

Industrial Growth Picks up, Retail and Service Continues to Drive the Growth

Credit growth picks up to 13% in FY19 against average growth of 10% in last 5 Years.

For FY19 Annual- The Scheduled bank's credit grew by 13% YoY in FY19 as against the average growth of 10% in last five years signalling pickup in growth. Services Sector grew by 18%, while retail segment grew by 16%. The credit growth in industrial segment picked up to 6.7% against low of 1% growth in FY18. Industrial credit growth showed positive sign after the 3 years of sluggish growth. The deposits growth remained better at 10% YoY as against low growth of 6% in FY18.

Fortnight data- Scheduled banks reported strong growth of 14% for the fortnight ended April 12, 2019. Non-food credit to major sector grew by 12% YoY. Deposits growth stood at 11% for the same fortnight ended April 12, 2019. CD ratio declined by 70 Bps to 77% but continued to remain tight.

Home loan and unsecured Loan; the Retail credit growth drivers. Vehicle credit growth tapers.

The retail credit growth remained strong at 16% YoY mainly driven by home loan and unsecured portion. After registering the strong growth in last several quarters, now the retail growth started to show gradual moderation in the overall growth. The home loan credit growth stood at 19% whereas credit card loans growth stood at 29% YoY. The Home loan continues to have the highest share of retail loans at 52%. Other personal loans grew by 19% whereas vehicle loans grew by 6.5% YoY, the lowest growth in last few years mainly impacted by slowdown in auto sales in the country..

Services Sector continues to lead the overall credit growth

Services sector credit grew by 18% YoY. The growth mainly driven by NBFCs which grew by 29% YoY and 11% from last fortnight reported data. Amid liquidity crisis NBFCs has resorted to the banks for funding as capital market as well as money market has turned averse towards NBFCs. Credit to trade services has improved to 13% YoY against 9% last year. Under this wholesale trade credit grew by 22% YoY against 6% last year. The share of services increased to 28% as against 27% in the last fortnight.

Agricultural and Industrial growth picked up

Agricultural credit growth revived to 8% against growth of 6% in the same fortnight last year. The industrial credit growth stood at 7% as against low growth of 1% in the same fortnight last year. Credit growth to infrastructure, chemical & chemical products and all engineering accelerated. However, credit growth to basic metal & metal products, textiles and food processing decelerated.

We Continue to Like AXSB, ICICIB, SBIN and HDFCB

With the pickup in industrial growth and moderation in slippages, earnings are likely to revive significantly for corporate lenders. Strong liability franchise will continue to support the NIM going ahead. Liquidity tightness has helped the banks with gaining market share from NBFCs and improved pricing power. Infusion of capital by Government in PSU banks has led six banks to come out of PCA which can further drive the credit growth in the system going ahead. Within our coverage we continue to like, Axis Bank, ICICI Bank, SBIN and HDFC Bank.

