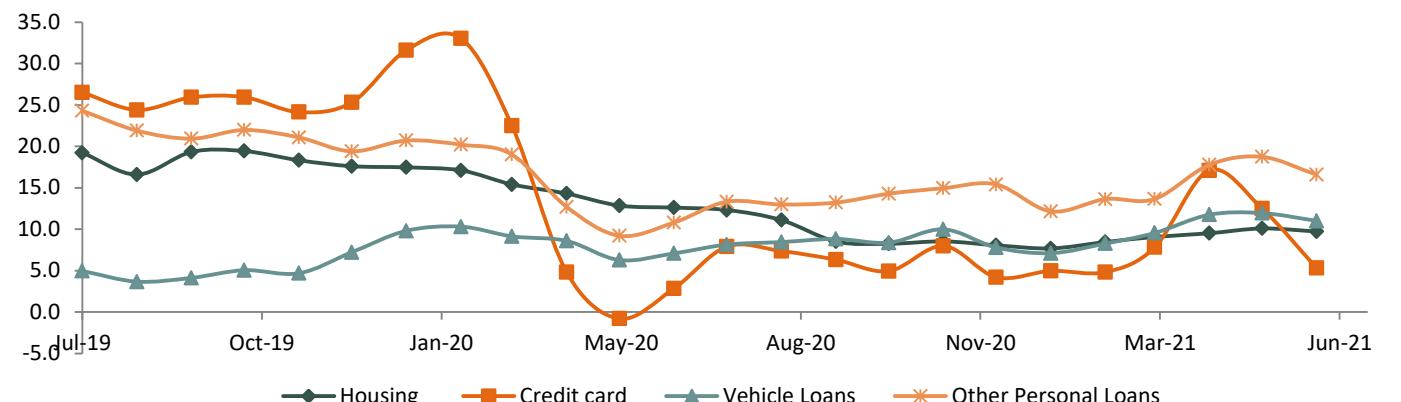
**Exhibit 6: Agriculture and service credit saw a rise post second covid wave impact.**

*Source: RBI; IDBI Capital Research*
**Exhibit 7: Housing and Vehicle loans saw stable growth. However, Credit cards plunges.**

*Source: RBI; IDBI Capital Research*

Exhibit 8: Post lockdown, transport operator seen uptick while NBFCs reported negative growth

