

26 March 2025

India | Equity Research | Sector Update

## Banking

### RBI revises PSL guidelines with enhanced limit and scope; minor hike in loan limits for SMF

RBI has revised its Priority Sector Lending (PSL) guidelines, which would be applicable from 1 Apr'25. Key changes include: 1) Introduction of new sub-segment of 14% non-corporate farmer (NCF) within agri's 18% sub-limit). 2) Enhancement of limit on several loans including housing, education, renewable etc. 3) Expansion of borrowers under 'weaker section'. 4) RBI has specified the interest rates on RIDF, which seems to get punitive commensurate with the shortfall. 5) It has also increased the limit for small and marginal farmers (SMF) from INR 0.2mn to INR 0.25mn without changing the overall limit of 10%. We note that compliance in SMF has been tough for most of the banks and the loan limit hike may not alter the situation materially. We would believe these revised guidelines are more of a 'tweak'. Banks with sizeable mortgage book, such as HDFCB, SBI etc. appear minor beneficiaries at the margin.

#### RBI expands PSL scope and eligibility; higher limit for home loan, education loans, renewable power

RBI has revised its PSL guidelines [\(link\)](#) – effective 1 Apr'25. The changes include enhancement of limits in several loan categories and wider scope for certain categories to facilitate better targeting of bank credit to the priority sectors of the economy. RBI has also introduced a new sub-segment of NCF at 14%, within the 18% sub-limit of the agri segment. Limit for home loans has been revised upwards. For centres with population of over 5mn, the loan limit has been increased to INR 5mn along with INR 6.3mn as cost of the dwelling unit. Similarly, for centres with population between 1–5mn, the loan limit has been revised to INR 4.5mn along with maximum cost of dwelling at INR 5.7mn. The earlier guidelines mandated loans up to INR 3.5mn (cost of dwelling at <INR 4.5mn) for centres with population above 1mn. Banks such as HDFCB and SBI, which have sizeable exposures to mortgage, could have minor benefit due to increase in limits. Loan for renewable energy has been hiked to INR 350mn vs. INR 300mn earlier. Limit for education loans have also been hiked to INR 2.5mn vs. INR 2mn earlier. The exhaustive list of changes is available in **Exhibit 1** below.

#### Scope widened for 'weaker section'

For weaker section, the limit has been increased to INR 0.2mn (vs. INR 0.1mn earlier) for artisans, village and cottage industries and individual women beneficiaries. Additionally, the weaker section now, specifically, includes individual and individual members of SHG/JLG. This could help banks with sizeable MFI exposure.

#### Limit increased for SMF category from INR 0.2mn to INR 0.25mn; RIDF yields get punitive commensurate with shortfall

The overall PSL target remains unchanged at 40% levels. RBI has also increased the eligibility limit for SMF from INR 0.2mn to INR 0.25mn but has kept the limit unchanged at 10%. We note that compliance for SMF has been tough for most of the banks and the tweak in the loan amount may not alter the situation materially. Interestingly, RBI has specified the yields on RIDF, which gets punitive as per the size of the shortfall. RIDF yields are 2% below bank rate if the shortfall is <5%, and stands at 3% and 4% below the bank rate in case the shortfall ranges 5–10% and above 10%, respectively.