Research Analyst

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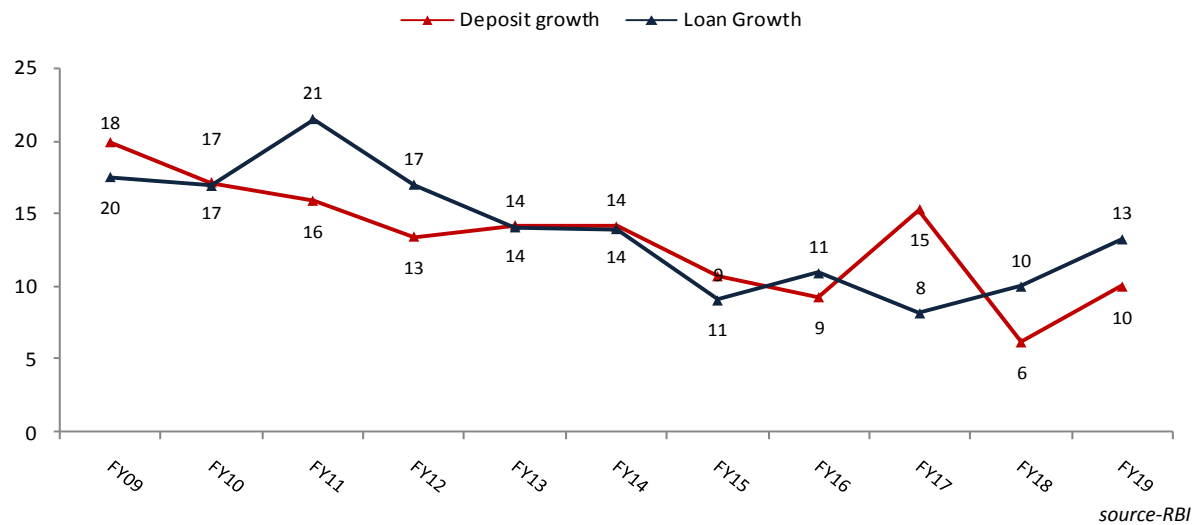
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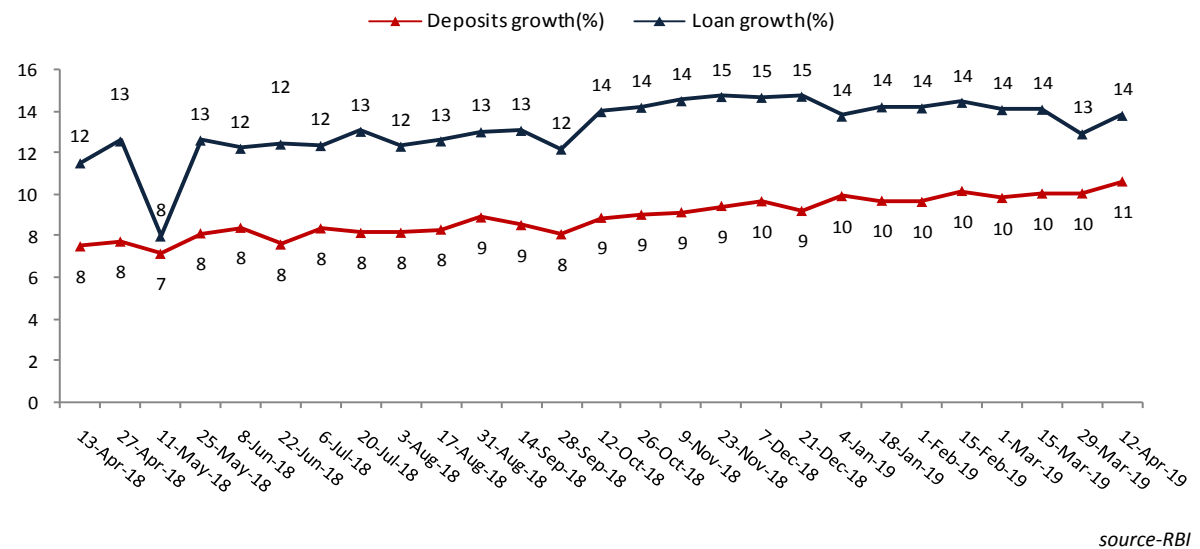
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Exhibit 1: System loan/Deposits growth(Yearly)