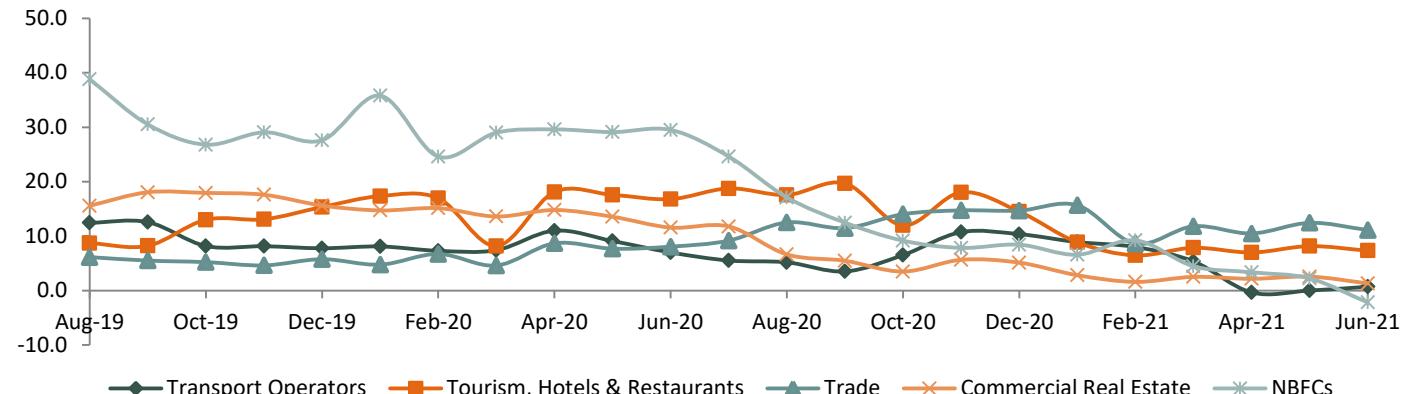
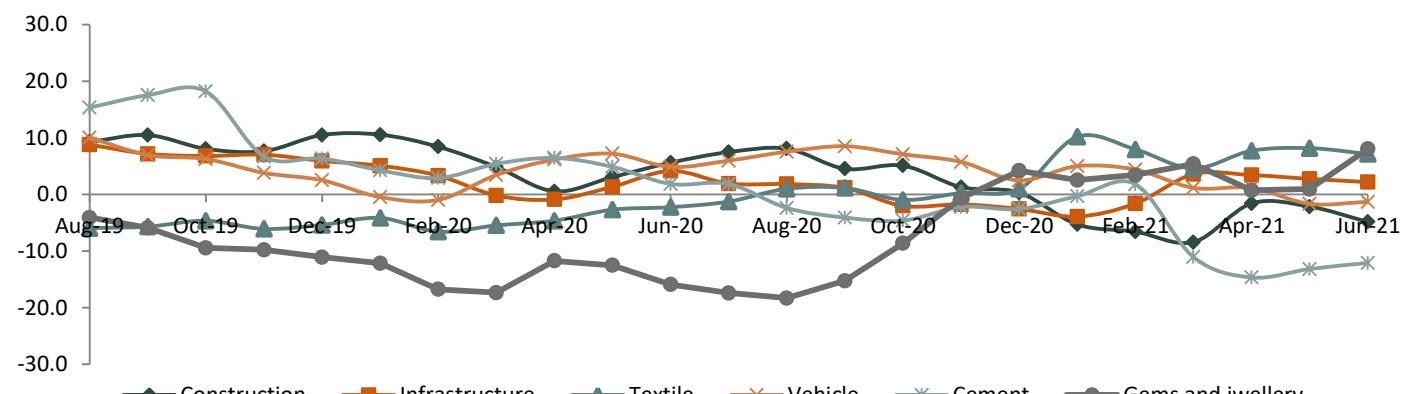
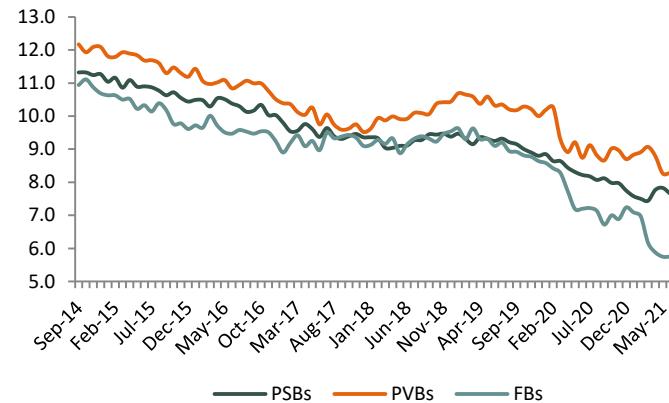


Exhibit 9: Sector hit due to Covid-19- Post lockdown, Construction and cement sector still not revive

