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India | Equity research | Sector update

Banking

Jul'23 sectoral credit deployment: Adjusted non-food credit growth moderates to 14.8% YoY

Banks' sectoral credit deployment data for Jul'23 (as of 28 Jul'23) suggests non-food credit stands at INR 147.8trn, up 19.8% YoY on reported basis. However, the reported July'23 data includes the impact of merger of a non-bank with a bank, hence is not comparable. Adjusted for the merger, we calculate non-food credit systemic growth stands at 14.8% YoY and -1.4% MoM. There is moderation in adjusted credit growth YoY for all four sub-segments. Growth trend across verticals was as follows: 19.4% YoY (26.7% in Jun'23) and (2.5%) MoM in services, 18.4% YoY (20.9% in Jun'23) and (0.1%) MoM in retail; 16.8% YoY (19.7% in Jun'23) and (0.6%) MoM in agriculture and, lastly, 5.2% YoY (8.1% in Jun'23) and (2.2%) MoM in industry. Sector-specific nuances are mentioned hereunder:

- On MoM basis, incremental contraction in Jul'23 was seen to the extent of INR 969bn in services followed by INR 770bn in industry, INR 101bn in agri and lastly INR 46bn in retail. Important to note is that date for Jun'23 is period-end as against 28th for Jul'23; hence, there appears a downward bias in MoM calculation for the month of Jul'23.
- Growth in Services, after coming in at multi-month high of 26.7% in Jun'23, moderated to 19.4% YoY. Heavyweight NBFC segment saw a steep decline in growth to 23.6% YoY vs its past 12-month average of >30%. Other services growth also moderated to 19.9% YoY, similar to its past 12-month average, but well below 33.8% in Jun'23. Trade growth was steady at 17.1% YoY.
- Agri growth also moderated to 16.8% vs 19.7% YoY in Jun'23.
- Industry vertical growth slumped to a 22-month low of 5.2% YoY and contracted 2.2% MoM. Within industry, micro/small industry credit was at 10.2% YoY (13.0% in Jun'23), medium industry was up 9.7% YoY (13.2% in Jun'23) and large industry was up 4.3% YoY (6.4% in Jun'23). On MoM basis, growth moderation was seen across all the above 3 sub-verticals.
- Within industry, petroleum, coal products & nuclear fuels segment growth slumped to a negative 0.4% YoY vs YoY run-rate of 27-40%. Basic metal & metal product growth continued to be strong at 18.5% YoY. However, growth in heavyweight infrastructure (9.3% of overall credit) continues to be subdued at <2% YoY. Within infra, power credit book declined 1.7% YoY. Telecom growth was up 1.8% YoY after being negative YoY for the past 6 months ending Jun'23. Road growth has also declined to low single digit vs double digits earlier.
- Retail loanbook moderated slightly to 18.4% YoY (in Jul'23?) vs 19-20% run-rate. The moderation seems due to housing book, which comprises 47% of total retail loans.
- Adjusted housing growth has declined to 13.1% YoY (16-month low) vs an average of 15.3% in the past 12 months. At the same time, there is sharp rise in PSL housing and sharp moderation in non-PSL housing for the month of Jul'23. We would look for more data-points to establish a trend here.
- Growth in credit card and other personal loans remains strong at 31.2% YoY and 24.2% YoY respectively, though a bit moderate as compared to Jun'23. Vehicle loan growth continues to be steady above 20% (it was up 21.2% YoY for Jul'23).

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Exhibit 1: Adjusted non-food credit growth moderates to 12-month low; moderation seen across segments

