

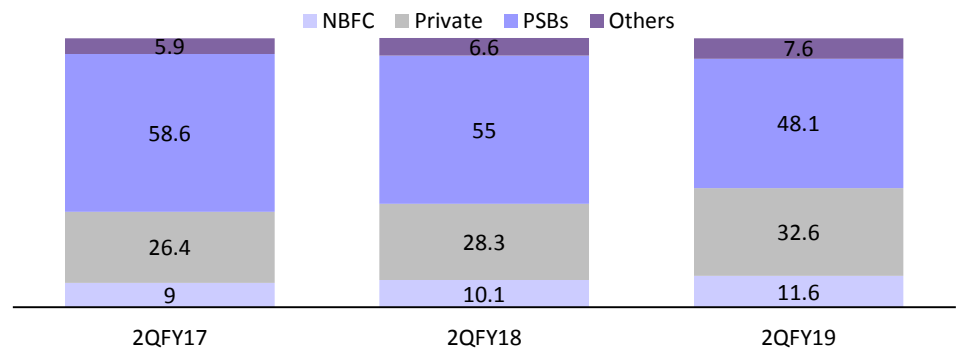
## Private banks gaining market share in MSME loans

### Asset quality trends broadly stable; delinquency rates lower for private banks

We delved into the latest 'MSME Pulse Report' published by the TransUnion CIBIL. Key highlights:

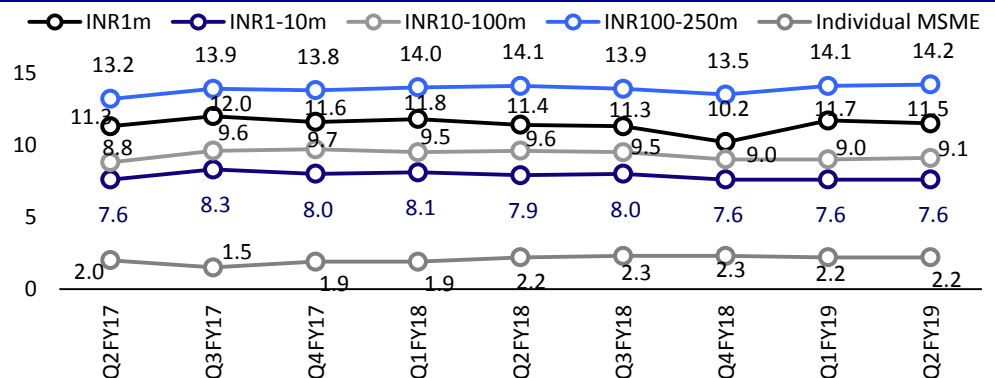
- Total MSME loans grew by 22.8% YoY to INR24.7t in 2QFY19, of which loans to individuals accounted for INR10.4t (+27.6% YoY) and loans to entities formed INR14.3t (+19.6% YoY).
- GNPA ratio in individual loans is lower than that in entity loans. GNPA ratio for individual loans stood at 2.2%, while it was 11.5% for loans below INR1m and 14.2% (highest amongst all classifications) for loans between 100m-250m (as on 2QFY19).
- Fresh GNPA ratio for private banks in the MSME segment ranges from 0.2%-0.8% and the recovery rate ranges from 0.1%-0.6% per quarter. For PSBs, the fresh GNPA ratio is in the range of 1%-2% and the recovery rate ranges from 0.5%-2% per quarter. Overall, the fresh GNPA ratio in the MSME segment ranges from 1%-1.5% and the recovery rate ranges from 0.4%-0.8% per quarter.
- Over 2QFY17-2QFY19, private banks have expanded their market share in MSME lending from 26.4% to 32.6% (healthy CAGR of 29.8%), while PSBs' market share has declined from 58.6% to 48.1%.

Exhibit 1: Private banks gaining market share (%)



Source: MOSL, TransUnion CIBIL

Exhibit 2: NPA ratio in individual MSME loans much lower than that in high-ticket loans



Source: MOSL, TransUnion CIBIL

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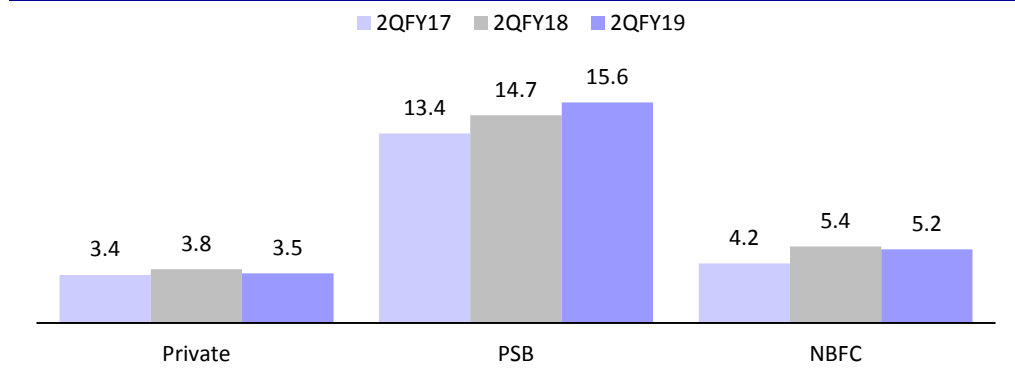
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**Exhibit 3: MSME loans breakup**

INRb	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
INR1m	580	560	580	640	700	790	830	840	830
INR1-10m	2,430	2,370	2,500	2,630	2,770	2,970	3,220	3,400	3,420
INR10-100m	4,850	4,870	5,090	5,290	5,580	5,900	6,430	6,780	6,770
INR100-250m	2,640	2,670	2,750	2,810	2,900	3,070	3,210	3,280	3,270
Individual MSME	5,480	6,300	7,220	7,960	8,150	8,330	9,040	9,670	10,400
<b>Total</b>	<b>15,980</b>	<b>16,770</b>	<b>18,140</b>	<b>19,330</b>	<b>20,100</b>	<b>21,060</b>	<b>22,730</b>	<b>23,970</b>	<b>24,690</b>

Source: MOSL, TransUnion CIBIL

**Exhibit 4: Private banks better positioned to manage NPA in MSME segment**



Source: MOSL, TransUnion CIBIL

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