

Business momentum remains sluggish

RBI data shows that credit and deposit growth for the fortnight ended 13 September were both weak at 10% YoY. Credit growth has been moderating over the past few quarters due to anaemic corporate demand, sluggish lending to NBFCs and a slowdown in unsecured retail credit. Investment growth was bleak at ~3% YoY while SLR held at ~26%. Loan growth is expected to remain elusive in FY20 despite the shift in pricing power to banks from NBFCs.

Deposit growth remains at 10%: Deposit growth for the fortnight ended 13 September held at 10% 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 lower their term deposit rates over the last few months. In absolute terms, deposits declined by Rs 0.6tn FoF to Rs 127tn.

Credit growth remains subdued: As per RBI data, credit growth for the fortnight ended 13 September grew 10% YoY. In absolute terms, credit offtake grew by Rs 0.2tn FoF to Rs 97tn. RBI data on sectoral deployment of credit for Jul'19 suggests that while corporate loan growth was low at 6.1% YoY, it is showing gradual signs of revival. Retail loan growth at 17% YoY for Jul'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.

Vikesh Mehta

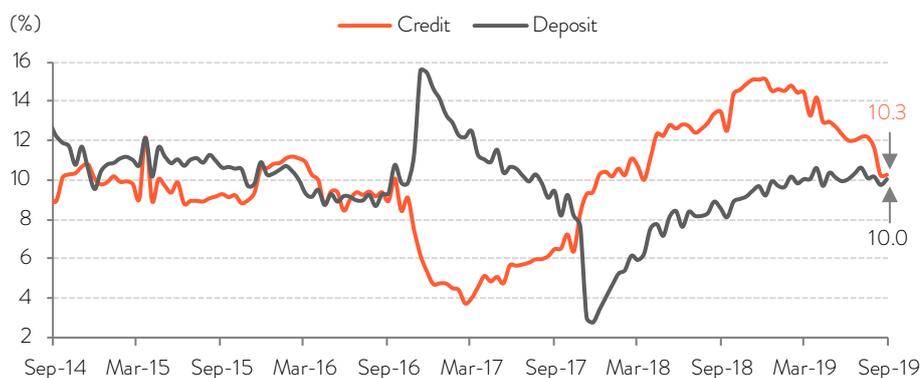
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KEY DATA

Particulars	14-Sep-18	13-Sep-19
Deposits (Rs trn)	115.6	127.2
YoY growth (%)	8.5	10.0
YTD growth (%)	1.2	1.2
Loans (Rs trn)	88.0	97.0
YoY growth (%)	13.5	10.3
YTD growth (%)	2.0	(0.7)
CD ratio (%)	76.1	76.2
SLR ratio (%)	27.9	26.3

Source: RBI, BOBCAPS Research

FIG 1 – CREDIT AND DEPOSIT GROWTH IN BANKING SYSTEM



Source: RBI, BOBCAPS Research

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BUY – Expected return >+15%

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

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

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