| Sector (INR bn) | Jul-2022 | Jun-2023 | Jul-2023 | YY % Chg | M/M % Chg | YTD % | % of total |
|--|-----------------|-----------------|-----------------|--------------|--------------|-------------|--------------|
| Non-food Credit | 1,23,370 | 1,43,638 | 1,41,654 | 14.8% | -1.4% | 3.7% | NA |
| Agriculture & Allied Activities | 15,292 | 17,970 | 17,868 | 16.8% | -0.6% | 5.9% | 13.5% |
| Industry | 31,820 | 34,241 | 33,471 | 5.2% | -2.2% | 0.3% | 25.4% |
| Micro & Small | 5,565 | 6,256 | 6,134 | 10.2% | -1.9% | 2.5% | 4.6% |
| Medium | 2,320 | 2,634 | 2,546 | 9.7% | -3.4% | 0.5% | 1.9% |
| Large | 23,936 | 25,350 | 24,971 | 4.3% | -1.5% | 0.5% | 18.9% |
| Services | 31,715 | 38,850 | 37,881 | 19.4% | -2.5% | 5.0% | 28.7% |
| Transport Operators | 1,552 | 1,881 | 1,874 | 20.8% | -0.4% | 6.3% | 1.4% |
| Computer Software | 209 | 229 | 220 | 5.2% | -3.7% | 2.1% | 0.2% |
| Tourism, Hotels & Restaurants | 651 | 684 | 710 | 9.0% | 3.7% | 6.8% | 0.5% |
| Shipping | 73 | 60 | 57 | -21.6% | -4.9% | -14.2% | 0.0% |
| Aviation | 225 | 420 | 401 | 78.4% | -4.5% | 41.7% | 0.3% |
| Professional Services | 1,186 | 1,453 | 1,422 | 19.9% | -2.2% | 5.6% | 1.1% |
| Trade | 7,201 | 8,603 | 8,431 | 17.1% | -2.0% | 2.8% | 6.4% |
| Wholesale Trade (other than food procurement) | 3,661 | 4,294 | 4,208 | 14.9% | -2.0% | 6.1% | 3.2% |
| Retail Trade | 3,540 | 4,309 | 4,223 | 19.3% | -2.0% | -0.2% | 3.2% |
| Commercial Real Estate | 2,948 | 3,324 | 3,312 | 12.3% | -0.4% | 5.3% | 2.5% |
| Non-Banking Financial Companies (NBFCs) | 11,143 | 14,241 | 13,772 | 23.6% | -3.3% | 3.5% | 10.4% |
| Housing Finance Companies (HFCs) | 3,117 | 3,302 | 3,168 | 1.7% | -4.0% | 0.7% | 2.4% |
| Public Financial Institutions (PFIs) | 1,453 | 1,926 | 1,828 | 25.8% | -5.1% | 4.1% | 1.4% |
| Other Services | 6,527 | 7,955 | 7,827 | 19.9% | -1.6% | 10.4% | 5.9% |
| Personal Loans | 35,942 | 42,610 | 42,564 | 18.4% | -0.1% | 4.2% | 32.2% |
| Consumer Durables | 190 | 214 | 212 | 11.7% | -1.2% | 5.6% | 0.2% |
| Housing (Including Priority Sector Housing) | 17,675 | 20,000 | 19,985 | 13.1% | -0.1% | 3.2% | 15.1% |
| Advances agst FD (incl. FCNR (B), NRNR Dep etc.) | 880 | 1,204 | 1,093 | 24.2% | -9.3% | -10.4% | 0.8% |
| Advances to Individuals against share, bonds, etc. | 65 | 69 | 67 | 3.8% | -3.1% | -0.8% | 0.1% |
| Credit Card Outstanding | 1,628 | 2,094 | 2,136 | 31.2% | 2.0% | 9.9% | 1.6% |
| Education | 861 | 1,018 | 1,032 | 19.9% | 1.3% | 6.5% | 0.8% |
| Vehicle Loans | 4,370 | 5,234 | 5,294 | 21.2% | 1.1% | 5.8% | 4.0% |
| Loans against gold jewellery | 778 | 953 | 957 | 23.1% | 0.4% | 8.3% | 0.7% |
| Other Personal Loans | 9,496 | 11,822 | 11,793 | 24.2% | -0.2% | 5.3% | 8.9% |

Source: RBI, I-Sec research

Note: Data on sectoral deployment of bank credit collected from select 40 scheduled commercial banks, accounting for ~93% of the total non-food credit deployed by all scheduled commercial banks.