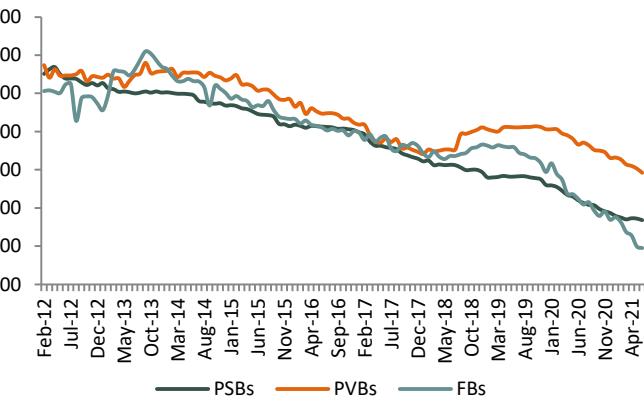


**Exhibit 10: Weighted Average Lending Rates (WALR)  
(On Fresh Rupee Loans Sanctioned)**



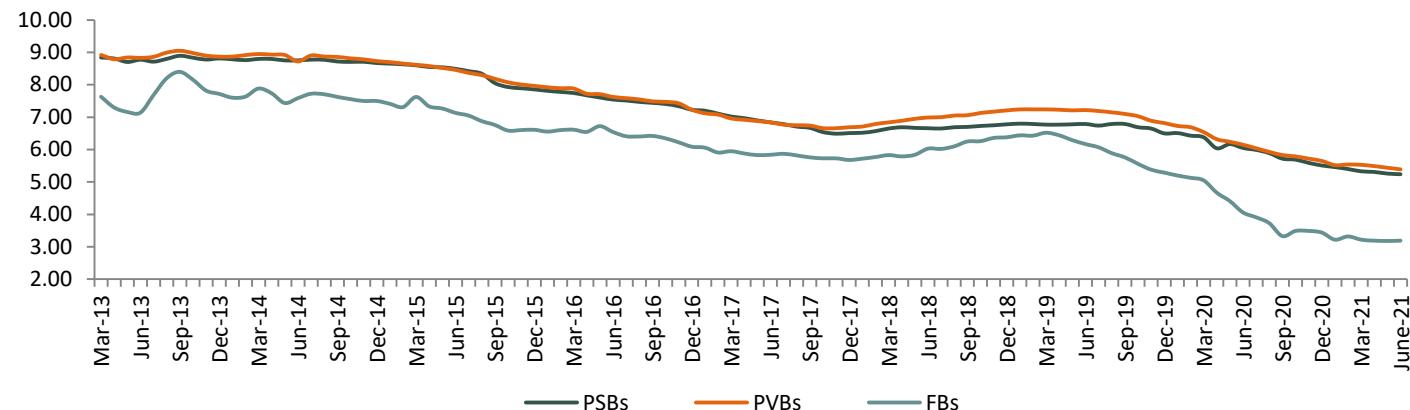
Source: RBI; IDBI Capital Research

**Exhibit 11: Weighted Average Lending Rates (WALR)  
(On Outstanding Rupee Loans)**

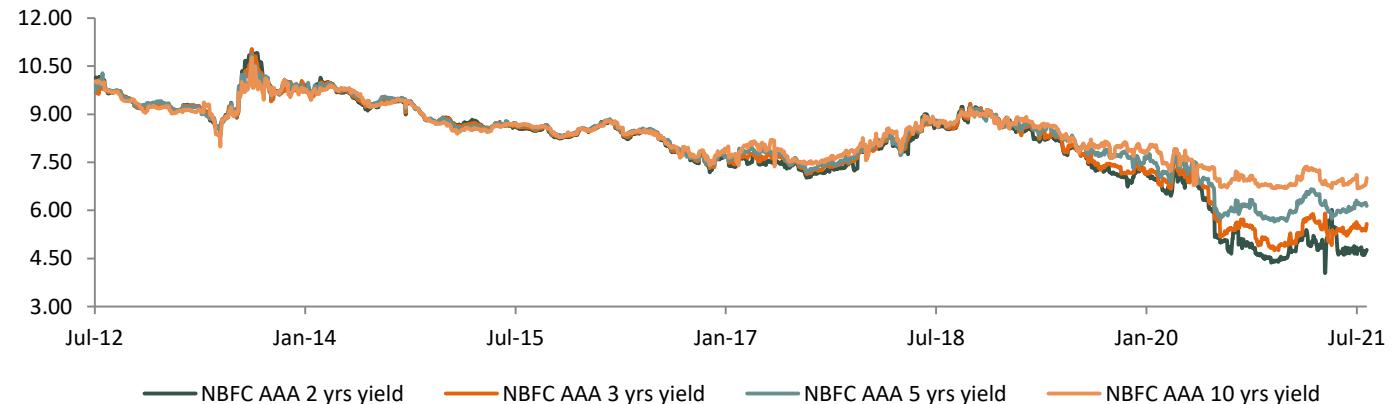


Source: RBI; IDBI Capital Research

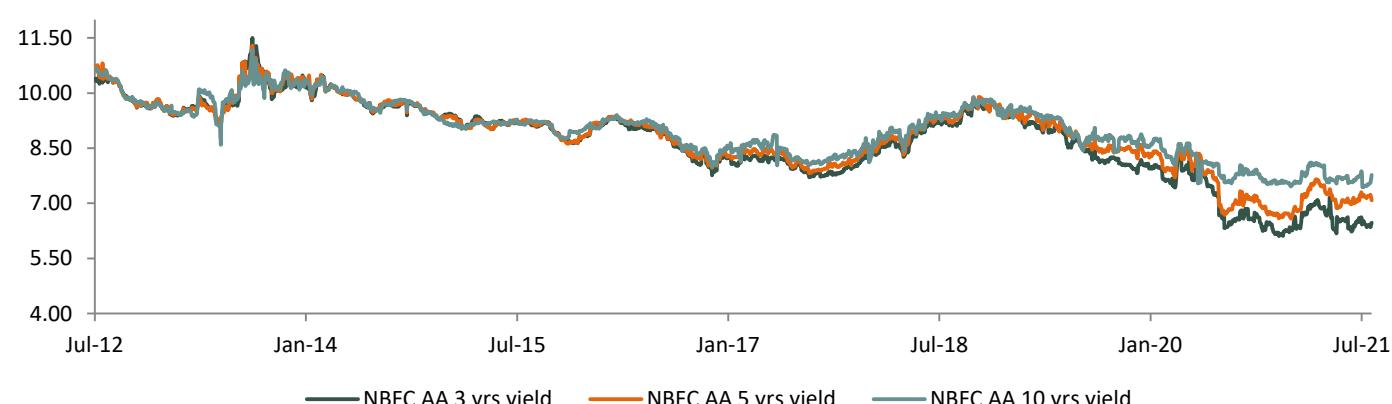
**Exhibit 12: Weighted Average Domestic Term Deposit Rates (WADTDR) (Outstanding Rupee Term Deposits)**