**Jai Prakash Mundhra**

jai.mundhra@icicisecurities.com

+91 22 6807 7572

**Hardik Shah**

hardik.shah@icicisecurities.com

**Exhibit 1: RBI PSL guidelines – Summary of changes**

Parameter	New guidelines	Old guidelines
Introduction of Non-Corporate Farmers	18% of ANBC or CEOBSE, whichever is higher. <b>Within 18% agri, 14% is prescribed for Non-Corporate Farmers (NCFs)</b> , out of which a target of 10% is prescribed for SMFs	NA
Farm Credit- Individual farmers	Loans against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months subject to a limit up to <b>INR 9mn against</b> Negotiable Warehouse Receipt - NWRs/eNWRs and up to <b>INR 6mn</b> against warehouse receipts other than NWRs/eNWRs	Loans against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months subject to a limit up to <b>INR 7.5mn</b> against NWRs / eNWRs and up to <b>INR 5mn</b> against warehouse receipts other than NWRs / eNWRs
Farm Credit- Corporate farmers	Loans for the select activities, subject to an aggregate limit of <b>INR 40mn</b> per borrowing entity will be eligible	Loans for the select activities, subject to an aggregate limit of <b>INR 20mn</b> per borrowing entity will be eligible:
Farm Credit- Corporate farmers	Loans up to <b>INR 40 mn</b> against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months against NWRs/eNWRs and up to <b>INR 25mn</b> against warehouse receipts other than NWRs/eNWRs	Loans up to <b>INR 7.5mn</b> against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months against NWRs / eNWRs and up to <b>INR 5mn</b> against warehouse receipts other than NWRs / eNWRs
Farm Credit- Corporate farmers	Loans up to <b>INR 100mn</b> per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price	Loans up to <b>INR 50mn</b> per borrowing entity to FPOs / FPCs undertaking farming with assured marketing of their produce at a pre-determined price
Farm Credit- Corporate farmers	Loans up to <b>INR 100mn</b> for purchase of the produce of members directly engaged in agriculture and allied activities	NA
SMF	Loans up to <b>INR 0.25mn</b> to individuals solely engaged in allied activities without any accompanying land holding criteria	Loans up to <b>INR 0.2mn</b> to individuals solely engaged in Allied activities without any accompanying land holding criteria
Export Credit	<u>Domestic banks/WoS of Foreign banks/SFBs/UCBs</u> - Incremental export credit over corresponding date of the preceding year, up to 2% of ANBC or CEOBSE whichever is higher, subject to a sanctioned limit of up to <b>INR 0.5bn</b> per borrower	<u>Domestic banks / WoS of Foreign banks/ SFBs/ UCBs</u> Incremental export credit over corresponding date of the preceding year, up to 2% of ANBC or CEOBSE whichever is higher, subject to a sanctioned limit of up to <b>INR 0.4bn</b> per borrower
Education loans	Loans to individuals for educational purposes, including vocational courses, not exceeding <b>INR 2.5mn</b>	Loans to individuals for educational purposes, including vocational courses, not exceeding <b>INR 2mn</b>
Housing Loans- For purchase	<ul style="list-style-type: none"> <li>Population more than 5mn: <b>INR 5mn</b> (cost of unit &lt; <b>INR 6.3mn</b>)</li> <li>Population more than 1mn but less than 5mn: <b>INR 4.5mn</b> (cost of unit &lt; <b>INR 5.7mn</b>)</li> <li>Population less than 1mn: <b>INR 3.5mn</b> (cost of unit &lt; <b>INR 4.4mn</b>)</li> </ul>	<ul style="list-style-type: none"> <li>Population more than 1mn - <b>INR 3.5mn</b> (cost of unit &lt; <b>INR 4.5mn</b>)</li> <li>Others - <b>INR 2.5mn</b> (cost of unit &lt; <b>INR 3mn</b>)</li> </ul>
Housing loans- For repairs	<ul style="list-style-type: none"> <li>Population more than 5mn: <b>INR 1.5mn</b></li> <li>Population more than 1mn but less than 5mn: <b>INR 1.2mn</b></li> <li>Population less than 1mn: <b>INR 1mn</b></li> </ul> All conforming to the overall cost of unit as above	<ul style="list-style-type: none"> <li>Population more than 1mn: <b>INR 1mn</b></li> <li>Others: <b>INR 0.6mn</b></li> </ul> All conforming to the overall cost of unit as above
Social Infrastructure	Loans up to a limit of <b>INR 80mn</b> per borrower for setting up schools, drinking water facilities and sanitation facilities	Bank loans up to a limit of <b>INR 50mn</b> per borrower for setting up schools, drinking water facilities and sanitation facilities
Social Infrastructure	Loans up to a limit of <b>INR 120mn</b> per borrower for building health care facilities in Tier II to Tier VI centres.	Loans up to a limit of <b>INR 100mn</b> per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres
Renewable Energy	Bank loans up to a limit of <b>INR 350mn</b> to borrowers for renewable energy-based power generators and for renewable energy based public utilities, viz., street lighting systems, remote village electrification etc., will be eligible.	Bank loans up to a limit of <b>INR 300mn</b> to borrowers for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities, viz., street lighting systems and remote village electrification etc., will be eligible
Weaker Section	Artisans, village and cottage industries where individual credit limits do not exceed <b>INR 0.2mn</b>	Artisans, village and cottage industries where individual credit limits do not exceed <b>INR 0.1mn</b>
Weaker Section	<b>Individuals and individual members of SHGs/JLGs included</b>	NA
Weaker Section	Individual women beneficiaries up to <b>INR 0.2mn</b> per borrower	Individual women beneficiaries up to <b>INR 0.1mn</b> per borrower
Interest on RIDF	<p>The interest rates payable to banks for their contribution to RIDF/other funds:</p> <p>A. Less than 5% - <b>Bank rate: 2%</b></p> <p>B. Less than 10% but &gt; 5% - <b>Bank rate: 3%</b></p> <p>C. &gt; 10% - <b>Bank rate: 4%</b></p> <p>Further, in case of no shortfall in overall PSL target but shortfall in any sub-target, interest rate of Bank Rate minus 2% will apply</p>	The interest rates on banks' contribution to RIDF or any other funds, tenure of deposits, etc. shall be fixed by RBI from time to time

Source: RBI, I-Sec research.

*"In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company."*

*This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com and Kadambari\_balachandran@icicisecuritiesinc.com.*

*"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."*

*New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return*

## ANALYST CERTIFICATION

I/We, Jai Prakash Mundhra, MBA; Hardik Shah, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is SEBI registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report.

Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report

as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

---

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: [headsservicequality@icicidirect.com](mailto:headsservicequality@icicidirect.com) Contact Number: 18601231122

---