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 2: Industry loan breakup

| Industry (INR bn) | Jul-2022 | Jun-2023 | Jul-2023 | Y/Y % Chg | M/M % Chg | YTD % | % of total |
|---|---------------|---------------|---------------|-------------|--------------|-------------|--------------|
| Mining & Quarrying (incl. Coal) | 505 | 529 | 513 | 1.6% | -3.0% | -12.8% | 0.4% |
| Food Processing | 1,690 | 1,872 | 1,769 | 4.7% | -5.5% | -3.3% | 1.3% |
| Sugar | 218 | 222 | 197 | -9.3% | -10.9% | -13.7% | 0.1% |
| Edible Oils & Vanaspati | 164 | 197 | 185 | 13.1% | -6.0% | -6.1% | 0.1% |
| Tea | 58 | 55 | 54 | -6.7% | -2.3% | 5.0% | 0.0% |
| Others | 1,250 | 1,398 | 1,332 | 6.6% | -4.7% | -1.4% | 1.0% |
| Beverage & Tobacco | 171 | 224 | 223 | 30.2% | -0.5% | -4.7% | 0.2% |
| Textiles | 2,140 | 2,376 | 2,320 | 8.4% | -2.3% | 1.8% | 1.8% |
| Cotton Textiles | 831 | 938 | 913 | 9.8% | -2.7% | 0.2% | 0.7% |
| Jute Textiles | 36 | 39 | 37 | 1.0% | -7.1% | -5.1% | 0.0% |
| Man-Made Textiles | 384 | 420 | 406 | 5.9% | -3.3% | 0.7% | 0.3% |
| Other Textiles | 889 | 978 | 965 | 8.5% | -1.4% | 4.3% | 0.7% |
| Leather & Leather Products | 114 | 120 | 116 | 1.5% | -3.0% | -0.6% | 0.1% |
| Wood & Wood Products | 170 | 208 | 205 | 21.1% | -1.1% | 2.8% | 0.2% |
| Paper & Paper Products | 411 | 434 | 424 | 3.1% | -2.3% | -1.5% | 0.3% |
| Petroleum, Coal Products & Nuclear Fuels | 1,136 | 1,303 | 1,131 | -0.4% | -13.2% | -24.3% | 0.9% |
| Chemicals & Chemical Products | 2,103 | 2,201 | 2,097 | -0.3% | -4.7% | -3.1% | 1.6% |
| Fertiliser | 355 | 375 | 314 | -11.5% | -16.1% | -7.0% | 0.2% |
| Drugs & Pharmaceuticals | 623 | 698 | 672 | 8.0% | -3.7% | 0.2% | 0.5% |
| Petro Chemicals | 215 | 212 | 211 | -1.7% | -0.4% | 2.2% | 0.2% |
| Others | 910 | 916 | 899 | -1.2% | -1.8% | -5.2% | 0.7% |
| Rubber, Plastic & their Products | 725 | 792 | 782 | 7.9% | -1.3% | -1.1% | 0.6% |
| Glass & Glassware | 61 | 83 | 81 | 32.6% | -2.5% | -0.4% | 0.1% |
| Cement & Cement Products | 494 | 567 | 568 | 15.0% | 0.1% | 0.3% | 0.4% |
| Basic Metal & Metal Product | 2,996 | 3,557 | 3,549 | 18.5% | -0.2% | 3.3% | 2.7% |
| Iron & Steel | 1,970 | 2,356 | 2,358 | 19.7% | 0.1% | 3.0% | 1.8% |
| Other Metal & Metal Product | 1,026 | 1,201 | 1,191 | 16.1% | -0.8% | 3.9% | 0.9% |
| All Engineering | 1,655 | 1,851 | 1,830 | 10.5% | -1.1% | 4.4% | 1.4% |
| Electronics | 395 | 442 | 443 | 12.0% | 0.1% | 5.9% | 0.3% |
| Others | 1,260 | 1,408 | 1,387 | 10.1% | -1.5% | 3.9% | 1.1% |
| Vehicles, Vehicle Parts & Transport Equipment | 914 | 1,018 | 1,014 | 11.0% | -0.4% | 5.0% | 0.8% |
| Gems & Jewellery | 737 | 802 | 847 | 15.0% | 5.5% | 9.0% | 0.6% |
| Construction | 1,169 | 1,303 | 1,249 | 6.8% | -4.2% | 1.6% | 0.9% |
| Infrastructure | 12,145 | 12,325 | 12,326 | 1.5% | 0.0% | 2.5% | 9.3% |
| Power | 6,271 | 6,246 | 6,163 | -1.7% | -1.3% | -0.7% | 4.7% |
| Telecommunications | 1,291 | 1,244 | 1,313 | 1.8% | 5.6% | 18.0% | 1.0% |
| Roads | 2,796 | 2,938 | 2,951 | 5.5% | 0.4% | 3.6% | 2.2% |
| Airports | 1,505 | 1,611 | 1,604 | 6.6% | -0.4% | 2.4% | 1.2% |
| Ports | 2,486 | 2,678 | 2,608 | 4.9% | -2.6% | 7.9% | 2.0% |
| Railways (other than Indian Railways) | 31,820 | 34,241 | 33,471 | 5.2% | -2.2% | 0.3% | 25.4% |
| Other Infrastructure | 12,145 | 12,325 | 12,326 | 1.5% | 0.0% | 2.5% | 9.3% |
| Other Industries | 2,486 | 2,678 | 2,608 | 4.9% | -2.6% | 7.9% | 2.0% |
| Industries | 31,820 | 34,241 | 33,471 | 5.2% | -2.2% | 0.3% | 25.4% |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 3: Growth across verticals (YoY growth)