Source: RBI; IDBI Capital Research

**Exhibit 13: NBFC AAA yields- from Jan'21 onwards 5yrs yield seen surge of 42bps and 10yrs yield of 31bps**


Source: Bloomberg; IDBI Capital Research

**Exhibit 14: NBFC AA yields- from Jan'21 onwards 5yrs yield seen surge of 40bps and 10yrs yield of 23bps**


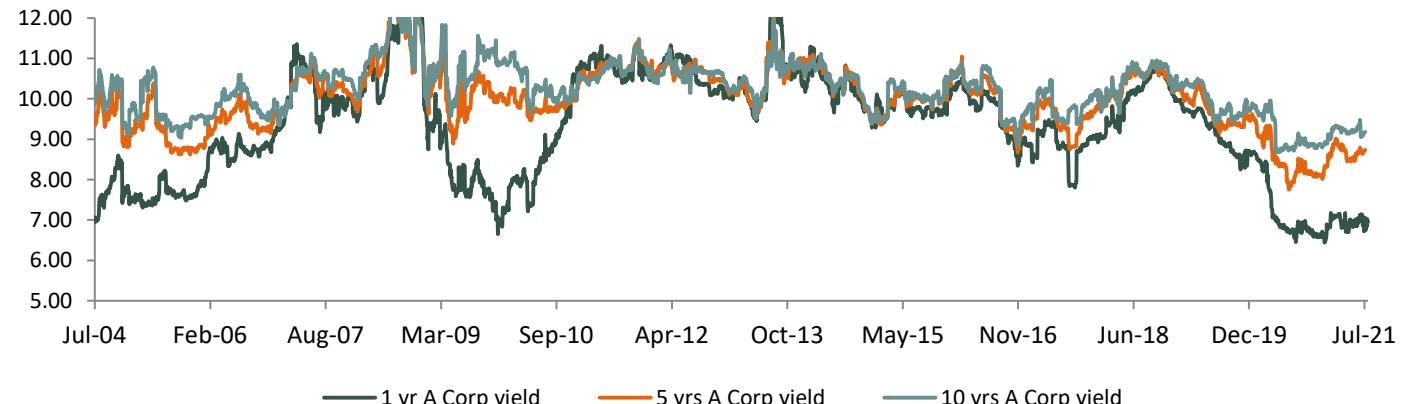
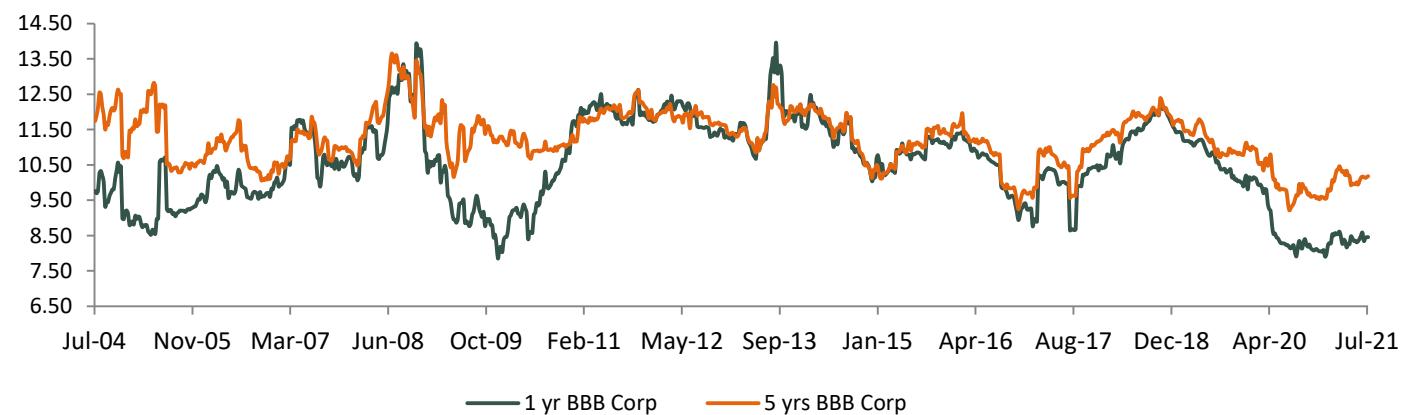
Source: Bloomberg; IDBI Capital Research

