

Research Picks

- ➔ India Financials: Credit Tracker -Credit growth stable at 11.5% YoY

19 February 2016



18 February 2016

India Financials: Credit Tracker

Credit growth stable at 11.5% YoY

As per RBI data, credit growth for the fortnight ended 5 February was stable at 11.5% YoY while deposit growth improved marginally to 11.3% YoY. Investment growth inched up to 9.9% YoY which led to a 20bps increase in SLR to 27.3% vs. the previous fortnight. 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 12% YoY growth for FY16.

- ➔ **Credit growth stable at 11.5%:** As per RBI data, credit growth for the fortnight ended 5 February remained stable at 11.5% vs. 11.4% the previous fortnight. In absolute terms, credit offtake increased by Rs 0.6trn vs. Rs 95bn in the fortnight ended 22 January. 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 Dec'15 improved marginally to 9.3% YoY. Growth in the agri/services segments increased to 12.7%/9.2% YoY, while retail credit growth slowed to 16% vs. 18% in Nov'15. A slowdown was observed across sub-sectors such as mining (-0.3%), food processing (-1.9%) and cement & cement products (-1.1%).
- ➔ **Deposit growth marginally better at 11.3%:** Deposit growth improved marginally to 11.3% YoY (up Rs 0.9tn to Rs 93.6trn). Investment growth revived to 9.9% vs. 8.9% in the previous fortnight, which drove SLR higher by 20bps FoF 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 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 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

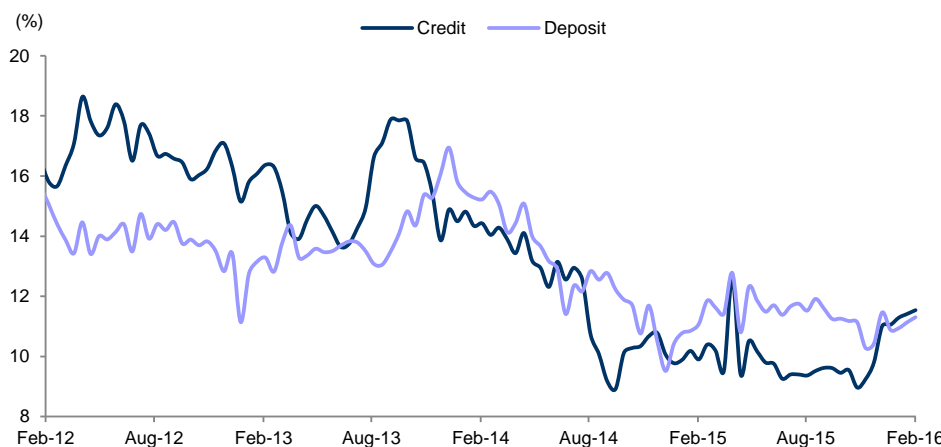
vikesh.mehta@religare.com

Key data

Particulars	6-Feb-15	5-Feb-16
Deposits (Rs trn)	84.1	93.6
YoY growth (%)	11.1	11.3
YTD growth (%)	6.4	5.0
Loans (Rs trn)	64.1	71.5
YoY growth (%)	9.9	11.5
YTD growth (%)	5.7	4.7
CD ratio (%)	76.3	76.4
SLR ratio (%)	27.7	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
Akshay Mane	Energy	akshay.mane@religare.com	+91 22 6766 3438
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

RESEARCH DISCLAIMER

Important Disclosures

This report was prepared, approved, published and distributed by a Religare Capital Markets ("RCM") group company located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by Enclave Capital LLC ("Enclave Capital"), a U.S. registered broker dealer, on behalf of RCM only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

Subject to any applicable laws and regulations at any given time, non-US Group Companies, their affiliates or companies or individuals connected with RCM (together, "Connected Companies") may make investment decisions that are inconsistent with the recommendations or views expressed in this report and may have long or short positions in, may from time to time purchase or sell (as principal or agent) or have a material interest in any of the securities mentioned or related securities or may have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, recipients of this report should be aware that Connected Companies may have a conflict of interest that could affect the objectivity of this report.

This report is only for distribution to investment professionals and institutional investors.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Analysts and strategists are paid in part by reference to the profitability of RCM.

Stock Ratings are defined as follows

Recommendation Interpretation (Recommendation structure changed with effect from March 1, 2009)

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Expected absolute returns are based on the share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Stock Ratings Distribution

As of 1 February 2016, out of 183 rated stocks in the RCM coverage universe, 109 have BUY ratings (including 5 that have been investment banking clients in the last 12 months), 53 are rated HOLD and 21 are rated SELL.