| (%) | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Non-food Credit | 13.9 | 14.8 | 15.7 | 17.1 | 16.4 | 15.3 | 16.7 | 15.9 | 15.4 | 16.1 | 15.6 | 16.3 | 14.8 |
| Agriculture & Allied Activities | 13.2 | 13.4 | 13.4 | 13.6 | 13.8 | 11.5 | 14.4 | 14.9 | 15.4 | 16.7 | 16.0 | 19.7 | 16.8 |
| Industry (Micro & Small, Medium & Large) | 10.5 | 11.4 | 12.6 | 13.6 | 13.1 | 8.7 | 8.7 | 7.0 | 5.7 | 7.0 | 6.0 | 8.1 | 5.2 |
| Services | 16.7 | 17.2 | 20.0 | 22.5 | 21.3 | 19.6 | 21.5 | 20.7 | 19.8 | 21.6 | 21.4 | 26.7 | 19.4 |
| Personal Loans | 18.7 | 19.5 | 19.6 | 20.2 | 19.7 | 20.2 | 20.4 | 20.4 | 20.6 | 19.4 | 19.2 | 20.9 | 18.4 |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 4: Retail (YoY growth)

| (%) | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Credit Card Outstanding | 27.8 | 27.3 | 27.2 | 28.4 | 25.0 | 27.0 | 29.6 | 29.2 | 30.9 | 29.7 | 29.9 | 36.0 | 31.2 |
| Education | 10.2 | 11.0 | 12.0 | 12.3 | 12.9 | 13.2 | 15.7 | 16.0 | 17.1 | 18.0 | 18.3 | 19.4 | 19.9 |
| Vehicle Loans | 19.2 | 19.5 | 19.9 | 22.1 | 22.5 | 24.7 | 25.5 | 23.4 | 24.8 | 23.1 | 22.2 | 22.9 | 21.2 |
| Loans against gold jewellery | 6.0 | 8.2 | 11.8 | 15.5 | 17.7 | 11.2 | 14.9 | 20.0 | 19.6 | 20.4 | 22.1 | 26.0 | 23.1 |
| Other Personal Loans | 22.6 | 23.1 | 24.4 | 24.0 | 23.0 | 23.9 | 25.6 | 25.8 | 25.9 | 24.0 | 23.2 | 26.1 | 24.2 |
| Total | 18.7 | 19.5 | 19.6 | 20.2 | 19.7 | 20.2 | 20.4 | 20.4 | 20.6 | 19.4 | 19.2 | 20.9 | 18.4 |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

