

21 January 2016

India Financials: Credit Tracker

Credit growth marginally better at 11.3% YoY

As per RBI data, credit growth for the fortnight ended 8 January inched up to 11.3% YoY while deposit growth remained steady at 10.9% YoY. Investment growth declined to 10.4% YoY, while the SLR increased to 27.3%. Credit growth has been weak over the last few months due to low corporate demand and a lack of fresh investments. We do not see material improvement ahead and forecast growth of 12% YoY for FY16.

- ➔ **Credit growth at 11.3%:** As per RBI data, credit growth for the fortnight ended 8 January improved to 11.3% from 11.1% the previous fortnight. In absolute terms, credit offtake increased by Rs 0.6tn vs. Rs 0.5tn in the fortnight ended 25 December. Weakness over the last few months has stemmed from low corporate demand and a lack of fresh projects. As per sectoral deployment of bank credit, growth in non-food credit as of Nov'15 remained sluggish at 8.8% YoY. Retail loans continued to grow apace at 18% YoY, while a slowdown was observed in sub-sectors such as mining (-5.4% YoY), food processing (-1.3% YoY) and gems & jewellery (-0.3% YoY).
- ➔ **Deposit growth stable at 10.9%:** Deposit growth remained stable at 10.9% YoY (up Rs 0.9trn to Rs 92.8tn). Investment growth declined to 10.4% vs 11.1% in the previous fortnight while the SLR improved to 27.3%. Banks have been consciously keeping SLR balances above the regulated levels of 21.5% as this helps them meet LCR requirements. In our view, slow credit offtake is another contributing factor which should keep the SLR elevated in coming months as well.
- ➔ **FY16 loan growth to remain at ~12%:** We do not expect any material improvement in credit growth for FY16 and build in a modest ~12% YoY growth for the year. Mid-tier PSU banks are likely to grow below the system due to asset quality stress. This should lead to market share gains for private banks, especially mid-tier names such as YES and IIB, which we expect will grow much higher than the industry.



REPORT AUTHORS

Parag Jariwala, CFA

+91 22 6766 3442

parag.jariwala@religare.com

Vikesh Mehta

+91 22 6766 3474

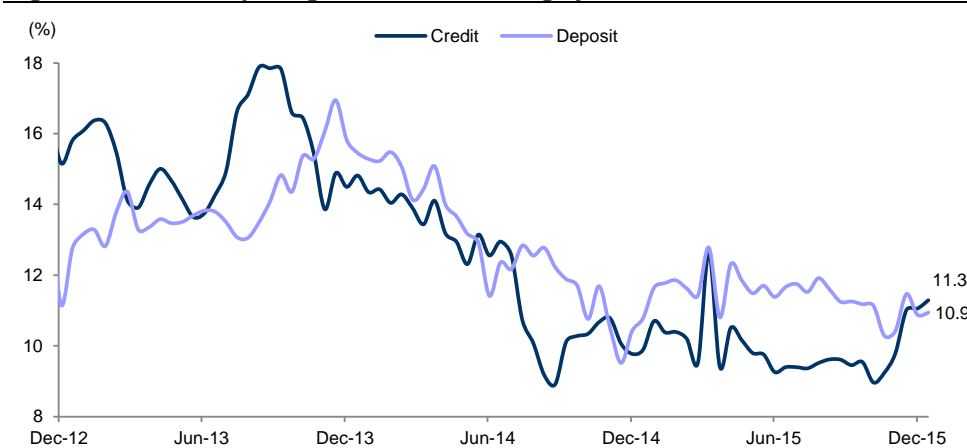
vikesh.mehta@religare.com

Key data

Particulars	09-Jan-15	08-Jan-16
Deposits (Rs tn)	83.6	92.8
YoY growth (%)	10.8	10.9
YTD growth (%)	5.8	4.1
Loans (Rs trn)	63.6	70.8
YoY growth (%)	9.9	11.3
YTD growth (%)	4.9	3.7
CD ratio (%)	76.1	76.3
SLR ratio (%)	27.6	27.3

Source: RBI

Fig 1 - Credit and deposit growth in the banking system



Source: RBI, RCML Research

RESEARCH TEAM

ANALYST	SECTOR	EMAIL	TELEPHONE
Mihir Jhaveri	Auto, Auto Ancillaries, Cement, Logistics	mihir.jhaveri@religare.com	+91 22 6766 3459
Siddharth Vora	Auto, Auto Ancillaries, Cement, Logistics	siddharth.vora@religare.com	+91 22 6766 3435
Misal Singh	Capital Goods, Infrastructure, Utilities	misal.singh@religare.com	+91 22 6766 3466
Prashant Tiwari	Capital Goods, Infrastructure, Utilities	prashant.tiwari@religare.com	+91 22 6766 3485
Premal Kamdar	Consumer	premal.kamdar@religare.com	+91 22 6766 3469
Rohit Ahuja	Energy	ahuja.rohit@religare.com	+91 22 6766 3437
Parag Jariwala, CFA	Financials	parag.jariwala@religare.com	+91 22 6766 3442
Vikesh Mehta	Financials	vikesh.mehta@religare.com	+91 22 6766 3474
Rumit Dugar	IT, Telecom, Media	rumit.dugar@religare.com	+91 22 6766 3444
Saumya Shrivastava	IT, Telecom, Media	saumya.shrivastava@religare.com	+91 22 6766 3445
Pritesh Jani	Metals	pritesh.jani@religare.com	+91 22 6766 3467
Arun Baid	Mid-caps	arun.baid@religare.com	+91 22 6766 3446
Praful Bohra	Pharmaceuticals	praful.bohra@religare.com	+91 22 6766 3463
Aarti Rao	Pharmaceuticals	aarti.rao@religare.com	+91 22 6766 3436
Arun Aggarwal	Real Estate	arun.aggarwal@religare.com	+91 22 6766 3440
Jay Shankar	Economics & Strategy	shankar.jay@religare.com	+91 11 3912 5109
Rahul Agrawal	Economics & Strategy	ag.rahul@religare.com	+91 22 6766 3433

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