

FIRST LIGHT

RESEARCH

Banking | Credit Tracker

Credit growth remains sluggish

SUMMARY

Banking: Credit Tracker

RBI data shows that credit growth for the fortnight ended 05 July remained subdued at 12% YoY, while deposit growth was stable at 10.3%. For Q4FY19, credit grew ~15% YoY but has been moderating thereafter due to anaemic corporate credit growth, sluggish lending to NBFCs and a slowdown in unsecured retail credit. Growth in investments continued to falter at ~2% YoY, while SLR held at ~26%. Credit growth is expected to remain elusive in FY20 despite the shift in pricing power from NBFCs to banks.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	630
GAIL*	Buy	245
ONGC	Buy	230
TCS	Add	2,360
HPCL	Sell	210

*GAIL target price is adjusted for the 1:1 bonus issue

MID-CAP IDEAS

Company	Rating	Target
Balkrishna Ind	Buy	1,290
Future Supply	Buy	780
Greenply Industries	Buy	245
Laurus Labs	Buy	495
PNC Infratech	Buy	235

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	2.05	(6bps)	(5bps)	(82bps)
India 10Y yield (%)	6.35	1bps	(59bps)	(141bps)
USD/INR	68.82	(0.2)	1.6	(0.3)
Brent Crude (US\$/bbl)	63.66	(1.1)	4.5	(12.7)
Dow	27,220	(0.4)	4.2	8.0
Shanghai	2,932	(0.2)	1.5	5.2
Sensex	39,216	0.2	0.7	7.8
India FII (US\$ mn)	16 Jul	MTD	CYTD	FYTD
FII-D	114.9	1,328.5	2,756.7	2,212.1
FII-E	(52.3)	(822.2)	10,516.7	3,671.5

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BANKING

Credit Tracker

18 July 2019

Credit growth remains sluggish

RBI data shows that credit growth for the fortnight ended 05 July remained subdued at 12% YoY, while deposit growth was stable at 10.3%. For Q4FY19, credit grew ~15% YoY but has been moderating thereafter due to anaemic corporate credit growth, sluggish lending to NBFCs and a slowdown in unsecured retail credit. Growth in investments continued to falter at ~2% YoY, while SLR held at ~26%. Credit growth is expected to remain elusive in FY20 despite the shift in pricing power from NBFCs to banks.

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Deposit growth stable at 10%: Deposit growth for the fortnight ended 05 July was stable at 10.3% YoY, in keeping with the trend seen over the past couple of quarters. Deposit growth continues to lag credit growth which we believe has lent banks an opportunity to marginally reduce their term deposit rates over the last few months. In absolute terms, deposits grew by Rs 1.8tn FoF to Rs 127tn.

Credit growth still subdued: As per RBI data, credit growth for the fortnight ended 05 July stood at 12% YoY. In absolute terms, credit offtake grew by Rs 0.5tn FoF to Rs 97tn. RBI data on sectoral deployment of credit for May'19 suggests that while corporate loan growth was low at 6.4% YoY, it is showing gradual signs of revival. Retail loan growth at 16.9% YoY for May'19 has reduced by ~200bps from its recent peak in Apr'18 given slower growth in unsecured retail credit products such as credit cards.

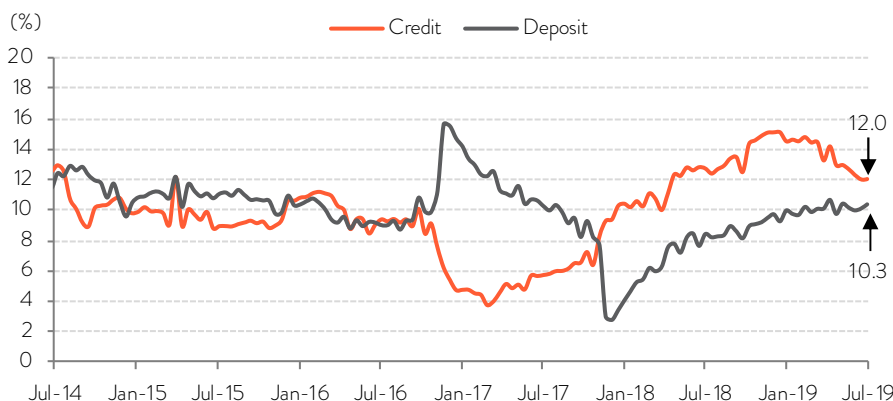
Expect sub-15% loan growth in FY20: We do not expect any material improvement in credit growth for FY20. However, market share gains by private banks are likely to continue.

KEY DATA

Particulars	06-Jul-18	05-Jul-19
Deposits (Rs trn)	114.9	126.7
YoY growth (%)	8.4	10.3
YTD growth (%)	29.7	31.1
Loans (Rs trn)	86.6	97.0
YoY growth (%)	12.7	12.0
YTD growth (%)	27.3	29.3
CD ratio (%)	75.4	76.5
SLR ratio (%)	28.2	26.2

Source: RBI, BOBCAPS Research

FIG 1 – CREDIT AND DEPOSIT GROWTH IN BANKING SYSTEM



Source: RBI, BOBCAPS Research



Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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