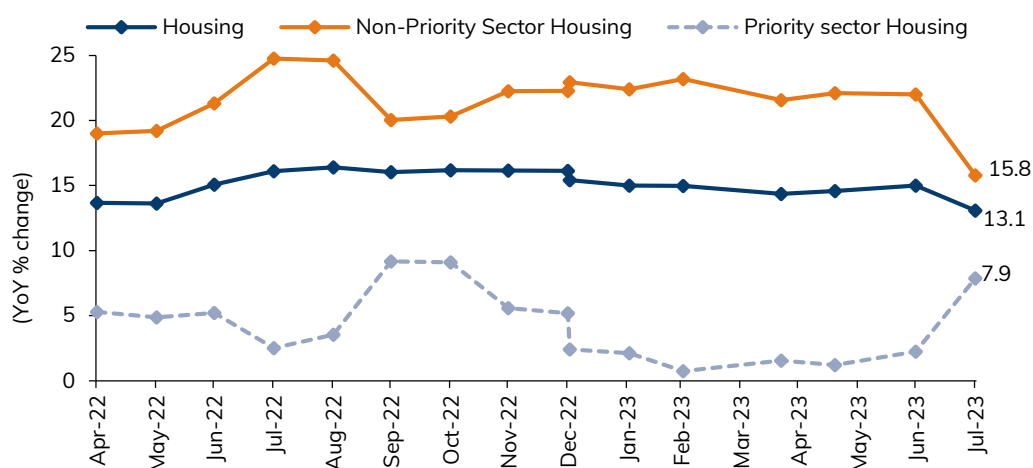
Exhibit 5: Housing loan breakup (YoY growth)

| (%) | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Housing | 16.1 | 16.4 | 16.0 | 16.2 | 16.2 | 16.1 | 15.4 | 15.0 | 15.0 | 14.3 | 14.6 | 15.0 | 13.1 |
| Non-Priority sector Housing | 24.7 | 24.6 | 20.0 | 20.3 | 22.3 | 22.3 | 22.9 | 22.4 | 23.2 | 21.6 | 22.1 | 22.0 | 15.8 |
| Priority sector Housing | 2.5 | 3.5 | 9.2 | 9.1 | 5.6 | 5.2 | 2.4 | 2.1 | 0.7 | 1.6 | 1.2 | 2.2 | 7.9 |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 6: Moderation in overall housing growth and even sharper moderation in non-PSL housing credit growth



Source: Company data, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 7: Services (YoY growth)

| (%) | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Transport Operators | 9.6 | 9.7 | 12.1 | 13.3 | 10.7 | 11.5 | 12.8 | 13.3 | 13.4 | 18.6 | 19.1 | 23.7 | 20.8 |
| Trade | 14.2 | 16.9 | 21.3 | 17.0 | 16.0 | 13.7 | 16.8 | 16.7 | 17.8 | 18.2 | 17.5 | 17.3 | 17.1 |
| Commercial Real Estate | 3.6 | 4.8 | 6.7 | 10.2 | 7.2 | 5.1 | 7.6 | 8.5 | 8.0 | 9.1 | 6.6 | 11.3 | 12.3 |
| Non-Banking Financial Companies (NBFCs) | 24.6 | 27.8 | 30.6 | 38.0 | 33.0 | 35.5 | 31.0 | 32.4 | 30.2 | 29.2 | 27.6 | 35.1 | 23.6 |
| Other services | 21.4 | 12.9 | 14.4 | 15.8 | 22.7 | 13.8 | 23.7 | 17.5 | 15.8 | 23.5 | 26.6 | 33.8 | 19.9 |
| Total | 16.7 | 17.2 | 20.0 | 22.5 | 21.3 | 19.6 | 21.5 | 20.7 | 19.8 | 21.6 | 21.4 | 26.7 | 19.4 |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

Exhibit 8: Industry (YoY growth)

| (%) | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|---------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Micro & Small | 27.9 | 28.2 | 27.1 | 20.4 | 19.6 | 13.7 | 15.2 | 13.2 | 12.4 | 9.7 | 9.5 | 13.0 | 10.2 |
| Medium | 37.5 | 35.6 | 36.2 | 31.0 | 29.7 | 15.4 | 18.1 | 13.5 | 12.2 | 19.1 | 18.9 | 13.2 | 9.7 |
| Large | 5.1 | 6.4 | 7.9 | 10.9 | 10.5 | 7.0 | 6.5 | 5.0 | 3.6 | 5.3 | 3.9 | 6.4 | 4.3 |
| Total | 10.5 | 11.4 | 12.6 | 13.6 | 13.1 | 8.7 | 8.7 | 7.0 | 5.7 | 7.0 | 6.0 | 8.1 | 5.2 |

Source: RBI, I-Sec research

Note: We have excluded the impact of merger of a non-bank with a bank to make data comparable.

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