Research Conflict Management Policy

RCM research has been published in accordance with our conflict management policy, which is available [here](#).

Disclaimers

This report is not directed to, 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 or regulation or which would subject RCM to any registration or licensing requirement within such jurisdiction(s). This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to RCM. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of RCM. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of RCM or its affiliates, unless specifically mentioned otherwise.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. RCM has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. RCM will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. In addition, nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Information and opinions presented in this report were obtained or derived from sources that RCM believes to be reliable, but RCM makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. RCM accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to RCM. This report is not to be relied upon in substitution for the exercise of independent judgment. RCM may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected absolute return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by RCM and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk.

This report is distributed in India by Religare Capital Markets Limited, which is a registered intermediary regulated by the Securities and Exchange Board of India. In Singapore, it is being distributed (i) by Religare Capital Markets (Singapore) Pte. Limited ("RCMS") (Co. Reg. No. 200902065N) which is a holder of a capital markets services licence and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations (the "FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to RCMS when providing any financial advisory service to an accredited investor, or "overseas investor" (as defined in regulation 36 of the FAR). Persons in Singapore should contact RCMS in respect of any matters arising from, or in connection with this publication/communication. In Hong Kong, it is being distributed by Religare Capital Markets (Hong Kong) Limited ("RCM HK"), which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In Australia, it is being distributed by RCMHK which is approved under ASIC Class Orders. In Sri Lanka, it is being distributed by Bartleet Religare Securities, which is licensed under Securities and Exchange Commission of Sri Lanka. If you wish to enter into a transaction please contact the RCM entity in your home jurisdiction unless governing law provides otherwise. In jurisdictions where RCM is not registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation which may vary from one jurisdiction to another and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements.

Religare Capital Markets does and seeks to do business with companies covered in our research report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of research produced by Religare Capital Markets. Investors should consider our research as only a single factor in making their investment decision.

Any reference to a third party research material or any other report contained in this report represents the respective research organization's estimates and views and does not represent the views of RCM and RCM, its officers, employees do not accept any liability or responsibility whatsoever with respect to its accuracy or correctness and RCM has included such reports or made reference to such reports in good faith. This report may provide the addresses of, or contain hyperlinks to websites. Except to the extent to which the report refers to material on RCM's own website, RCM takes no responsibility whatsoever for the contents therein. Such addresses or hyperlinks (including addresses or hyperlinks to RCM's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this report. Accessing such website or following such link through this report or RCM's website shall be at your own risk.

Other Disclosures by Religare Capital Markets Limited under SEBI (Research Analysts) Regulations, 2014 with reference to the subject companies(s) covered in this report:

Religare Capital Markets Limited ("RCML") is engaged in the business of Institutional Stock Broking and Investment Banking. RCML is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Merchant Banker. RCML is a subsidiary of Religare Enterprises Limited which has its various subsidiaries engaged in the businesses of commodity broking, stock broking, lending, asset management, life insurance, health insurance, wealth management, portfolio management, etc. RCML has set up subsidiaries in Singapore, Hong Kong and Sri Lanka to render stock broking and investment banking services in respective jurisdictions.

RCML's activities were neither suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. RCML has not been debarred from doing business by any Stock Exchange / SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against RCML impacting its equity research analysis activities.

RCML or its research analyst or his/her relatives do not have any financial interest in the subject company.

RCML or its research analyst or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this research report.

RESEARCH DISCLAIMER

Research analyst or his/her relatives do not have any material conflict of interest at the time of publication of this report.

Research analyst has not received any compensation from the subject company in the past 12 months.

RCML may have managed or co-managed a public offering of securities for the subject company in the past 12 months.

RCML may have received compensation from the subject company in the past 12 months.

Research analyst has not served as an officer, director or employee of the subject company.

RCML or its research analyst is not engaged in any market making activities for the subject company.

RCML may from time to time solicit or perform investment banking services for the company(ies) mentioned in this report.

RCML or its associates may have material conflict of interest at the time of publication of this research report.

RCML's associates may have financial interest in the subject company. RCML's associates may have received compensation from the subject company in the past 12 months. RCML's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this research report.

RCM has obtained registration as Research Entity under SEBI (Research Analysts) Regulations, 2014.