Loan/Deposit growth stood at 13%/10%

**Exhibit 2: System loan/Deposits growth(Fortnight)**

Loan/Deposit growth stood at 14%/11%

**Exhibit 3: CD Ratio trend**

CD ratio declined

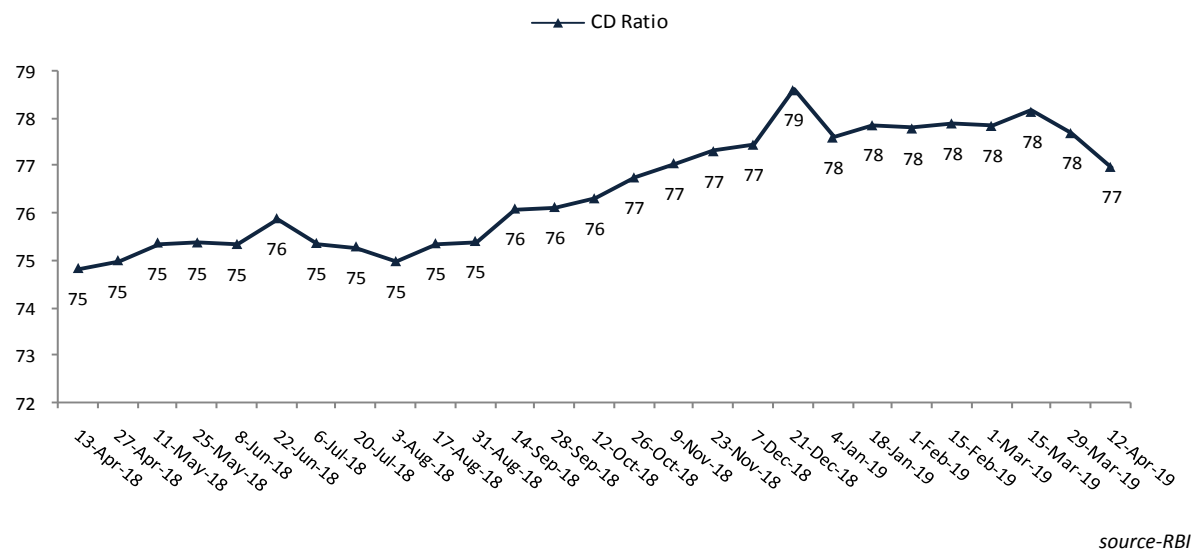
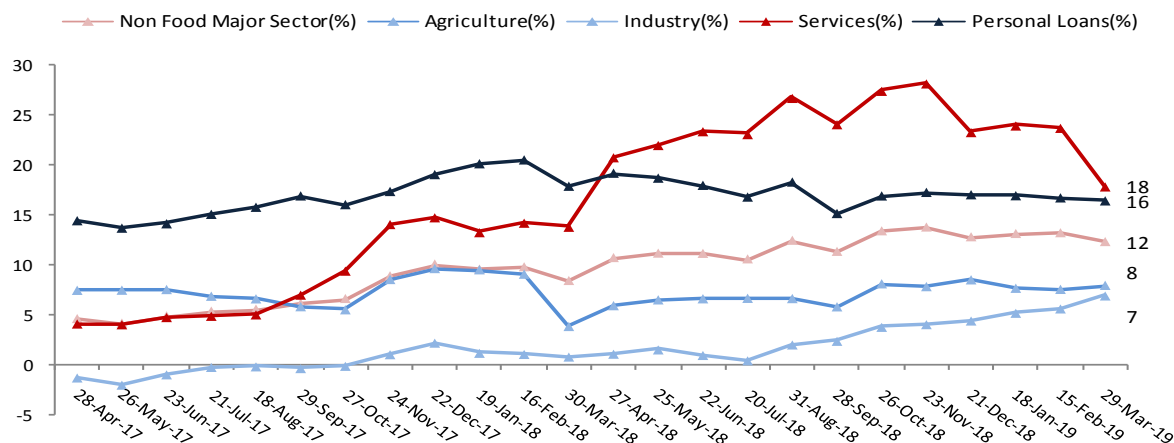
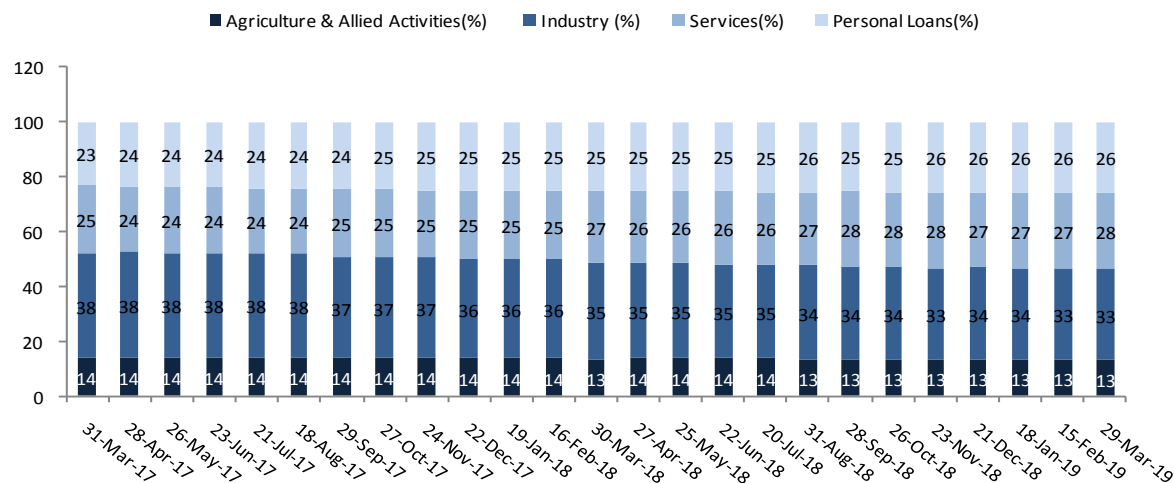
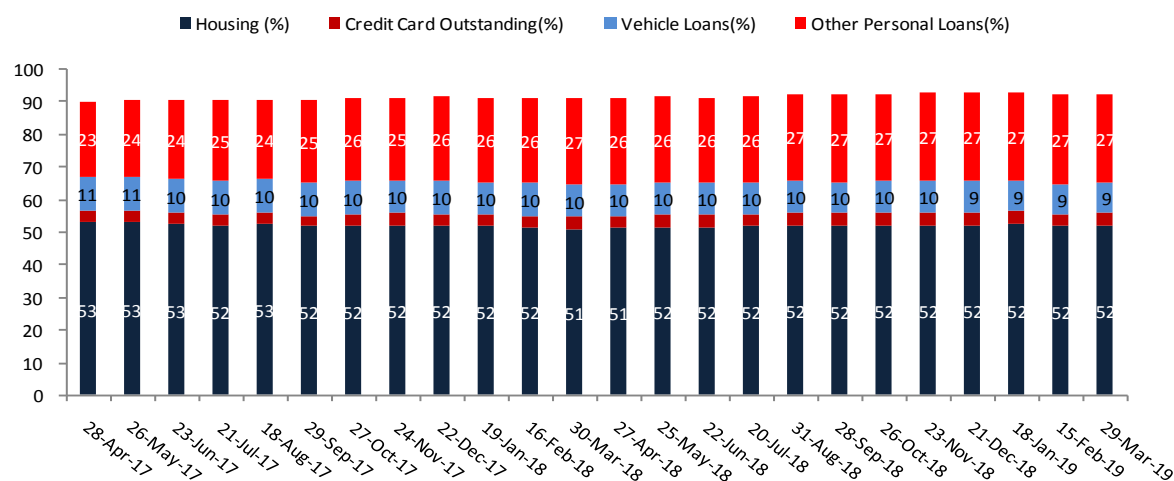