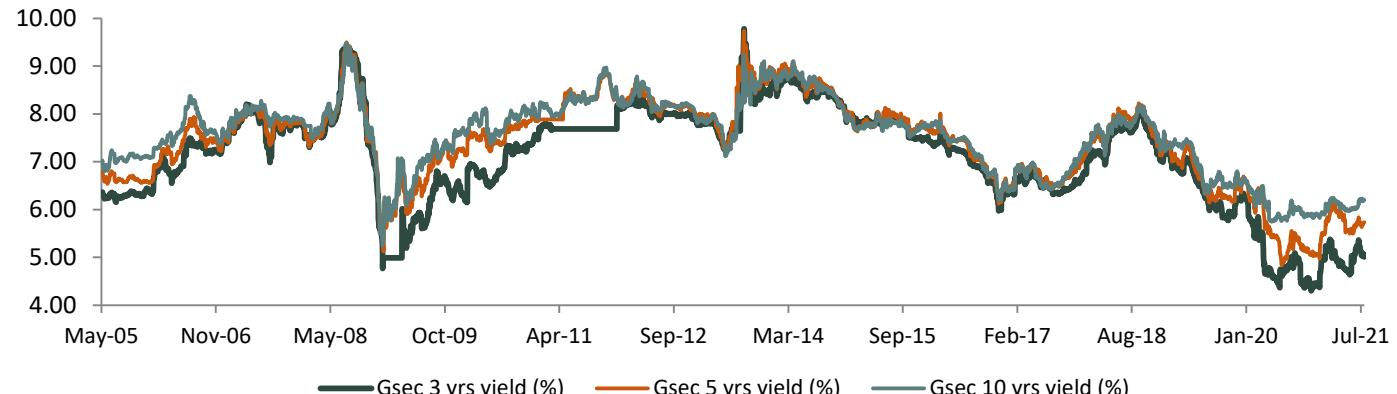
**Exhibit 15: Corporate bond AAA yields- from Jan'21 onwards 5yrs yield surge by 50bps and 10yrs yield by 34bps**


Source: Bloomberg; IDBI Capital Research

**Exhibit 16: Corporate bond AA yields- from Jan'21 onwards 5yrs yield surge by 57bps and 10yrs yield by 35bps**


Source: Bloomberg; IDBI Capital Research

**Exhibit 17: Corporate bond A yields- from Jan'21 onwards 5yrs yield surge by 65bps and 10yrs yield by 34bps**

**Exhibit 18: Corporate bond BBB yields- from Jan'21 onwards 5yrs yield surge by 60bps**


**Exhibit 19: G-sec yield- from Jan'21 onwards 10yrs yield surge by 33bps**


Source: Bloomberg; IDBI Capital Research

**Exhibit 20: Corporate bond Raised by NBFCs on MoM basis**

NBFCs (Rs in Bn)	July-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	June-21	July-21
HDFC	-	36.9	70.0	-	30.0	56.5	50.0	-	32.5	-	70.0	20.0	-
LIC HF	-	10.0	5.0	-	-	46.0	9.1	8.0	65.8	-	11.1	3.2	-
PNB HF	-	11.2	-	3.5	3.0	-	-	-	-	-	-	-	1.3
Shriram Transport	-	-	0.4	3.2	1.9	3.2	75.6	1.5	32.0	3.0	0.5	18.3	-
Cholafin	9.3	-	-	6.9	4.5	8.8	5.8	9.1	1.0	-	8.5	0.4	3.3
Sundaram Finance	2.0	9.0	-	0.8	-	4.0	-	-	7.0	-	14.5	2.5	5.0
Shriram City Union	-	-	1.5	2.0	0.3	1.5	1.5	1.1	9.9	-	-	1.0	1.5
Muthoot Finance	10.9	0.8	6.5	4.6	20.0	-	2.9	-	1.8	17.0	3.0	-	-
Manappuram Finance	12.8	2.5	4.5	-	-	4.0	6.0	-	-	-	-	-	-
Bajaj Finance	-	14.9	4.0	-	-	10.1	-	-	26.5	1.2	20.0	-	-
M&M Financial	2.8	-	5.0	5.0	-	6.8	-	-	-	-	-	8.3	15.8
Piramal Enterprise	0.8	0.5	-	-	-	-	-	-	-	-	-	3.7	1.0
L&T Finance	3.5	0.5	-	-	-	6.0	-	-	8.0	-	10.0	-	-
Indiabulls Housing	1.5	-	6.3	-	-	-	-	-	10.9	-	-	-	-

Source: Bloomberg; IDBI Capital Research



# Notes

Dealing

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