Exhibit 4: Credit growth*Growth driven by retail and services*

source-RBI

Exhibit 5: Credit Composition*Services and Retail has the highest share*

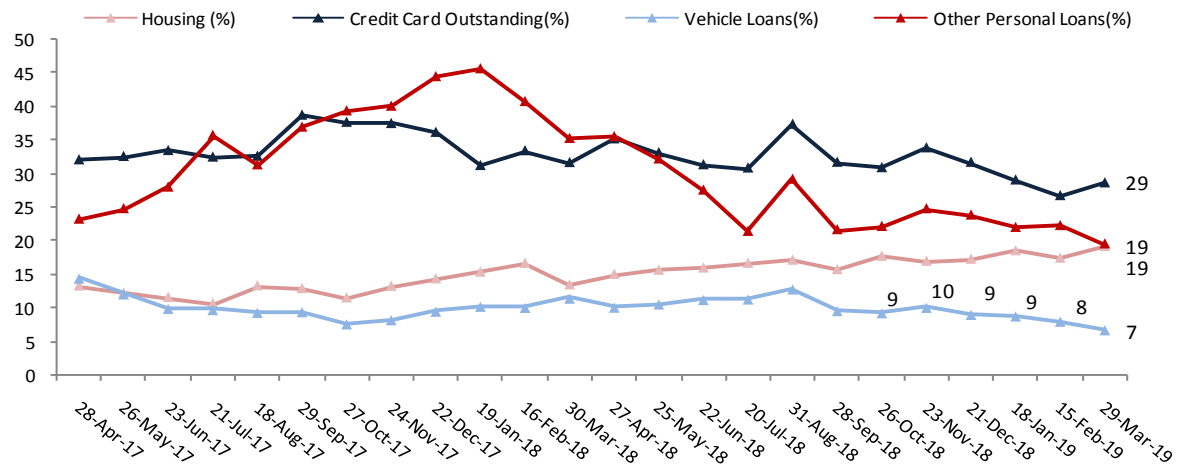
source-RBI

Exhibit 6: Retail Credit composition*Housing and other personal loans forming 79% of retail*

source-RBI

Exhibit 7: Retail Credit growth drivers*Vehicle Loan Growth Tapers*

Retail credit growth driven by credit card, home loan and other personal loans whereas vehicle loan growth tapers.



source-RBI

Exhibit 8: Strong Growth in Trade*Growth in trade driven by Wholesale Trade*

source-RBI

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